

CONFORMED COPY

CREDIT NUMBER 2598 TA

Development Credit Agreement

(Second Integrated Roads Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 24, 1994

CREDIT NUMBER 2598 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 24, 1994, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter dated March 7, 1994, from the Borrower describing a program of action, objectives and policies designed to achieve an adjustment of the Borrower's transport sector (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(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;

(C) the Borrower has requested from the European Economic Community (EEC), a grant in an amount approximately equivalent to one hundred seventy-eight million one hundred thousand dollars (\$178,100,000) (the EEC Grant) to assist in financing part of the Project;

(D) the Borrower intends to contract from the African Development Fund (AfDF), a credit (the AfDF Credit), in an amount approximately equivalent to one hundred and eight million nine hundred thousand dollars (\$108,900,000) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and AfDF;

(E) the Borrower has requested from the Kingdom of Norway (Norway), a grant in an amount approximately equivalent to forty-one million seven hundred thousand dollars (\$41,700,000) (the Norwegian Grant) to assist in financing part of the Project;

(F) the Borrower has requested from the Organization for Petroleum Exporting Countries (OPEC), a loan in an amount approximately equivalent to thirty-eight million three hundred thousand dollars (\$38,300,000) (the OPEC Loan) to assist in financing part of the Project;

(G) the Borrower has requested from the Government of Japan (Japan), a grant in an amount approximately equivalent to twenty-two million eight hundred thousand dollars (\$22,800,000) (the Japan Grant) to assist in financing part of the Project;

(H) the Borrower has requested from the Kuwait Fund, a loan in an amount approximately equivalent to fourteen million nine hundred thousand dollars (\$14,900,000) (the Kuwait Fund Loan) to assist in financing part of the Project;

(I) the Borrower has requested from the Swiss Confederation, a grant in an amount approximately equivalent to five million one hundred thousand dollars (\$5,100,000) (the Swiss Grant) to assist in financing part of the Project;

(J) the Borrower has requested from the Republic of Finland through Finnish International Development Agency (FINNIDA), a grant in an amount approximately equivalent to five million four hundred thousand dollars (\$5,400,000) (the Finnish Grant) to assist in financing part of the Project; and

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 last sentence of Section 3.02 deleted (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) "ATC" means the Air Tanzania Corporation, established pursuant to Establishment Order No. 45 of 1977, under the Public Corporations Act, No. 17 of 1969;

(b) "MWCT" means the Borrower's Ministry of Works, Communications and Transport;

(c) "NCC" means the National Construction Council, established pursuant to the National Construction Council Act, No. 20 of 1979;

(d) "NIT" means the National Institute of Transport, established pursuant to the National Institute of Transport Act, No. 24 of 1982;

(e) "NTC" means the National Transport Corporation, a public corporation, established under the Public Corporations Act, No. 17 of 1969;

(f) "RETCO" means a regional transport company;

(g) "CODAP" means the Coordination Office for Donor-Assisted Projects within MWCT;

(h) "FY" means the Borrower's fiscal year beginning July 1 and ending June 30;

(i) "REO" means a Regional Engineer's Office within MWCT;

(j) "KM" means kilometers;

(k) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to letters from the Association dated February 3, 1993 and September 17, 1993, and countersigned by the Borrower on May 11, 1993 and November 8, 1993, respectively;

(l) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(m) "UDA" means Kampuni ya Usafiri Dar es Salaam, the Dar es Salaam City Bus Company;

(n) "CML" means MWCT's Central Materials Laboratory;

(o) "DRA" means the Directorate for Roads and Aerodromes within MWCT;

(p) "IMT" means Intermediate Means of Transport;

(q) "MAG" means the Management Action Group within DRA;

(r) "PEHCOL" means the Plant and Equipment Hire Company Limited, established by the Borrower under the Companies Ordinance;

(s) "Road Fund" means the fund established by the Borrower pursuant to a Parliamentary Resolution dated August 8, 1991, into which the following revenue is to be paid: the road toll, motor vehicle licenses, motor vehicle registration tax, motor vehicle tax on transfer, car benefit tax and motor vehicle road licenses.

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 one hundred twenty-three million three hundred thousand Special Drawing Rights (SDR 123,300,000).

