

No. 13473

**UNITED NATIONS
(UNITED NATIONS CAPITAL DEVELOPMENT FUND)
and
UNITED REPUBLIC OF TANZANIA**

**Grant Agreement (with schedules). Signed at Dar es Salaam
on 21 August 1974**

Authentic text: English.

Registered ex officio on 21 August 1974.

**ORGANISATION DES NATIONS UNIES
(FONDS D'ÉQUIPEMENT DES NATIONS UNIES)
et
RÉPUBLIQUE-UNIE DE TANZANIE**

**Accord relatif à un don en espèces (avec annexes). Signé
à Dar es-Salam le 21 août 1974**

Texte authentique : anglais.

Enregistré d'office le 21 août 1974.

GRANT AGREEMENT¹

AGREEMENT, dated August 21st, 1974, between UNITED REPUBLIC OF TANZANIA (hereinafter called “the Government”) and UNITED NATIONS CAPITAL DEVELOPMENT FUND (hereinafter called “the UNCDF”).

WHEREAS the Government has requested the UNCDF and the International Development Association (hereinafter called “the Association”) to assist it in a programme of village development in its Kigoma Region by improving infrastructure and social services (hereinafter called “the Programme”);

WHEREAS the Association, by a Development Credit Agreement of even date herewith (hereinafter called “the Association Agreement”), has agreed to assist in the financing of that part of the programme described in schedule 2 to the Association Agreement (hereinafter called “the Association Project”) by providing an amount equivalent to ten million U.S. dollars (U.S. \$10,000,000);

WHEREAS the UNCDF is willing to assist the Government to carry out that part of the programme described in schedule 2 to this Agreement (hereinafter called “the Project”) by providing a grant (hereinafter called “the Grant” to the Government;

NOW THEREFORE the Parties hereto have entered into this Agreement in a spirit of friendly cooperation.

Article I. THE GRANT

Section 1.01. The UNCDF agrees to make the Grant available to the Government, upon the terms and conditions set forth or referred to in this Agreement, in an amount of one million five hundred thousand United States dollars (U.S. \$1,500,000).

Section 1.02. (a) The UNCDF shall open a grant account (hereinafter called “the Grant Account”) on its books in the name of the Government and shall credit thereto the amount of the Grant.

(b) The amount of the Grant may be withdrawn by the Government from the Grant Account in accordance with the provisions of schedule 1 to this Agreement, as such schedule may be amended from time to time, for expenditures made (or, if the UNCDF shall so agree, to be made) in respect of goods and services, the cost of which is determined by the UNCDF to be reasonable, required for the Project and which are to be financed out of the proceeds of the Grant.

Section 1.03. The UNCDF may by notice to the Government terminate the right of the Government to withdraw from the Grant Account any amount not withdrawn by December 31, 1980, or by such other date as shall be agreed between the Government and the UNCDF.

¹ Came into force on 21 August 1974 by signature, in accordance with section 8.01.

Article II. PROCUREMENT

Section 2.01. Except as the UNCDF shall otherwise agree, contracts for the purchase of goods or for the carrying out of works or services (other than consultants' services) for the Project which are to be financed out of the proceeds of the Grant shall be awarded in accordance with the provisions of this article.

Section 2.02. The Government shall construct the water supply systems and buildings included in the Project either:

- (i) under contracts awarded on the basis of local competitive bidding in accordance with the Government's usual procurement procedures, to the extent that they are not inconsistent with those of the UNCDF, or
- (ii) by direct use of the Government's plant, equipment, labour or other similar resources.

Section 2.03. With respect to each contract awarded under the provisions set forth or referred to in section 2.02 (i) of this article and which are to be financed out of the proceeds of the Grant, the Government shall furnish to the UNCDF, promptly after its execution and prior to the submission to the UNCDF of the first application for withdrawal of funds from the Grant Account in respect of such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the UNCDF shall reasonably request. The UNCDF shall, if it determines that the award of the contract was not consistent with the provisions of this article, promptly inform the Government and state the reasons for such determination.

Article III. EXECUTION OF THE PROJECT

Section 3.01. The Government shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required therefor.

