

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
UNITED REPUBLIC OF TANZANIA

Development Credit Agreement—*Flue-Cured Tobacco Project*
(with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and the National Development Credit Agency, the Tanganyika Tobacco Board and the Tanzania Tobacco Processing Company Limited). Signed at Washington on 9 October 1970

Authentic text : English.

Registered by the International Development Association on 26 February 1971.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
RÉPUBLIQUE-UNIE DE TANZANIE

Contrat de crédit de développement — *Projet relatif au tabac traité par séchage* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et la National Development Credit Agency, la Tanganyika Tobacco Board et la Tanzania Tobacco Processing Company Limited). Signé à Washington le 9 octobre 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 26 février 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated October 9, 1970 between UNITED REPUBLIC OF TANZANIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the National Development Credit Agency (hereinafter called NDCA) has been established by the National Co-operative and Development Bank Act, 1964, of the Borrower with the purpose *inter alia* of providing credit for agricultural purposes;

WHEREAS the Tanganyika Tobacco Board (hereinafter called TTB), a statutory body corporate established by the Agricultural Products (Tanganyika Tobacco Board) Order, 1963, of the Borrower, is charged *inter alia* with the control and regulation of the marketing of tobacco grown in the territories of Tanganyika;

WHEREAS the Tanzania Tobacco Processing Company Limited (hereinafter called TTPC), a company incorporated under the Companies Ordinance (Cap. 212) of the Borrower in October 1966, is charged *inter alia* with the processing of tobacco;

WHEREAS the Borrower has requested, in conformity with the Borrower's policy on Ujamaa villages, the Association to assist in the financing of a flue-cured tobacco development project described in Schedule 2 to this Agreement; and

WHEREAS the Association has agreed to make a credit to the Borrower for the said project upon the terms and conditions set forth herein and in a project agreement of even date herewith² between the Association, NDCA, TTB and TTPC;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following

¹ Came into force on 1 February 1971, upon notification by the Association to the Government of Tanzania.

² See p. 70 of this volume.

³ *Ibid.*

modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions) :

(a) The following subparagraph is added to Section 2.01 :

“ 13. The term ‘ Project Agreement ’ shall have the meaning set forth in the Development Credit Agreement.”

(b) Section 8.02 is amended by inserting the words “ or under the Project Agreement ” after the words “ the Development Credit Agreement ”.

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) “ Project Agreement ” means the agreement of even date herewith between the Association, NDCA, TTB and TTPC, as the same may be amended or supplemented from time to time by agreement between the Borrower, the Association, NDCA, TTB and TTPC.

(b) “ Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and NDCA referred to in Section 4.05 of this Agreement, as the same may be amended or supplemented from time to time with the approval of the Association.

(c) “ Subsidiary Loan ” means the financing provided for in the Subsidiary Loan Agreement.

(d) “ Tobacco Project Group ” means the organizational unit established under the Project as described in Part A (7) of Schedule 2 to this Agreement.

(e) “ Village ” means any village established under the Project as described in Part A (1) of Schedule 2 to this Agreement.

(f) “ Village Complex ” means any complex composed of about ten Villages as described in Part A (1) of Schedule 2 to this Agreement.

(g) “ Cooperative Society ” means any cooperative society established under the Project as described in Part A (2) of Schedule 2 to this Agreement.

(h) “ Marketing and Processing Study ” means the feasibility study specified in Section 4.07 (a) of this Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to nine million dollars (\$9,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I and II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;
- (ii) the equivalent of thirty per cent (30%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category III of said allocation of the proceeds of the Credit; and
- (iii) the equivalent of sixty per cent (60%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category IV of said allocation of the proceeds of the Credit;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories III and IV, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category; and provided further that, except as the Association shall otherwise agree, no withdrawals shall be made on account of expenditures incurred after June 30, 1976.

Section 2.04. (a) No withdrawals from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in Categories I and II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement.

(b) Except as shall be otherwise agreed between the Borrower and the Association, no withdrawals shall be made on account of expenditures under Category IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement unless agreement between the Borrower and the Association on the implementation of the findings and recommendations of the Marketing and Processing Study shall have been reached.

(c) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account may be made on account of payments made prior to the date of this Agreement but after March 15, 1970 for land planning, including aerial survey of parts of the Project Area, and for long-term NDCA credits for the Marketing and Processing Study, to be financed out of the proceeds of the Credit.

Section 2.05. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each April 1 and October 1 commencing October 1, 1980 and ending April 1, 2020, each installment to and including the installment payable on April 1, 1990 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply, or cause to be applied, the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods and services (other than consultants' services) to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in August 1969, except for goods referred to in paragraphs (3) and (4) of Schedule 3 to this Agreement, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out the Project or cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, agricultural, engineering and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall take all actions necessary on its part to enable NDCA, TTB and TTPC to perform their obligations under the Project Agreement and shall not take any action that would interfere with the performance of any such obligations by NDCA, TTB or TTPC.

