Development Grant Agreement

(East Africa Trade and Transport Facilitation Project)

between

REPUBLIC OF RWANDA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 6, 2006
DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated March 6, 2006, between REPUBLIC OF RWANDA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) Pursuant to the Protocol on the Establishment of the East African Community Customs Union (the EACCU Protocol) dated March 2, 2004, entered into the Customs Union (as hereinafter defined), with other EAC Partner States (as hereinafter defined), confirming, inter alia, EAC Partner States’ commitment to a regional trade and transport facilitation program in the Customs Union (the Regional Program);

(B) the Recipient and other the NCTTCA Countries (as hereinafter defined) countries have pursuant to a Memorandum of Understanding (MOU) dated October 18, 2005, between the East African Community (EAC) (as hereinafter defined) and NCTTCA(as hereinafter defined), committed to cooperate in the development of transport infrastructure, transit transport, customs and trade facilitation including, inter alia, implementation of the Regional Program;

(C) the Association has received a letter from the Recipient, dated June 8, 2005, declaring the Recipient’s commitment to the execution of the Regional Program;

(D) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of Part C of the Project;

(E) the East African Community (EAC), NCTTCA and (CCTFA) (all as hereinafter defined) intend to obtain financial assistance from the African Development Fund (AfDB Grant) in an amount of approximately eleven million United States dollars ($11,000,000) to assist in financing Parts A and B of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;
NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Cellule de Gestion des Projets et Programmes de Transport” and “CGPT” means a unit within MININFRA (as hereinafter defined), to be established in accordance with Section 6.01(b) of this Agreement, and responsible for the management, implementation and coordination of the Recipient’s transport sector projects and programs;

(b) “CEPEX” means the Central Public Investment and External Finance Bureau, established and operating pursuant to the Recipient’s Prime Minister’s Order N°03/03 of February 26, 2002;

(c) “Central Corridor Transport Facilitation Agency” or “CCTFA” means the transit and transport coordination body to be established under an agreement, to be entered into among the Recipient, Republic of Burundi, Democratic Republic of Congo, the Republic of Uganda and United Republic of Tanzania;

(d) “EACCU” or “Customs Union” means the East African Community Customs Union established under Article 2 of the EACCU Protocol;

(e) “East African Community” or “EAC” means the community established under Article 2 of the Treaty for the Establishment of the East African Community (the Treaty), dated November 30, 1999;
(f) “East African Community Customs Management Act, 2004” means the Act of the East African Community dated January 1, 2005 to make provisions for the management and administration of Customs and for related matters;

(g) “EAC Directorate of Trade and Customs” means the Directorate established under Article 75(3) of the Treaty, and operating pursuant to the provisions of Section 3 of the East African Community Customs Management Act, 2004;

(h) “EAC Secretariat” means the secretariat of the East African Community as defined in the Treaty;

(i) “Eligible Categories” means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(j) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(k) “EAC Partner States” means the Republic of Uganda, the Republic of Kenya and the United Republic of Tanzania, and any other country granted membership to the Community under Article 3 of the Treaty;

(l) “Financial Management Manual” means the finance, accounting and administration manual referred to in Section 6.01 (d) of this Agreement, and which forms a schedule to the PIM (as hereinafter defined), including internal control procedures relating to the civil works and technical advisory services to be carried out under the Project, a chart of accounts, and the format and content of financial reports and cash flow forecasts;

(m) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(n) “MINECOFIN” means the Ministry of Finance and Economic Planning of the Recipient;

(o) “MININFRA” means the Ministry of Infrastructure of the Recipient;
(p) “MOU” or “Memorandum of Understanding” means the memorandum of understanding dated October 18, 2005, between the EAC and NCTTCA (as hereinafter defined);

(q) “Northern Corridor Transit Transport Coordination Authority” or “NCTTCA” means the transit and transport coordination authority established under the agreement (the Northern Corridor Transit Agreement), dated February 19, 1985 (as amended), among the Recipient, Republic of Burundi, Democratic Republic of Congo, Republic of Kenya, and the Republic of Uganda;

