

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE AND ECONOMIC AFFAIRS

83
Telegrams: "TREASURY" DAR ES SALAAM.
Telephone: 2111174/5 OR 2112187.
Telex No.: 41329.
Fax No.: 2117790 OR 2123924
All official Communication
Should be addressed to
The Permanent Secretary Treasury.
In reply please quote:



AMB. DAR ES SALAAM	200700494-73	SAKSE
	02 JUN 2009	MAC
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	DAR ES SALAAM	

9/6-09 t.e. H. Damhaug
June 1, 2009

Ref. No.: **TYC/E/450/33/28**

The Ambassador,
Royal Norwegian Embassy,
P.O. Box 4626,
DAR ES SALAAM

Attention Marianne Damhaug,

**RE: SIGNED AGREEMENT ON NORWAY FINANCING TO THE WATER
SECTOR DEVELOPMENT PROGRAM – EARMARK SUPPORT FOR DAR ES
SALAAM WATER SUPPLY**

Attached hereto please find original of the Agreement between the Norwegian Ministry of Foreign Affairs and the Government of the United Republic of Tanzania regarding earmarked support to the Water Sector Development Program dated 20th May 2009, duly counter-signed by the Permanent Secretary. The signed Agreement is forwarded to you for your record and necessary action.

The Agreement commits a total of NOK 42 million equivalent to USD 6 million as grant earmarked within the Water Sector Development Program using Common Implementation Arrangement for the period 2009 - 2011. According to Article III (4), the first disbursement amounting to NOK 6.8 million will be made upon signing of this Agreement. We therefore request you to effect the disbursement.

Please inform us when you effect the transfer of the funds.

H. Judica

Judica Omari

FOR: PERMANENT SECRETARY

CC: The Permanent Secretary,
Ministry of Water and Irrigation,
P.O. Box 9153,
Dar es Salaam

CC: The Chief Executive Officer,
Dar es Salaam Water and
Sewerage Authority,
P.O. Box 1573,
Dar es Salaam

CC: The Accountant General,
Ministry of Finance and
Economic Affairs,
Dar es Salaam

Agreement
between
the Norwegian Ministry of Foreign Affairs
and
the Government of the United Republic of Tanzania
regarding
Earmarked Support to
the Water Sector Development Programme

WHEREAS the Government of the Kingdom of Norway (Norway) and the Government of the United Republic of Tanzania (Tanzania) have entered into an agreement dated 13 June 1988 regarding cooperation for promotion of the economic and social development of the United Republic of Tanzania which has been prolonged by Addenda of which the latest dated 1 November 2007 (the Main Agreement)

WHEREAS Tanzania and the World Bank, KfW, the Netherlands, African Development Bank and the French Development Agency (Development Partners) have entered into a Memorandum of Understanding dated 28 February 2007 (hereinafter referred to as the MoU) for the Implementation of The Water Sector Development Programme using Common Implementation Arrangement (The Programme).

WHEREAS Tanzania has requested support from the Norwegian Ministry of Foreign Affairs (MFA) to Development of a Future Water Sources for Dar es Salaam (the Earmarked Component of the Programme)

WHEREAS MFA has decided to comply with the request, and become a party to the MoU as an Earmarking Funding Partner by signing the instrument of accession in the format of Annex 7 of the MoU with the Development Partners.

NOW THEREFORE MFA and Tanzania have reached the following understanding which shall constitute an Agreement between MFA and Tanzania (the Parties):

Article I Scope and objectives

1. This Agreement sets forth terms and procedures for MFA's financial assistance to Tanzania in the period 2009-2011 to the Earmarked Component of the Programme as described in the Programme Document April 2009 and in Annex I to this Agreement. Moreover, the provisions of the MoU, including any amendments to the MoU adopted by the Parties, shall be complied with. In case of inconsistency between this Agreement and the MoU (as amended), this Agreement shall prevail.
2. The Goal of the Earmarked Component of the Programme is to determine availability of groundwater as a sustainable supplementary source for emergency and/or a permanent source for Dar es Salaam Water supply.
3. The Purpose of the Earmarked Component is establishing the Kimbiji aquifer hydrological / hydrogeological characteristics plus determination of the safe yield and impacts resulting from large scale exploitation as a sustainable supplementary, emergency and/or permanent source for Dar es Salaam Water supply.
4. MFA's Earmarked Component of the Programme is one out of several components of the Programme, as set out in the Annex 7 to the MoU. The Parties agree to cooperate fully to ensure that the Goals and Purpose of this component

will be successfully achieved. MFA's support is on the condition of Tanzania's commitment and progress on all Programme specific areas in general and on the Earmarked Component in particular.