Section 4.02. (a) Except as the Association shall otherwise agree, the Borrower shall appoint as the head of the Tobacco Project Group a Tobacco Project Officer, whose experience and qualifications for such position shall be satisfactory to the Borrower and the Association. The Borrower shall appoint as additional members of the Tobacco Project Group (i) a Senior Planning Officer, whose experience and qualifications for such position shall be satisfactory to the Borrower and the Association, (ii) a Senior Accountant to be employed after consulting the Association sufficiently in advance of the appointment for the Association to have adequate opportunity to comment on the suitability of the individual proposed for such position, and (iii) such supporting technical, accounting and secretarial staff as may be necessary for the purposes of the Tobacco Project Group.

(b) Except as the Association shall otherwise agree, the Borrower shall, to assist the Tobacco Project Group in the carrying out of its functions, designate by name a Forest Officer, a Water Engineer and a Roads Engineer within the

appropriate ministries or departments of the Borrower to be stationed in Tabora and to be available on a part-time basis for the Project as a first priority whenever their assistance shall be requested by the Tobacco Project Officer mentioned in paragraph (a) above.

(c) Except as the Association shall otherwise agree, the Borrower shall employ the following resident extension service staff:

- (i) for each Village Complex one Field Officer, assisted by an Assistant Field Officer and two Assistant Foresters;
- (ii) for each Cooperative Society, for a period of not less than five years after its establishment, a Cooperative Inspector;
- (iii) for each Village, one Assistant Field Officer, assisted during the first year of settlement of such Village by a newly qualified Assistant Field Officer; and
- (iv) such additional extension and supporting staff as may be necessary for the proper supervision of agricultural production in the Villages.

(d) Except as the Association shall otherwise agree, the Borrower shall cause the Field Officers and Assistant Field Officers mentioned in paragraph (c) above, before being assigned to Village Complexes or Villages, to receive adequate training in the production, curing and grading of flue-cured tobacco.

(e) Except as the Association shall otherwise agree, the Borrower shall employ consultants acceptable to the Association, upon terms and conditions acceptable to the Association, to carry out the aerial survey referred to under Part A (6) of the Project.

Section 4.03. (a) Except as the Association shall otherwise agree, the Borrower shall ensure that any farmer in any of the Villages who proposes to grow more than two acres of tobacco in any year shall be allowed to do so only if the resident Field Officer mentioned in Section 4.02 (c) (i) of this Agreement shall have satisfied himself that such farmer is fully capable of handling the increased crop.

(b) Except as the Association shall otherwise agree, the Borrower shall ensure that until the date, when Part A (1) of the Project shall have been completed, no flue-cured tobacco development, other than the Project and completion or improvement of existing developments, shall be carried out in the Tabora and Mpanda Districts of the Tabora Region and the Chunya District of the Mbeya Region.

(c) Until the date referred to in the preceding paragraph (b), the Borrower shall not settle more farmers in the Villages in any one year than the numbers set forth in the Annex to Schedule 2 to this Agreement, unless the Borrower shall be satisfied that it can provide all the necessary services; provided, however, that the annual total of farmers settled shall not exceed such numbers by more than 20% without the prior approval of the Association.

(d) The Borrower shall ensure that all farmers in the Villages shall be

members of a Cooperative Society unless the Association shall otherwise agree.

Section 4.04. (a) Without limiting the generality of Section 4.01 (a) of this Agreement, the Borrower shall make available to the Cooperative Societies, promptly as needed, tractors and other vehicles required for the production of flue-cured tobacco in the Villages, on a rental basis, and one baling shed for each Village, for use by the farmers under the control of the Cooperative Societies.

(b) Except as the Association shall otherwise agree, the Borrower shall ensure that no Cooperative Society shall during the period of five years after its establishment purchase any tractors or other vehicles or any baling sheds and that, after said period shall have expired, only those Cooperative Societies shall be allowed to purchase any such goods, which

- (i) shall be able to provide from their liquid assets as least 25% of the funds required for that purpose, and
- (ii) shall be capable, as determined on the basis of an individual appraisal by NDCA, to operate, maintain and repair said vehicles and buildings economically.