Section 3.02. The Government shall prepare a village site feasibility report (VSFR) for each proposed village to be included in the Project (hereinafter called "a Project Village") pursuant to the procedures set forth or referred to in schedule 3 to this Agreement, as such schedule may be amended from time to time by agreement between the Government and the UNCDF.

Section 3.03. The Government shall ensure that each water supply system provided under part A of the Project to a Project Village is designed as the least-cost water supply system for that Project Village.

Section 3.04. (a) The Government shall: (i) maintain separate records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Grant, and to disclose the use thereof in the Project; (ii) without limitation upon the provisions of paragraph (b) of this section, enable the UNCDF's representatives to visit the facilities and construction sites included in the Project, and to examine the goods financed out of such proceeds and any relevant records and documents; and (iii) furnish to the UNCDF all such information as the UNCDF shall reasonably request concerning the Project, the expenditure of the proceeds of the Grant and the goods and services financed out of such proceeds.

(b) The Government shall permit the UNCDF's representatives to examine all installations, sites, works, buildings, property and equipment relating to the Project and any relevant records and documents.

(c) The Government shall furnish to the UNCDF, promptly upon their preparation, the plans, specifications, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the UNCDF shall reasonably request.

Section 3.05. (a) The Government undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Government to replace or repair such goods.

(b) Except as the UNCDF shall otherwise agree, the Government shall cause all goods and services financed out of the proceeds of the Grant to be used exclusively for the Project.

Section 3.06. The Government shall furnish to the UNCDF for discussion and agreement not later than March 1 in each year the proposed annual development plan for Project Villages for the coming fiscal year.

Article IV. OTHER PROVISIONS

Section 4.01. The Government shall ensure that the water supply systems installed and the health facilities constructed under the Project are adequately maintained in accordance with appropriate engineering and public health practices.

Section 4.02. The UNCDF may by notice to the Government designate a person or persons as representative of the UNCDF for the purpose of receiving any documentation which is to be furnished to the UNCDF or of performing any act required or permitted to be performed by the UNCDF in accordance with the terms of this Agreement.

Article V. SUSPENSION OR TERMINATION OF ASSISTANCE

Section 5.01. The UNCDF may by written notice to the Government suspend its assistance under this Agreement if in the judgment of the UNCDF any circumstance arises which interferes with or threatens to interfere with the successful completion of the Project or the accomplishment of its purposes. The UNCDF may, in the same or in a subsequent written notice, indicate the conditions under which it is prepared to resume its assistance under this Agreement. Any such suspension shall continue until such conditions are accepted by the Government and the UNCDF shall have given written notice to the Government that it is prepared to resume its assistance under this Agreement.

Section 5.02. If any situation referred to in section 5.01 shall occur and continue for a period of fourteen days after notice thereof shall have been given by the UNCDF to the Government, then at any time thereafter during the continuance thereof, the UNCDF may by written notice to the Government terminate its assistance under this Agreement.

Section 5.03. The provisions of this article shall be without prejudice to any other rights or remedies that UNCDF may have in the circumstances, whether under general principles of law, the laws in effect in the United Republic of Tanzania or otherwise.

Article VI. SETTLEMENT OF DISPUTES

Section 6.01. Any dispute between the UNCDF and the Government arising out of or relating to this Agreement which is not settled by negotiation or other agreed mode of settlement shall be submitted to arbitration at the request of either Party. Each Party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator, who shall be the chairman of the arbitration tribunal. If within thirty days of the request for arbitration either Party has not appointed an arbitrator or if within fifteen days of the appointment of the two arbitrators, the third arbitrator has not been appointed, either Party may request the President of the International Court of Justice to appoint such as yet unappointed arbitrator. The procedure of the arbitration shall be fixed by the arbitrators, and the expenses of the arbitration shall be borne by the Parties as assessed by the arbitrators. The arbitral award shall contain a statement of the reasons on which it is based and shall be accepted as binding by the parties to the dispute.

