

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5776-TZ

Project Agreement

**(Southern Agricultural Growth Corridor of Tanzania (SAGCOT)
Investment Project)**

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SAGCOT CATALYTIC TRUST FUND

Dated 23 June, 2016

CREDIT NUMBER 5776-TZ

PROJECT AGREEMENT

AGREEMENT dated 23 June, 2016, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and SAGCOT CATALYTIC TRUST FUND ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement of same date between the United Republic of Tanzania ("Recipient") and the Association ("Financing Agreement"). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity's Representative is the Chairperson of the Board.

4.02. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

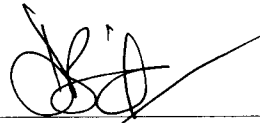
4.03. The Project Implementing Entity's Address is:

SAGCOT Catalytic Trust Fund
Third Floor Wing E
Palm Residency Building
Chimara Road
P. O. Box 10977
Dar es Salaam
Tanzania

AGREED at Dar es Salaam, The United Republic of Tanzania, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Bella Bird

Title: COUNTRY DIRECTOR

SAGCOT CATALYTIC TRUST FUND

By



Authorized Representative

Name: JOHN JOEL KYARUZI

Title: EXECUTIVE SECRETARY

SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Executive Secretary and Secretariat

The Project Implementing Entity shall, during the implementation of its Respective Part of the Project: (a) maintain an Executive Secretary with terms and reference, qualification and experience satisfactory to the Association, for the purpose of coordinating and overseeing the implementation of its Respective Part of the Project; and (b) maintain a Secretariat with resources and staffing satisfactory to the Association, for the purpose of providing technical support for day-to-day implementation and supervision of its Respective Part of the Project.

2. Fund Manager(s)

- (a) The Project Implementing Entity shall competitively select pursuant to the relevant requirements of Section III of this Schedule and thereafter maintain, at all times during the implementation of its Respective Part of the Project, a firm or a consortia or an individual to serve as the Fund Manager(s), with terms of reference and functions satisfactory to the Association.
- (b) Without limitation upon the provisions of paragraph 2 (a) immediately above, the Fund Manager(s) shall be responsible for: (i) appraising all proposed Matching Grants and Sub-projects and submitting the appraisal documents for the first 10 Matching Grants and Sub-projects to the Association for review and no-objections; (ii) recommending the proposed Matching Grants and Sub-projects (only after being approved by the Association in the case of the first ten (10) proposed Matching Grants and Sub-projects) to the Investment Committee for approval, and (iii) administering, managing, monitoring and reporting on all approved Matching Grants and Sub-projects, all in accordance with the provisions and procedures set forth in Matching Grants Manual.

B. Project Implementation Manual and Matching Grants Manual

- 1. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Project Implementation Manual and the Matching Grant Manual.

2. The Project Implementing Entity shall not amend, abrogate, waive or fail to enforce any provision of said Manuals, without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in any of said manuals and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Environmental and Social Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Safeguard Instruments.
2. Without limitation on the provisions of paragraph 1 immediately above, the Project Implementing Entity shall take the following measures:
 - (a) If any Project activity would, pursuant to the ESMF, require the preparation of an EMP, no such activity shall be implemented unless such EMP has been: (i) prepared in accordance with such ESMF and furnished to the Association; (ii) disclosed locally as required by the ESMF; and (iii) approved by the Association and publicly disclosed.
 - (b) If any Project activity would, pursuant to the RPF, require the preparation of a RAP, no such activity shall be implemented, unless:
 - (i) a RAP for such activity has been: (A) prepared in accordance with the requirements of the RPF and furnished to the Association; (B) disclosed as required by the RPF; and (C) approved by the Association and publicly disclosed; and
 - (ii) (A) all measures required to be taken under said RAP prior to the initiation of said activity have been taken, including, without limitation to the above, providing funds for resettlement compensation when and if required under a RAP; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (C) the Association has confirmed that the implementation of said activity may be commenced.
 - (c) If any Project activity would, pursuant to the VGPF, require the preparation of a VGP, no such activity shall be implemented, unless:

- (i) a VGP for such activity has been: (A) prepared in accordance with the requirements of the VGPF and furnished to the Association; (B) disclosed as required by the VGPF; and (C) approved by the Association and publicly disclosed; and
 - (ii) (A) all measures required to be taken under said VGP prior to the initiation of said activity have been taken; (B) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said VGP has been prepared and furnished to the Association; and (C) the Association has confirmed that the implementation of said activity may be commenced.
- 3. The Project Implementing Entity shall not amend or waive, or permit to be waived, any Safeguard Instrument, or any provision of any one thereof, without the prior written approval of the Association.
- 4. The Project Implementing Entity shall ensure that all measures for carrying out the recommendations of the Safeguard Instruments are taken in a timely manner.
- 5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall:
 - (a) include in the Project Reports referred to in Section II.A of this Schedule adequate information on monitoring the measures defined in the Safeguard Instruments, giving details of:
 - (i) measures taken in furtherance of such Safeguard Instruments;
 - (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments;
 - (iii) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of such Safeguard Instruments; and
 - (b) afford the Association a reasonable opportunity to exchange views with the Project Implementing Entity on such reports.
- 6. Each such report referred to in paragraph 5 immediately above shall be furnished to the Association not later than one (1) month after the end of the six (6) month period covered by such report and the first such report shall be furnished to the Association not later than one (1) month after the end of the six (6) month period in which the activities of the Project commenced.

7. The Project Implementing Entity shall, by no later than July 1 of each year, starting July 1, 2017: (a) carry out an annual environmental and social safeguards audit of the works undertaken under its Respective Part of the Project, under terms of reference and in a manner satisfactory to the Association; and (b) immediately thereafter prepare and furnish to the Association a report, in form and substance satisfactory to the Association, on the findings of said audit.