(r) “NCTTCA Countries” means the Recipient, Republic of Burundi, Democratic Republic of Congo, Republic of Kenya, and the Republic of Uganda;

(s) “Non-tariff barriers” means the non-tariff barriers as described in the EACCU Protocol including, laws, regulations, administrative and technical requirements other than tariffs imposed by a Partner State whose effect is to impede trade;

(t) “Project Implementation Manual” or “PIM” means the manual setting out the measures required for the implementation of the Project, as the same may be amended from time to time, subject to prior approval of the Association;

(u) “PIT” means the project implementation team referred to in paragraph 1 of Schedule 4 to this Agreement, and established by MININFRA, RRA (as hereinafter defined), and RIEPA (as hereinafter defined); and the term “PITs” means, collectively, MININFRA-PIT, RRA-PIT (as hereinafter defined) and RIEPA-PIT (as hereinafter defined);

(v) “Procurement Manual” means the manual referred to in Section 6.01(c) of this Agreement, and which forms a Schedule to the PIM, setting forth the procurement procedures for the Project;

(w) “Procurement Plan” means the Recipient’s procurement plan, dated October 14, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(x) “PSC” means the Project Steering Committee referred to in paragraph 3(b) of Schedule 4 to this Agreement;
(y) “RRA” means Rwanda Revenue Authority, an incorporated body established and operating pursuant to the Recipient’s Law No.15/97 of November 8, 1997, and responsible for the management and customs administration in the territory of the Recipient;

(z) “RIEPA” means Rwanda Investment and Export Promotion Agency, established and operating pursuant to the Recipient’s Law No.14/98 of December 18, 1998;

(aa) “Regional Countries” means the Recipient, Republic of Kenya, the Republic of Uganda and United Republic of Tanzania, all participating in the Regional Program, and the term “Regional Country” means any such country participating in the Regional Program;

(bb) “Regional Steering Committee” or “RSC” means the committee referred to in paragraph 4 of Schedule 4 to this Agreement, established by the Regional Countries;

(cc) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A.5 of Schedule 1 to this Agreement;

(dd) “Special Account” means the account referred to in Part B of Schedule 1 to this Agreement;

(ee) “Tripartite Agreement on Road Transport” means the Agreement dated November 29, 2001, among the EAC Partner States relating to regulation and facilitation of road transport in the EAC; and

(ff) “Team Leader” means the person designated by either MININFRA, RRA, or RIEPA to manage a PIT in the implementation of Part C of the Project.
ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to ten million four hundred thousand Special Drawing Rights (SDR 10,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be March 31, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.05 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.
Section 2.05. Commitment charges shall be payable semiannually on March 15 and September 15 in each year.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial engineering, technical and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association’s approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan for the future operation of the Project; and
(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and 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 the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section 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 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.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:
(i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraphs 7 through 9 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

(iii) sets forth the status of procurement under Part C of 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 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 Part C of the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) the Recipient shall have abrogated or modified the legal status of CGPT, RIEPA, or RRA, or taken any action, including the enactment or issuance of laws or regulations, which, in the opinion of the Association, may adversely affect, prevent, or interfere with, the carrying out of Part C of the Project or the performance by the Recipient of any of its obligations under this Agreement; and

(b) the Recipient shall have failed to afford reasonable opportunity for representatives of the Association to visit any part of its territory for purposes related to the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the events specified in Section 5.01 (a) through (c) of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Recipient.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Recipient has adopted the Project Implementation Manual in form and substance satisfactory to the Association;

(b) the Recipient has established CGPT, and appointed to CGPT: (a) a procurement specialist and an accountant, in accordance with Section III of Schedule 3 to this Agreement; and (b) other key staff with qualifications, experience and terms of reference satisfactory to the Association;
(c) the Recipient has prepared, adopted and furnished to the Association, a Procurement Manual in form and substance satisfactory to the Association;

(d) the Recipient has prepared, adopted and furnished to the Association, a Financial Management Manual in form and substance satisfactory to the Association; and

(e) the Recipient has: (i) demonstrated the ability to produce an FMR, including an agreed format; and (ii) opened books of accounts and completed the chart of accounts for the Project, all in form and substance satisfactory to the Association.