Section 4.05. (a) The Borrower shall enter into a Subsidiary Loan Agreement with NDCA satisfactory to the Association providing for the following financial arrangements :

- (i) The Borrower shall make available to NDCA by way of a grant the part of the proceeds of the Credit withdrawn under Categories I and IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement up to an amount equivalent to one million eight hundred thousand dollars (\$1,800,000), or such other amount as the Borrower and the Association shall agree;
- (ii) The Borrower shall relend to NDCA the part of the proceeds of the Credit withdrawn under such Categories I and IV after the amount specified in the foregoing subparagraph (i) shall have been fully withdrawn by NDCA, at an interest rate of four per cent (4%) per annum, with a term of fourteen years, including a grace period of six years; and
- (iii) Without restriction or limitation upon the provisions of Section 4.01 (a) of this Agreement, the Borrower shall make available to NDCA such additional funds as may be required to enable NDCA to carry out and continue its credit program established as Part C (1) of the Project, at an interest rate of not more than four per cent (4%) per annum, with a term of not less than fourteen years, including a grace period of six years, or on such other terms and conditions as the Borrower and the Association shall from time to time agree.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association, and, except as the Association shall otherwise agree, the Borrower

shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provisions of the Subsidiary Loan Agreement.

Section 4.06. (a) Except as the Association shall otherwise agree, the Borrower shall within one year of the date of this Agreement submit to the Association for its approval an outline research program for its Tumbi Research Station.

(b) Until the completion of the Project, the Borrower shall, prior to the appointment to the Tumbi Research Station of a Senior Research Officer and of any Research Officer, give the Association a reasonable opportunity to comment on the suitability of the individuals proposed for any such position.

Section 4.07. (a) Except as the Association shall otherwise agree, the Borrower shall employ or cause to be employed a team of consultants, acceptable to the Association, upon terms and conditions satisfactory to the Borrower and the Association, to prepare a feasibility study of the storage, auction and processing facilities required for the increased production of flue-cured tobacco expected to result from the execution of the Borrower's flue-cured tobacco development program. The terms of reference for this study shall be acceptable to the Borrower and the Association.

(b) The Borrower shall ensure that the findings and recommendations of the Marketing and Processing Study shall be discussed promptly with the Association and shall not be implemented until agreement thereon has been reached between the Borrower and the Association.

Section 4.08. (a) The Borrower shall take all such action as will be necessary to maintain the quality of all flue-cured tobacco produced in its territories, including the provision of adequate storage, processing and auctioning facilities.

(b) To this end the Borrower and the Association shall, until the completion of the Project, consult annually with each other with regard to the flue-cured tobacco development, other than the Project, in its territories.

Section 4.09. Except as the Association shall otherwise agree, the Borrower shall insure or cause to be insured the imported goods to be financed out of the proceeds of the Credit, against marine and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity under such insurance to be payable in a currency freely usable to replace or repair such goods.

Section 4.10. The Borrower shall : (i) maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds

of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and the expenditure of the proceeds of the Credit and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of NDCA, TTB, TTPC, the Cooperative Societies and of all departments and agencies of the Borrower responsible for carrying out any part of the Project; (ii) enable accredited representatives of the Association to inspect the Project and the farms and other facilities included therein, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods and services financed out of the proceeds of the Credit, the Project, and the administration and operations in respect of the Project, of NDCA, TTB, TTPC, the Cooperative Societies and of all departments and agencies of the Borrower responsible for carrying out any part of the Project.

Section 4.11. The Borrower shall: (i) ensure that the accounts of the Tobacco Project Group (including the accounts for extension services and Tumbi Research Station), NDCA, TTB, TTPC and each of the Cooperative Societies are audited for each fiscal year by independent auditors acceptable to the Association, in accordance with sound auditing principles consistently applied; (ii) furnish, or cause to be furnished, to the Association, as soon as available but, in any case, not later than six months in the case of NDCA, and four months in the case of the other such entities, after the close of each such year, an audit report by the said auditors of such scope and in such detail as the Association shall have reasonably requested, and certified copies of the audited accounts of NDCA, TTB and TTPC, and a summary of the audited accounts of each of the Cooperative Societies, for such fiscal year; and (iii) furnish, or cause to be furnished, to the Association such other information concerning the accounts of the said entities and the audit thereof as the Association shall from time to time reasonably request.

Section 4.12. (a) The Borrower and the Association shall cooperate fully to assure that the purpose of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof, and each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the balance of payments position of the Borrower.

(b) The Borrower shall promptly inform the Association of any condition

which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the carrying out of the Project or the maintenance of the service of the Credit.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.13. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.14. This Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) NDCA, TTB or TTPC shall have failed to perform any of its obligations under the Project Agreement and such event shall have continued for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and NDCA, TTB or TTPC, respectively;
- (b) before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have taken any action for the dissolution or disestablishment of any of NDCA, TTB or TTPC or for the suspension of its operations, unless prior thereto the Borrower and the Association shall have reached agreement on the arrangements to be made in order to replace such entity by an organization which will assume and perform all the obligations of such entity under the Project Agreement upon said dissolution, disestablishment or suspension; and