Article II Cooperation – Representation

1. The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purpose of the Earmarked Component of the Programme are successfully achieved within the project period 2009-2011. The Parties further agree to cooperate on preventing corruption within and through the Programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Programme.
2. In matters pertaining to the implementation of the Programme the Norwegian Embassy in Dar es Salaam (the Embassy) and the Tanzania Ministry of Finance and Economic Affairs (the Ministry) shall be competent to represent MFA and Tanzania respectively. All communication to MFA in connection with the Agreement shall be directed to the Embassy and to Tanzania to Ministry as below:

For the MFA

Embassy of Norway
P.O. Box 2646
Dar es Salaam
Tanzania
Fax:+255 (22) 2116564

For the Government of the United
Republic of Tanzania

Ministry of Finance and Economic Affairs
P. O. Box 9111
Dar es Salaam
Tanzania
Fax:+255(22) 2110326 or 2117790

3. Ministry of Water and Irrigation shall have the overall responsibility for the implementation of the Programme.
4. Tanzania shall permit representatives of Norway to visit any part of Tanzania for purposes related to this Agreement and examine any relevant records, goods and documents.

Article III Contribution and disbursements

1. MFA shall, subject to Parliamentary appropriations and the terms and procedures of this Agreement and the MoU, make available to Tanzania a financial grant of approximately USD 6 000 000 (USD six million) but not exceeding NOK 42 000 000 (Norwegian kroner forty two million) (the Grant) to be used exclusively to finance the Earmarked Component of the Programme in the period 2009 - 2011. Activities beyond 31 December 2011 will not be financed unless specifically agreed between the Parties.
 2. Any accrued interests on the Grant may be used for the benefit of the Earmarked Component of the Programme.
 3. Any unspent disbursed funds and accrued interests shall be returned to Norway upon completion of the Earmarked Component of the Programme.
 4. The Grant will be disbursed upon semi-annual written requests from Tanzania based on the financial needs of the Earmarked Component of the Programme
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and, except the first request, on approved work plans and budgets. The first disbursement, amounting to NOK 6.8 million will be made upon signing of this Agreement and the instrument of accession to the MoU upon approval by MFA of a disbursement request from Tanzania and the fulfillment of Tanzania's obligations stated in this Agreement and the MoU.

5. Earmarked funds will be transferred upon MFA's approval of the requests to a separate bank account with the Ministry of Finance and Economic Affairs in accordance with the procedure in Clause 7.6.1 in the MoU, and shall be made available to the Earmarked Component of the Programme immediately.
6. Tanzania shall immediately in writing acknowledge the receipt of the funds. The date of receipt of funds shall be stated as well as the exchange rate used.

Article IV Reservations

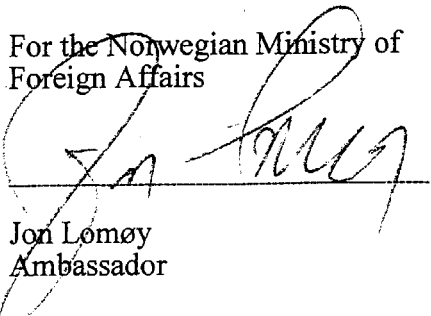
1. MFA reserves the right to carry out unilateral reviews of the Earmarked Component of the Programme at its own expense.
2. MFA reserves the right to withhold and/or reclaim all or parts of the Grant and cancel this Agreement if Programme funds are found not to have been used in accordance with the terms and conditions of this Agreement and the MoU or are found not to be satisfactorily accounted for.
3. MFA has the right to cancel the Agreement or portion of the Agreement with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of Tanzania or by a beneficiary of Programme funds without Tanzania having taken timely and appropriate action satisfactory to MFA to remedy the situation.
4. Before MFA withholds disbursements, reclaims funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.