Article VII. REPRESENTATIVE OF THE GOVERNMENT; ADDRESSES

Section 7.01. The Minister of the Government at the time responsible for finance is designated as representative of the Government for the purpose of taking any action required or permitted to be taken under this Agreement on behalf of the Government.

Section 7.02. The following addresses are specified for the purpose of transmitting any notice or request required or permitted to be given or made under this Agreement.

For the Government:

The Principal Secretary
The Treasury
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:

Treasury
Dar es Salaam

For the UNCDF:

United Nations Capital Development Fund
c/o Resident Representative
of the United Nations Development Programme
P.O. Box 9182
Dar es Salaam
United Republic of Tanzania

Cable address:

Undevpro
Dar es Salaam

Article VIII. GENERAL PROVISIONS

Section 8.01. This Agreement shall enter into force on the date of signature by the Parties hereto.

Section 8.02. Any relevant matter for which no provision is made in this Agreement shall be settled by the Parties in accordance with the spirit of this Agreement, each Party giving full and sympathetic consideration to any proposal advanced by the other Party under this section.

Section 8.03. The obligations of the Government under the provisions of section 4.01 of this Agreement shall cease on the date on which the Association Agreement terminates or on a date twenty-five years from the date of this Agreement, whichever shall be the earlier.

IN WITNESS WHEREOF, the undersigned, duly appointed representatives of the Government and the UNCDF, respectively, have on behalf of the Parties signed this Agreement in the English language in two copies at Dar es Salaam, United Republic of Tanzania, as of the day and year first above written.

United Republic of Tanzania:

By [Signed — Signé]¹

Authorized Representative

United Nations Capital Development Fund:

[Signed]

By WILLEM BINNENDIJK

Resident Representative, a.i.

United Nations Development Programme in Tanzania

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE GRANT

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

<i>Category</i>	<i>Amount of the credit allocated (expressed in United States dollar equivalent)</i>	<i>% of expenditures to be financed</i>
(1) Construction of the water supply systems included in part A of the Project, including related equipment	1,050,000	75% of total expenditures
(2) Construction of the health facilities included in part B of the Project, including related equipment, and the establishment of a pilot pit privy program . .	150,000	75% of total expenditures
(3) Unallocated	300,000	
TOTAL	<u>1,500,000</u>	

¹ Signed by C. D. Msuya — Signé par C. D. Msuya.

2. For the purposes of this schedule, the term “total expenditures” means the aggregate of expenditures in the currency of the United Republic of Tanzania, or for goods or services supplied from the territory of the United Republic of Tanzania, and of expenditures for goods produced in, or services supplied from, the territories, and in the currency of any country other than the United Republic of Tanzania.

3. The disbursement percentages have been calculated in compliance with the policy of the UNCDF that no proceeds of the Grant shall be disbursed on account of payments for taxes levied by, or in the territory of, the Government on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if any event occurs which shall affect the amount of any such taxes included in the cost of any item to be financed out of the proceeds of the Grant, the UNCDF may, by notice to the Government, correspondingly adjust the disbursement percentage then applicable to such item.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Grant or the disbursement percentages set forth in the table in paragraph 1 above, if the UNCDF has reasonably estimated that the amount of the Grant then allocated to any category will be insufficient to finance the agreed percentage of all expenditures in that category, the UNCDF may, by notice to the Government: (i) reallocate to such category to the extent required to meet the estimated shortfall proceeds of the Grant which are then allocated to another category and which in the opinion of the UNCDF are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such category may continue until all expenditures thereunder shall have been made.

6. If the UNCDF shall have reasonably determined that the procurement of any item in any category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Grant and the UNCDF may, without in any way restricting or limiting any other right, power or remedy of the UNCDF under this Agreement, by notice to the Government, cancel such amount of the Grant as in the UNCDF's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Grant.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is an integral part of the Association Project, which is intended to support the Government's program of village development in its Kigoma Region by improving infrastructure and social services. It consists of the following Parts:

Part A. Water Supply Systems

The construction in Project Villages of water supply systems, such as wells with handpumps, gravity delivery systems or diesel-powered pump systems, and the purchase and utilization of related equipment.

