

CONFORMED COPY

CREDIT NUMBER 3546 TA

Development Credit Agreement

(Lower Kihansi Environmental Management Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 9, 2001

CREDIT NUMBER 3546 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 9, 2001, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 (as amended through October 6, 1999 December 2, 1997), with the modifications set forth below, with the modifications set forth below (the General Conditions), constitute an integral part of this

Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "IAPSO" means the Inter-Agency Procurement Services Office of the United Nations;

(b) "ILFEMP" means Institutional and Legal Framework for Environmental Management Project referred to in Part D.2 of Schedule 2 to this Agreement;

(c) "Kihansi Environmental Center" means the environmental center and monitoring station to be based at the Kihansi Gorge, comprising, inter alia, field researchers and monitoring experts, referred to in Part A.1 of Schedule 2 and paragraph 8 of Schedule 4 to this Agreement;

(d) "Kihansi Spray Toad" means *Nectophrynoides asperginis*, a threatened toad living in the Kihansi Gorge Ecosystem, referred to in Part A.2 of Schedule 2 to this Agreement;

(e) "MEM" means the Borrower's Ministry of Energy and Minerals;

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

(g) "MOF" means the Borrower's Ministry of Finance;

(h) "MTAC" means Multisectoral Technical Advisory Committee, established and operating pursuant to the laws of the Borrower, and comprising, inter alia, representatives of MNRT, MWLD, MEM, MOF, VPO, NEMC, the Attorney General's Chambers and Tanesco, referred to in paragraph 3 of Schedule 4 to this Agreement;

(i) "MWLD" means the Borrower's Ministry of Water and Livestock Development;

(j) "NEMC" means the National Environmental Management Council, established and operating pursuant to the Borrower's National Environment Management Act No. 19 of 1983, the project implementation unit, referred to in paragraph 2 of Schedule 4 to this Agreement;

(k) "NGO" means a non-governmental organization;

(l) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(m) "RBWO" means Rufiji Basin Water Office, established and operating pursuant to Water Utilization and Control Act 1974, Number 42, referred to in Part D.1 of Schedule 2 and paragraphs 3 and 7 of Schedule 4 to this Agreement;

(n) "Steering Committee" means the steering committee, established and operating pursuant to the laws of the Borrower, and comprising, inter alia, the Permanent Secretaries of VPO, MWLD, MNRT, MEM, MOF and the Managing Director of Tanesco, or their representatives, referred to in paragraph 2 of Schedule 4 to this

Agreement;

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

(p) "Tanesco" means Tanzania Electric Supply Company, a company registered and operating under the laws of the Borrower;

(q) "Tanesco Final Water Right" means the final water right award to be granted by the Borrower to Tanesco related to the operation of the Kihansi Gorge hydroelectric plant, referred to in Part B of Schedule 2 and paragraph 7 of Schedule 4 to this Agreement;

(r) "Updated Environmental Management Plan" means the updated environmental management plan, referred to in Part C of Schedule 2 and paragraph 6 of Schedule 4 to this Agreement; and

(s) "VPO" means the Borrower's Vice President's Office.

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 five million Special Drawing Rights (SDR 5,000,000).

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 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 a special deposit account in a commercial 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.

Section 2.03. The Closing Date shall be December 31, 2006 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 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 2.06 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 April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15, commencing October 15, 2011 and ending April 15, 2041. [Each installment to and including the installment payable on April 15, 2021, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount. [Each installment to and including the installment payable on shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by: (A) 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; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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 the Project through NEMC with due diligence and efficiency and in conformity with appropriate environmental, administrative, financial and economic 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 works, goods 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 (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Borrower 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 Borrower on said 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 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 (6) months after the end of each such year, 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 and 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 Project Management Reports or 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 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 Project Management Reports or 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. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than eighteen months after the Effective Date, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of

the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 a Project Implementation Manual, in form and substance satisfactory to the Association; and

(b) the Borrower has established a Project accounting system satisfactory to the Association.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. 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

Facsimile

(255) 222 11 77

90

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 (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 the District of Columbia, United States of America, as of the day and year first above written.

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto 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	180,000	90%
(2) Goods and Equipment	370,000	100% of foreign expenditures and 90% of local expenditures
(3) Consultants' Services and Training, including audit fees	3,700,000	100%
(4) Incremental Operating Costs	280,000	90%
(5) Unallocated	470,000	

TOTAL

5,000,000

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 and

(c) the term "Incremental Operating Costs" means building, equipment, and vehicle maintenance costs, fuel, office supplies, building rental charges, utilities, and telecommunications costs, Project support staff, but excluding salaries of officials of the Borrower'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 Credit Account to be made on the basis of statements of expenditure: (a) for civil works under contracts not exceeding \$50,000 equivalent each (other than the first three such contracts to be financed under the Credit); (b) for goods and equipment under contracts not exceeding \$150,000 equivalent each (other than the first three such contracts to be financed); (c) for consultants' services under contracts not exceeding: (i) \$100,000 each for consulting firms; and (ii) \$50,000 each for individual consultants; and (d) for training, workshops studies and incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's efforts to implement a series of measures for the long-term conservation of the Kihansi Gorge ecosystem and upstream catchment, through the development of a coordinated and consistent legal and institutional framework for environmental and water resources management.

