PDBAX 559

Official File Copy

690-0231

RW

Certified to be a true copy of an original agreement signed by representatives of the two parties on September 4, 1985.

Anthony C. Newton

Anthony C. Newton
Consul

GRANT PROJECT AGREEMENT

ited States of America, acting through
the Agency for International Development ("AID")

and

the Government of the People's Republic of Mozambique
("Grantee").

1. Project Title: Southern Africa Regional Transport Development	2. AID Project Number: 690-0231.56 (Grant Agreement No.: 656-0231-G-SS-5013-00)

The above-named Parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any annexes attached hereto, and (2) any general agreement between the two governments regarding economic and technical cooperation.

3. Amount of AID Grant	4. Grantee Contribution to the Project	5. Project Assistance Completion Date
$5,540,000	$940,000	September 30, 1988

6. This Agreement consists of this title page and Annex A, Project Description; Annex B, Budget; and Annex C, Project Agreement Standard Provisions.

7. For the Grantee:	8. For the Agency for International Development:
Antonio Sumbana Secretary of State for International Cooperation	Peter Jon de Vos Ambassador
September 4, 1985	Alan A. Silva Acting AID Affairs Officer September 4, 1985

2

ANNEX A

PROJECT DESCRIPTION

1. Project Title: Southern Africa Regional Transport Development	2. AID Project No.: 690-0231.56

3. Description.

The Project will assist the Grantee to rehabilitate the Beira-Machipanda railway system.

The Project will result in an increase in the average number of trains daily from 2.4 to 3.4, due to fewer derailments, faster turn around time, and increased tonnage. It will also have improved the capacity and capability to maintain tracks and locomotives, make foundry-cast spare parts for locomotives, and repair locomotives, all resulting in better operations.

To achieve the above, the Project consists of four, mutually supportive components:

(a) emergency track repairs,
(b) rehabilitation of locomotives,
(c) workshop and foundry improvements and commodities, and
(d) on-the-job training of locomotive drivers and workshop and foundry personnel.

The emergency track repairs on weak sections of the railway line should reduce derailments and allow trains to go at higher safe speeds. The refurbishing of two diesel locomotives and rehabilitation of nine steam locomotives (including one shunting locomotive) will increase the number of operative locomotives, to permit an average of 3.4 trains a day, or a 165 percent increase. Following competitive bidding, the two diesel locomotives and nine steam locomotives will most likely be refurbished and rehabilitated, respectively, in Zimbabwe, where the capacity already exists to do the requisite work.

Part of the existing Beira steam locomotive maintenance and repair workshop will be converted under the Project, so that facilities will exist to carry out running level maintenance on diesels.

3

AID will provide the requisite equipment for the diesel workshop, as well as commodities needed for the repair of steam locomotives. On-the-job training will be provided by the Project for workshop and foundry personnel. This training will be of two types. Some workshop staff will receive on-the-job training in Zimbabwe during the repair and refurbishing of locomotives there. Also, short-term, Portuguese-speaking consultants will be based in Beira to provide on-the-job training for the repair of one or more steam locomotives, for the management of the foundry, and for the maintenance/repair routines at the workshop. Also the project will provide simple instructional manuals in Portuguese.

The expected outputs of the Project are the:

- improved condition of the Beira-Machipanda railway track;
- increased operation of more steam and diesel locomotives of the Caminhos de Ferro de Mocambique - Centro (CFM-C);
- establishment of facilities for diesel locomotive operations and maintenance in Beira;
- increased availability of commodities for maintenance and repair of steam and diesel locomotives; and
- enhanced capability of workshop and foundry personnel.

The Project inputs from AID include:

- 18 person-months of short-term technical assistance;
- 34 person-months of on-the-job training;
- foreign exchange for refurbishing two diesel locomotives and repairing nine steam locomotives;
- foreign exchange for commodities for workshop and foundry and for emergency track repairs; and
- foreign exchange for a project monitor, evaluation system, and other costs.

4. Special Provisions.

(a) Source, Origin and Nationality Requirements.
Procurement of any Grant financed commodities or services required for the Project will be carried out in accordance with AID procedures which shall be set forth in Project Implementation Letters. Goods and services financed by AID under the Grant shall have their source and origin or nationality in Mozambique, other SADCC Member States, or the United States, except as AID may otherwise agree in writing

(b) Budget. Annex B to this Grant sets forth an illustrative budget for the Project. The projected AID contribution is $5,540,000 over a three year period, commencing on the date of this agreement. The contribution of the Government of the People's Republic of Mozambique (GPRM) is the Mozambique Metical equivalent of $940,000, which will fund Mozambican salaries, in-kind contributions (such as rails currently in stock, water, power supply, and local transport and services), and other incidental local costs in support of AID financed activities. Changes may be made to the illustrative budget by written agreement of the AID Affairs Officer in Maputo and representatives of the Grantee identified under paragraph (c), below, without formal amendment of the Agreemnt, provided the changes do not cause (1) AID's contribution for the Project to exceed the amount set forth above, or (2) the Grantee's contribution for the project to be less than the amount set forth herein.