- (c) before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have suspended, terminated, repealed or amended the National Co-operative and Development Bank Act, 1964, the Agricultural Products (Control and Marketing) Act, 1962, the Agricultural Products (Tanganyika Tobacco Board) (Amendment) Order 1965, the Co-operative Societies Act, 1968, all of the Borrower, or the Memorandum and Articles of Association of Tanzania Tobacco Processing Company Limited of October 19, 1966, in such a way as to alter substantially the organization, powers or responsibilities of NDCA, TTB, TTPC or any Co-operative Society, respectively, so as to affect adversely the Project.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) the execution and delivery of the Project Agreement on behalf of NDCA, TTB and TTPC have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the Subsidiary Loan Agreement has been duly executed and has become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of the Development Credit Agreement;
- (c) the Borrower has employed the Tobacco Project Officer and the Senior Planning Officer provided for in Section 4.02 (a) of this Agreement;
- (d) NDCA has employed the Financial Analyst provided for in Section 2.02 of the Project Agreement; and
- (e) TTB has employed the Chief Marketing Officer provided for in Section 3.02 of the Project Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association :

- (a) the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, NDCA, TTB and TTPC and constitutes a valid and binding obligation of NDCA, TTB and TTPC, in accordance with its terms; and

- (b) the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto, and constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

Section 6.03. The date of January 15, 1971, is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02 (c) and (d), 4.03 (a) and (d), 4.04, 4.05, 4.08 (a), 4.10 and 4.11 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date 20 years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be September 30, 1976, or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of the Borrower for the time being responsible for finance is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

The Principal Secretary
The Treasury
P. O. Box 9111
Dar es Salaam
United Republic of Tanzania
Alternative address for cables :
Treasury
Dar es Salaam

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Alternative address for cables :
Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

United Republic of Tanzania :

By G. M. RUTABANZIBWA

Authorized Representative

International Development Association :

By J. BURKE KNAPP

Vice President.

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amount Expressed in Dollar Equivalent</i>
I. (1) Medium-term NDCA loans for on-farm development . . .	2,120,000
(2) Incremental short-term NDCA loans for seasonal on-farm inputs	1,340,000
(3) Long-term NDCA loans for extension to processing facilities prior to March 1, 1971	510,000
(4) Long-term NDCA loans for feasibility study of storage, auction and processing facilities	60,000
II. (1) Vehicles for earth moving unit	100,000
(2) Tractors and other vehicles for field staff, including research and training staff	320,000
(3) Aerial survey and related items	60,000
(4) Services of expatriate staff and training abroad	830,000
III. (1) Operating costs of earth moving unit, excluding depreciation; and water supply construction	160,000
(2) Housing, buildings and furniture for field staff	300,000
(3) Services of field staff, other than expatriate staff	700,000
IV. Storage, auction and processing facilities	1,500,000
V. Unallocated	1,000,000
TOTAL	<u>9,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to IV, or in any of the sub-Categories included therein, shall decrease, the amount of the

Credit then allocated to, and no longer required for, such Category or sub-Category will be reallocated by the Association to Category V.

2. If the estimate of the cost of the items included in any of the Categories I to IV, or in any of the sub-Categories included therein, shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category III, or in any of the sub-Categories included therein, an amount equal to 30% of such increase and in the case of Category IV an amount equal to 60% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category or sub-Category from Category V, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in any of the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's flue-cured tobacco development program. It covers the settlement of farmers during the five years from 1970/71 to 1974/75 in the Tabora and Mpanda Districts of the Tabora Region and the Chunya District of the Mbeya Region, the full development of such settlement during the nine years from 1970/71 to 1978/79 and the provision of marketing and processing facilities. The Project consists of the following parts :

Part A. Field Development

- (1) Settlement of about 15,000 farmers in about 150 Villages, arranged in complexes of about 10 Villages each, each Village to have enough land to allow at least 10 acres of good tobacco land and 30 acres of mature woodland for each farmer.
- (2) Establishment of Cooperative Societies, at the rate of about one per Village Complex, to handle the distribution of credit for on-farm seasonal inputs and infrastructure, and to supervise the baling of cured tobacco.
- (3) Construction of communal infrastructure, including approximately 225 miles of extraction roads, approximately 750 miles of access tracks, water supplies and baling centers for each Village.
- (4) Construction of adequate curing barns and grading sheds in the Villages.
- (5) Planting of one acre of flue-cured tobacco per farmer in the first year after occupancy and of two acres in each subsequent year in the Villages.
- (6) Aerial survey of parts of the Project Area.
- (7) Establishment of an organizational unit within the Borrower's Ministry of Agriculture, Food and Cooperatives ("Tobacco Project Group") to plan

and manage the Project, including provision of staff, buildings, vehicles and other equipment.

- (8) Provision of extension services for Village farmers and Cooperative Societies, and related housing and vehicles.
- (9) Provision of infrastructure, vehicles, equipment and staff for research and training at the Tumbi Research Station.

The Project shall be phased approximately as shown in the Annex to this Schedule 2, subject to modification in accordance with the provisions of Section 4.03 (c) of this Agreement or by further agreement between the Borrower and the Association.

