

CONFORMED COPY

CREDIT NUMBER 4136-TA

Project Agreement

(Private Sector Competitiveness Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TANZANIA PRIVATE SECTOR FOUNDATION

Dated March 9, 2006

CREDIT NUMBER 4136-TA

PROJECT AGREEMENT

AGREEMENT dated March 9, 2006, between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the TANZANIA PRIVATE SECTOR FOUNDATION (TPSF).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the United Republic of Tanzania (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to sixty five million five hundred thousand Special Drawing Rights (SDR 65,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that TPSF agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary grant agreement to be entered into between the Borrower and TPSF, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to TPSF on the terms and conditions set forth in said TPSF Subsidiary Grant Agreement; and

WHEREAS TPSF, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) TPSF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and TPSF shall otherwise agree, TPSF shall carry out Part B of the Project in accordance with the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

Section 2.03. (a) TPSF shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part B of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, TPSF shall, in conjunction with the Borrower:

- (i) 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 Association and TPSF, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with TPSF on said plan.

Section 2.04. TPSF shall duly perform all its obligations under the TPSF Subsidiary Grant Agreement. Except as the Association shall otherwise agree, TPSF shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the TPSF Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) TPSF shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance of its obligations under this Agreement and under the TPSF Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

(b) TPSF shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Credit, or the performance by TPSF of its obligations under this Agreement and under the TPSF Subsidiary Grant Agreement.

ARTICLE III

Management and Operations of TPSF

Section 3.01. TPSF shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and technical practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. TPSF shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

Section 3.03. TPSF shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) TPSF shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part B of the Project.

(b) TPSF shall:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon TPSF's reporting obligations set out in Section IV of the Schedule to this Agreement, TPSF shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

(iii) sets forth the status of procurement under Part B of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of TPSF thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify TPSF of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For TPSF:

Tanzania Private Sector Foundation
21 Ghana Avenue
P.O. Box 11313
Dar es Salaam
Tanzania

Facsimile: (255) 22 2129433

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of TPSF, may be taken or executed by the Chairperson of TPSF or such other person or persons as the Chairperson of TPSF shall designate in writing, and TPSF shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy O'Connor

Authorized Representative

TANZANIA PRIVATE SECTOR FOUNDATION

By /s/ Leon Hooper

Authorized Representative

SCHEDULE

Implementation Program

Section I. Institutional Arrangements

1. Without limitation upon the provisions of Section 2.01 (a) of this Agreement, TPSF shall be responsible for: (i) participation in the overall coordination of Project activities through the POPP; (ii) the implementation, procurement, financial management, monitoring, reporting and evaluation of activities under Parts B.1 and B.5 of the Project; and (iii) the provision and administration, through the Grants Manager, of BP Grants and Matching Grants under Parts B.2, B.3 and B.4 of the Project.

2. (a) Without limitation upon the provisions of paragraph 1 of this Section, TPSF shall appoint and maintain, at all times during the implementation of Parts B.2, B.3 and B.4 of the Project, one or more private firms or individuals to serve as the Grants Manager, with terms of reference and functions satisfactory to the Association.

(b) Without limitation upon the provisions of paragraph 2 (a) of this Section, the Grants Manager shall be responsible for: (i) appraising all proposed Subprojects; (ii) approving, subject to the non-objection of a grant committee specified in the PIM, all BP Grants and Matching Grants; and (iii) disbursing, administering, monitoring and reporting to TPSF on all approved BP Grants and Matching Grants, all in accordance with the provisions and procedures set forth in Section III of this Schedule and further detailed in the PIM.

Section II. Project Implementation Manual

TPSF shall carry out Parts B.1 and B.5 of the Project, and cause the Grants Manager to carry out Parts B.2, B.3 and B.4 of the Project, in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

Section III. BP Grants and Matching Grants

1. General

Without limitation upon the provisions of Sections I and II of this Schedule, TPSF shall cause the Grants Manager to appraise, approve (subject to the non-objection of a grant committee specified in the PIM) and monitor the Subprojects, and administer the BP Grants and the Matching Grants in accordance with the provisions and procedures set forth in this Section III and in more detail in the PIM.