Section 6.02. The date ninety (90 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister responsible for finance of the recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance and Economic Planning
P. O. Box 158
Kigali
Republic of Rwanda

Facsimile:

(250) 577 581
For the Association:

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

Cable address: INDEVAS  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: (202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Kigali, Rwanda, as of the day and year first above written.

REPUBLIC OF RWANDA

By /s/ Paul Manasseh Nshuti

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mohammed Alhoussenyi Touré

Authorized Representative
SCHEDULE 1

A. Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>4,680,000</td>
<td>100 %</td>
</tr>
<tr>
<td>(2) Works</td>
<td>1,615,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services (including audits)</td>
<td>3,450,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>135,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>520,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10,400,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule, the term “Operating costs” means the cost arising under Part C of the Project on account of implementation of Part C of the Project, management and monitoring, including, utilities, office supplies, consumables, maintenance and operation of vehicles and equipment for PITs, salaries of Project staff, travel and accommodation for Project staff, excluding salaries of officials of the Recipient’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.
4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $150,000 equivalent per contract; (b) works costing less than $200,000 equivalent per contract; (c) services of individual consultants costing less than $50,000 equivalent per contract; and (d) services of consulting firms under contracts costing less than $100,000 equivalent per contract, all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in its Central Bank, on terms and conditions satisfactory to the Association.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.
4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

   (a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

   (c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

   (b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures
during the six-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $1,500,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

   (b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all
outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) improving the trade environment among the Regional Countries, through effective implementation of the EACCU Protocol; (b) enhancing the efficiency of transport and logistic services along key transport corridors by reducing non-tariff barriers and uncertainty of transit time; and (c) improving railway services in the Republic of Kenya and the Republic of Uganda.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A: Support to Implementation of the EACCU

1. Strengthening the capacity of EAC Secretariat, EAC Directorate of Trade and customs departments Regional Countries, including provision of: (a) training to the staff of EAC Secretariat, EACCU and customs departments in the EAC Partner States; (b) technical advisory services and acquisition of equipment for monitoring implementation of the EACCU, Non-tariff barriers to trade within the EAC; and (c) enhanced communication facilities to the EAC Secretariat and customs authorities in the EAC Partner States.

2. Improving information technology connectivity within the EACCU, including, (a) designing a study of interconnectivity for Regional Countries within the customs union; (b) carrying out studies for investing in customs inter connectivity; (c) establishing common database within EACCU; and (d) developing EAC customs training centre.

3. Strengthening and modernizing the customs departments of the Regional Countries, including: (a) rolling out information communication technology systems at key border posts; (b) provision of training to customs officers, and provision of technical advisory services in specific areas essential for the development of the Customs Area; (c) acquisition of equipment; and (d) development of necessary infrastructure.

Part B: Institutional Support for Transport Facilitation
1. Strengthening the NCTTCA, including: (a) building the capacity of its secretariat to improve its efficiency and for monitoring and evaluation performance; (b) facilitating harmonization of national policies and regulations relating to transport and transit; (c) developing participation of its stakeholders; and (d) carrying out a comparative study on cost of transport in the Region, all through the acquisition of goods and provision of technical advisory services.

2. Supporting the establishment of the CCTFA, including: (a) supporting its secretariat, and stakeholder consultations; (b) provision of monitoring tools; and (c) carrying out studies on transport and trade issues along the corridor.

3. Supporting the harmonization of Regional Countries regulations relating to cross-border transport, for consistency with the relevant regional treaties and agreements, including harmonization of axle load control policies.

