



KGL. NORSK AMBASSADE  
DAR ES SALAAM

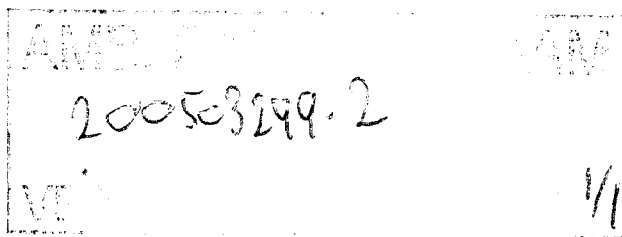
Vår saksbehandler  
Jan Erik Rasmussen

Vår dato  
10.11.03  
Deres dato

8221  
TAN-2298  
Vår referanse  
2002/00098-74/JER/ijn  
Deres referanse

NORAD, Oslo  
JUR

VEDLEGG: 2



**Re: Avtale mellom Norge og Tanzania ang. "Implementation of Phase IV of an electricity transmission and distribution project at Zanzibar" – TAN 2298**

Vedlagt følger avtale ang. "Implementation of Phase IV of an electricity transmission and distribution project at Zanzibar" – TAN 2298 Avt. TAN-02/309, i original med en kopi.

Avtalen er signert av Ambassadør Jorunn Mæhlum på Norges vegne og Permanent Secretary i det tanzanianske finansministeriet, Gray S. Mgonja, på Tanzanias vegne.

Med vennlig hilsen

*Jorunn Mæhlum*

Jorunn Mæhlum  
Ambassadør

cc: NORAD, Oslo - ØSA

TAN 2298

5 nov. 2003

+ Addendum 1/bres  
13-25 aug 2005  
At.

## AGREEMENT

between

**THE GOVERNMENT OF THE KINGDOM OF NORWAY**

and

**THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA**

regarding

**implementation of Phase IV of an electricity transmission and  
distribution project at Zanzibar**

WHEREAS the Government of the Kingdom of Norway ("Norway") and the Government of the United Republic of Tanzania ("Tanzania") have entered into an agreement regarding Cooperation for Promotion of the Economic and Social Development of the United Republic of Tanzania, dated 14 May 1986, and prolonged by Addenda of which the latest is dated 10 January, 2001 ("the Main Agreement"), and with reference to the provisions therein relating to Specific Agreements,

WHEREAS Norway and Tanzania have signed a Memorandum of Understanding dated 2 June 2002 concerning development co-operation,

WHEREAS Norway has supported Tanzania in implementation of Phase I-III of the electricity transmission and distribution system at Zanzibar through agreements dated 14 May 1986; 24 June 1988; 31 July 1991; 10 April 1995,

WHEREAS Tanzania in letter dated October, 2002 has requested Norway for continued assistance to Phase IV of the electricity transmission and distribution system at Zanzibar,

WHEREAS Norway has decided to comply with the request,

NOW THEREFORE Norway and Tanzania have reached the following understanding which shall constitute a Specific Agreement as mentioned above:

## Article I Scope and Objectives

1. This Agreement sets forth the terms and procedures for Norway's assistance to Phase IV of the electricity transmission and distributions system at Zanzibar as outlined in Annex I to this Agreement ("the Project").
2. The Project is further outlined in the Project Document, dated April 2003

The Goal of the Project is:

Support the Zanzibar Poverty Reduction Strategy (PRS) in achieving economic growth and reduce poverty.

The Objectives of the Project are:

1. Make electricity available to all selected villages, social institutions and private sector
2. Enable SFPC to implement the project technically and financially through institutional development and training
3. Strengthen maintenance planning and routines
4. Support the political development by implementing physical infrastructure that has a direct impact on the target

## Article II Cooperation - Representation - Administration

1. Norway and Tanzania shall cooperate fully to ensure that the Goal and Objectives of the Project are successfully accomplished. To that effect each Party shall furnish the other Party with all such information as may reasonably be required pertaining to the Project.
2. In matters pertaining to the implementation of this Agreement the Norwegian Agency for Development Cooperation ("NORAD") and the Ministry of Finance ("the Ministry") shall be competent to represent Norway and Tanzania respectively, and shall hereunder be authorized to decide on components/activities to be included in the Project in accordance with Clause 4, below.

The Ministry shall through the Ministry of Water, Construction, Energy and Lands (MWCEL) under the Revolutionary Government of Zanzibar have the overall responsibility for the implementation of the Project. MWCEL has appointed the State Fuel and Power Cooperation (SFPC) in Zanzibar to implement activities as described in the Project Document dated April 2003.

All communication to Norway in regard to this Agreement shall be directed to the Royal Norwegian Embassy in Dar es Salaam. SFPC shall seek to communicate with the Embassy through MWCEL.

