Project Agreement

(Central Transport Corridor Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TANZANIA RAILWAYS CORPORATION

Dated Mat 31, 2004
PROJECT AGREEMENT

AGREEMENT, dated May 31, 2004 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and TANZANIA RAILWAYS CORPORATION (TRC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between United Republic of Tanzania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eighty one million and six hundred thousand Special Drawing Rights (SDR 81,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that TRC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Borrower and TRC, part of the proceeds of the Credit provided for under the Development Credit Agreement will be granted to TRC, on the terms and conditions set forth in the said Subsidiary Grant Agreement; and

WHEREAS TRC, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Execution of the Project

Section 2.01. (a) TRC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental and resettlement practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part C of the Project;

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and TRC shall otherwise agree, TRC shall carry out Part C of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) TRC shall carry out or cause to be carried out, the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of this Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, TRC shall, in conjunction with the Borrower:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose among the Association, the Borrower and TRC, a plan for the future operation of the Project designed to ensure its sustainability; and

(ii) afford the Association a reasonable opportunity to exchange views with TRC and the Borrower on the said plan.

Section 2.04. TRC shall: duly perform all its obligations under the Subsidiary Grant Agreement and except as the Association shall otherwise agree, TRC shall not take
or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05 (a) TRC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part C of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit; and

(b) TRC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by TRC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

ARTICLE III
Management and Operations of TRC

Section 3.01. TRC shall or shall cause the Railway Operator to carry on its operations and conduct its affairs in accordance with sound administrative, engineering, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. TRC shall or shall cause the Railway Operator at all times to operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. TRC shall or shall cause the Railway Operator to take out and maintain with responsible insurers, or make other provision satisfactory to the Association for insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV
Financial Covenants

Section 4.01. For the purposes of Part C of the Project:

(a) TRC shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied
accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) TRC shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. For the purposes of Part C of the Project:

(a) Without limitation upon TRC’s progress reporting obligations set out in the Schedule to this Agreement, TRC shall prepare and furnish to the Association a financial monitoring report (FMR), in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and
explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination;

Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of TRC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date fifteen years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify TRC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.
ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex: Facsimile:
INDEVAS 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)

For TRC:

Tanzania Railways Corporation
P.O. Box 468
Dar es Salaam
United Republic of Tanzania

Telex: Facsimile:
41308 Cable Railways (255) 22 2116525

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of TRC may be taken or executed by the Chief Executive Officer or such other person or persons as the Chief Executive Officer shall designate in writing, and TRC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.
Section 6.03. This 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 duly authorized representatives, have caused this Agreement to be signed in their respective names in Dar-es-Salaam, United Republic of Tanzania, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy M. O'Connor

Authorized Representative

TANZANIA RAILWAYS CORPORATION

By /s/ Linford Mboma

Authorized Representative
SCHEDULE

Implementation Program

1. (a) TRC shall, in conjunction with the Borrower, prepare and furnish to the Association a Project Implementation Plan, in form and substance satisfactory to the Association, giving details of all operational guidelines and procedures as shall have been agreed with the Association for the implementation, monitoring and supervision of the Project, including:

   (i) performance indicators, monitoring and evaluation guidelines, and environmental assessment methodology;

   (ii) administrative, accounting and financial procedures;

   (iii) procurement and disbursement guidelines;

   (iv) guidelines for the compensation and resettlement of Affected Persons including, as they become available, details of individual RAPs; and

   (v) details of the EMPs as they become available.

   (b) TRC shall carry out the Project in accordance with the arrangements and procedures set out in the Project Implementation Plan, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. TRC shall maintain the TRC PCU whose mandate, terms of reference and composition shall be acceptable to the Association, and which shall be responsible for the day-to-day execution of Part C of the Project.

3. (a) TRC, in conjunction with the Borrower, shall develop, in respect of any rail construction, rehabilitation or maintenance activities carried out under Part C of the Project, prior to the approval of bid documents for any such activity:

   (i) an Environmental Assessment, acceptable to the Association, giving details of the environmental status, and potential environmental risks and adverse impacts, which are specific to the
(ii) A Social Assessment, acceptable to the Association, giving details of the social status, and potential social risks and adverse impacts, which are specific to the respective Project activity, along with proposed mitigation measures;

(iii) an Environmental Management Plan, acceptable to the Association, giving details of measures appropriate or required to manage potential environmental risks and mitigate adverse impacts associated with the respective Project activity, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the EMP; and

(iv) wherever applicable, a Resettlement Action Plan, acceptable to the Association, giving details of a program of actions, measures and policies designed to facilitate the compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP.

(b) TRC shall ensure that Part C of the Project is implemented in accordance with the guidelines, procedures, timetable and other specifications set forth in the Environmental Assessments, Social Assessments, Environmental Management Plans and Resettlement Action Plans and, except as the Association shall otherwise agree, shall not amend or waive any provision of the aforementioned assessments and plans, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

(c) TRC shall submit quarterly consolidated reports on compliance with social and environmental safeguard measures under Part C of the Project, giving details of measures taken in furtherance of the EMPs and RAPs, and any of conditions which interfere or threaten to interfere with the smooth implementation of the said plans, and remedial measures taken or required to be taken to address such conditions.

4. (a) TRC shall, not later than May 31 of each year, undertake, in conjunction with the Borrower, the Association and other interested parties, an annual review of the respective Project activity, along with proposed mitigation measures;
Project or, in the case of the review to be undertaken not later than May 31, 2006, a midterm review, during which they shall exchange views generally on all matters relating to the progress of the Project and the Program, and the performance by TRC of its obligations under this Agreement, including the progress achieved by TRC under Part C of the Project, having regard to the performance indicators agreed upon between the Borrower and the Association.

(b) Not later than one month prior to the review, TRC shall furnish to the Association, for its comments, a report, in such detail as the Association shall reasonably request, on the progress of Part C of the Project, and giving details, in particular, of the various matters to be discussed at such review.

(c) Following the review, TRC undertakes to act promptly and diligently in order to take any corrective action deemed necessary to remedy any shortcoming noted in the implementation of Part C of the Project, or to implement such other measures as may have been agreed upon between the parties in furtherance of the objectives of the Project.