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 shall, for the purposes of the Project, open and maintain in dollars a special deposit account in its Central Bank 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 Account 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, 2000, 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 percent (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 March 1 and September 1 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 March 1 and September 1 commencing September 1, 2004, and ending March 1, 2034. Each installment to and including the installment payable on March 1, 2014, 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 Kingdom of Great Britain and North Ireland 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 the Project through MWCT, with due diligence and efficiency and in conformity with appropriate administrative, financial and transport sector 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. The Borrower shall not undertake any proposed new investment in the road sector, estimated to cost more than \$3,000,000, unless it has an estimated economic rate of return of at least 12%, taking into account socio-economic criteria, acceptable to the Association.

Section 3.04. The Borrower shall increase revenue collection from user charges, with a view to fully funding routine maintenance costs, with the exception of the backlog periodic maintenance by FY 1995/96.

Section 3.05. The Borrower shall ensure that, pending its privatization, Air Tanzania Corporation shall not enter into aircraft or equipment leasing agreements or invest in aircraft equipment costing more than \$1,500,000, without the prior approval of the Association.

Section 3.06. The Borrower shall, by April 30, 1995, furnish to the Association a plan of action, satisfactory to the Association, for the restructuring of the RETCOs and UDA, based on the recommendations of the Road Transport Services Restructuring Study.

Section 3.07. The Borrower shall consult with the Association, prior to making any proposed changes in the internal organizational arrangements of MWCT which will materially affect the implementation of the Project.

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 Account 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 Account 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 support the related withdrawals.

Section 4.02. The Borrower shall furnish to the Association, not later than six months after the end of each fiscal year, a certified copy of the audit of the accounts of the Road Fund.

ARTICLE V

Remedies of the Association

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

- (a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out; and
- (b) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated, in whole or in part, pursuant to the terms thereof, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

- (a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and
- (b) any event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

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:

(a) the Borrower has furnished to the Association the audit reports for the Road Fund accounts for trunk and regional roads and urban and district roads, respectively, for FY 1992/93;

(b) the Borrower has adopted a plan of action, satisfactory to the Association, to broaden the Road Fund's revenue base, and to reduce the delays in collection and disbursement of funds;

(c) the Borrower has furnished to the Association, evidence of the execution of the agreement between PEHCOL's Board of Directors and management on performance monitoring indicators, satisfactory to the Association, and their linkage to management remuneration; and

(d) the Borrower has commenced implementation of an incentives package, satisfactory to the Association, for MWCT staff involved in the management and implementation of the Project.

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:

Telex:

TREASURY
Dar es Salaam

41329

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

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.

By /s/ Charles Nyirabu
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V. K. Jaycox
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:		100% of foreign expenditures and 50% of local expenditures
(a) For Part B.1 (a) (i) of the Project	15,100,000	
(b) For Part B.1 (a) (ii) of the Project	12,800,000	
(c) For Part B.1 (a) (iii) of the Project	9,600,000	
(d) For Part B.1 (a) (iv) of the Project	3,600,000	
(e) For the rest of the Project	53,200,000	
(2) Equipment and vehicles	4,500,000	100% of foreign expenditures
(3) Consultants' services	9,600,000	100%
(4) Training, workshops, seminars and studies	3,200,000	100%
(5) Refunding of Project Preparation Advance	1,100,000	Amounts due pursuant to Section 2.02 (c) of this Agreement

(6)	Unallocated	10,600,000
		<hr/>
	TOTAL	123,300,000
		=====

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; and

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

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 Categories (1) (b), (c) and (d) until the Borrower has provided evidence satisfactory to the Association that (i) budget allocations acceptable to the Association, for the year in question have been made, and (ii) adequate and timely releases of funds from the previous fiscal year's budget for road rehabilitation and maintenance of all trunk and rural roads, have been made.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) support the Borrower's Economic Recovery Program by reducing transportation costs and improving accessibility to economically productive areas, primarily agriculture, tourism and mining; (ii) develop an efficient and viable transportation sector through the implementation of sustainable improvements in the administration and coordination of sector activities and in the organization, management and financing of road infrastructure; (iii) develop the domestic construction industry; (iv) improve management of road transport services; and (v) increase accessibility and mobility in rural areas.

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: Policy and Institutional Support

1. Strengthening Road Network Management:

(a) Carrying out assessments on organizational and management systems development needs, and dissemination and implementation of best practices.

(b) Carrying out of studies to define the most appropriate organizational arrangements for road network management including, inter alia, the possibility of creating a semi-autonomous road agency.

(c) Reduction of the rate of road accidents through (i) trial improvements of identified black spots, and (ii) establishment of Regional Road Safety Councils on a pilot basis in Dar es Salaam, Tanga and Mbeya.

(d) Carrying out a program to improve the utilization of materials for road construction, including research into the use of marginal quality construction materials, pavement monitoring and monitoring of trial sections and strengthening the organization and management of material laboratories.