(c) Conditions Precedent to Disbursement.

(1) Prior to the first disbursement of funds under this Grant, or the issuance of documentation by AID pursuant to which disbursement shall be made, the Grantee shall submit to AID a statement containing:

(A) the names and specimen signatures of the persons who will carry out the Grantee's responsibilities under this Agreement, including the name and signature of the individual in the CFM-C who will be Project Director, and the name and signature of the individual in the Direccao Nacional dos Portos e Caminhos de Ferro (DNPCF) in the Ministry of Ports, Railways, and Merchant Marine (MPRMM) in Maputo who will oversee project activities; and

(B) the name of the person who will chair and convene the Project Implementation Commitee meetings. A meeting of the Committee must be held prior to the disbursement of Project funds.

(2) Prior to the disbursement of funds under this Grant, or the issuance of documentation by AID under which disbursement shall be made for workshop and foundry improvements at Beira, the Grantee shall provide evidence satisfactory to AID that emergency power generation to the workshops is available and can be operated at all times, except as AID may otherwise agree in writing.

(d) General Covenants and Warranties.

(1) The Grantee shall provide the required contribution for the local currency costs of the Project in a timely manner, in compliance with the decisions of the Project Implementation Committee and as outlined in Annex B herein, and shall provide promptly, as needed, all funds, in addition to those made available under the Grant, needed for the effective carrying out of agreed upon activities.

(2) The Grantee shall provide in a timely manner all personnel required of the Grantee for the implementation of the Project, in compliance with the decisions of the Project Implementation Committee.

(3) The Grantee shall endeavor to have completed all emergency railway line repairs by March 1987.

(4) The Grantee shall assure that all commodities procured for the Project will be used exclusively for project purposes, and that stock records and requisitions for supplies shall be carefully kept and monitored.

(5) The Grantee shall endeavor to have completed the first phase of the conversion of a section of the steam workshop in Beira to diesel prior to September 1986.

(6) Through the MPRMM, the Grantee shall submit quarterly reports on project progress to include information on employee training and transfer of equipment, personnel, locomotives, and rolling stock which can affect the Project.

5. Illustrative Implementation Schedule.

Action	Action Entity	Date
		1985
Project Agreement signed	AAO/Maputo GPRM	August
Procurement contract signed for track repair equipment	GPRM Suppliers	October

Procurement contract signed with NRZ for sleepers and accompanying supplies	NRZ GPRM	October
CFM-C begins emergency track repairs manually and with one tamper machine	CFM-C	November - January, 1986
Prime project contract advertised	USAID/Z REDSO/RCO	December
		1986
Prime project contract signed	REDSO/RCO Contractor	February
Nine steam locomotives brought to Zimbabwe at rate of two per month	CFM-C NRZ Contractor	March - July
Locomotives inspected in Zimbabwe	CFM-C	April - August, 1987
Two GE locomotives brought to Zimbabwe	M-C NRZ ntractor	April
GE locomotives inspected and parts ordered from the U.S.	Contractor	May
On the job training of CFM-C staff in Zimbabwe	Contractor CFM-C NRZ	July - February, 1987
GE parts arrive from the U.S.	Contractor	August
Steam locomotives return to Gondola/Beira at rate of one every six weeks	Contractor CFM-C	August - August, 1987
First Evaluation	USAID/Z CFM-C	October
Technical assistance to Beira foundry	Contractor	October - March, 1987

EB

AB

7

		1987
GE locomotives return to Beira	Contractor CFM-C	January
Technical assistance to steam workshop in Beira	Contractor	January - August, 1988
CFM-C rehabilitates steam locomotives in Beira	Contractor CFM-C	January (On-going)
GPRM completes emergency railway track repairs	CFM-C	March - May
Second Evaluation	USAID/Z CFM-C	October

ANNEX B

BUDGET
(in $000)

