

CONFORMED COPY

CREDIT NUMBER 2149 TA

(Integrated Roads Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 28, 1990

CREDIT NUMBER 2149 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 28, 1990, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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;

(B) the Borrower has requested from the Kingdom of Denmark (Denmark), a grant in an amount approximately equivalent to fifty-seven million dollars (\$57,000,000) (the Danish Grant) to assist in financing part of the Project;

(C) the Borrower has requested from the Federal Republic of Germany, a grant in an amount approximately equivalent to thirty-two million dollars (\$32,000,000) (the German Grant) to assist in financing part of the Project;

(D) the Borrower has requested from the Republic of Italy (Italy), a loan in an amount approximately equivalent to ninety-one million seven hundred thousand dollars (\$91,700,000) to assist in financing part of the Project;

(E) the Borrower has requested from the Republic of Finland a grant in an amount approximately equivalent to forty-eight million four hundred thousand dollars (\$48,400,000) to assist in financing part of the Project;

(F) the Borrower has requested from the Overseas Development Administration of the United Kingdom of Great Britain and Northern Ireland (ODA), a grant (the ODA Grant) in an amount approximately equivalent to thirteen million six hundred thousand dollars (\$13,600,000) to assist in financing part of the Project;

(G) the Borrower has requested from the United Nations Development Programme (UNDP), a grant in an amount approximately equivalent to two million nine hundred thousand dollars (\$2,900,000) to assist in financing part of the Project;

(H) the Borrower has requested from the Kingdom of Norway (Norway), a grant in an amount approximately equivalent to thirty-six million five hundred thousand dollars (\$36,500,000) to assist in financing part of the Project;

(I) the Borrower has requested from the European Economic Community (EEC), a grant in an amount approximately equivalent to one hundred seventy-one million dollars (\$171,000,000) to assist in financing part of the Project;

(J) the Borrower has requested from the United States Agency for International Development (USAID), a grant in an amount approximately equivalent to thirty-two million seven hundred thousand dollars (\$32,700,000) to assist in financing part of the Project;

(K) the Borrower has requested from the Kingdom of the Netherlands, a grant in an amount approximately equivalent to eighteen million dollars (\$18,000,000) to assist in financing part of the Project;

(L) the Borrower has requested from the Swiss Confederation, a grant in an amount approximately equivalent to ten million eight hundred thousand dollars (\$10,800,000) to assist in financing part of the Project;

(M) the Borrower has requested from the Republic of Ireland a grant in an amount approximately equivalent to four million eight hundred thousand dollars (\$4,800,000) to assist in financing part of the Project;

(N) the Borrower intends to contract from the African Development Fund (AfDF), a loan (the AfDF Loan), in an amount approximately equivalent to forty-two million one hundred thousand dollars (\$42,100,00) and a grant in amount approximately equivalent to three million one hundred thousand dollars (\$3,100,000), to assist in financing part of the Project on terms and conditions set forth in an agreement to be entered into between the Borrower and AfDF;

(O) the Borrower has requested from the Saudi Fund, a grant in an amount approximately equivalent to eleven million eight hundred thousand dollars (\$11,800,000) to assist in financing part of the Project;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated

January 1, 1985, with the 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) "MCW" means the Borrower's Ministry of Communications and Works;

(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 MCW;

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

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

(j) "KM" means kilometers;

(k) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to an exchange of letters dated November 22, 1988, and February 2, 1989, and September 19, 1989, and October 17, 1989, between the Borrower and the Association;

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

(m) "UDA" means Shirika la Usafiri Dar es Salaam, the Dar es Salaam City Bus Service;

(n) "MCTI" means the Morogoro Comworks Training Institute within MCW;

(o) "CML" means MCW's Central Materials Laboratory; and

(p) "Core Regions" means the following regions, Mwanza, Shinyanga, Kilimangaro, Tanga, Morogoro, Iringa, Mbeya, Lindi, Ruvuma, Mtwara, Kagera.