3. Whenever Norway and Tanzania agree to extend existing or include new componer in the Project this shall be done in writing.
4. Representatives of Norway and Tanzania shall have semi-annual meetings in May and November each year in order to:
  - review the progress of the Project;
  - discuss possible revisions of plans and budgets for the Project;
  - discuss issues of special concern for the implementation of the Project.

The documentation specified in Article VII, Clause 1 below, shall form the basis for the consultations.

The consultations shall be called and chaired by MWCEL.

The two Parties may in addition include others to be represented as advisors to their delegations.

Central elements of the discussions and all decisions from the consultations shall be recorded in Agreed Minutes. The Agreed Minutes shall be drafted by MWCEL and shall be sent Norway for comments not later than 7 days after the meeting.

### **Article III Contributions of Norway**

1. Norway shall, subject to Parliamentary appropriations, and on the terms and procedures set out or referred to herein, make available to Tanzania a financial grant not exceeding NOK 63,500,000 (Norwegian kroner sixty three million five hundred thousand) ("the Grant"), to be used exclusively to finance the Project in the planned period 2003 – 2006. The Grant includes a provisional sum of NOK 10 million for the rehabilitation of Weshu Power Plant in Pemba, and shall be subject to written approval from Norway.
2. Any accrued interest on the Grant may be used for the benefit of the Project, as agreed by the Parties in writing.
3. Any funds not fully utilized for one activity may upon previous written agreement between the Parties be utilized for the benefit of other activities within the Project.
4. Any unspent disbursed funds and any unspent accrued interest shall be returned to Norway upon the completion of the Project.

5. The Grant may not be used for topping up of salaries within MWCEL and SFPC or topping up of per diem for participants in workshops and conferences.

#### **Article IV**

### **Contributions and Obligations of Tanzania**

Tanzania shall make all reasonable efforts to facilitate the successful implementation of the Project, and shall hereunder:

1. have the overall responsibility for the planning, administration and implementation of the Project, including all categories of works, repair and maintenance of building equipment, spare parts, goods and materials made available under this Agreement;
2. ensure that the Grant is reflected in the plans, budgets and accounts of the Ministry, and that accounts for the Project are kept in accordance with generally accepted accounting practices. The accounts shall include accrued interest, if any;
3. provide sufficient qualified local personnel and all financial and other resources that may be required over and above the Grant as stated in the budget in Annex I to this Agreement, for the successful implementation of the Project;
4. undertake the obligations set out in Annex I in the Main Agreement with regard to technical assistance personnel financed by the Grant;
5. undertake all such obligations as set out in Annex II in the Main Agreement with regard to consultants and/or contractors financed by the Grant;
6. defray any customs duties, taxes, fees and levies on all equipment, materials and supplies financed by the Grant and imported into Tanzania for the benefit of the Project;
7. grant all necessary permits, import licences and foreign exchange permissions that may be required in connection with the implementation of the Project;
8. promptly inform Norway of any condition which interferes or threatens to interfere with the successful implementation of the Project;
9. permit representatives of Norway to visit any part of the United Republic of Tanzania for purposes related to this Agreement and examine any relevant records, goods and documents.

#### **Article V**

### **Procurement**

1. Tanzania undertakes to effect all procurements of goods and services for the Project and is responsible for the contracts to be signed. Tanzania shall observe the highest ethics during the procurement and execution of the contracts.

2. All procurements shall be performed in accordance with generally accepted principles and good procurement practices, and in accordance with procedures for foreign purchase as set out in Annex 6 to the Project Document dated April, 2003. Invitations to tender or to make offer as well as procurement contracts shall, respectively, include a clause stating that the tender/offer will be rejected and the contract cancelled, in case any illegal or corrupt practices have been connected with the award or the execution of the contract.

No offer, gift, payments or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts. Any such practice will be grounds for cancellation of this Agreement and/or the procurement contract concerned.

In accordance with the procurement regulations pertaining to the Project, Norwegian suppliers shall be given the same opportunities to compete for deliveries and/or participate in the bidding as other suppliers.

3. Tanzania shall upon request furnish Norway with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents. Norway may require access to information even during that stage in the procurement procedure when it is restricted to the officers performing the procurement. Restrictions on such information shall be respected until the information can be made public without any risk of detriment to the result of the procurement.
4. Tanzania shall ensure in its national legislation adequate and effective means to punish and prevent illegal or corrupt practices.

## Article VI Disbursements

1. Tanzania shall submit semi-annual written requests for disbursements from the Grant.

Upon signing of this Agreement the amount covering the first 6 months of the implementation period, as stated in the approved work-plans and budget, will be disbursed. The subsequent requests shall also be based on and relate to approved work-plans and budgets and be accompanied by certified statement of accounts showing income and expenditure for the foregoing period and a cash flow budget for the coming period. Any amount, including interest if any, which is already disbursed but not fully utilized shall be taken into account when requests are made.