4. Supporting the EAC Secretariat in implementing and monitoring the implementation of the Tripartite Agreement on Road Transport among the EAC Partner States.

5. Supporting the secretariats of EAC, NCTTCA, and CTCCA in coordinating the implementation of the Regional Program, including in effectively carrying out: (a) their role as part of the Regional Steering Committee; and (b) monitoring of efficiency along key transport corridors in the Regional Countries.

Part C: Support to Implementation of EACCU Trade and Transport Facilitation in the Territory of the Recipient

1. Supporting RRA:

   (a) to implement interconnection of its cargo tracking system with Kenya Revenue Authority, Uganda Revenue Authority and Tanzania Revenue Authority respectively, for effective monitoring of transit transport crossing the territory of the Recipient;

   (b) to establish one-stop border posts in key border crossings, including developing the Recipient’s side of: (i) Gátuna border post; and/or (ii) Rusomo Falls border post; and
(c) to implement non-intrusive verification of transit cargo, all through the provision of works, technical services, and acquisition of goods and equipment.

2. Carrying out a study for the development of an inland container depot at Isaka in the territory of the United Republic of Tanzania, and which under an Agreement dated November 10, 1984, between the Recipient and United Republic of Tanzania was granted to the Recipient for a term of 99 years; through the provision of technical advisory services.

3. Supporting implementation of Regional and the Recipient’s relevant transport regulations and policy, and carrying out studies on the navigability of the Akagera river.

4. Supporting the establishment of a trade point, including information communication technology to facilitate the flow of information and trade transactions.

5. Supporting CGPT in coordination of monitoring and evaluation of Project activities, through the provision of technical advisory services, and conducting relevant workshops.

6. Carrying out a feasibility study for Kigali-Kampala pipeline.

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The Project is expected to be completed by September 30, 2010.
SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding:

Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.
B. Other Procurement Procedures

1. National Competitive Bidding:

   (a) Goods estimated to cost less than $150,000 equivalent per contract, and
   (b) works estimated to cost less than $200,000 equivalent per contract, may be procured
   under contracts awarded on the basis of National Competitive Bidding.

2. Shopping:

   (a) Goods estimated to cost less than $50,000 equivalent per contract, and
   (b) works estimated to cost less than $50,000 equivalent per contract, may be procured
   under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection:

   Except as otherwise provided in Part B of this Section, consultants’ services shall
   be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
   For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants
   for services estimated to cost less than $100,000 equivalent per contract may comprise
   entirely national consultants.

B. Other Procedures

1. Quality-based Selection:

   Services for assignments which the Association agrees meet the requirements set
   forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts
   awarded on the basis of Quality-based Selection in accordance with the provisions of
   paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection:

   Services for assignments which the Association agrees meet the requirements of
   paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on
the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3 **Selection Based on Consultants’ Qualifications:**

Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. **Selection Under a Fixed Budget:**

Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

5. **Individual Consultants:**

Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

**Section IV. Review by the Association of Procurement Decisions**

Except as the Association shall otherwise determine by notice to Recipient, the following contracts shall be subject to Prior Review by the Association:

(a) each contract for goods estimated to cost the equivalent of $150,000 or more procured on the basis of International Competitive Bidding, or National Competitive Bidding, or Shopping;

(b) each contract for works estimated to cost the equivalent of $200,000 or more procured on the basis of International Competitive Bidding, or National Competitive Bidding;
(c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; and

(d) each contract for individual consultants estimated to cost the equivalent of $50,000 or more.

All other contracts shall be subject to Post Review by the Association.
SCHEDULE 4

Implementation Program

A. Implementation Responsibilities

1. For the purpose of ensuring proper execution of Part C of the Project, the Recipient shall: (a) establish and maintain at all times during the implementation of Part C of the Project, CGPT for the day to day management, implementation and coordination of the Project; and (b) cause MININFRA, RRA and RIEPA, each, to establish and maintain a PIT, under the direction of a Team Leader to oversee the implementation of the respective activities in Part C of the Project.