Part B. Development of Marketing and Processing

- (1) Construction of tobacco auction floors and additional tobacco storage capacity and expansion of existing tobacco processing facilities at Morogoro.
- (2) Carrying out of a feasibility study for (1) above ("Marketing and Processing Study").
- (3) Employment of specialists as Chief Marketing Officer and Chief Accountant for TTB.

Part C. Provision of Credit

- (1) Provision of Credit required for Parts A (4), A (5), B (1) and B (2) above.
- (2) Employment of specialists as Financial Analyst and a Chief Accountant for NDCA.

The Project is expected to be completed by June 30, 1979.

PHASING OF PROJECT

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	Total
Village complex establishment.	3	6	4	2	—	—	—	—	—	15
Village establishment	18	33	33	33	33	—	—	—	—	150
Farmers settled	1,800	3,300	3,300	3,300	3,300	—	—	—	—	15,000
Incremental tobacco acreage . . .	—	1,800	5,100	6,600	6,600	6,600	3,300	—	—	30,000
Incremental seasonal credit (\$'000 equivalent) . .	—	100	270	360	380	390	220	50	30	1,800

SCHEDULE 3

PROCUREMENT

(1) For contracts estimated to involve an amount in excess of \$20,000 equivalent, other than those referred to under paragraphs (3) and (4) of this Schedule :

- (a) Invitations to bid, specifications, conditions of contract, all other tender documents and the description of the method and places of advertising shall be submitted to the Association for its review and approval prior to the issuance of invitations to bid.
- (b) After bids have been received and analyzed, the analysis of bids and the proposals for awards, together with the reasons for such proposals, shall be submitted to the Association for its review and approval prior to making any award of contract or issuing any letter of intent.
- (c) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under paragraphs (a) and (b) above, the text of the proposed changes will be submitted to the Association for its review and approval prior to the execution of such contract.
- (d) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Association.

(2) For contracts estimated to involve \$20,000 equivalent or less, other than those referred to under paragraphs (3) and (4) of this Schedule, copies of the invitations to bid, the tender documents, the bid analysis and evaluation and copy of the signed contract and such other documents which the Association shall reasonably request will be sent to the Association promptly after the execution of any such contract and prior to the submission to the Association of the first application for withdrawal from the Credit Account in respect of such contract.

(3) It is agreed that contracts for the procurement of goods financed under Category I, sub-Category (3) of Schedule 1 to this Agreement, involving an aggregate amount of \$560,000 equivalent or less, may be placed without competitive bidding with the manufacturers who previously supplied such goods, provided :

- (a) that the terms and conditions of such contracts are acceptable to the Association; and
- (b) that any material relevant to such contracts which the Association shall request will be submitted to the Association for review prior to making any award of contract or issuing any letter of intent.

(4) Water supply, housing and building construction, to be financed under Category III, sub-Categories (1) and (2) of Schedule 1 to this Agreement, shall be procured following local competitive bidding procedures, according to procedures acceptable to the Association.

(5) With respect to all contracts for fertilizers, for the purpose of evaluating bids, bid prices shall be determined in accordance with the following rules :

- (a) The term Local Bid means a bid submitted by a manufacturer, established in the territories of the Borrower, for fertilizers manufactured or processed to a substantial extent (as reasonably determined by the Association) in the territories of the Borrower; any other bid shall be deemed to be a Foreign Bid.
- (b) The bid price under a Local Bid shall be the ex-factory price of the fertilizers.
- (c) The bid price under a Foreign Bid shall be the sum of :
 - (i) an amount representing the c.i.f. landed price of the fertilizers net of any taxes on their importation; and
 - (ii) any such taxes, as generally apply to fertilizers if imported into the territories of the Borrower by non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be lower.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 703, p. 244.*]

PROJECT AGREEMENT

AGREEMENT, dated October 9, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and NATIONAL DEVELOPMENT CREDIT AGENCY (hereinafter called NDCA) and TANGANYIKA TOBACCO BOARD (hereinafter called TTB) and TANZANIA TOBACCO PROCESSING COMPANY LIMITED (hereinafter called TTPC).

WHEREAS by a Development Credit Agreement of even date herewith¹ between the United Republic of Tanzania (hereinafter called the Borrower) and the Association, which agreement, the schedules therein referred to and the General Conditions Applicable to Development Credit Agreements² of the Association made applicable thereto are hereinafter called the Development Credit Agreement, the Association has agreed to assist in the financing of a flue-cured tobacco project of the Borrower by making available to the Borrower an amount in various currencies equivalent to nine million dollars (\$9,000,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition *inter alia* that NDCA, TTB and TTPC agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

¹ See p. 38 of this volume.

² See above.