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: Habitat and Species Conservation and Management

1. Development and implementation of a Kihansi Gorge ecosystem monitoring and conservation program, a landscape-wide conservation and catchment management plan, and the establishment of the Kihansi Environmental Center, through the provision of technical advisory services, civil works, training and the acquisition of computers, equipment and vehicles.

2. Monitoring of captive bred populations of the Kihansi Spray Toad, translocation studies, and the development of a plan for the reintroduction of the Kihansi Spray Toad to other habitats in Tanzania, through the provision of technical advisory services, training and the acquisition of computers and equipment.

3. Strengthening of the capacity of, inter alia, the University of Dar es Salaam, the Tanzania Forestry Research Institute, MNRT, and the Tanzania Wildlife Research Institute, to teach and carry out research in conservation biology through the provision of technical advisory services, training, and the acquisition of computers and equipment.

Part B: Establishment of Tanesco Final Water Right

1. Determination of Tanesco's Final Water Right to operate the Kihansi Gorge hydroelectric plant, through a transparent process and the provision of technical advisory services, training and the acquisition of computers and equipment.

2. Support to the operation of the MTAC to assist it in establishing and developing mechanisms for monitoring and enforcement of the Tanesco Final Water Right, and in updating hydrological studies of catchment flows, through the provision of technical advisory services, training and the acquisition of computers and equipment.

3. Monitoring of bypass flows prior to the establishment of the Tanesco Final Water Right, through the provision of technical advisory services, civil works, training, and acquisition of computers and equipment.

Part C: Updated Environmental Management Plan

1. Development of an Updated Environmental Management Plan, through the provision of technical advisory services, civil works, training and the acquisition of computers and equipment.

2. Implementation of the Updated Environmental Management Plan through the provision of civil works and technical advisory services.

Part D: Institutional Strengthening

1. Preparation and implementation of a program of institutional capacity building of, inter alia, NEMC, MWLD, MEM, RBWO, MNRT and Tanesco, with the aim of improving the regulatory framework for environmental and water resources management, and awareness raising, through the provision of technical advisory services, training and the acquisition of computers and equipment.

2. Implementation of the recommendations and findings of the ILFEMP by the Borrower, through the provision of technical advisory services, training and the acquisition of computers, equipment and vehicles.

3. Project coordination and management, through the provision of technical advisory services, training and the acquisition of computers and equipment.

* * *

The Project is expected to be completed by December 31, 2006

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. 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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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.

Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Civil works estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Individual units of office equipment (such as individual fax machines, printers and laptop computers) may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 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 civil works contract estimated to cost \$50,000 or more; and goods and equipment contracts estimated to cost \$150,000 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

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to services of consultants to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$50,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. 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 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of

Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

(d) Each contract for: (i) the employment of consultants under single source selection procedures; (ii) all terms of reference irrespective of the value of the contract; (iii) the financial audit of the Project; and (iv) studies, workshops and training, shall be furnished to the Association for its prior review and approval.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. Project Implementation Manual

(a) The Borrower shall prepare and furnish to the Association a Project Implementation Manual (including a financial manual) in form and substance satisfactory to the Association, setting out details of all procedures and guidelines (including procurement and/or contract management procedures) to be followed in the implementation of the Project.

(b) The Borrower shall carry out the Project in accordance with the Project Implementation Manual and, except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. Implementation of the Project

NEMC, with the assistance of the MTAC, shall be responsible for the day-to-day implementation of the Project, under the overall guidance of the Steering Committee.

3. The MTAC

The Borrower shall maintain the MTAC. The MTAC shall be responsible for providing technical guidance on Project implementation, reporting to the Steering Committee through the Director General of NEMC.

Specifically, the MTAC shall: (a) provide technical guidance and oversee implementation of Project activities; (b) undertake sectoral and cross-sectoral coordination of specified activities during implementation of the Project; (c) organize coordinated discussions on technical issues relevant to the Project; (d) assess and recommend technical expertise needed to implement various aspects of the Project; and (e) other tasks and functions as may be agreed, from time to time, with the Association.

With regard to the establishment of the Tanesco Final Water Right, the MTAC

shall: (a) coordinate further investigations of the scope for a modified environmental flow regime; (b) make recommendations to NEMC and to the Steering Committee on the environmental flow regime and its implications for water rights, operating conditions and criteria; (c) make recommendations to the NEMC, the Steering Committee, and the RBWO for effective monitoring and enforcement of the Tanesco Final Water Right; and (d) make recommendations for the establishment of a transparent mechanism for monitoring and enforcing compliance with Tanesco Final Water Right compliance.

4. Work Programs; Midterm Review

The Borrower shall:

(a) cause NEMC to: (i) prepare annual work programs satisfactory to the Association; and (ii) furnish the said annual work programs no later than March 15 of each year, to the Association for its approval.

