

PDBBN 307

A.I.D. Project Number ~~690-0247.12~~
Grant Agreement Number 88-G-690-0247.

PROJECT
GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF MALAWI

and the

UNITED STATES OF AMERICA

for

THE REGIONAL RAILWAY SYSTEMS SUPPORT

PROJECT (MALAWI COMPONENT)

August 16, 1988

Project Grant Agreement

Dated: August 16, 1988

Between

The Government of Malawi ("Grantee")

And

The United States of America, acting through the
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of assistance to the Grantee to sustain the maintenance capacity of Malawi Railways (MR) and to improve its operational efficiency. The mechanism for achieving this objective is the provision of specialized equipment and spare parts to enable MR both to sustain the current level of its locomotive maintenance program and to improve its performance in certain areas, such as derailment recovery.

Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Article 3: Financing

SECTION 3.1 The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed seven million, two hundred and ninety thousand United States ("U.S.") Dollars (\$7,290,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2., of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee for the Project will be not less than the equivalent of U.S. \$1,460,000, including costs borne on an "in-kind" basis.

SECTION 3.3 Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is April 30, 1993 or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D. giving notice in writing to the Grantee, may at any time reduce the amount of the Grant by all or part thereof for which requests for disbursement accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of the said period.

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) Evidence that the Government of Malawi has filled the key position of Chief Mechanical Engineer in Malawi Railways with a qualified person.

(b) Evidence that the Government of Malawi has formally designated an individual at Malawi Railways who will serve as Project Coordinator on behalf of the Grantee.

(c) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representative, together with specimen signature of each person specified in such statement.

SECTION 4.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1 have been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent.

(a) If all of the conditions specified in Section 4.1. have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Facilities and Personnel. The Grantee shall make available appropriate railway workshop facilities and personnel to maintain and repair Bombardier diesel electric locomotives and wagons.

SECTION 5.2 Accounting Provisions. The Grantee shall ensure that appropriate provisions are made by Malawi Railways to account properly in its financial records for the capital equipment provided under the project and to provide for the proper amortization of this equipment.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality in eligible countries of A.I.D. Geographic Code 941. ("Foreign Exchange Costs"), except as provided in Annex 1 to this Agreement or as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States, except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Malawi ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters,

(A) requests for reimbursement for such goods or services; or

(B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts

(A) to one or more U.S. banks, satisfactory to A.I.D. committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or

(B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2 Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement,

by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S. Government; or

(2) by A.I.D.

(A) requesting the Grantee to make available the local currency for such costs, and

(B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of the subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2. if funds provided under the Grant are introduced into Malawi by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of Malawi at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Malawi.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Mail Address: Secretary to the Treasury
Ministry of Finance
P.O. Box 30049
LILONGWE 3, MALAWI

Alternative address for cables:

FINANCE - LILONGWE
TELEX NO. 44407

To A.I.D.:

Mail Address: Mission Director
USAID/Malawi
P.O. Box 30455
Lilongwe, Malawi

Alternative address for cables:

TELEX 44627
American Embassy

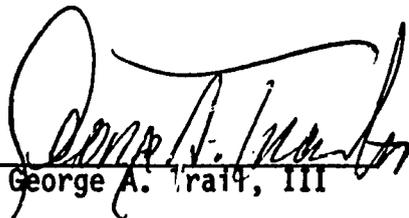
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of Finance, and A.I.D. will be represented by the individual holding or acting in the office of Director, A.I.D. Mission to Malawi, each of whom may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused the Agreement to be signed in their name and delivered as of the day and year first above written.

GOVERNMENT OF THE
UNITED STATES OF AMERICA

By: 
George A. Traff, III

Title: Ambassador

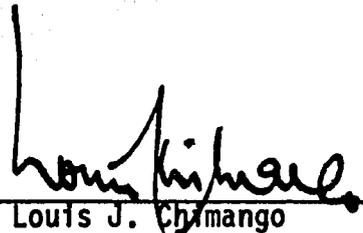
Date: August 15, 1988

By: 
Richard C. Day

Title: Acting Director
USAID/Malawi

Date: August 16, 1988

THE GOVERNMENT OF MALAWI

By: 
Louis J. Chimango

Title: Minister of Finance

Date: August 15, 1988

By: 
Paul T.K. Nyasulu

Title: Acting General Manager
Malawi Railways

Date: August 15, 1988

Project: 690-0247

Appropriation : 72-1181014
Budget Plan Code: GSSA-88-21612-GG12
Allotment : 814-54-612-00-65-81
Amount : U.S.\$7,290,000
Authorization : Harare 04103
Reserve.Control : M280030
Oblig. No : PA-88-G-612-0247

