

No. 12595

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT, SWEDEN, UNITED
REPUBLIC OF TANZANIA and TANZANIA
ELECTRIC SUPPLY COMPANY LIMITED**

**Joint Financing Agreement—*Kidatu Hydroelectric Project*
(with schedules). Signed at Washington on 14 De-
cember 1970**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
14 June 1973.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT,
RÉPUBLIQUE-UNIE DE TANZANIE, SUÈDE et
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED**

**Contrat de financement conjoint — *Projet hydro-électrique
de Kidatu* (avec annexes). Signé à Washington le
14 décembre 1970**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le dévelop-
pement le 14 juin 1973.*

JOINT FINANCING AGREEMENT¹

AGREEMENT, dated December 14, 1970, between the UNITED REPUBLIC OF TANZANIA (hereinafter called Tanzania), the KINGDOM OF SWEDEN (hereinafter called Sweden), INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TANZANIA ELECTRIC SUPPLY COMPANY LIMITED, a company organized and existing under the laws of Tanzania (hereinafter called the Company).

WHEREAS by a development credit agreement with Tanzania of even date herewith,² Sweden has agreed to make available to Tanzania for relending to the Company, a credit in a principal amount of sixty-three million Swedish Kronor (SKr63,000,000) equivalent at present parity rate as nearly as possible to twelve million dollars (\$12,000,000) for the purpose of assisting in the financing of the Project described in Schedule 1 to this Agreement;

WHEREAS by an agreement with the Company of even date herewith,³ the Bank has agreed to make to the Company a loan guaranteed by Tanzania in a principal amount in various currencies equivalent to thirty million dollars (\$30,000,000) for the same purpose; and

WHEREAS the parties hereto have agreed on the allocation, withdrawal and use of the proceeds of such credit and loan and the execution of the Project to be financed thereby, as well as on other matters, as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. DEFINITIONS

Section 1.01. Unless the context otherwise requires, the following terms wherever used in this Agreement shall have the following meanings:

(a) The term "Swedish Credit Agreement" means the agreement referred to in the first Recital to this Agreement, as from time to time amended.

(b) The term "Bank Loan Agreement" means the loan agreement between the Bank and the Company referred to in the second Recital to this Agreement, as from time to time amended.

(c) The term "Swedish Credit" means the credit provided for in the Swedish Credit Agreement.

(d) The term "Bank Loan" means the loan provided for in the Bank Loan Agreement.

(e) The terms "Swedish Credit Account" and "Bank Loan Account" mean the respective accounts established under the Swedish Credit Agreement and the Bank Loan Agreement.

(f) The term "Project" means the Project described in Schedule 1 to this Agreement.

(g) The term "subsidiary" means any company of which a majority of the outstanding voting stock shall be owned, or which shall be effectively controlled, by the

¹ Came into force on 31 March 1971, upon notification by the Bank to the Parties concerned.

² See p. 37 of this volume.

³ See foot-note 3, p. 4 of this volume.

Company or by any one or more subsidiaries of the Company or by the Company and one or more of its subsidiaries.

(h) The term "Relending Agreement" means the agreement of even date¹ herewith between Tanzania and the Company, as from time to time amended.

Article II. ALLOCATION AND WITHDRAWALS OF PROCEEDS OF SWEDISH CREDIT AND BANK LOAN

Section 2.01. Subject to the rights of suspension and cancellation set forth in the Swedish Credit Agreement and the Bank Loan Agreement and subject to the provisions of Section 2.02 of the Bank Loan Agreement, the amount of the Swedish Credit and the Bank Loan may be withdrawn from the Swedish Credit Account and the Bank Loan Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the Swedish Credit and Bank Loan set forth in Schedule 2 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 Sweden, the Bank and the Company.

Section 2.02. (a) The Company shall be entitled to withdraw on behalf of Tanzania from the Swedish Credit Account and on its own behalf from the Bank Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for the reasonable cost of goods required for the Project.