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 this Agreement, an amount in various currencies equivalent to one hundred and thirty-nine million nine hundred thousand Special Drawing Rights (SDR 139,900,000).

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 Advances 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 June 30, 1998, 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 May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 15 and November 15 commencing November 15, 2000, and ending May 15, 2030. Each installment to and including the installment payable on May 15, 2010, 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 consi-

deration 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 Northern 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 Parts A.1 through 8, B and C of the Project through MCW, Part A.9 through MOF, Part A.10 through NCC, Part A.11 through NIT, Part D.1 through ATC and Part D.2 through NTC, all with due diligence and efficiency and in conformity with appropriate administrative, financial and transportation practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall make the proceeds of the Credit allocated to Parts A.10, A.11, D.1 and D.2 of the Project available to NCC, NIT, ATC and NTC, respectively as grants.

(c) 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: (a) undertake a general revision of its procurement regulations, including supply management procedures with a view to streamlining and clarifying its procurement procedures in accordance with terms of reference satisfactory to the Association ; and (b) by December 31, 1993, commence implementation of the revised regulations and procedures.

Section 3.04. The Borrower shall increase its revenue collection, primarily through revenue intake from road users, with a view to funding the increased costs of road maintenance, while maintaining the present level, in real terms, of net contributions to the Borrower's general revenues.

Section 3.05. The Borrower shall not undertake any proposed new investment in the road sector, estimated to cost more than \$3,000,000 equivalent, unless it has an estimated economic rate of return of at least 12%, taking into account socio-economic criteria, acceptable to the Association.

Section 3.06. The Borrower shall by December 31, 1990, furnish to the Association for its review, a plan of action to improve the delivery of urban passenger transport services in Dar es Salaam, including, inter alia, institutional reorganization and an appropriate pricing policy.

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, certified copies of the reports of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a report in the case of each agency, the agency's compliance with the recommendations of the management letter for the previous Fiscal Year, and a copy of the management letter for the current Fiscal Year; 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 the purposes of paragraph (b) (ii) of this Section, the term "management letter" in respect of each agency referred to in the said paragraph, means a letter from independent auditors acceptable to the Association addressed to such agency and communicating the observations and suggestions of such auditors regarding possible improvements by such agency of, inter alia, its accounting and financial practices, its internal financial management and control and its operating procedures.

(d) 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.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, the Borrower has:

(a) selected consultants to carry out the study on the revision of procurement regulations and supply management procedures referred to in Section 3.03 of this Agreement;

(b) approved budget estimates satisfactory to the Association for road rehabilitation and maintenance for FY 1990/1991;

(c) prepared the regulations for establishing MCW's plant pool, and the bidding documents and list of prequalified companies for the plant pools referred to in paragraph 6 of Schedule 4 to this Agreement, all satisfactory to the Association;

(d) finalized the procedures and documentation for the interim procurement regulations; and

(e) adopted the National Construction Industry Development Strategy.

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

Representatives of the Borrower; Addresses

Section 6.01. 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.

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)
64145 (WUI)

197688 (TRT) or
82987 (FTCC)

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

UNITED REPUBLIC OF TANZANIA

By /s/ Steven Kibona
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Stephen Denning
Acting 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) Trunk road, rehabilitation and upgrading		100% of foreign expenditures and 50% of local expenditures
(a) for Part B.1 (a) of the Project	20,700,000	
(b) for Part B.1 (b) of the Project	14,300,000	
(c) for Part B.1 (c) of the Project	13,600,000	
(2) Other roads, bridges, buildings and road main- tenance works	26,000,000	85%
(3) Equipment for road contractors	3,900,000	100% of foreign expenditures
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Equipment,	6,200,000	100% of foreign

	vehicles, spare parts and materials		expenditures and 80% of local expenditures
(5)	Equipment, vehicles and spare parts for private plant pools	9,800,000	100% of foreign expenditures
(6)	Equipment hire for road maintenance by REOs	5,800,000	35%
(7)	Equipment and ferry repair contracts including transportation	4,600,000	100%
(8)	Consultants' services	16,900,000	90%
(9)	Training, seminars, fellowships and workshops	2,700,000	100%
(10)	Refunding of Project Preparation Advance	1,200,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(11)	Unallocated	14,200,000	
	TOTAL	139,900,000 =====	

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 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 for expenditures under Categories (1) (b) and (1) (c) 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 regional roads, have been made.