Element	Year 1	Year 2	Year 3	Total
Emergency Track Repairs				
AID FX	25.0	-	-	25.0
AID LC	750.7	-	-	750.7
GPRM	674.6	-	-	674.6
Major Locomotive Repairs				
AID FX	800.0	212.5	-	1,012.5
AID LC	260.0	1,400.0	-	1,660.0
GPRM	16.7	51.7	-	68.4
Workshop Conversion				
AID FX	6.0	-	-	6.0
AID LC	30.0	-	-	30.0
GPRM	9.0	-	-	9.0
Commodities for Workshops and Foundry				
AID FX	33.5	174.1	-	207.6
AID LC	230.4	162.2	-	392.6
GPRM	3.6	4.3	-	7.9
Training				
AID FX	6.6	-	-	6.6
AID LC	-	40.4	-	40.4
GPRM	-	6.0	-	6.0
Technical Assistance				
AID FX	-	43.7	10.4	54.1
AID LC	-	13.7	-	13.7
GPRM	-	0.6	0.4	1.0
Project Administration				
AID FX	25.0	28.0	28.0	81.0
AID LC	20.8	11.9	11.9	44.6
GPRM	1.2	1.0	1.0	3.2
Evaluation				
AID FX	.	7.0	7.0	14.0
AID LC	.	8.0	8.0	[illegible]
GPRM	.	-	-	.

BUDGET
(continued)
(in $000)

Element	Year 1	Year 2	Year 3	Total
Contingencies (10 percent)				
AID FX	89.6	46.5	4.5	140.7
AID LC	129.2	163.6	2.0	294.8
GPRM	70.6	6.4	0.1	77.1
Cost Escalation (10 percent)				
AID FX	98.6	107.5	16.4	222.5
AID LC	142.1	378.0	7.2	527.3
GPRM	77.6	14.7	0.5	92.8
Total				
AID FX	1,084.3	619.3	66.3	1,769.9
AID LC	1,563.2	2,177.8	29.1	3,770.1
GPRM	853.3	84.7	2.0	940.0

Note: Refer to Special Provision 4(b) for discussion of the Budget.

ANNEX C

PROJECT AGREEMENT
STANDARD PROVISIONS

A. Reference to "this Agreement" means the original Project Agreement as modified by any revisions which have entered into effect. Reference to "cooperating country" means the country or territory of the Grantee.

B. (1) AID will make available the amount specified in Block 3 of this Agreement, as necessary for the Project, as may be further described in Annex A.

(2) The Grantee will make available the amount specified in Block 4 of this Agreement, as necessary for the Project, as may further be described in Annex A. The Grantee will also make, or arrange to have made, additional contributions of property, services, facilities, and funds required for carrying out the project, as specified in Annex A.

C. AID and the Grantee may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities, and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.

D. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but AID shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Porject Assistance Completion Date (Block 5 of this Agreement) or any amended Project Assistance Completion Date specified, except as the parties may otherwise agree in writing.

E. The procurement of commodities and services to be financed in whole or in part by AID may (where so required by AID procedures) be undertaken only pursuant to Project Implementation Orders (PIOs) issued by AID.

F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the AID contribution referred to in Block 3 of this Agreement shall be subject to the provisions of AID Handbook 1, Supplement B, and Handbook 15.

G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIO, title to all property procured through financing by AID pursuant to Block 3 of this Agreement shall be in the Grantee, or such public or private agency as it may authorize.

H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through financing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement shall be refunded to the party providing funds.

(3) Any interest or other earnings on funds provided by AID to the Grantee under this Agreement will be returned to AID by the Grantee.

I. (1) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the cooperating country. If AID and any public or private organization furnishing commodities through AID financing for operation hereunder in the cooperating country is, under the laws, regulations or administrative procedures of the cooperating country, liable for customs duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this Agreemen

(2) If any personnel (other than citizens and residents of the cooperating country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with AID, the Grantee or any agency authorized by the Grantee, who are present in the cooperating country to provide services which AID has agreed to furnish or finance under this Agreement, are under the laws, regulations or administrative procedures of the cooperating country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes or personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the cooperating country) or if any firm, not normally resident in the cooperating country, is liable for income, receipt, or other taxes on work financed by AID hereunder, the Grantee will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by AID are introduced into the cooperating country by AID or any public or private agency for purposes of carrying out obligations of AID hereunder, the Grantee will make such arrangements as may be necessary so that such funds shall be convertible into currency of the cooperating country at the highest rate which, at the time the conversion is made, is not unlawful in the cooperating country.

K. AID shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government.

L. The parties will maintain or cause to be maintained in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the Project shall further have the right (1) to examine any property procured through financing

by the other party under this Agreement, wherever such property is located, and (2) to inspect and audit any record and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

M. AID and the Grantee shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to non-cancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under Paragraph H, relating to the use of property or funds, shall remain in force after such termination. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside the Grantee's country, are in a deliverable state, and have not been offloaded in ports of entry of the Grantee's country.

O. To assist in the implementation of the project, AID from time to time may issue PILs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon PILs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Grantee agrees, upon request, to execute an assignment to AID of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with AID financed in whole or part of funds granted by AID under this Agreement.