ANNEX 1

AMPLIFIED PROJECT DESCRIPTION

Project Goal and Purpose

The Regional Rail System Support project is in reality a regional umbrella project which comprises three distinct country-specific railway support and maintenance components in Mozambique, Swaziland and Malawi. The goal and purpose of this Malawi component parallel the two complementary components in Mozambique and Swaziland, which together constitute the overall Regional Rail Support Project. The goal is to support the development of a stronger economic foundation for growth in Southern Africa. The purpose of the overall project is to strengthen and enhance the capacity and operating efficiency of regional rail transport in SADCC countries. With specific application to Malawi, the purpose is to sustain the maintenance capability of Malawi Railways (MR) and improve its operational effectiveness. A combination of general foreign currency shortage and the high cost of trading through South African ports (required by the closure of traditional routes through Mozambique) has severely limited MR's ability to purchase locomotive spare parts. Emphasis is on preventing a deterioration in maintenance standard during the period of foreign exchange shortages and relatively low locomotive utilization. The mechanism for achieving this objective is the provision of specialized equipment and spare parts to enable MR both to sustain the current level of its locomotive maintenance program and to improve its performance in certain areas, such as derailment recovery.

B. Outputs

The project will lead to a number of specific outputs which will directly serve the primary objective (i.e. Project Purpose) of sustaining MR locomotive maintenance capacity and improving its operational effectiveness. These outputs, which are listed here in summary form, emerge from the various project components which are presented in more detail in section D below.

1. Sustained maintenance capacity in MR for 19 Bombardier locomotives, comprising 3 levels of maintenance: periodic maintenance, general overhaul, and accident repair.
2. Improved derailment recovery capability and reduction of time and revenue lost from accidents.
3. Improved capability for repair of wagon superstructure and consequent increase in availability of serviceable wagons.

4. Efficiency of engineering support increased and transit time reduced for workers and supervisors to reach worksites along rail routes.
5. Storage building for Bombardier spare parts redesigned and refurbished for improved materials handling.
6. Computerized inventory system for workshop parts and supplies introduced.
7. Trained cadre of Malawian supervisors formed at MR workshop at Limbe.

C. The Project Setting

The territory covered by Malawi Railways extends to the Mozambique border and the port of Nacala in the east; to the Mozambique border and the port of Beira in the south; and to the Zambian border and Mchinji west from Lilongwe. MR is also in charge of shipping services on Lake Malawi and operations of the ports at Chilumba and Chipoka. Direct rail connection to Dondo, 30 kms from the port of Beira has been cut since 1983, but reconstruction from Dondo is underway. The rail connection to Nacala has been cut for 5 years, but is now being totally reconstructed inland from Nacala with approximately one third completed. The Sena line is expected to be fully restored and linked to the Malawi connection prior to 1993 and the Nacala line by 1992. UK (ODA) funding is assisting in rehabilitation of track in Malawi from Blantyre to the border.

ODA has also been providing technical assistance to MR in management, accounting and mechanical engineering. A.I.D. is financing a \$19 million project to upgrade two Lake Malawi port facilities to permit combined rail-truck-ship traffic along the Northern Corridor to the Tanzanian port of Dar es Salaam, as an option to the South African routes until the rail lines to Beira and Nacala are reopened.

Main line motive power for Malawi Railways is provided by diesel electrical locomotives, 13 British AEI, manufactured in 1963 and 1967 and 19 Canadian Bombardiers, four of which were acquired in 1972 and 15 in 1980. Maintenance is performed by MR's railway work shops in Limbe which is the headquarters of MR, located at the main Blantyre railway station.