Article V Disputes – Entry into force - Termination

1. The Agreement shall enter into force on the date of its signature, and shall remain in force as long as the MoU remains in force or both Parties have fulfilled all obligations arising from the Agreement, whichever comes first. Whether the obligations are fulfilled, shall be determined in consultations by the Parties.
2. Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice.
3. If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.

Done in Dar es Salaam the 20th day of May of 2009.

For the Norwegian Ministry of
Foreign Affairs


Jon Lomøy
Ambassador

For the Government of
the United Republic of Tanzania


Ramadhani M Khijjah
Permanent Secretary

Annex I

Agreed Earmarked Component of the Programme

Project Summary

1. Identification of the Earmarked Component of the Programme
Title/ Name: Groundwater Assessment
Implementing institution: DAWASA
Norwegian Partner: Ministry of Foreign Affairs (MFA)
2. Description of the Earmarked Component of the Programme
Goal: To determine availability of groundwater as a sustainable supplementary source for emergency and permanent source for Dar es Salaam Water Supply.
- 2.2. Purpose
Establishing the Kimbiji aquifer hydrological/hydro geological characteristics plus determination of the safe yield and impacts resulting from large scale exploitation as a sustainable supplementary, emergency and/or permanent source for Dar es Salaam Water Supply.
- 2.3. Outputs
The overall outputs and deliverables of the Earmarked Component of the Programme can be summarised as follows:
 - A Groundwater Assessment Report and associated maps and databases
 - Analysis of quality limitations of large groundwater development of Kimbiji aquifer
 - Evaluation of the social and environmental impacts and other non economic factors
 - Development of a 3D GIS based Aquifer model/platform
 - Outline Design and Tender documents of proposed/ revised Medium term works
 - Estimation of safe yield of the Kimbiji Aquifer system
 - Mapping of vulnerability and environmental concerns
 - Design, installation and commissioning of a groundwater monitoring system
 - A Master Plan for phased groundwater development
 - Drilling of at least 8 pilot tube wells (600-1200m)
 - Backfilling, reaming and developing of 2 pilot well to production wells depth 400m plus 2 observation wells depth 400m
- 2.4. Input
Financial support to the Earmarked Component of the Programme is budgeted to amount USD 6 million (not exceeding NOK 42 million) for 2009 - 2011.
- 2.5. Main indicators
The main indicators for monitoring the performance of the project are:
 - PHASE I: Report on preliminary feasibility study and conceptual modeling submitted and approved
 - PHASE II: Exploratory wells timely drilled according specifications and test pumping successfully implemented and providing appropriate data input for reliable assessment of the groundwater resources
 - PHASE III: The final 3D model and design of future production wells successfully implemented and providing the required basis for sustainable exploitation of the Kimbiji aquifer
 - Overall performance indicator beyond the Earmarked Support project: The designed production boreholes appropriate completed, commissioned and delivering the required quantities of high quality water to the target segments of Dar City

- 2.6 Major risk factors (internal and external)
- The project itself is a risk mitigation intervention since it will reduce possible high risks associated with future ground water development investments
 - Poor performance by the implementing institutions
 - Poor performance by the Consultant and the drilling Contractor affecting the timeliness and quality of the drilling services
 - Reliability of the groundwater modeling, prediction of safe yield and development recommendation
 - Future risks of not achieving the development goals of enhanced water supply due to inefficient or delayed investments to deliver water to the consumers

3. Summary of Proposed Budget of the Earmarked Component of the Programme (including contingencies)

	DESCRIPTION	Mill. USD
PHASE I	PRELIMINARY FEASIBILITY STUDY AND CONCEPTUAL MODELLING	
4 months	Payable to Consultant	1.20
PHASE II	DRILLING OF EXPLORATORY WELLS	
14 months	Payable to Contractor	3.79
	Payable to Consultant	0.75
	Total Phase II	4.54
PHASE III	FINAL 3D MODEL AND PRODUCTION WELL FIELD DESIGN	
6 months	Total Payable to Consultant	0.26
	GRAND TOTAL	6.00

Disbursement plan

July-Dec 2009	January-June 2010	July-Dec 2010	January- June 2011
NOK 6.8 mill	NOK 14.6 mill	NOK 14.6 mill	NOK 6.0 mill