(b) (i) jointly with the Association, carry out, on or before January 31, 2004, a mid-term review of Project implementation and performance, with particular reference to institutional development strategy, project scope, implementation arrangements, training and skills transfer; and (ii) thereafter carry out such corrective actions as the Borrower and the Association shall determine in accordance with a time schedule satisfactory to the Association.

5. Progress Reports; Performance Indicators

The Borrower 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 6 to this Agreement: (i) the carrying out by the Borrower of the Project; and (ii) the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, no later than August 31 of each year, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on: (i) 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 (ii) the achievement of the objectives thereof during the period following such date; and

(c) review with the Association by September 30 of each year, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, 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.

6. Updated Environmental Management Plan

The Borrower shall, by June 30, 2003, send the Updated Environmental Management Plan to the Association for its comments. Upon its adoption by the Borrower, the final Updated Environmental Management Plan, satisfactory to the Association, will promptly be implemented by the Borrower.

7. Tanesco Final Water Right

(a) The Borrower shall issue the Tanesco Final Water Right for operating the Kihansi Gorge hydroelectric plant to Tanesco no later than December 31, 2003.

(b) The Tanesco Final Water Right, for abstracting up to a maximum of 24.9 m³/s and for maintaining a minimum environmental bypass flow, shall be determined on the basis of intermittent flow studies, ecological studies, economic analysis and

other considerations supported under the Project. Such Tanesco Final Water Right shall be conditional upon meeting, by Tanesco, of specific downstream environmental flow requirements to be released through the bypass pipe and other outlet works at the dam during both dry season and wet season. The recommendations for the dry and wet season environmental flow requirements will be made by the Steering Committee.

(c) The Tanesco Final Water Right shall be granted by RBWO, on behalf of the Borrower, on the basis of recommendations by NEMC, which recommendations shall take into account (i) the findings of the studies referred to in paragraph 7 (b) above; and (ii) inputs from other stakeholders in the scientific and NGO communities. The NEMC recommendations to RBWO shall be verified by the Steering Committee.

(d) The Borrower shall send the draft Tanesco Final Water Right to the Association, for its comments.

(e) The Tanesco Final Water Right shall not be granted until the Borrower has approved the Updated Environmental Management Plan, satisfactory to the Association.

8. Kihansi Environmental Center

The Borrower shall establish and maintain the Kihansi Environmental Center. The Kihansi Environmental Center, under the direction of NEMC and with the assistance of the MTAC, shall have primary responsibility for carrying out environmental monitoring and coordination for the Project.

(b) The Borrower shall employ and assign to PCU a fulltime communications officer with qualifications and experience satisfactory to the Association. The Communications Officer shall report to PCU's director and his functions shall include: (i) overall responsibility for the management of the Borrower's strategy under the Project; (ii) regular meetings with key personnel of the Borrower to determine strategic options and planned actions; and (iii) outsourcing of individual tasks that cannot be undertaken in-house, such as opinion research and advertisement production.

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 \$250,000 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 deposit into the Special Account of an amount or amounts 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 [respective] Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Category[ies], 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;

(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;

(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, minus the total amount of all outstanding special commitments 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 paragraphs 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.

SCHEDULE 6

Performance Indicators

1. Development and implementation of a Kihansi Gorge ecosystem monitoring program which, among other things, develops technical standards for monitoring flora and fauna populations in the Gorge, evaluates the effectiveness of various mitigation measures already under implementation, and which recommends new mitigation measures as needed.
2. Development and implementation of measures to improve the conservation status of the Kihansi Gorge ecosystem, and to restore critical habitats where this is possible and cost-effective.
3. Establishment of the criteria and the mechanisms for reintroducing threatened endemic species, such as the Kihansi Spray Toad, to the Kihansi Gorge, or to other appropriate habitats.
4. Preparation of a landscape-wide conservation and catchment area management plan which considers upstream catchment protection and its impact on the Kihansi Gorge.
5. Strengthening of the capacity and the institutional basis for conserving threatened habitats and species in Tanzania, and for training future researchers, natural resource managers, and decision makers in conservation biology.
6. Determination of Tanesco's final right to use water from the Kihansi river, through a transparent process on the basis of scientific inputs and representations from various stakeholders.
7. Establishment and implementation of a framework for monitoring and enforcing compliance with the final water right.
8. Preparation of an updated Environmental Management Plan, to be implemented as a condition of the final water right, and which accounts for threatened endemic species in the Kihansi Gorge ecosystem.
9. Finalization and dissemination of proposed national environmental impact assessment guidelines.
10. Prioritizing and addressing capacity-building needs which are identified as a result of a capacity needs assessment with respect to environmental decision making specific to the question of water resources and the environment.
11. Strengthening of the institutional and regulatory framework for environmental management, in particular, by improving the capacity for implementing Environment Impact Assessment (EIA) regulations, and for monitoring, regulating, and enforcing legal provisions related to environmental quality objectives.