WHEREAS NDCA, TTB and TTPC in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF NDCA

Section 2.01. NDCA shall carry out Part C of the Project with due diligence and efficiency and shall at all times conduct its operations and affairs in accordance with sound administrative, financial, agricultural and economic practices and under the supervision of experienced and competent management.

Section 2.02. NDCA shall employ a Financial Analyst and a Chief Accountant whose experience and qualifications respectively for such positions and terms of reference shall be satisfactory to the Borrower, the Association and NDCA.

Section 2.03. (a) Except as the Borrower and the Association shall otherwise agree, NDCA shall make the following loans according to the operating policies and procedures of NDCA set forth in Schedule 1 to this Agreement :

- (i) it shall make available the funds, required for financing seasonal on-farm inputs needed for carrying out, and continuing the planting program established under, Part A (5) of the Project, to cooperative societies for on-lending to Village farmers as seasonal loans;
- (ii) it shall make available the funds, required for carrying out Part A (4), and for financing the equipment needed for carrying out Part A (5), of the Project, to cooperative societies for on-lending to Village farmers as medium-term loans; and
- (iii) it shall make available the funds required for carrying out Parts B (1) and B (2) of the Project to TTB or TTPC, as appropriate, as long-term loans.

(b) NDCA shall establish a Revolving Fund to be used exclusively to make the seasonal loans referred to in paragraph (a) (i) above. Except as the Association shall otherwise agree, NDCA shall deposit in such Revolving Fund the amounts received from the cooperative societies as repayment of principal on such seasonal loans.

(c) In granting the loans specified in paragraph (a) of this Section, NDCA shall obtain rights adequate to protect its interests and the interests of the Borrower and the Association.

Section 2.04. NDCA shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Borrower and the Association shall otherwise agree, NDCA shall not take any action or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of that Agreement.

Section 2.05. NDCA shall exercise its rights under the respective agreements providing for the loans specified in Section 2.03 of this Agreement in such manner as to protect the interests of NDCA, the Borrower and the Association, and, except as the Borrower and the Association shall otherwise agree, NDCA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of said agreements.

Article III

PARTICULAR COVENANTS OF TTB AND TTPC

Section 3.01. TTB and TTPC shall carry out Part B of the Project with due diligence and efficiency and shall at all times conduct their operations and affairs in accordance with sound administrative, financial, agricultural, engineering and economic practices and under the supervision of experienced and competent management.

Section 3.02. TTB shall employ (i) a Chief Marketing Officer whose experience and qualifications for such position shall be satisfactory to the Borrower, the Association and TTB; and (ii) a Chief Executive Officer and a Chief Accountant after consulting with the Association sufficiently in advance of their appointment for the Association to have adequate opportunity to comment on their suitability for such positions.

Section 3.03. Except as the Association shall otherwise agree, TTB shall :

- (a) continue its present tobacco marketing arrangements until agreement shall have been reached on the implementation of the findings and recommendations of the Marketing and Processing Study in accordance with the provisions of Section 4.07 (b) of the Development Credit Agreement;
- (b) continue after introduction of any auction arrangements to purchase flue-cured tobacco leaf for sale on its own account over the auction floor from all cooperative societies which shall not yet be capable of selling their crops on their own account, as determined by the Borrower; and
- (c) make arrangements satisfactory to the Association and the Borrower :
 - (i) to manage the auction floor to be established under Part B of the Project; and
 - (ii) to grade flue-cured tobacco leaf at the Cooperative Societies' level for presentation on such auction floor, and to train such staff of the Borrower's Ministry

of Agriculture, Food and Cooperatives, TTB or the Cooperative Societies, as may be required for taking over these functions.

Section 3.04. (a) TTPC shall employ at all times (i) a Factory Manager whose experience and qualifications for such position shall be satisfactory to the Borrower, the Association and TTPC; and (ii) a Managing Director after consulting with the Association sufficiently in advance of his appointment for the Association to have adequate opportunity to comment on his suitability for such position.

(b) Except as the Borrower and the Association shall otherwise agree, TTPC shall employ visiting agents acceptable to the Borrower, the Association and TTPC upon terms and conditions acceptable to the Borrower, the Association and TTPC.

Section 3.05. TTB and TTPC shall duly perform all their obligations under their respective agreements with NDCA providing for the loans referred to in Section 2.03 (a) (iii) of this Agreement. Except as the Borrower, the Association and NDCA shall otherwise agree, TTB and TTPC shall not take any action or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of said agreements.

Article IV

PARTICULAR COVENANTS OF NDCA, TTB AND TTPC

Section 4.01. (a) NDCA, TTB and TTPC shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in the territories of the Borrower in carrying out the Project.

(b) The goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section 3.02 of the Development Credit Agreement and any agreements supplemental thereto.

Section 4.02. Except as the Association shall otherwise agree, NDCA, TTB and TTPC shall each insure or cause to be insured the imported goods to be financed out of the proceeds of the Subsidiary Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity under such insurance to be payable in a currency freely usable to replace or repair such goods.

