

CONFORMED COPY

CREDIT NUMBER 2900 TA

Development Credit Agreement

(River Basin Management and Smallholder Irrigation Improvement Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 1996

CREDIT NUMBER 2900 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 9, 1996, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Association has received letters, dated March 25, 1996, from the Borrower, describing programs of actions, objectives and policies, designed to achieve reforms to the Borrower's water resources management policies and in the smallholder irrigation sector respectively (hereinafter called the Program), and declaring the Borrower's commitment to the execution of the Program;

WHEREAS (B) the Borrower, 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 the Project;

WHEREAS the Association has agreed on the basis, inter alia, of the foregoing to extend the Credit to the Borrower 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, with the modifications thereto set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) the last sentence of Section 3.02 is deleted; and
- (b) the second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawal shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities or any imports of goods, if such payment or import, to the knowledge of the Association is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Basin Technical Committee" means one of the committees established in the Rufiji or Pangani Basin by the Borrower, pursuant to paragraph 4 of Schedule 4 to this Agreement, to participate in the formulation of the annual workplan and facilitate Project implementation;

(b) "Implementation Plan" means either of the Implementation Plans for Parts A and B respectively of the Project, referred to in paragraph 6 of Schedule 4 to this Agreement;

(c) "Interministerial Steering Committee" means the committee to be established by the Borrower, pursuant to paragraph 2 of Schedule 4 to this Agreement, to ensure coordinated action between MOW and MOA on Project activities;

(d) "MOW" means the Borrower's Ministry of Water;

(e) "MOA" means the Borrower's Ministry of Agriculture and Cooperatives;

(f) "MTNR" means the Borrower's Ministry of Tourism and Natural Resources;

(g) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to letters, dated January 20, 1995, and October 4, 1995, respectively from the Association and countersigned by the Borrower on February 1, 1995 and December 18, 1995, respectively;

(h) "PWO" means the Principal Water Officer within MOW;

(i) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(j) "Technical Steering Committee" means the committee to be established by the Borrower, pursuant to paragraph 3 of Schedule 4 to this Agreement, to ensure coordination between MOA and MOW on technical matters related to the Project, on a regular basis; and

(k) "WRD" means the Water Resources Department within MOW.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to eighteen million two hundred thousand Special Drawing Rights (SDR 18,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars two special deposit accounts in a commercial bank (Special Account A for Part A of the Project and Special Account B for Part B of the Project) on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 2002, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit 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 days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment date in that year specified in Section 2.06 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 Borrower; 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. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 2006, and ending April 15, 2036. Each installment to, and including the installment payable on April 15, 2016, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for

Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower 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 Part A of the Project through MOW and Part B of the Project through MOA, all with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and water resource management 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 Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. 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 this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower 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 Borrower and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

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

Section 3.04. The Borrower shall: (a) later than December 31, 1996, take all necessary action, satisfactory to the Association, to increase the fees and fines associated with water use in order to improve water use efficiency, reduce pollution and cover the operating costs of River Basin offices under MOW; and

(b) review such fees and fines periodically to ensure that the objectives referred to in (a) above are met.

Section 3.05. The Borrower shall:

(a) not later than June 30, 1997, furnish to the Association for its review, its proposals for the revisions in the structure and functions of the WRD; and

(b) complete implementation of restructuring the WRD, as agreed between the Borrower and the Association by not later than December 31, 1997.

Section 3.06. (a) The Borrower shall carry out, jointly with the Association, not later than December 31, 1999, a mid-term review of the Project. This review shall cover, inter alia, (i) the extent to which the development and other objectives of the Project have been achieved, (ii) compliance with the financial audit and other obligations of the Borrower, (iii) the provision of funds for the Project by the Borrower; and (iv) constraints to the successful implementation of the Project;

(b) the Borrower shall furnish to the Association, by June 30, 1999, a report, in scope and detail, satisfactory to the Association, describing the status of progress regarding the items listed in paragraph (a) above and of Project implementation generally; and

(c) based on such review, the Borrower shall promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project, and shall thereafter implement such action plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, 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, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in

their preparation, can be relied upon to
withdrawals.

support the related

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has established the Interministerial Steering Committee, the Technical Steering Committee and the Basin Technical Committees, referred to in paragraphs 2, 3, and 4 respectively, of Schedule 4 to this Agreement; and

(b) the Borrower has furnished to the Association, Implementation Plans, satisfactory to the Association, for Parts A and B of the Project, respectively.