(b) It is hereby agreed that, subject to the provisions of this Agreement, the Company may withdraw the equivalent of up to one million dollars (\$1,000,000) from the Swedish Credit Account for expenditures prior to the date of this Agreement and that after this said date two and one-half times the amount so withdrawn shall be withdrawn by the Company from the Bank Loan Account prior to the withdrawal of any further amounts from the Swedish Credit Account.

(c) When the amounts provided for in Section 2.02 (b) of this Agreement have been withdrawn by the Company from the Swedish Credit Account and the Bank Loan Account, all future withdrawals shall be apportioned by the Bank between the Swedish Credit and the Bank Loan, as nearly as practicable in the circumstances and taking into account the limitations provided for in article I, Section 2, of the Swedish Credit Agreement, in the ratio of 2:5 or such other ratio as shall be agreed between Sweden and the Bank.

(d) Except as shall otherwise be agreed between Sweden, the Bank and the Company, no withdrawals shall be made on account of expenditures in the currency of Tanzania or for goods produced in (including services supplied from) the territories of Tanzania.

Section 2.03. (a) When the Company shall desire to withdraw any amount of the Swedish Credit or the Bank Loan either separately or simultaneously, the Company shall deliver to the Bank a written application in such form and containing such statements and agreements as the Bank shall reasonably request. Applications for withdrawal, with the necessary documentation, as hereinafter provided shall, except as the Bank and the Company shall otherwise agree, be made promptly in relation to expenditures for the Project.

¹ The said Agreement entered into force on 31 March 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Bank and a certified true copy of it was transmitted to the Secretariat together with the documentation submitted for registration of the present Joint Financing Agreement.

(b) The Company shall furnish to the Bank such documents and other evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have approved any withdrawal requested in the application.

(c) Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Bank that the Company is entitled to withdraw from the Swedish Credit Account or the Bank Loan Account either separately or simultaneously, the amount applied for and that such amount is to be used only for the purposes specified in this Agreement.

Section 2.04. Each such application by the Company for withdrawal shall be deemed to be a request to withdraw funds on behalf of Tanzania from the Swedish Credit Account and on behalf of the Company itself from the Bank Loan Account.

Section 2.05. (a) When the Bank shall have approved an application by the Company for withdrawal, the Bank shall:

- (i) pay the amount, if any, which the Company is entitled to withdraw from the Bank Loan Account to or on the order of the Company in accordance with the provisions of the Bank Loan Agreement;
- (ii) promptly notify the Sveriges Riksbank, acting as agent for Sweden, in the manner and to the extent set forth in this Agreement, that it has received an application for withdrawal from either the Swedish Credit Account separately or from the Swedish Credit Account and the Bank Loan Account simultaneously in the aggregate amount specified in such notice, that it has approved payment of the portion, if any, to be withdrawn from the Bank Loan Account in the amount set forth in such notice, and that the portion, if any, to be withdrawn from the Swedish Credit Account in the amount set forth in such notice is eligible for payment by the Sveriges Riksbank.

(b) Upon receipt of such notice of the Bank, the Sveriges Riksbank shall, subject to the rights of suspension and cancellation of the Swedish Credit set forth in the Swedish Credit Agreement, pay the amount so to be withdrawn from the Swedish Credit Account in the currency and to the payee stated in the notice.

Section 2.06. If at any time the amount of the Swedish Credit or of the Bank Loan shall have been fully withdrawn or cancelled, applications by the Company for further withdrawals shall be deemed to be requests for withdrawal of the full amount applied for from the Bank Loan Account or the Swedish Credit Account only and the provisions of this article II shall continue to apply *mutatis mutandis* until the full amount credited or to be credited to such Account shall have been withdrawn or cancelled.

Section 2.07. Upon the Company's request and upon such terms as shall be agreed between the Bank and the Company, the Bank may enter into special commitments to pay amounts to the Company or others in respect of the cost of goods required for the Project. Any such special commitment by the Bank shall, once it has been notified to Sweden and the Sveriges Riksbank, constitute an obligation on the part of Sweden to pay, notwithstanding any subsequent suspension or cancellation of the Swedish Credit and in conformity with the foregoing Sections 2.05 and 2.06, such portion of the total amount to be disbursed in fulfillment of such special commitment as agreed pursuant to Section 2.02 of this Agreement.