SCHEDULE 2

Description of the Project

The main objectives of the Project are to strengthen the capability of MCW to manage road maintenance programs, and to execute an integrated package of road rehabilitation and upgrading investments.

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: Institutional Support

1. Strengthening MCW departments and divisions involved in contract administration, road and equipment maintenance and management, planning, budgeting and monitoring of trunk and regional roads programs, as well as policy, feasibility and engineering studies in the transport sector.
2. Instituting procedures in the REOs, in at least the eleven core regions, for administration of trunk and regional road rehabilitation and maintenance programs.
3. (a) Renovation of facilities, provision of training equipment and improvement of civil engineering courses at the University of Dar es Salaam's Engineering Faculty, as well as an increase in the number of students.

(b) Renovation of facilities, provision of training equipment and improvement of highway technicians' courses at the Arusha Technical College.
4. Re-equipping CML and provision of training and technical assistance to support its testing and research program, including soil testing assistance to REOs.
5. Training in highway management, and road and equipment maintenance, including expansion of MCTI's facilities and training programs.
6. Formulation and implementation of a road safety program, including, vehicle weight control and traffic management.
7. Coordination of the Project and establishment of a management information system for the monitoring of activities at MCW headquarters and the REOs.
8. Renovation of MCW headquarters, CML and REOs and construction of housing for REO staff, and upgrading office technology and communications.
9. Revising the Government's procurement regulations, reorganizing materials supply management, and training in procurement for staff of MCW, Attorney-General's Chambers and Tender Boards.
10. Continuation of assistance to domestic contractors to undertake an increasing share of road rehabilitation and maintenance works, including development of a labor-based technology.
11. Conversion of NIT's vocational training programs into more practical and shorter courses to satisfy the demand of the transportation industry.

Part B: Rehabilitation Program

1. Rehabilitation of about 1,080 km, overlay or resealing of about 620 km of paved trunk roads, rehabilitation or improving of about 2550 km of unpaved trunk roads, and upgrading to paved road standards of about 340 km, with bridges and structures, including the following road sections:
 - (a) in FY 1990/1991, Lusahunga through Biharamulo Junction to Usagara, Tunduma to Luiche and Shelui through Singida and Babati to Berekui;
 - (b) in FY 1991/1992, Tabora through Nzega to the Singida border, and Dodoma to Singida; and
 - (c) in FY 1992/1993, Mwanza to Usagara, Usagara to Nzega and Songea to Masasi.
2. Rehabilitation or replacement of about 30 other bridges and

repair of minor structures along trunk roads.

3. Improvements to about 10 vehicular ferry crossings.
4. Rehabilitation of about 3000 km of regional roads, principally in the Core Regions.

Part C: Maintenance Program

1. Acquisition of equipment, vehicles, initial stock of spare parts and workshop items for privately operated plant pools.
2. Acquisition of equipment, vehicles, initial stock of spare parts and workshop items for the MCW plant pool.
3. Acquisition of spare parts and materials for and rehabilitation of, road maintenance equipment.
4. Equipment hire for road maintenance undertaken by the REOs.
5. Contracted road maintenance and emergency works.

Part D: Freight, Passenger and Air Transportation

1. Strengthen of ATC's management capabilities.
2. Strengthening the management capability of NTC and its affiliates RETCOs and UDA.

* * *

The Project is expected to be completed by December 31, 1997.