Section 4.03. NDCA, TTB and TTPC shall : (i) maintain records adequate to identify the goods and services financed out of the proceeds of the Subsidiary Loan, to disclose the use thereof in the Project, to record the progress of the Project and to reflect in accordance with consistently maintained sound accounting practices all financial transactions between any of the Borrower, NDCA, TTB and TTPC in respect of the Project and the operations and financial conditions of NDCA, TTB and

TTPC; and (ii) enable accredited representatives of the Association to inspect the goods financed out of the proceeds of the Subsidiary Loan and any relevant records and documents.

Section 4.04. NDCA, TTB and TTPC shall: (a) have their accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited by independent auditors acceptable to the Association, in accordance with sound auditing principles consistently applied; (b) furnish to the Association, as soon as available but, in any case, not later than six months in the case of NDCA, and four months in the case of TTB and TTPC, after the close of each fiscal year of NDCA, TTB, or TTPC, respectively, certified copies of their audited financial statements for such year and an audit report by the said auditors of such scope and in such detail as the Association shall have reasonably requested; and (c) furnish to the Association such other information concerning the accounts and financial statements of NDCA, TTB and TTPC and the audit thereof as the Association shall from time to time reasonably request.

Section 4.05. NDCA, TTB, TTPC and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other parties all such information as such other parties shall reasonably request.

Section 4.06. NDCA, TTB, TTPC and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. NDCA, TTB and TTPC shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, or the performance by NDCA, TTB and TTPC of their respective obligations under this Project Agreement, or, where appropriate, the carrying out of the provisions of the Development Credit Agreement.

Article V

EFFECTIVE DATE; TERMINATION

Section 5.01. This Project Agreement shall enter into force and effect on the Effective Date. If the Development Credit Agreement shall terminate pursuant to Section 10.04 of the General Conditions, the Association shall promptly notify NDCA, TTB and TTPC of this event and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 5.02. The Project Agreement and all obligations of the Association and of NDCA, TTB and TTPC thereunder shall terminate on the earlier of the following two dates:

- (a) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (b) the later of (i) the date on which the entire principal amount of the portion of the proceeds of the Subsidiary Loan, which shall have been made available to NDCA

according to sub-paragraphs (ii) and (iii) of Section 4.05 (a) of the Development Credit Agreement, shall have been repaid by NDCA to the Borrower in accordance with the Subsidiary Loan Agreement and (ii) a date twenty years after the date of the Project Agreement.

Article VI

MISCELLANEOUS PROVISIONS

Section 6.01. No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 6.02. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram or cablegram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Alternative address for cables :
Indevas
Washington, D.C.

For NDCA :

National Development Credit Agency
Post Office Box 268
Dar es Salaam
United Republic of Tanzania
Alternative address for cables :
Agcredit
Dar es Salaam

For TTB :

Tanganyika Tobacco Board
Post Office Box 832
Dar es Salaam
United Republic of Tanzania

Alternative address for cables :

Tobacco

Dar es Salaam

For TTPC :

Tanzania Tobacco Processing Company Limited

Post Office Box 227

Morogoro

United Republic of Tanzania

Alternative address for cables :

Tumbako

Morogoro

Section 6.03. NDCA, TTB and TTPC shall furnish to the Association sufficient evidence of the authority of the persons who will, on behalf of NDCA, TTB and TTPC respectively, take any action or execute any documents required or permitted to be taken or executed by NDCA, TTB and TTPC pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 6.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association :

By J. BURKE KNAPP

Vice President

National Development Credit Agency :

By G. M. RUTABANZIBWA

Authorized Representative

Tanganyika Tobacco Board :

By G. M. RUTABANZIBWA

Authorized Representative

Tanzania Tobacco Processing Company Limited :

By G. M. RUTABANZIBWA

Authorized Representative

SCHEDULE 1

OPERATING POLICIES AND PROCEDURES OF NDCA

In making the loans referred to in Sections 2.03 (a) of this Agreement, NDCA shall follow the policies and procedures outlined below, as such policies and procedures shall be amended from time to time by NDCA with the approval of the Borrower and the Association.

Eligibility

1. All Cooperative Societies, and such other cooperative societies as may have been joined by any farmers in any of the Villages with the agreement of the Association in accordance with Section 4.03 (d) of the Development Credit Agreement, shall be eligible for seasonal and medium-term NDCA loans. TTB and TTPC shall be eligible for long-term NDCA loans.

NDCA Loans

2. NDCA shall make seasonal loans to each eligible cooperative society of up to 450 Tanzania Shillings for each acre of flue-cured tobacco expected to be planted in any of the Villages by farmer members of such cooperative society in any year, to cover the costs of seasonal on-farm inputs, including replacements for barn flue pipes and fertilizer for maize production.