Section 2.08. If for purposes of this Agreement any proceeds of the Swedish Credit are to be withdrawn in a currency other than Swedish Kronor, the Sveriges Riksbank shall remit the requested foreign currency amount and shall debit the Swedish Credit Account with the Swedish Kronor equivalent of such amount calculated on the basis of

the current market selling rate or, if no such rate applies, such rate as shall be reasonably determined by the Sveriges Riksbank in consultation with the Bank of Tanzania.

*Article III. EXECUTION OF THE PROJECT; USE OF PROCEEDS
OF SWEDISH CREDIT AND BANK LOAN*

Section 3.01. The Company shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, public utility and financial practices.

Section 3.02. In order to assist the Company in carrying out the Project, the Company shall employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. In carrying out the Project, the Company shall employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.04. (a) The Company shall apply the proceeds of the Swedish Credit and the Bank Loan to expenditures on the Project to be financed with the proceeds of the Swedish Credit and the Bank Loan in accordance with the provisions of this Agreement.

(b) Except as Sweden and the Bank shall otherwise agree, (i) the goods and services (other than consultants' services) required for the Project and to be financed out of the proceeds of the Swedish Credit and the Bank Loan 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, 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 Bank and the Company, and (ii) contracts for the procurement of such goods and services shall be subject (except as otherwise provided in such Schedule) to the prior approval of the Bank.

(c) The Company undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Swedish Credit and the Bank Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Company to replace or repair such goods.

(d) Except as the Bank shall otherwise agree, the Company shall cause all goods and services financed out of the proceeds of the Swedish Credit and the Bank Loan to be used exclusively in the carrying out of the Project.

Section 3.05. (a) The Company shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Company: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Swedish Credit and the Bank Loan, and to disclose the use thereof in the Project; (ii) shall enable representatives of Sweden and the Bank to inspect the Project, the goods financed out of the proceeds of the Swedish Credit and the Bank Loan and any relevant records and documents; and (iii) shall furnish to Sweden and the Bank all such information as Sweden and the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Swedish Credit and the Bank Loan and the goods and services financed out of such proceeds.

Article IV. MANAGEMENT AND OPERATION OF THE COMPANY

Section 4.01. (a) The Company shall at all times manage its affairs, plan the development of its properties and facilities, and maintain its financial position all in accordance with sound engineering, public utility, financial and business principles and practices and under the supervision of experienced and competent management; and shall cause its plant, equipment, properties and facilities to be maintained and all necessary renewals and repairs thereto to be made, all in accordance with sound engineering and public utility practices.

(b) The Company shall at all times employ a General Manager whose experience, qualifications, responsibilities and functions are mutually satisfactory to the Bank and the Company.

(c) The Company shall continue to appoint, retain or promote sufficient qualified and experienced staff to enable the Company to conduct its operations efficiently.

Section 4.02. The Company shall take out and maintain with the National Insurance Corporation of Tanzania or make other provisions satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound public utility practice.

Section 4.03. (a) Except as the Bank shall otherwise agree, the Company shall obtain title to all goods financed out of the proceeds of the Swedish Credit and the Bank Loan free and clear of all encumbrances.

(b) The Company shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertakings, including the carrying out of the Project.

Section 4.04. The Company shall not amend its Memorandum or Articles of Association in any material respect without the prior approval of the Bank.

Section 4.05. The Company shall at all times maintain its corporate existence and right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges, licenses, concessions and franchises which are necessary or useful in the conduct of its business.

Article V. COVENANTS OF TANZANIA AND THE COMPANY

Section 5.01. Tanzania undertakes that, whenever there is reasonable cause to believe that the funds available to the Company will be inadequate to meet the estimated expenditures required for the carrying out of the Project, it will make arrangements satisfactory to the Bank promptly to provide the Company or cause the Company to be provided with such funds as are needed to meet such expenditures.

