Financing Agreement

(Intermodal and Rail Development Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 03, 2014
FINANCING AGREEMENT

AGREEMENT dated JULY 03, 2014, entered into between UNITED REPUBLIC OF TANZANIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions [or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred ninety three million and nine hundred thousand Special Drawing Rights (SDR 193,900,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Payment Dates are February 1 and August 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, cause RAHCO, under the overall guidance of MOT, carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following, namely:

(a) RAHCO’s Memorandum and Articles of Association have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of RAHCO to perform any of its obligations under the Project Agreement and the Subsidiary Agreement.

(b) Subsequent to the date of this Agreement, but before the Closing Date, the Recipient has not, in the opinion of the Association, applied principles, standards and measures consistent with the Letter of Sector Development Policy.

4.02. The Additional Event of Acceleration consists of the following, namely that, the event specified in Section 4.01 of this Agreement occurs after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and RAHCO.

(b) The Recipient has caused RAHCO to adopt the Operations Manual in a form and substance satisfactory to Association.

(c) The Recipient has caused RAHCO to set up a Project Implementation Team within RAHCO consisting of, inter alia, a Project manager, an accountant, a procurement specialist, an operations specialist, a railway engineer, a rolling stock specialist, a regulations specialist, a monitoring and evaluation specialist, an environmental and social specialist and
administrative staff, all under terms of reference and with qualifications and experience satisfactory to Association.

5.02. The Additional Legal Matter consists of the following, namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and RAHCO and is legally binding upon the Recipient and RAHCO in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance
1 Madaraka Street
P. O. Box 9111
Dar es Salaam, Tanzania

Facsimile:

(255) 22 2110326

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391

Washington, D.C.
AGREED at Dar es Salaam, United Republic of Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By

Authorized Representative

Name: DR. SEREMBULIKE
Title: PRIME MINISTER'S OFFICE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: PHILIPPE DUNGIER
Title: COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The Project's objective is to assist the Recipient to deliver a reliable open access infrastructure on the Dar es Salaam-Isaka rail segment.

The Project consists of the following parts:

Part A: Improvement of Rail Infrastructure

1. Rehabilitation, upgrade and maintenance of selected sections of the railway track and other infrastructure improvements on Dar es Salaam-Isaka segment, including introduction of a pilot performance-based management contract.

2. Carrying out of a program to reconstruct, rehabilitate and upgrade about 144 bridges on Dar es Salaam-Isaka segment to increase their capacity to a minimum 15 tons per axle load.

3. Carrying out a program to implement train control and track warrant systems in the Dar es Salaam-Isaka segment through a "very high frequency" radio communication system.

4. Strengthening the supervision of the Project through provision of consulting services to supervise track works, bridge works, maintenance works, and installation works.

Part B: Rolling Stock

Carrying out of a program to improve TRL's traction capacity and track improvements, through:

1. Procurement of about three (3) new locomotives.

2. Procurement of about 44 flat-bed container wagons.

3. Procurement of civil engineering rolling stock.

Part C: Development of Isaka Terminal, Ilala Terminal and Dar es Salaam Port Platform

Carrying out of a program to develop intermodal container terminals in the port of Dar es Salaam and at Isaka to allow for more efficient modal transfers to and from the rail, consisting of the following design and civil works:
1. Design and construction of rail exchanges in Isaka and Ilala terminals.

2. Design, upgrading and realignment of rail exchanges in Dar es Salaam Port including procurement of handling equipment to enable optimal operation of the port as an intermodal terminal.

**Part D: Institutional Strengthening and Capacity Building**

1. Supporting design studies and other preparatory works for: (i) bridges assessment and capacity rating; (ii) detailed design of bridge works and preparation of bridge works packages; (iii) detailed design of permanent infrastructure solution on the Kilosa – Gulwe flood prone section; (iv) preparation of bidding documents for track works; (v) site-specific environmental and social impact assessment studies; and (vi) feasibility and detailed designs for next phases of the rail improvement as needed.

2. Provision of technical and operational support to the Project Implementation Team to carry out the overall coordination and management of the Project including the procurement of management accounting and information software.

3. Strengthening the capacity of TRL through: (i) provision of technical assistance to strengthen TRL’s management; and (ii) conducting a review to evaluate TRL’s assets and operating procedures and developing a three (3) year business plan for TRL based on said review.

4. Strengthening the capacity of TRL, RAHCO, SUMATRA, and MOT through: (i) design and implementation of a management accounting information system at TRL and RAHCO; (ii) provision of training to RAHCO, TRL and SUMATRA staff; (iii) strengthening MOT’s capacity in monitoring and evaluation; (iv) developing a maintenance organization and a sustainable maintenance program and in particular setting up a pilot maintenance scheme between RAHCO and TRL; and (v) developing regulations to implement the Open Access Rail Policy.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest the responsibility for Project implementation and supervision in RAHCO.

2. In order to ensure the proper implementation of the Project, the Recipient shall maintain at all times during the implementation of the Project, a Steering Committee, chaired by the Permanent Secretary of MOT or a designated representative of the Ministry of Transport, with functions, composition and resources satisfactory to the Association, to be responsible for providing policy oversight and strategic direction in the execution of the Project.

3. The Recipient shall cause TRL to provide technical guidance in implementing Part B of the Project, and cause TPA to provide technical guidance in implementing Part C of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to RAHCO under a subsidiary agreement between the Recipient and RAHCO, under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Other Undertakings

1. Not later than July 1, 2017, the Recipient shall cause SUMATRA to:

   (a) adopt implementing regulations and procedures for the full implementation of an Open Access Rail Policy in form and substance satisfactory to the Association and shall not suspend, amend, abrogate,
waive or otherwise modify, whether in whole or in part, any of provision of said regulations and procedures without the prior written agreement of Association; and

(b) implement said regulations and procedures to allow qualified operators to use the Dar-Isaka line under licenses issued by SUMATRA.