D. Elements of the Project

1. Locomotive Spare Parts - The older British AEI fleet, which is in the process of being phased out by MR, is not covered by this project. The project addresses the maintenance of the newer Bombardier fleet (acquired in 1972 and 1980). Although

these locomotives are of Canadian manufacture and assembly, they utilize engines made in the U.S. by Alco, a company owned by Bombardier. Therefore, according to MR estimates, approximately 65 percent of the spare parts to be used in the maintenance and repair of the Bombardier locomotives are of U.S. source and origin. The project provides for a Code 935 waiver to procure from Canada those Bombardier spare parts not available in the U.S. Costs for spare parts have been based on normal maintenance requirements on the 19 Bombardier locomotives, plus general overhaul for 15 (approximately 4 per year over 4 years) and 4 for major accident repair. The 4-year program for locomotive maintenance by category and cost of spare parts is proposed as follows:

Periodic maintenance	14 x \$50,000	=	700,000
General overhaul	15 x 100,000	=	1,500,000
Accident repairs	4 x 150,000	=	600,000
Total			2,800,000

- Wagons - There are approximately 900 wagons of all types in the MR fleet, but some 250 are presently unavailable to MR, as they are stranded in Mozambique on the Nacala and Sena lines. The remaining 650 wagons are generally in poor condition and have an availability factor of only 60 percent. Although some work on conversion of box cars to container wagons has taken place, a major constraint both to further conversion and the general repair of wagons is lack of sheet metal, which must be imported. Other resources (materials and labor) necessary for wagon repair can be supplied by MR from its own local currency kwacha budget.

Under the project, sheet metal will be provided for a repair program of 60 wagons annually, as well as for the repair of locomotive superstructure.

Steel sheet metal for wagons and locomotives is priced at \$400,000. This procurement will be competed among U.S. firms and private steel producers in Code 941 countries.

- Equipment - A 100-ton railway recovery crane is proposed to supplement, and eventually to replace, the existing 45-ton crane. The presence of only one smaller recovery crane in all of Malawi greatly complicates dealing with derailments, as the more effective procedure of having 2 cranes approaching from opposite ends cannot be utilized. As a result, weeks can be consumed by a single major derailment, with a serious loss of revenue for MR as well as other economic consequences for Malawi. With a 100-ton crane, greater flexibility is introduced, as the two can be used in tandem, and this crane alone should be able to lift all types of locomotives and fully loaded wagons.

The 100-ton railway recovery crane will cost \$2,000,000 delivered and assembled. The crane will be procured competitively in the U.S. among several manufacturers, with some customized specifications required.

4. Storage - The storage facility for Bombardier locomotives parts is a separate building from that of the AEI locomotives, constructed with formed steel supports and shelving which totally support the extruded steel flooring above. The ground floor shelving is well stocked with parts. The floor above is approximately one third occupied with light steel sectional shelving, the remainder being empty. This building also contains the store records which are in card form.

Under the project, it is proposed to add a main entrance door at one end for interior and exterior access and to cut the upper floor at the aisles for transporting items by a mobile turning, high-lift, fork lift and to strengthen the floor as necessary, for which additional shelving will be required. Roofing must also be added to this area for weather protection.

Stores building renovation will be undertaken by MR. Shelving, loading equipment and building materials to be financed by A.I.D. are priced at \$100,000.

5. Civil Engineering Line Support - MR utilizes a number of 20-seat gang trolleys and 4-seat inspection trolleys needed to transport workmen and supervisors, respectively, to accident and repair sites along the line. The present self-propelled utility trolleys are over twenty years old and mostly worn out, with the majority non-operable. As traffic builds up, so too will the demand for these vehicles. It is therefore proposed to supply four 20-passenger gang trolleys and two 4-seater inspection trolleys for track oversight and repair, as well as 10 motor generators with water pumps for those new out-stations which lack both electricity and water.

4 - 20 seater self propelled gang trolleys	x 50,000	200,000
2 - 4 seater self propelled gang trolleys	x 20,000	40,000
10 diesel motor generator with water pump set	x 20,000	200,000
Total		440,000

6. Training - Generally artisan, technical and lower management skills have been taught by on-the-job training supplied by Sri Lankans hired directly by MR. This group of technicians, which numbered 40 some 5 years ago, has now been reduced to 20, who are expected to remain for another 5 years. Technical

assistance at the upper management level which has been funded by ODA and will continue at least up to 1991, includes the positions of General Manager, Financial Controller, Systems Analyst, Traffic Development Officer and Management Training Officer. Up until July, 1988, ODA also funded the position of Chief Mechanical Engineer. Additional long-term T.A. is deemed not to be needed and therefore is not addressed in this project. Long term training is provided satisfactorily by ODA, but if necessary could also be offered separately by USAID/Malawi under its Human Resources and Institutional Development (HRID) project. The only training to be undertaken under this project is of a short-term nature, most likely at the Zimbabwe Railway School, for upgrading the skills of workshop supervisors in such areas as industrial safety and health, computerization, supplies and stores management, staff salary and incentive schemes, and audits and internal controls.