Section 5.02. Tanzania shall not permit any abstraction of water from the Great Ruaha River or its tributaries upstream of Kidatu that will in any way reduce the potential output of the Kidatu generating station.

Section 5.03. The Company may establish a subsidiary or subsidiaries only after prior consultation with the Bank.

Section 5.04. The Company and all of its subsidiaries shall have their financial statements (balance sheets and related statements of earnings and expenses) certified annually by the Tanzania Audit Corporation or, should the Bank so request, by an

independent accountant or accounting firm acceptable to the Bank, and shall promptly after their preparation and not later than four months after the close of the Company's fiscal year, transmit to the Bank two certified copies of each statement and two signed copies of the accountant's or accounting firm's report.

Section 5.05. Tanzania undertakes that the Company shall install additional generating capacity at the hydroelectric station to be constructed at Kidatu pursuant to this Agreement so long as it can be demonstrated to the satisfaction of Tanzania and the Bank that such course would be the most economic means of producing additional power for the transmission network supplied from the station at Kidatu. However, the foregoing would not apply to the installation in any one year of additional generating plant other than at Kidatu not exceeding a total capacity of 15MW.

Section 5.06. Except as the Bank shall otherwise agree, the Company and all its subsidiaries shall not incur any debt unless the consolidated net revenue of the Company and all its subsidiaries for the fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be not less than 1.4 times the maximum consolidated debt service requirements for any succeeding fiscal year on all the debt of the Company and all its subsidiaries including the debt to be incurred. For the purposes of this Section:

(a) The term "debt" means all debt, including debt assumed or guaranteed by the Company or a subsidiary, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after its incurrence;

(b) The term "incur" with reference to any debt includes any modification of the terms of payment of such debt. Debt shall be deemed to be incurred on the date on which a contract or loan agreement or guarantee agreement is executed;

(c) The term "net revenue" means gross operating revenue of the Company, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenue relates, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation and interest and other charges on debt;

(d) The term "debt service requirements" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and

(e) Whenever it shall be necessary to value in the currency of Tanzania debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by the Company, at the time such valuation is made, for the purposes of servicing such debt, or, if such other currency is not obtainable, at the rate of exchange that will be reasonably determined by the Bank in consultation with the Bank of Tanzania.

Section 5.07. (a) Except as the Bank shall otherwise agree, the Company and all its subsidiaries shall:

- (i) make no reduction in its existing level of tariffs for electric power services from the date of this Agreement through 1981; and
- (ii) take all necessary steps within its power to establish and maintain tariffs for electric power services and such other actions as shall be required to provide consolidated revenues sufficient to produce an annual rate of return of not less than 10% on the

value of the consolidated net fixed assets in operation, except in respect of the years 1975 through 1981, when the annual rate of return shall not be less than 7%.

(b) For the purposes of this Section:

- (i) The annual rate of return shall be calculated by relating the consolidated net operating income for the year in question to the average of the value of the consolidated net fixed assets of the Company and all its subsidiaries in operation at the beginning and at the end of that year.
- (ii) The term "value of the consolidated net fixed assets in operation" shall mean the gross book value of such assets, less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Bank.
- (iii) The term "consolidated net operating income" shall mean the difference between:
 - (A) consolidated gross operating revenue; and
 - (B) the consolidated operating, maintenance and administration expenses, taxes (if any), and depreciation computed in accordance with the rates specified in the license presently held by the Company but excluding interest and other charges on debt.

Section 5.08. Except as the Bank shall otherwise agree, the Company shall not declare a dividend on its Ordinary Shares in excess of 6²/₃% per annum during the period 1970 through 1976.

Article VI. CONSULTATION; INFORMATION AND INSPECTION

Section 6.01. The Company shall cooperate fully with Sweden and the Bank to assure that the purposes of the Swedish Credit and the Bank Loan will be accomplished. To that end, Sweden, the Bank and the Company shall from time to time, at the request of any party, exchange views through their representatives with regard to the performance of their respective obligations under the Relending Agreement, the Bank Loan Agreement and this Agreement as well as the administration, operations and financial condition of the Company and other matters relating to the purposes of the Swedish Credit and the Bank Loan.