2. Not later than July 31, 2015, the Recipient shall:

(a) develop a three year business plan for TRL, satisfactory to the Association, and including, inter alia: (i) a separation between track maintenance and train operations; (ii) a separation between freight operations and passenger operations; (iii) a separation of new block train operations from other freight operations; (iv) provision for maintenance arrangements for the central corridor rail line; and (v) funding mechanisms for all its railway operations, including the funding arrangement for costs of the equipment financed under the Project;

(b) take all necessary measures to enable and cause TRL to implement the above-mentioned three (3) year business plan; and

(c) as a part of the annual Project progress review, review with the Association the status of implementing said business plan, and take measures, taking into account of the Association’s comments, if any, to ensure continued effective execution of the business plan to achieve the Project objective.

3. The Recipient shall not transfer the assets financed under Part B of the Project to TRL for its operations, until: the Recipient has completed its review of TRL’s implementation of its three (3) year business plan referred to in paragraph D. 2 of this Section I and the Association is satisfied with the outcome of said review.

4. Not later than December 30, 2014, the Recipient shall cause RAHCO and TRL to enter into maintenance provision arrangements for the railway infrastructure assets in a form and substance satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall through MOT monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding (subject to the additional procedures set out in Paragraph 3 below)</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

3. Additional Procedures for the use of National Competitive Bidding

The following additional procedures shall apply to National Competitive Bidding:

(a) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document for, and contract financed out of the proceeds of the Financing, shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(b) Preferences may not be awarded to domestic suppliers or contractors.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
### Procurement Method

<table>
<thead>
<tr>
<th>(a)</th>
<th>Quality Based Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Least Cost Selection</td>
</tr>
<tr>
<td>(c)</td>
<td>Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d)</td>
<td>Single-source Selection of consulting firms</td>
</tr>
<tr>
<td>(e)</td>
<td>Single-source procedures for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f)</td>
<td>Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

### D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

### Section IV. Withdrawal of the Proceeds of the Financing

#### A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
## Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants' services, Training, and Operating Costs</td>
<td>190,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>3,300,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>193,900,000</td>
<td></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is July 31, 2019.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each August 1, and February 1:</td>
<td></td>
</tr>
<tr>
<td>commencing August 1, 2024, to and including February 1, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 1, 2034, to and including February 1, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Persons” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “ESIA” or “Environmental and Social Impact Assessment” mean the study, acceptable to the Association, prepared and disclosed to the public by the Recipient, dated August 19, 2013, and consisting of inter alia: (i) a description of the site where Project activities are to be carried out under the Project and the justification of said activities, including alternatives considered during the Project design phase; (ii) the potential and actual adverse environmental and social impacts of the activities referred to under sub-paragraph (i) above; and (iii) an environmental and social management plan setting forth measures to be taken during the implementation and operation of the Project to mitigate, eliminate or otherwise offset adverse environmental and social impacts, or to reduce them to acceptable levels and to ensure compliance of the project activities with such measures.

6. “Environmental and Social Management Plan” or “ESMP” means, for a given Project activity, a site specific environmental and social management plan prepared or to be prepared by the Recipient in accordance with the ESMP pursuant to Section I.C.2 of the Schedule to the Project Agreement; and the term “ESMPs” means, collectively, all such plans.


9. “MOT” means the Recipient’s Ministry of Transport responsible for transport and any successors thereto.

10. “Open Access Rail Policy” means the Recipient’s policy, as codified in its Railways Act, Cap. 170 R.E. 2002, by which the Recipient may authorize qualified third parties to operate trains on its railways, under licenses issued by SUMATRA.


12. “Operating Costs” means incremental costs incurred by RAHCO and MOT on account of implementation of the Project including, and on the basis of the annual budget and work plans acceptable to the Association, for fuel, maintenance of vehicles, office supplies, utilities, consumables, bank charges, communication expenses, travel per diems, accommodation and subsistence allowances for authorized travel, but excluding salaries of the Recipient’s civil servants.

13. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 10, 2013, and on behalf of the Recipient on July 18, 2013.


15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 5, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. “Project Implementation Team” means the unit referred to in Section I.A.1 of the Schedule to the Project Agreement.

17. “Project Implementing Entity” means RAHCO.

19. "RAHCO's Memorandum and Articles of Association" means the Memorandum and Articles' of Association dated May 30, 2007, by which RAHCO is operating.

20. "Resettlement Action Plan" or "RAP" means each resettlement action plan to be required pursuant to the RPF as stated in to Section I.C.2 of the Schedule to the Project Agreement, for a set of activities included under the Project, giving details of the specific actions, measures and policies required to provide compensation, rehabilitation and resettlement assistance to Affected Persons, along with the procedural and institutional measures needed to implement such actions, measures and policies; and the term "RAPs" or "Resettlement Action Plans" means, collectively, all such plans.


22. "Safeguard Document" means an ESMP or RAP; and the term "Safeguard Documents" means, collectively, all such documents.

23. "Subsidiary Agreement" means the agreement referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to RAHCO.

24. "SUMATRA" means the Recipient's Surface and Marine Transport Regulatory Authority established under the Recipient's Surface and Marine Transport Regulatory Authority Act, Cap. 413 R.E. 2002 for the purpose of regulating surface transport, including road, rail, and maritime.

25. "Steering Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

26. "Training" means costs incurred by RAHCO, TRL and SUMATRA on account of approved workshops, and training of RAHCO, TRL and SUMATRA personnel involved in implementation of the Project, including study tours, travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.