2. CGPT shall perform all technical responsibilities for implementation of Part C of the Project, including: (a) the preparation, with the assistance of consultants, of bidding and contract documents; (b) maintenance of Project financial records and accounts and arranging for the audit thereof; (c) preparation of the half-yearly reports on the progress, referred to in paragraph 7 of this Schedule; and (d) supervision of progress in carrying out of Part C of the Project.

3. The Recipient shall, at all times during the implementation of Part C of the Project, establish and maintain a PSC with composition and terms of reference satisfactory to the Association, and with the responsibility for providing overall oversight and policy guidance. The PSC shall be comprised of, Secretary General of MININFRA, Commissioner General of RRA, the Director General of CEPEX, and Director General of RIEPA.

4. The Recipient shall, during implementation of the Project, maintain its participation in the RSC, including in the preparation of the agenda, and hosting meetings of the RSC with the other Regional Countries.

B. Execution Covenants

5. Except as the Association shall otherwise agree, the Recipient shall, implement Part C of the Project in accordance with procedures, guidelines, timetables and criteria set forth in the Project Implementation Manual; and not amend, or abrogate, or waive, or permit to be amended, abrogated or waived, the Project Implementation Manual or any provision thereof, in a manner which, in the opinion of the Association, may materially
and adversely affect the implementation of Part C of the Project, or the achievement of the objectives thereof.

6. The Recipient shall not later than September 30, 2006, select the auditors referred to in Section 4.01 (b) (i) of this Agreement.

C. Reporting, Monitoring and Midterm Review

7. Reporting:

The Recipient shall ensure timely preparation by CGPT, and submission to the Association of half yearly progress reports of implementation of Part C of the Project.

8. Monitoring:

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of Part C of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30 in each Project Year, a report integrating the results of the monitoring evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by October 31 in each Project Year, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.
9. Midterm Review

The Recipient shall not later than twenty four (24) months after the Effective Date, carry out jointly with the Association, a mid-term review (the Midterm Review) of the Progress made in carrying out Part C of the Project. The Midterm Review shall among other things cover:

(a) an assessment of: (i) work programs prepared as of the date of the Midterm Review and the progress made in carrying out the said programs; (ii) training provided under Part C of the Project; (iii) procurement under Part C of the Project; (iv) the extent to which actions described in the indicators set out in Schedule 5 to this Agreement have been carried out; and (v) plans made or proposed for updating said indicators; and

(b) a review of the state of maintenance of any works carried out under Part C of the Project.
SCHEDULE 5

Performance Monitoring Indicators

(1) Rwanda has developed and implemented a comprehensive action plan towards the accession to the EAC Customs Union.

(2) Imports and exports clearance processes in Kigali are improved and induce reduction in total clearance time by 20%.

(3) Corridor Transit time:

   (a) Total Transit time through the Northern Corridor from the port of Mombasa to Kigali decreases by 20%;

   (b) Total transit time through the Central Corridor from the port of Dar es Salaam to Kigali decreases by 20%; and

   (c) Overall border-crossing time at borders with Uganda and Tanzania decreases by 20%.

(4) By the end of the Project, policies and regulations relating to transport and transit are harmonized along the Northern and Central corridors.
SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

   (a) The term “Borrower” is modified to read “Recipient”.

   (b) The term “Credit” is modified to read “Grant”.

   (c) The term “Credit Account” is modified to read “Grant Account”.

   (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.

3. Section 1.01 is modified to read as follows:

   “Section 1.01. Application of General Conditions

   These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

   “3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:

(a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.

(b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. Currencies in which Payments are to be Made

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”
(d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:

(a) The word “credit” in paragraphs (a) (ii) and (c) (i) of Section 6.02 is replaced with the words “credit, grant or financing”.

(b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

9. Section 8.01(a) is modified to read as follows:
“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. Termination of Development Grant Agreement.

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”