Section 6.02. The Company, Sweden and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Swedish Credit and the Bank Loan, the maintenance of the service thereof or the performance by any party of its obligations under the Relending Agreement, the Bank Loan Agreement and this Agreement.

Section 6.03. The Company shall enable representatives of Sweden and the Bank to inspect all plants, sites, works, properties and equipment of the Company and any relevant records and documents.

Article VII. MISCELLANEOUS

Section 7.01. Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or

made at such party's address specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request:

For Tanzania:

Principal Secretary
The Treasury
P.O. Box 9111
Dar es Salaam
Tanzania

Alternative address for cables:

Treasury
Dar es Salaam

For Sweden:

(a) insofar as Sveriges Riksbank acts as agent
for Sweden for purposes of this Agreement:

Sveriges Riksbank
Box 2119
Stockholm 2
Sweden

Alternative address for cables:

Riksbanken
Stockholm

(b) for all other purposes:

Swedish International Development Authority
10525 Stockholm 1
Sweden

Alternative address for cables:

SIDA
Stockholm

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables:

Intbafrad
Washington, D.C.

For the Company:

Tanzania Electric Supply Company Limited
P.O. Box 9024
Dar es Salaam
Tanzania

Alternative address for cables:

TanESCO
Dar es Salaam

Section 7.02. The Company shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for under article II of this Agreement or who will, on behalf of the Company, take any other action or execute any other documents required or permitted to be taken or executed by the Company under this Agreement, and the authenticated specimen signature of each such person.

Section 7.03. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

Section 7.04. (a) Except as shall be otherwise agreed by the parties hereto, this Agreement shall become effective on the earliest date upon which the Swedish Credit Agreement and the Bank Loan Agreement shall both be in effect.

(b) If the Bank Loan Agreement terminates for failure to become effective in accordance with its terms, this Agreement shall forthwith terminate and the Bank shall promptly notify the other parties of such termination.

Section 7.05. This Agreement and all obligations of the parties thereto thereunder shall terminate on the date upon which both the Swedish Credit Agreement and the Bank Loan Agreement shall have terminated.

Section 7.06. Upon termination of the Swedish Credit Agreement or the Bank Loan Agreement only, Sweden or the Bank, as the case may be, shall promptly notify the other parties hereto and, upon such notification, this Agreement shall continue to remain in force and effect only for the purpose of implementation of the Bank Loan Agreement or the Swedish Credit Agreement and of orderly settlement of matters of mutual interest to the parties hereunder, subject to such modifications of this Agreement as shall be agreed among the parties thereto or as shall be reasonably requested by Sweden or the Bank for such purposes.

Section 7.07. Unless otherwise notified to Tanzania, the Bank and the Company by Sweden, the Bank shall represent Sweden in all matters relating to the implementation of, including amendments to, this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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

Kingdom of Sweden:

By HUBERT DE BESCHE
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

Tanzania Electric Supply Company Limited:

By G. M. RUTABANZIBWA
Authorized Representative

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project consists of:

Part A. The extension of the existing Ubungo diesel generating station by the addition of about 15 MW of diesel plant.

Part B. The construction of the first stage (about 100 MW) of a hydroelectric station at Kidatu on the Great Ruaha River with related step up substation. The principal elements of the development include a dam, headrace and tailrace tunnels and an underground generating station.

Part C. The construction of a single circuit 220 kV transmission line from Kidatu to Ubungo near Dar es Salaam, with related step down substation at Ubungo.

Part D. Consulting services to study the ecological effects of Part B and Part C above and subsequent stages of development and to make recommendations for dealing with such effects.

The Project is expected to be completed by the middle of 1975.