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

Representatives of the Borrower; Addresses

Section 7.01. The Minister at the time responsible for finance of the Borrower is designated as representative of the Borrower 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 Borrower:

Ministry of Finance
P.O. Box 9111
Dar es Salaam
Tanzania

Cable address:

TREASURY
Dar es Salaam

Telex:

41329

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto E. Madavo

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	"Amount of the Credit Allocated (Expressed in SDR equivalent)	% of Expenditures to be financed
(1) Civil Works for:		
(a) Part A of the Project	140,000	100% of foreign expenditures and 90% of local expenditures
(b) Part B of the Project	7,230,000	100% of foreign expenditures and 90% of local expenditures
(2) Vehicles and equipment for:		
(a) Part A of the Project	3,100,000	100% of foreign expenditures and 90% of local expenditures
(b) Part B of the Project	280,000	100% of foreign expenditures and 90% of local expenditures

(3)	Consultants' services for:		
	(a) Part A of the Project	1,030,000	100%
	(b) Part B of the Project	1,650,000	100%
(4)	Training for:		
	(a) Part A of the Project	410,000	100%
	(b) Part B of the Project	210,000	100%
(5)	Operating Costs for:		
	(a) Part A of the Project	890,000	100% up to June 30, 1998, 50% up to June 30, 2000, and 25% thereafter
	(b) Part B of the Project	410,000	100% up to June 30, 1998, 50% up to June 30, 2000, and 25% thereafter
(6)	Refunding of Project Preparation Advance	1,410,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7)	Unallocated	1,440,000	
	TOTAL	18,200,000"	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means expenditures incurred for fuel, maintenance and operation of vehicles, office supplies, minor office equipment and per diem and travel allowances for staff travelling on Project related activities.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments made for expenditures under Category 1 (b) for any irrigation scheme until the Borrower and the organization representing the farmers have entered into a contract, satisfactory to the Association, for the scheme concerned, pursuant to paragraph 11 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures (a) for goods and works under contracts not exceeding \$100,000 equivalent, (b) for consultants' contracts not exceeding \$100,000 equivalent for firms, and \$50,000 for individuals, under such terms and conditions as the Association shall specify by notice to the Borrower.

Description of the Project

The objectives of the Project are: (i) to strengthen the Borrower's capacity to manage water resources and address water-related environmental concerns at the national level and in the Rufiji and Pangani River Basins; and (ii) improve irrigation efficiency of selected smallholder traditional irrigation schemes in the above-mentioned river basins.

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

Part A: River Basin Management

1. Strengthening national water resources management through improving the legal and regulatory framework and broadening participation in river basin management.
2. Carrying out a review of the institutional framework and legislation for water management, focusing on water rights, water charges, protection of water against pollution and broadening participation in the institutional framework.
3. (a) Carrying out a review of the functions and organization of WRD, in order to restructure its activities in light of the increased awareness of water-related issues and increase in responsibility and volume of activities; and (b) strengthening of WRD's capacity to monitor water availability and use, through: (i) the acquisition of specialized equipment and vehicles; (ii) construction and rehabilitation of office facilities in Dar es Salaam and the Rufiji River Basin; and (iii) provision of training and technical advisory services to improve monitoring capabilities.
4. Strengthening of regulatory functions in the water sector through: (a) the acquisition of equipment and vehicles; (b) provision of training and technical advisory services to the offices of the Principal Water Officer, and the Basin Water Officers in the Pangani and Rufiji River Basins, respectively; and (c) rehabilitation of the offices of the Principal Water Officer in Dar es Salaam.
5. Carrying out studies on: (a) features of the Pangani and Rufiji river basins which are of importance to basin hydrology and environment; (b) issues related to natural resources management in the Great Ruaha sub-basin; (c) regulation of water use, and assessing the environmental impact of large scale farming enterprises engaged in irrigation in both river basins; and (d) two other river basins.
6. Strengthening the national water quality network to enable it to carry out effluent monitoring of ambient conditions; and groundwater monitoring through: (a) replacement and upgrading of equipment and facilities in MOW's regional laboratories serving the Pangani and Rufiji River Basins; and (b) improvement of facilities at MOW's central laboratory.

Part B: Smallholder Irrigation Improvement

1. Improvement of management capacity and upgrading of infrastructure for targeted traditional smallholder irrigation schemes in the Pangani and Rufiji River Basins.
2. Strengthening of community organizations, to enable them to manage improved irrigation schemes, through the provision of training and technical advisory services.
3. Establishment of a unit in MOA's Irrigation Department to conduct environmental evaluations of irrigation schemes proposed for support under this and other investments in irrigation.
4. Strengthening MOA's capacity to carry out successful smallholder irrigation development, through the rationalization of MOA's Irrigation Department, acquisition of specialized equipment and vehicles and the provision of training and technical advisory services.
5. Strengthening the capacity of the private sector to carry out successful smallholder irrigation, through the strengthening of water user groups and training of private sector contractors on technical features of the construction of irrigation

works and the use of labor based construction methods.

6. Carrying out research on issues identified as impediments to the development of sustainable and profitable cropping systems and irrigation management of smallholder irrigation in the Pangani and Rufiji River Basins.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995, (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for works shall be grouped into bid packages estimated to cost the equivalent of \$500,000 or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$9,500,000, and goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$800,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the

Association, for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. (a) Part A of the Project shall be carried out by WRD with the participation of the Principal Water Officer and Basin Water Officers for the Pangani and Rufiji River Basins; (b) Part B of the Project shall be carried out by the Irrigation Department within MOA, with support from the agricultural research and extension services within MOA.