\$90,000 is budgeted for this item (\$3,000 per supervisor for 90 days).

7. Computerization of Workshop Inventory Systems - A problem has arisen from placement of the control of the inventory system in the hands of the Finance Officer of MR (a management consultant's recommendation in 1982). Priority has been given to saving foreign exchange, and the reordering of spare parts was stopped to permit the drawdown of existing inventory. This has caused severe shortages and delays when critical parts are not stocked. Limited reordering, based on card records, has been on an ad hoc basis and will prove inadequate when normal ordering is resumed.

Since this project is directed at providing parts for a 4-year locomotive maintenance and repair program, a more operationally sound and consistent system of parts reordering must be introduced. This will require a more realistic division of labor between the Finance Office and the Office of the Chief Mechanical Engineer, whereby reordering decisions within fund availabilities are made by the engineer, while the vouchering and payment process is run by Finance. Under such an arrangement, each unit could exercise responsibility for its own functions regarding stores management without impeding workshop operations. The present card system will be inadequate for the inflow of orders which will be processed on an annual basis. Computerization of this function can easily be accomplished by 3 microcomputers (PCs), one each for the workshop planner, stores and purchasing. A program based on inventory with variations to suit the individual sections must be designed. The program will be Data Base III plus, with training, servicing and programming from computer firms in Zimbabwe.

3 IBM/Wang PCs with software supplies	\$ 30,000
Programs	30,000
Service, repairs	20,000
Training of operators	30,000
Total	\$110,000

FINANCIAL PLAN

SUMMARY OF AID'S CONTRIBUTION

<u>ITEM</u>	(in US \$) <u>Cost</u>	<u>Line-Item Subtotal</u>	<u>PERCENTAGE</u>
1. SPARE PARTS FOR BOMBARDIER LOCOMOTIVES 4 YEAR PROGRAM			
A. Periodic Maintenance 14 x 50,000	700,000		
B. General overhaul (4 per year) 15 x 100,000	1,500,000		
C. Accident Repair 4 x 150,000	600,000		
D. Sheet steel for loco superstructure	<u>40,000</u>		
		2,840,000	39.95%
2. WAGON REPAIR			
Sheet Steel for 180 wagons 180 x 2,000	<u>360,000</u>		
		360,000	4.94%
3. PLANT			
100 ton railway recovery crane	<u>2,000,000</u>		
		2,000,000	27.43%
4. STORES			
A. Building renovations by MR	0		
B. Shelving, floors, mobile fork lift, materials.	<u>100,000</u>		
		100,000	1.37%
5. TRAINING			
30 persons for 90 day period 30 x 3000	<u>90,000</u>		
		90,000	1.23%
6. COMPUTERIZATION WORKSHOP INVENTORY			
A. 3 PC's with software, supplies	30,000		
B. Program	30,000		
C. Service, repairs	20,000		
D. Training of operators, engineers	<u>30,000</u>		
		110,000	1.51%
7. CIVIL ENGINEERING LINE SUPPORT			
A. 4-20 seater self propelled gang trolleys x 50,000	200,000		
B. 2-4 seater self f propelled gang trolleys x 20,000	40,000		
C. 10 - motor generators with water pumps x 20,000	<u>200,000</u>		
		440,000	6.04%
8. PROJECT MONITORING AND EVALUATION	100,000		
		<u>100,000</u>	1.37%
		6,040,000	
	<u>Sub-total</u>		
CONTINGENCY AND INFLATION		<u>1,250,000</u>	17.15%
	<u>Grand Total</u>	7,290,000	100.00%

15

SUMMARY OF MALAWI RAILWAYS CONTRIBUTION IN EQUIVALENT US\$000

CATEGORY OF ITEMS	ESTIMATED COST	PERCENTAGE
A. Direct		
Locomotive spare parts	30	
Stores building renovations	20	
Project Monitoring and Evaluation	<u>10</u>	
Sub-total	60	4.11
B. MR Operations (4 year period)		
MR Salaries of staff involved in maintenance and repair of diesel electric Bombardiers and support staff	800	
Tools and equipment	400	
Workshop buildings	<u>200</u>	
Sub-total	1400	95.89
	<u>1460</u>	100.00
Total Budget Cost		
USAID \$7,290,000		83.31
MR 1,460,000		16.69
<u>8,750,000</u>		100.00%