2. Strengthening Technical and Managerial Capacity

(a) Carrying out training by local and regional institutions in procurement and contract administration, transport policy and planning, engineering and finance for planners, lawyers, engineers and finance officers.

(b) Design and presentation of short-term courses and workshops by the Training Section of MCWT in collaboration with MAG.

(c) Provision of management and executive development training.

3. Developing the Domestic Construction Industry

(a) Assistance to NCC in training about 36 contractors in regions with limited numbers of qualified contractors (especially Tabora, Singida, Dodoma, Mara, Rukwa and Kigoma).

(b) Assistance to NCC in designing and offering training to existing and new contractors in other regions and to consultants.

(c) Assistance to NCC in addressing specific issues in contractor/consultant development.

(d) Training workshops and seminars for NCC staff.

(e) Acquisition of equipment and vehicles for contractor training in the regions referred to in (a) above, replication of Kilimanjaro labor-based contractor development scheme in other regions and for NCC's head office.

4. Improving Management of Road Transport Companies

(a) Carrying out studies to determine actions needed for completion of deregulation of intra-regional tariffs and restructuring and/or divestiture of RETCOS and UDA.

(b) Review of regulatory conditions needed to ensure safety standards of road operations.

(c) Implementation of recommendations of studies under (a) above.

5. Improving regulation and Management of Civil Aviation

(a) Carrying out studies to determine actions required for commercialization of management of airports, and improving regulation and licensing of operators.

(b) Implementation of recommendations of studies under (a) above.

6. Development of Policies and Future Projects

Carrying out studies for the development of transportation policies and for future projects.

Part B: Road Upgrading, Rehabilitation and Backlog Maintenance Program

1. Trunk Roads, Culverts and Bridges Program

(a) Rehabilitation of about 855 km comprising 650 km of paved roads and 205 km of gravel roads; upgrading to paved or double surface dressed standards of about 785 km of gravel roads, and spot improvements on a further 1285 km, including the following roads sections:

(i) commencing in FY1994/95, spot improvement of about 116 km of Tabora-Nzega, rehabilitation of about 71 km of Namtumbo-Songea and 47 km of Shinyanga Border-Magogo River;

(ii) commencing in FY1995/96, spot improvement of about 338 km of Nangomba-Namtumbo, 240 km of Sumbawanga-Mpanda, 91 km of Ipole-Tabora and rehabilitation of 50 km of Masasi-Nangomba;

(iii) commencing in FY1996/97, spot improvement of about 137 km of Inyonga-Ipole, 129 km of Mpanda-Inyonga, rehabilitation of 83 km of Kigoma-Kasulu and upgrading to double surface

dressing of 110 km of Singida-Shelui; and

- (iv) commencing in FY1997/98, spot improvement of 233 km of Kasulu-Nyakanazi.
- (b) Carrying out backlog periodic maintenance on about 520 km.
- (c) Rehabilitation of about 186 bridges and replacement of another 33 damaged or washed away bridges totalling about 5,530 meters.
- (d) Acquisition of culverts.

2. Rural Roads, Culverts and Bridges Program

- (a) Rehabilitation of about 1,800 km of selected essential districts and 1,200 km of regional roads.
- (b) Carrying out backlog periodic maintenance on about 1,370 km of regional roads.
- (c) Rehabilitation of 864 meters of bridges and replacement of about 22,500 meters of culverts on priority road sections.

Part C: Village Travel and Transport Pilot Program

1. Rural Transport Infrastructure

- (a) Training of district engineers, road inspectors and foremen in road planning and labor-based methods.
- (b) Preparation of road network plans.
- (c) Rehabilitation and maintenance of village roads footpaths and tracks.
- (d) Road works supervision support services for participating villages.

2. Promotion of IMTs

- (a) Training of villagers in the production and maintenance of IMTs.
- (b) Improvement in the design of IMTs selected by the districts.
- (c) Carrying out studies on the demand for credit in the Project area to assess the demand related to IMTs and non-transport interventions and on district resource mobilization potential.

Part D: Civil Aviation

 Resurfacing of the runway at the Kilimanjaro International Airport.

 * * *

 The Project is expected to be completed by June 30, 2000.

 SCHEDULE 3

 Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part D hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

- (a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component

of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. Bidders for civil works contracts estimated to cost the equivalent of \$10,000,000 or more per contract shall be prequalified as provided in paragraph 2.10 of the Guidelines.