SCHEDULE 2

ALLOCATION OF PROCEEDS OF SWEDISH CREDIT AND BANK LOAN, EQUIVALENT IN THE AGGREGATE TO U.S. \$42,000,000 ON THE BASIS OF THE PARITY RATE BETWEEN THE SWEDISH KRONOR AND THE U.S. DOLLAR AT THE DATE OF THIS AGREEMENT

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Swedish Credit and the Bank Loan and the allocation of amounts of the Swedish Credit and the Bank Loan to each category:

Category	Allocation (expressed in U.S. Dollar Equivalent)	
	Bank Loan	Swedish Credit
I. Civil works	10,450,000	4,180,000
II. Mechanical and electrical equipment	4,300,000	1,720,000
III. Kidatu to Ubungo transmission line	3,100,000	1,240,000
IV. 15 MW Ubungo diesel plant	1,150,000	460,000
V. Engineering, supervision and other consulting services . .	3,000,000	1,200,000
VI. Unallocated	8,000,000	3,200,000
TOTAL	<u>30,000,000</u>	<u>12,000,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures prior to the date of this Agreement, except that withdrawals may be made from the Swedish Credit in respect of Categories I and V on account of expenditures incurred after June 1, 1969, in an aggregate amount not exceeding the equivalent of one million dollars (\$1,000,000); and
- (b) payments for taxes imposed under the laws of Tanzania or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Swedish Credit or the Bank Loan set forth in the second and third columns of the table in paragraph 1 above:

- (a) If the estimate of the expenditures under any Category shall decrease, the amounts of the Swedish Credit and the Bank Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amounts of the Swedish Credit and the Bank Loan.
- (b) If the estimate of the expenditures under any Category shall increase, corresponding amounts will be allocated by Sweden and the Bank, at the request of the Company, to such Category from the unallocated amounts of the Swedish Credit and the Bank Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.
- (c) The U.S. dollar equivalent of the Swedish Credit is shown on the basis of the present parity rate between the Swedish Kronor and the U.S. dollar. Should such rate change, any increase of the U.S. dollar equivalent of the Swedish Credit will be reallocated by the Bank to Category VI and any decrease in such equivalent shall, in the first instance, be charged against such Category.

SCHEDULE 3

PROCUREMENT

With respect to contracts for goods and services in Categories I to IV of Schedule 2 to this Agreement, the following procedures shall apply:

1. Identical or similar items to be procured will be grouped together wherever practicable for the purposes of bidding and procurement, and such grouping of items shall be subject to the approval of the Bank.
2. With respect to contracts for (i) civil works of \$100,000 equivalent or more, and (ii) contracts for the supply of equipment of \$50,000 equivalent or more:

(a) The text of the proposed bid advertisements, invitations to bid, specifications, conditions of contract and all other bid documents will be submitted to the Bank for review and approval prior to their issuance, together with a description of the advertising procedures to be followed.

(b) After bids have been received and analyzed, the analyses of bids, the recommendations of the consultants where applicable and the Company's proposals for awards, together with the reasons for such proposals, will be submitted to the Bank for review and approval prior to any contract being awarded or any letter of intent being issued.

(c) If the proposed final contract differs materially from the terms and conditions contained in the respective documents approved by the Bank under subparagraph (a), then the text of the proposed changes will be submitted to the Bank for its review and approval prior to the execution of such contract or issuance of any letter of intent.

(d) One conformed copy of any letter of intent that is issued and of any contract executed under this paragraph will be sent to the Bank promptly after such issuance or execution and, except for withdrawals made under paragraph 2 (a) of Schedule 2 to this Agreement, prior to the submission to the Bank of the first application for the withdrawal of funds from the Swedish Credit and the Bank Loan in respect of such contract.

3. With respect to contracts for (i) civil works of less than \$100,000 equivalent, and (ii) the supply of equipment of less than \$50,000 equivalent, the Company will submit to the Bank, at the time an award is made, a summary of the bids or quotations that have been received, the bid analysis reports and the recommendations of the consultants where applicable, together with a copy of the record of the public opening of the bids. The Company will also send a copy of any contract executed under this paragraph to the Bank promptly after its execution and, except for withdrawals made under paragraph 2 (a) of Schedule 2 to this Agreement, prior to the submission to the Bank of the first application for the withdrawal of funds from the Swedish Credit and the Bank Loan in respect of such contract.