3. NDCA shall make medium-term loans to each eligible cooperative society of up to 1,300 Tanzania Shillings for each farmer member settled under the Project, to cover the costs of constructing three curing barns and one grading shed and of purchasing equipment, such as a watering can, a soil injector gun and a barn thermometer, needed for the efficient cultivation and curing of flue-cured tobacco.

4. NDCA shall make long-term loans to TTB or TTPC, as appropriate, to finance the Marketing and Processing Study and the construction or extension of auction floor, storage and processing facilities included in the Project.

Term of NDCA Loans

5. Seasonal loans fall due not later than September 30 in the year in which the crop for which these loans shall have been made shall be harvested.

6. Medium-term loans shall be repayable in four annual installments to fall due not later than September 30 in the year in which the first crop, after disbursement of these loans shall have begun, shall be harvested, and thereafter not later than September 30 in each of the three subsequent years.

7. Long-term loans shall have a term not exceeding twelve years, with a grace period not exceeding two years.

Interest

8. The loans shall bear interest at a rate of 8½% per annum on the outstanding balance, or such other rate as the Borrower, NDCA and the Association shall have otherwise agreed.

Disbursement

9. NDCA shall generally disburse its loans to cooperative societies, TTB and TTPC in kind, including goods and services financed by direct payments by NDCA to contractors under contracts entered into by cooperative societies, TTB or TTPC, respectively. Whenever it shall be necessary for NDCA to disburse a portion of any of its loans to any cooperative society in cash, NDCA shall ensure that this cash is exclusively used by that cooperative society for the procurement of goods or services for farmer members, particularly that that cooperative society does not use it for making cash loans to farmer members.

On-Lending by Cooperative Societies

10. NDCA shall ensure, by provisions in its loan agreements with the cooperative societies or otherwise, that the cooperative societies on-lend the proceeds of the seasonal and medium-term loans to farmer members on terms and conditions and following procedures acceptable to NDCA.

Other Terms and Conditions of NDCA Loans to Cooperative Societies

11. Each loan agreement shall include provisions for the following :
- (a) that the cooperative society shall allow representatives of the Borrower, NDCA, TTB and the Association to visit the cooperative society, including all land cultivated by its members;
 - (b) that the cooperative society shall maintain separate and identifiable accounts pertaining to the Project and will furnish the NDCA and the Association such information regarding those accounts and the overall accounts of the cooperative society as either NDCA or the Association shall reasonably request;
 - (c) that the cooperative society shall not make loans to any farmer member to enable him to grow more than two acres of flue-cured tobacco in any year unless that farmer is permitted to grow such larger acreage in accordance with the provisions of Section 4.03 (a) of the Development Credit Agreement;
 - (d) that the cooperative society shall deduct the debt service obligations of any of its members before it makes any cash payments to such members;
 - (e) that the cooperative society shall not purchase any tractor or other vehicles or any baling sheds, except as provided for in Section 4.04 (b) of the Development Credit Agreement;
 - (f) that the cooperative society shall accept the assistance of the Cooperative Inspector referred to in Section 4.02 (c) (ii) of the Development Credit Agreement, in managing its affairs for a period of not less than five years after its establishment; and
 - (g) that the cooperative society shall accept such other terms and conditions which

NDCA considers reasonable, including conditions resulting from recommendations in the reports referred to in paragraphs 14 (c) and 14 (d) below.

Supervision

12. NDCA shall ensure that amounts drawn on loans are applied exclusively to the purposes for which they were lent and its staff shall regularly visit cooperative societies, TTB and TTPC facilities to ensure that the cooperative societies, TTB and TTPC are complying with the terms of their respective loan agreements.

Loan Recoveries from Cooperative Societies and Farmers

13. NDCA shall make arrangements with TTB for deducting debt service obligations of the cooperative societies from the proceeds of their sales of flue-cured tobacco to TTB, or directly across any auction floor. Such deductions shall amount to 75% of the value of any payments that would otherwise have been made to any of these cooperative societies until its debt service obligations have been fully met for that season.

Appraisal of Loan Applications by NDCA

14. In appraising a loan application from any eligible cooperative society, NDCA shall ensure *inter alia* that :

- (a) a suitable Maximum of Liability Certificate shall have been issued by the Registrar of Cooperatives;
- (b) a general meeting of the cooperative society shall have approved the loan application;
- (c) a confidential report on the loan application shall have been received from the Tobacco Project Officer; and
- (d) the accounts and financial operations of the cooperative society shall have been examined by the Financial Analyst of NDCA and a report shall have been made thereon.

15. In appraising a loan application from TTB or TTPC, NDCA shall ensure *inter alia* that :

- (a) the Board of TTB or TTPC shall have approved the loan application; and
- (b) in all cases, the loan application shall be accompanied by cost estimates based on detailed designs.