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 1985 (the Guidelines).
2. Bidders for civil works shall be prequalified as provided in paragraph 2.10 of the Guidelines.
3. To the extent practicable, contracts for goods and materials shall be grouped into bid packages estimated to cost the equivalent of \$200,000 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 civil 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 road maintenance, rehabilitation and emergency works estimated to cost the equivalent of \$1,000,000 or less per contract, up to an aggregate amount equivalent to \$10,000,000, may be awarded after direct negotiations with contractors, in accordance with procedures acceptable to the Association, in those cases where local competitive bidding procedures are not appropriate.

3. Items or groups of items for goods and materials estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$7,000,000, 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.

4. Contracts for equipment and spare parts of a proprietary nature or subject to standardization may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

5. Contracts for the repair of equipment may be awarded after direct negotiations with maintenance garages, in accordance with procedures satisfactory 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 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 the Association has authorized withdrawals 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.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out of 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.

SCHEDULE 4

Implementation Program

1. (a) The Borrower shall, by the beginning of FY 1990/1991 commence structural changes to MCW's internal organization, in accordance with a plan of action satisfactory to the Association.

(b) MCW shall expand the scope of the Sixth Highway Project Coordination Unit to cover implementation of this Project. CODAP shall consist of four full-time professional staff, assisted by a highway engineer and an accountant, all with qualifications and experience acceptable to the Association.

(c) The Borrower shall ensure that key MCW staff associated with the Project, are not reassigned in such a manner as to be detrimental to Project Implementation.

2. The Borrower shall by March 31 of each year: (a) carry out an annual review with the Association and other participating donors of (i) the performance under the road network stabilization program, and (ii) proposals for the next three years of road investment and maintenance activities, including physical, financial and training aspects; and (b) reach agreement with the Association on (i) the budget estimates for the following fiscal year for the rehabilitation and maintenance of the trunk road network and regional road networks in at least the Core Regions, and (ii) the related road maintenance strategy and annual physical targets.

3. The Borrower shall progressively increase its annual contribution to funding road maintenance, with the objective of fully covering road maintenance requirements from the Borrower's own resources by FY 1995/1996.

4. The Borrower shall conduct the following workshops and conferences on Project Implementation, under MCW's chairmanship: (a) the Project Launch Workshop; (b) annual workshops involving REO staff and MCW headquarters staff; (c) annual donors conferences; and (d) by November 30, 1992, a comprehensive implementation review workshop.

5. (a) CML shall carry out an inventory of, and essential research on, naturally occurring road materials in Tanzania as well as pavement performance monitoring and condition surveys.

(b) MCW shall carry out a study to determine the feasibility of establishing CML as a financially autonomous unit.

6. (a) Road maintenance equipment reconditioned under the Project shall be consigned to MCW's plant pool for hire by REOs and contractors.

(b) The Borrower shall competitively select one or more private plant pools which shall be required to provide guaranteed services to MCW during the Project implementation period.

(c) The Borrower shall carry out a study to determine the details of MCW and private plant pools. This study shall include, inter alia, preparation of bidding documents, draft contracts, bid evaluation criteria, as well as a prequalification questionnaire. The Borrower shall prepare an action plan for the establishment of the private plant pools, and shall ensure that these are autonomous entities and enable them to charge commercial rates for equipment hire.

7. The Borrower shall, by July 1, 1991, formulate a program for its vehicle weight control and road safety programs, including a

definition of responsibilities for implementation and promptly thereafter commence implementation of such programs.

8. (a) The Borrower shall ensure that environmental considerations are included in terms of reference for studies and conditions for contract for procurement of works and goods, in particular those aspects that may have an adverse environmental impact.

(b) Rural roads to be improved under the Project shall be selected through applying evaluation criteria, satisfactory to the Association.

9. The Borrower, building on the experience gained on past rural road maintenance programs, shall increase the opportunities for employment of women in such programs, and facilitate the improvement in their work conditions.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) 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 \$8,000,000 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; (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.