Part B. Health Facilities

(i) The construction in Project Villages of rural health centers and dispensaries, and the purchase and utilization of related equipment.

(ii) The establishment of a pilot pit privy program.

The Project is expected to be completed by December 31, 1979.

SCHEDULE 3

PREPARATION OF VILLAGE SITE FEASIBILITY REPORTS (VSFR)

Procedures for selecting Project Villages from new villages

1. *Examination of Aerial Photographs.* During the first few months of the Project, aerial photographs shall be taken of those parts of Kigoma Region where village development under the Project might be expected. A complete set of prints of an appropriate scale shall be kept in the Lands Office of Kigoma Region. In analyzing a proposed site, the study team of the Kigoma regional administration (hereinafter called "the KRA study team") shall first examine the relevant aerial photographs. The land planner and his staff shall interpret the photographs and prepare sketch maps, as necessary. The KRA study team examination shall provide:

- (a) reasonably accurate plotting of existing (if any) settlement, infrastructure, roads, trails and fields;
- (b) preliminary indication of the location and extent of land with soils and topography suitable for sustained cultivation under the Project;
- (c) in cases where a water supply system has not been developed, preliminary indication of possible water sources and their likely ease or difficulty of development; and
- (d) indication of special features such as erosion hazards.

The examination shall enable the KRA study team to: (i) determine those proposed villages that are obviously unsuitable, and (ii) for those sites meriting further study, locate the site precisely and indicate matters that are likely to be significant, thereby facilitating the field examination.

2. *Field examination.* A field visit by the KRA study team shall be an integral part of the preparation of the VSFR for each Project Village (whether existing or new). The KRA study team shall begin by assembling the data required to complete the questionnaire on the existing features. To assist in the analysis of possible water supply systems, KRA's water engineer, in those areas where a system or previously tried surface wells do not exist, shall arrange, where necessary, for the prior sinking, at representative locations in the proposed site, of at least two dug wells, each to a depth of at least 5 meters. Also, to assist in analysis, a sketch map of the site shall be prepared showing existing roads, settlement, water sources, buildings and cultivated fields, and currently uncultivated areas having fertility adequate for development under the Project.

3. *Definition of village site or sites.* The KRA study team shall for each proposed Project Village identify a possible site or sites and for each site shall prepare a sketch, calculate its carrying capacity (as outlined in paragraph 4 below) and costs and compare its merits with alternative sites. The sketch of each site shall show the location of proposed house plots, water supply, roads and infrastructure.

4. *Carrying capacity.* The KRA study team shall calculate the number of additional families that a particular site can support, taking into account the amount of arable land within easy walking distance of the proposed site (usually within 3 km of the edge of the proposed settlement, depending on village layout and topography). This calculation shall take into account the amount of agricultural land required for each family including the need for land periodically to lie fallow.

5. *Cost estimates.* The KRA study team shall prepare cost estimates for investment costs and annual recurrent costs for each scheme, taking into account recent experience and expected price changes. For each plan KRA's water engineer shall prepare a preliminary least-cost water supply system, taking into account the results of the dug wells.

6. *Evaluation of alternative schemes.* The KRA study team would compare on an annual basis the initial investment and annual recurrent costs of each alternative. In calculating such annual costs, the KRA study team shall use an estimated opportunity cost of capital that reflects the alternative return to public investment in the United Republic of Tanzania.

7. *Recommendation.* The KRA study team shall prepare a signed recommendation stating: (a) whether any further development was warranted at the proposed site; (b) which site is preferable (generally the one having lowest annual cost per family); and (c) the maximum sustainable size of the village in terms of supportable number of families.

Procedures for selecting Project Villages from existing villages

1. The purpose in carrying out a VSFR exercise for existing villages for which investments or credits are proposed under the Project are (a) to ensure that these villages would be viable for existing and proposed populations; and (b) to permit a detailed examination of the alternative ways of carrying out the proposed investments.

2. The same form of VSFR shall be used for both new and existing villages. In the VSFR, special care shall be required in the calculation of carrying capacity to ensure that existing families would have sufficient agricultural land.