E. Annual Work Plans and Budgets

1. The Project Implementing Entity shall prepare and furnish to the Association for its approval, not later than July 1 of each year during the implementation of its Respective Part of the Project, starting July 1, 2016, a proposed annual work plan and budget containing all activities proposed to be carried out under its Respective Part of the Project in the following year.
2. The Project Implementing Entity shall afford the Association a reasonable opportunity to exchange views with the Project Implementing Entity on each such proposed annual work plan and budget, and thereafter to implement its Respective Part of the Project in accordance with such annual work plan and budget as shall have been approved by the Association.

F. Matching Grants

1. General

The Project Implementing Entity shall appraise, approve and monitor Sub-projects and administer the Matching Grants in accordance with the provisions and procedures set forth in the Matching Grants Manual.

2. Eligibility Criteria for Sub-projects

No proposed Sub-project shall be eligible for financing under a Matching Grant out of the proceeds of the Financing unless the Project Implementing Entity has determined, on the basis of an appraisal conducted by the Fund Manager(s) in accordance with the Matching Grants Manual, that the proposed Sub-project satisfies the eligibility criteria specified below and set forth or referred to in more detail in the Matching Grants Manual, which shall include, *inter alia*, the following:

- (a) the proposed Sub-project shall fall within the Project areas as specified in the Matching Grants Manual; and shall exclude any activities and expenditures specified as ineligible in the Matching Grants Manual;
- (b) the proposed Sub-project shall be initiated by a Beneficiary which has the capacity to enter into a binding contract under the laws of the Recipient,

and which has met the other eligibility criteria specified or referred to in the Matching Grants Manual, including the Beneficiary's agreement and ability to provide a minimum contribution in cash or in-kind, as specified in the Matching Grants Manual;

- (c) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed Sub-project in compliance with the guidelines set forth in the Matching Grants Manual;
- (d) if an ESMP is required for any works on the basis of the ESMF, such ESMP shall be prepared in accordance with the requirements of the ESMF, disclosed locally and furnished to the Association for approval and implemented thereafter within the timeline set forth in the ESMP;
- (e) if a RAP is required for any works on the basis of the RPF, such RAP shall be prepared in accordance with the requirements of the RPF, disclosed locally and furnished to the Association for approval and implemented thereafter within the timeline set forth in the RAP; and
- (f) if a VGP is required for any works on the basis of the VGPF, such VGP shall be prepared in accordance with the requirements of the VGPF, disclosed locally and furnished to the Association for approval; and implemented thereafter within the timeline set forth in the VGP.

3. Approval of Sub-projects

The Project Implementing Entity shall cause the Fund Manager(s) to carry out an appraisal of each proposed Sub-project in accordance with the eligibility criteria and the guidelines and procedures set forth in the Matching Grant Manual and, based on such appraisal: (a) recommend the proposed Sub-project to the Investment Committee for approval; and (b) without limitation to the foregoing, obtain the Association's no-objection prior to approving Sub-project whose investment cost exceeds the threshold specified for that purpose in the Matching Grants Manual; and obtain the Association's no-objection prior to approving the first ten (10) proposed Sub-projects, regardless of their thresholds.

4. Terms and Conditions of Matching Grant Agreements

A proposed Sub-project shall be carried out pursuant to a Matching Grant Agreement, to be concluded between the Project Implementing Entity and the respective Beneficiary, prior to commencement of any activity under such Sub-project, all under terms and conditions described or referred to in more detail in the

Matching Grants Manual and satisfactory to the Association, which, *inter alia*, shall include the following:

- (a) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring, evaluating and reporting on the implementation of the Sub-project;
- (b) the obligation of the respective Beneficiary to contribute, in cash and/or in-kind, a minimum percentage of the Matching Grant as specified in the Matching Grants Manual;
- (c) the modalities for the transfer of funds to the respective Beneficiary for the financing of the Sub-project;
- (d) the obligation of the respective Beneficiary to: (i) carry out the Sub-project with due diligence and efficiency and in accordance with sound technical, engineering, environmental, social, financial, and managerial practices, and in accordance with the provisions of the Anti-corruption Guidelines and the pertinent provisions of this Agreement; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Sub-project;
- (e) without limitation on the foregoing, the obligation of the respective Beneficiary to carry out the Sub-project in accordance with applicable Safeguards Instruments;
- (f) the requirement that the goods, works, and consultants' services to be financed from the proceeds of the Matching Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Sub-project;
- (g) the right of the Project Implementing Entity, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods and works, included in the Sub-project, the operations thereof and any relevant records and documents; (ii) obtain all information as the Recipient, or the Association, shall reasonably request regarding the administration, operation and financial conditions of the respective Sub-project; and (iii) suspend or terminate the right of the pertinent Beneficiary to use the proceeds of the Matching Grant upon failure by said Beneficiary to perform any of its obligations under the Matching Grant Agreement; and
- (h) the obligation of the respective Beneficiary to maintain a financial management system and prepare financial statements in accordance with

consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association.

5. Administration of Matching Grant Agreements

The Project Implementing Entity shall exercise its rights and carry out its obligations under the Matching Grant Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not permit assign, amend, abrogate, waive or terminate or fail to enforce any Matching Grant Agreement or any provision thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare Financial Statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.
2. Without limitation on the provisions of Part B of this Section, the Project Implementing Entity Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for its Respective Part of the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Project Implementing Entity shall have its Financial Statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these Financial Statements shall cover the period of one Fiscal Year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited Financial Statements for each period shall be furnished to the Recipient and the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works, and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.