The certification of the accounts shall be done by one of the authorized signatories stated in Annex 6 to the Project Document dated April 2003.

2. Transfer of the funds will be undertaken upon Norway's approval of the request to a separate convertible bank account of the Peoples Bank of Zanzibar and be available for the Project immediately.

Tanzania shall immediately, in writing, acknowledge receipt of the funds.

3. All disbursements to suppliers of goods and services shall be made by Tanzania.

## Article VII Reports

1. Tanzania shall within April and October submit to Norway a Semi-Annual Report on the implementation of the Project. A format for the Report is given in Annex II hereto.

The Report shall include:

- progress report, giving information on actual outputs compared to planned outputs, work-plans and time schedules, use of inputs, problems encountered or foreseen and other information related to the implementation;
- status for implementation of the Health, Environment and Safety programme, EIA interventions and development of improved water supply following electrification of villages and institutions;
- Project accounts related to the agreed budget, specifying income from all sources and all expenditures;
- work-plans with planned outputs and time schedules for the next 6 months;
- a budget for the next 6 months of the Project, showing all income and expenditures;
- budgets for the individual institutions receiving funds under this Agreement, showing all income and expenditures;
- copies of contracts for personnel outside the Ministry and SFPC, contracted for the implementation of the Project

2. Tanzania shall submit to Norway an audit opinion on the Project accounts not later than 3 months after each financial year.

The audit shall be performed by an independent chartered accountant/internationally acknowledged auditor firm acceptable to Norway, and the audit opinion shall certify:

- the principles adhered to during the audit;

- the total flow of funds, from receipt by the relevant central authority to final use on the various activities;
- the correctness and completeness of the figures in the accounts and that the accounts reflect the actual situation in the Project;
- any essential findings from the audit.

The audit shall be carried out in accordance with the above requirements and internationally recognized audit principles and practises, which shall be stated in the opinion.

Along with the above prescribed audit opinion copies of any other reports from the auditor regarding or significant to the implementation or follow-up of the Project shall be submitted to Norway.

The cost of the audit shall be covered from the Grant.

3. Tanzania shall submit to Norway a Final Report within 6 months after the completion of the Project. If the Project is not completed by 2006, a status report shall be submitted to Norway not later than March 2007.

The final report shall give a summary of outputs and activities undertaken, achievements compared to Goal and Objectives and an assessment of the efficiency of the Project.

4. Norway shall respond within 6 weeks upon receipt of the reports mentioned above.

### **Article VIII Reservations**

1. Norway reserves the right to withhold disbursements at any time in case i.a.:
  - the Project develops unfavourably in relation to the Goal and Objectives;
  - substantial deviations from agreed plans and budgets occur;
  - resources to be allocated by Tanzania are not provided as agreed;
  - the documentation specified in Article VII, above, is not delivered as agreed;
  - the financial management of the Project is not satisfactory.
2. Norway reserves the right to claim repayment in full or in part of funds from the Grant if the funds or part of the funds are found not to be used in accordance with the terms and conditions of this Agreement or not satisfactorily accounted for.

3. Before withholding any disbursements or claiming repayment the Parties shall consult with a view to reaching a solution in the matter.
4. Norway will cancel this Agreement or portion of this Agreement and have the right to demand the cancellation of any contract financed under this Agreement, with immediate effect if it proves, with respect to any contract to be financed under this Agreement, that corrupt or fraudulent practices were engaged in by representatives of Tanzania or of a beneficiary of the aid funds during procurement or during the execution of the contract without Tanzania having taken timely and appropriate action satisfactory to Norway to remedy the situation.
5. Norway and Tanzania agree to cooperate on preventing corruption within and through the Project. Norway and Tanzania undertake to take rapid legal measures in their respective countries to stop, investigate and prosecute in accordance with national law any person suspected of corruption or other intentional misuse of resources.

### Article IX Information - Evaluation - Reviews

In accordance with Article X of the Main Agreement the Parties will agree upon measures for information, evaluation and reviews of the Project.

The following reviews shall be carried out:

- \* - Mid-term review after 18 months, financed from the Grant,
- Impact Assessment upon completion of the Project, at a time to be mutually agreed upon, financed by Norway over and above the Grant.

{ To be replaced by  
End Review, ref  
letters 13-25 Aug 2

### Article X Distribution of the present Agreement

The Parties shall distribute copies of the present Agreement to the respective ministries, authorities and other institutions involved in the Project or otherwise in need of information on its content.