2. Eligibility Criteria and Procedures for Subprojects under Parts B.2, B.3 and B.4 of the Project

No proposed Subproject under Parts B.2, B.3 or B.4, as the case may be, shall be eligible for financing under a BP Grant or a Matching Grant, as the case may be, out of the proceeds of the Credit unless the Grants Manager has determined (subject to the non-objection of a grant committee specified in the PIM), on the basis of an appraisal conducted in accordance with this Section and the guidelines set forth in the PIM, that the proposed Subproject satisfies the eligibility criteria specified below and in more detail in the PIM, which shall include, *inter alia*, the following:

- (i) the proposed Subproject shall be initiated by a Beneficiary which has been registered as a legal entity and has the capacity to enter into a binding contract under the laws of the Borrower, and which has met the other eligibility criteria specified in the PIM, including the Beneficiary's agreement and ability to provide a matching contribution as specified in the PIM;
- (ii) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed Subproject in compliance with the guidelines set forth in the PIM; and
- (iii) the Beneficiary shall be eligible to receive subsequent BP Grants or Matching Grants if it has completed the preceding Subproject to the satisfaction of the Grants Manager and TPSF, in accordance with the terms of the BP Grant Agreement or the Matching Grant Agreement, as the case may be.

3. Terms and Conditions of BP Grants and Matching Grants

(a) A Subproject shall be carried out pursuant to a BP Grant Agreement or a Matching Grant Agreement, as the case may be, to be concluded between the Grants Manager, on behalf of TPSF, and the Beneficiary, under terms and conditions described in more detail in the PIM and satisfactory to the Association, which, *inter alia*, shall include the following:

- (i) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the Subproject;
- (ii) the modalities of transfer of funds by the Grants Manager to the Beneficiary for the financing of the Subproject;
- (iii) the obligation of the Beneficiary to contribute, in cash and/or in-kind, a minimum percentage of the projected Subproject costs as specified in the PIM;
- (iv) the obligation of the Beneficiary to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
- (v) the requirement that the goods, works and consultants' services to be financed from the proceeds of the BP Grant or the Matching Grant, as the case may be, shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the Subproject; and
- (vi) the right of the Grants Manager, on behalf of TPSF, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of Subprojects; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the BP Grant or the Matching

Grant, as the case may be, upon failure by the Beneficiary to perform any of its obligations under the BP Grant Agreement or the Matching Grant Agreement, as the case may be.

(b) TPSF shall cause the Grants Manager to exercise its rights under the BP Grant Agreement or the Matching Grant Agreement, as the case may be, in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, TPSF shall not permit the Grants Manager to assign, amend, abrogate or waive the BP Grant Agreement or the Matching Grant Agreement, as the case may be, or any substantial provision thereof.

Section IV. Monitoring, Evaluation and Reporting Arrangements

1. TPSF shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance indicator 8 set forth in Schedule 5 to this Agreement and the detailed indicators set forth in the PIM, the carrying out of Part B of the Project and the achievement of the objectives of the Project.

2. (a) TPSF shall, in conjunction with the Borrower, submit to the Association: (i) on or about June 30 of each year until the completion of the Project, an annual progress implementation report; and (ii) on or about the date twenty four (24) months after the Effective Date, a mid-term report, each such report prepared under terms of reference and in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of Part B of the Project during the period preceding the date of the said report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, and setting out the measures recommended to ensure the efficient carrying out of Part B of the Project and the achievement of the objectives of the Project during the period following such date.

(b) TPSF shall review with the Borrower, the Association and other interested parties the reports referred to in paragraph 2 (a) of this Section, on or about the date one month after the submission of said reports, and thereafter take or cause to be taken all measures required to ensure the efficient implementation of Part B of the Project and the achievement of the objectives of the Project, based on the conclusions and recommendations of said reports and the Association's views on the matter.