3. To the extent practicable, contracts for works shall be grouped into bid packages estimated to cost the equivalent of \$3,000,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Tanzania may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

Part D: Other Procurement Procedures

1. Items or groups of items for works estimated to cost the equivalent of \$3,000,000 or less per contract, up to an aggregate amount equivalent to \$30,000,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for small emergency works and under NCC's domestic construction development program estimated to cost the equivalent of \$250,000 or less per contract, up to an aggregate amount equivalent to \$5,000,000, may be awarded on the basis of unit prices established by independent consultants.

3. Items or groups of items for goods estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$700,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part E: Review by the Association of Procurement Decisions

1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

2. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for civil works estimated to cost the equivalent of \$1,000,000 or more, or for goods estimated to cost the equivalent of \$500,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Part F: Pre-shipment Inspection

For the purposes of the pre-shipment inspection of goods imported under the Project, no price verification shall be conducted in respect of those goods to which Part A of this Section applies.

Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis 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, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Association.

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 contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts or to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Association or to amendments of contracts raising the contract value to \$100,000 equivalent or above.

SCHEDULE 4

Implementation Program

1. The Principal Secretary MWCT will have overall responsibility for the implementation of the Project.

2. (a) The Borrower shall continue to maintain CODAP with staffing, satisfactory to the Association, until completion of the Project, to coordinate Project implementation both internally among the executing agencies and externally with donors. CODAP shall continue to handle Project accounting, auditing, disbursements and performance reporting.

(b) CODAP shall coordinate the preparation of a Project Implementation manual, satisfactory to the Association which shall, inter alia, include the following: (i) a brief description of project components; (ii) a description of project implementation responsibilities; (iii) implementation schedules by component including details of procurement and execution targets; (iv) procurement procedures including charts of document flows; (v) details of the project monitoring and supervision system, showing sample formats for periodic reports to be produced by the executing agencies at stated time intervals; and (vi) disbursement procedures.

3. The Borrower shall carry out the following workshops and conferences on Project implementation: (a) annual workshops; (b) workshops on special issues; and (c) workshops on sector policies and plans prior to each budget session.

4. The Borrower shall, by March 31 of each year, carry out with the Association annual reviews of: (a) the road upgrading, rehabilitation and maintenance programs; and (b) proposals for the next three years of road investment and maintenance program, including physical, financial and training aspects. Following such review, the Borrower and the Association shall reach agreement on the budget estimates for the upgrading, rehabilitation and maintenance programs for the following fiscal year.

5. (a) The Borrower shall, by no later than November 30, 1997, carry out a mid-term review with the Association. Such review shall, inter alia, focus on the status of progress in: (i) separating management of operations for MWCT, in particular decisions regarding formation of semi-autonomous roads agency and management arrangements for the major airports; (ii) increasing road fund revenues to sufficient levels to cover routine and normal periodic maintenance costs and achieving faster transfer of Road Fund revenues to users; (iii) implementing measures to broaden the Road Fund's revenue base and to reduce the delays in collection and disbursement of funds; (iv) developing organizational and management systems for the road network; (v) implementing a restructuring and/or divestiture program for the RETCOS and UDA; (vi) preparation of a manual establishing sound environmental design and management strategies for inland surface transport projects; (vii) training of domestic contractors; and (viii) achieving the physical works targets related to km completed, and road conditions.

(b) The Borrower shall, three months before such review, prepare and furnish to the Association the reports needed to undertake the review.

(c) Promptly after the completion of the mid-term review referred to above, the Borrower shall take all necessary actions to implement the recommendations emanating from such review.

6. The Borrower shall, by March 31 in each year, confirm the contents of regional roads (including essential district and feeder roads) rehabilitation and periodic maintenance programs.

7. The Borrower shall train MWCT staff in transport planning, operations, information technology and vehicle licensing in accordance with a detailed program satisfactory to the Association.

8. The Borrower shall, by November 30, 1996, review the effectiveness of its environmental guidelines, and prepare a manual establishing sound environmental design and management strategies for inland surface transport projects.

9. The Borrower shall, by July 1, 1995, ensure that allocation of funds from the Road Fund to district and urban areas is based on needs and capacity criteria, satisfactory to the Association.

10. The Borrower, shall by April 30, 1995, furnish to the Association an action plan, satisfactory to the Association for the restructuring of the civil aviation subsector.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 an amount equivalent to

\$12,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account 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 has been duly opened, 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 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 such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account 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 payments in respect of which 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 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 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 Account, 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 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; or

(b) 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.

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 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 the Special Account: (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 (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 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 Account 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 Account.

(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.