2. (a) The Borrower shall, in order to ensure coordinated action between MOA and MOW on Project activities, establish and maintain an Interministerial Steering Committee chaired by the Principal Secretary of MOW, with the Principal Secretary of MOA as the alternate chair, and including the following members: (i) the Principal Secretaries of the Ministries of Finance, Tourism and Natural Resources, Justice and Constitutional Affairs, Community Development, Women and Children, the Planning Commission, and the Vice President's office; (ii) Regional Development Directors for Iringa and Tanga, in their capacity as Chairmen of the Rufiji and Pangani Basin Technical Committees respectively, and the Regional Development Director for the Coast Region; (iii) the Commissioner for Water Affairs of MOW, and the Commissioner for Agriculture and Livestock Development of MOA; and (iv) the Principal Water Officer in MOW.

(b) The Interministerial Steering Committee shall meet at least once a year to review and approve the annual workplan, review progress to date, resolve any disputes and approve any major initiatives to be undertaken under the Project.

3. (a) The Borrower shall establish and maintain a Technical Steering Committee under the chairmanship of the Commissioner for Water Affairs of MOW, with the Commissioner of Agriculture and Livestock Development, MOA, as alternate chair and including the following members: (i) the Principal Water Officer, MOW; (ii) the Commissioner of Planning and Marketing, MOA, and the Director of Planning, MOW; and (iii) the Assistant Commissioners for Water Resources, MOW, and Irrigation, MOA; and

(b) the Technical Steering Committee shall meet at least once every six months to prepare the annual workplan, coordinate surveys, procurement, training and other joint activities.

4. (a) The Borrower shall, for the Pangani and Rufiji River Basins, establish and maintain Basin Technical Committees, to participate in the formulation of the annual workplan and facilitate implementation of the Project;

(b) the Basin Technical Committees shall be chaired by the Regional Development Director for Iringa (Rufiji Basin) and Tanga (Pangani Basin) and shall include key officials for the regions, zones and districts in the basin concerned, as well as, a representative from the Department of Environment in the Vice President's Office and the appropriate Water Basin Officer; and

(c) the Basin Technical Committees shall meet, at least once every six months, to contribute to the preparation of the annual workplan, monitor implementation of the workplan, resolve cross-sectoral and implementation issues, coordinate cross-sectoral activities and support Project implementation.

5. The Assistant Commissioner for Water Resources, MOW, and the Assistant Commissioner for Irrigation, MOA, shall act jointly as secretaries to the Interministerial Steering Committee, the Technical Steering Committee and the Basin Technical Committees.

6. The Borrower shall implement the Project in accordance with the procedures, criteria and monitoring indicators set out in the Implementation Plans and, except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision of either Implementation Plan which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

7. The Borrower shall:

(a) by April 30 in each year furnish to the Association, for its review and comments, the annual workplan for each Part of the Project; and

(b) by June 30 in each year, furnish to the Association the final annual workplan as approved by the Interministerial Steering Committee, referred to in paragraph 2 above.

8. The Borrower shall, every six months commencing December 31, 1996, furnish to the Association, progress reports on the implementation of the Project, using indicators acceptable to the Association.

9. The Borrower shall:

(a) not later than June 30, 1998, make recommendations for revisions to its National Water Policy, adopted by the Borrower in 1991, to strengthen water rights and set water charges in order to improve water use efficiency, reduce pollution, cover the operation costs of river basin offices and broaden participation in the institutional framework for river basin management; and

(b) by December 31, 1998, present draft legislation to its National Assembly, amending the Water Utilization (Control and Regulation) Act of 1974, to include the revised elements of the National Water Policy referred to in (a) above.

10. The Borrower shall ensure that: (a) all communities benefiting from assistance under Part B of the Project, have met the criteria specified in the Implementation Plan, prior to commencing feasibility studies in the selected irrigation schemes; and (b) for all irrigation schemes improved under Part B of the Project, water charges

shall be introduced, to cover the cost of operation and maintenance of the scheme.

11. The Borrower shall, for each irrigation scheme to be improved, enter into a contract, satisfactory to the Association, with the organization representing the farmers, setting out the rights and responsibilities of each party to the investment, including, inter alia, the responsibility of the farmers for construction of tertiary canals and on farm distribution works, and for the operation and maintenance of the improved irrigation schemes.

12. The Borrower shall ensure, that until completion of the Project, MOA shall provide adequate agricultural extension agents to support technology transfer in the irrigated areas in the Rufiji and Pangani River Basins.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2) (a), (3) (a) (4) (a) and (5) (a) for Special Account A and (1) (b), (2) (b), (3) (b), (4) (b) and (5) (b) for Special Account B set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means amounts equivalent to \$500,000 for Special Account A and \$1,000,000 for Special Account B, to be withdrawn from the Credit Account and deposited into the Special Account concerned, pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$500,000 for Special Account B until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,500,000.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account concerned has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts shall be made as follows:

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

(b) (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposits into the Special Account concerned at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account concerned such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account concerned for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Accounts, the Borrower 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.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the respective Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower 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 the records and accounts for the Special Account concerned;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation concerned.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. 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 concerned as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any of the Special Accounts: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account concerned (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account concerned shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Accounts will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.