### Article XI Disputes - Entry into Force - Termination

1. If any dispute arises relating to the implementation or interpretation of the present Agreement, there shall be consultations between the competent authorities designated in Article II, Clause 2, above, with a view to reaching agreement.
2. This Agreement shall enter into force on the date of its signature and shall remain in force until both Parties have fulfilled all obligations arising from it. Whether these

obligations shall be regarded as fulfilled shall be determined in consultations between the Parties.

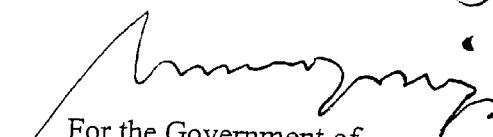
3. Notwithstanding the previous clause both Parties may terminate the present Agreement by giving three months written notice to the other Party.

In witness whereof the undersigned, acting on behalf of their respective Governments, have signed the present Agreement in two originals in the English language.

Done in Dar es Salaam the 5<sup>th</sup> day of November 2003

For the Government of  
the Kingdom of Norway

Jorn Henlam



For the Government of  
the United Republic of Tanzania

# ANNEX I

## Agreed Project summary

### Description of the Project

**Project Title** : Zanzibar Rural Electrification, Phase IV  
**Implementing institution** : Ministry of Water, Construction, Energy & Lands  
**Partner institutions** : World Bank, Min. of Energy & Minerals, TANESCO, NVE, no identified Norwegian utility company

### Goal:

Support the Zanzibar Poverty Reduction Strategy (PRS) in achieving economic growth and reducing poverty.

### Objectives:

Make electricity available to all selected villages, social institutions and private sector  
SFPC enabled to implement the project technically and financially through institutional development and training  
Maintenance and planning routines revised  
The political process supported through infrastructure development that has a direct impact on target groups

### Main indicators:

connection rate of 20% within each village  
SFPC implementing the project according to quality standards, time schedule and budget  
improved financial state of SFPC  
technical state of the grid is acceptable  
quality of supply is acceptable

### Outputs:

10,000 villagers, social institutions and private sector in Unguja have access to electricity  
20,000 villagers, social institutions and private sector in Pemba have access to electricity  
improved water supply made available in the newly electrified villages  
training at multiple managerial levels conducted  
manuals and guidelines for planning and maintenance updated  
Synergy created between electrification and other GoZ programs; water, roads, schools, dispensaries

### Inputs:

Equipment, logistical support and facilities as stated in the Project Document (April 2003)  
NOK 63,5 million, including NOK 10 million provisional for Wesha power plant  
Payment schedule (NOK mill): 2003: 12.0; 2004: 20.0 (30.0); 2005: 17.0; 2006: 4.5  
Cost estimates (NOK 1000) at exchange rate USD 1 = NOK 8.00/GBP 1 = NOK 12.00

<i>Procurement, transport, travel, insurance</i>	: 37,600
<i>Compensation</i>	: 2,640
<i>Office, fuel, salaries, audit etc</i>	: 7,075
<i>Training</i>	: 2,500
<i>Maintenance fund</i>	: 88
<i>Miscellaneous</i>	: 3,520
<b>Sub-total</b>	<b>: 53,423</b>
<i>(Provisional, rehab Wesha power station)</i>	<i>: 10,127</i>
<b>Total</b>	<b>: 63,550</b>

2 World Bank studies relevant for the project, financed by Norwegian Trust Fund

- Technical assistance to SFPC for project management; Advisory services from NVE; Institutional co-operation with Norwegian utility firm.

**Indicators:**

- SFPC implement to quality standards and on time and budget
- improved financial state of SFPC
- technical state of the grid is acceptable
- quality of supply is acceptable

**Major external factors:**

- Political stability
- Improved income generation by individuals and state

**Critical assumption:**

- Ability to pay fees as subsidies are cut back

ANNEX II  
SEMI-ANNUAL PROGRESS REPORT FORMAT

1. PROJECT TITLE:
2. IMPLEMENTING INSTITUTION:
3. PROJECT DESCRIPTION: Goal, Objective, Indicators, Outputs and Input
  - As stated in Agreed Project Summary
4. PROGRESS OF IMPLEMENTATION:
  - Expenditure in relation to budget. A comparison between budget and actual costs as presented in the Statement of Accounts (specifying inputs from all sources including Norway's contribution).
  - Actual outputs compared to planned outputs. Planned outputs are described in the Annual Work Plan. Deviations from plans must be explained.
  - Problems or risks; identification of specific challenges to the Project (e.g. sustainability and issues related to external factors).
  - status for implementation of the Health, Environment and Safety programme, EIA interventions and development of improved water supply following electrification of villages and institutions;
5. ASSESSMENTS:
  - Efficiency of Project activities. The extent to which inputs are converted into planned outputs.
  - The need for adjustments to activity plans and/or planned inputs.
  - Relevance of the Project compared to defined needs and concerns (as expressed in the Objective).