FINANCIAL PLAN OF U.S CONTRIBUTION BY YEAR (EXPENDITURES)

(in U.S \$000)

ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL
1. Spare parts for Bombardier Locos (19 locos)	750	780	820	860	3,210
2. Wagon Repair(180 wagons)	130	130	140		400
3. Plant 100 ton Recovery crane		2,130			2,130
4. Stores equipment	100				100
5. Training	30	30	30		90
6. Computerization	110				110
7. Trolleys, motor generators		470			470
8. Monitoring and evaluation		60		60	120
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,120	3,600	990	920	6,630
Contingencies 10%	110	360	100	90	660
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,230	3,960	1,090	1,010	7,290

Inflation built in at 5% compounded annually

IMPLEMENTATION PLAN

A. Project Management

The Regional Rail System Support (RRSS) project is in reality a regional umbrella project which comprises three distinct country-specific railway support and maintenance projects in Mozambique, Swaziland and Malawi. Although implementation of the three components will be separate, there are important linkages. Successful achievement of the objectives of the Mozambican component will enhance and complement the Malawi component by facilitating the reopening of the rail routes to the Beira port. Overall responsibility for design and coordination of the project rests with the Southern Africa Regional Program of USAID/Zimbabwe.

The Malawi project will be implemented by USAID/Malawi and the Government of Malawi. The GOM's implementing agency will be Malawi Railways, which is generally regarded as a very well run organization. MR's main problem, and the reason for the project, is in the field of equipment and spare parts procurement, resulting from Malawi's chronic foreign exchange shortage.

A.I.D. project implementation responsibility will rest with USAID/Malawi. However, since this is a small mission which lacks both a procurement officer and an engineer on its staff, some technical support will be required from other A.I.D. offices. The regional engineer, based in Harare, already makes regular visits to Malawi in connection with the Northern Corridor project, which also involves close contact with Malawi Railways. For the first year of this project, the regional engineer will be able to assist with technical matters which arise on the occasion of his regular visits to Malawi. However, in subsequent years, owing to planned staff reductions in A.I.D.'s Southern Africa Regional Office, this function may have to be performed either by the REDSO/ESA engineering office in Nairobi or by a local-hire PSC engineer recruited by USAID/Malawi. Project financing and payment procedures through letters of commitment to suppliers will be directed by the USAID/Malawi Controller.

Although procurement of the various commodities (the bulk of project activities) will be performed by MR under host country contracting provisions (see the Procurement Plan in the next section), some A.I.D. monitoring and counsel will be available from the Regional Commodity Management Office (RCMO) and the Regional Legal Advisor (RLA) in REDSO/Nairobi.

Despite the regional concept and design of the overall RRSS project, the involvement in implementation matters of the Southern Africa Regional Program office in USAID/Zimbabwe will be limited to the support described above by the regional engineer.

B. Procurement and Contracting Plan

1. Responsible Agency:

Malawi Railways (MR) will be the primary implementing agency for this project. The General Manager of the Railway, or in his absence the Chief Mechanical Engineer, will have overall responsibility for the procurement process. Specifically, the Chief Mechanical Engineer of Malawi Railways will be responsible for the following actions: a) drafting of procurement solicitations, b) selecting successful bidders, c) executing contracts with selected suppliers, d) keeping appropriate records on all contracting actions; e) acknowledging to USAID/Malawi receipt of equipment and commodities procured with AID funds. Although this is a host country procurement action, USAID/Malawi will assist in all aspects of the procurement process, as necessary, including technical inputs by REDSO/ESA's RCMO and RLA and the USAID/Zimbabwe engineer.

2. Equipment List:

Malawi Railways has requested A.I.D assistance in the procurement of the following:

<u>ITEM</u>	<u>ESTIMATED BASE COST*</u>
1) Spare parts for overhaul/maintenance	\$ 2,840,000
2) Sheet Steel for wagon repair	360,000
3) One self propelled 100 T recovery crane	2,000,000
4) Shelving and Mobile equipment for stores	100,000
5) Four 20 passenger work gang trolleys	200,000
6) Two 4 passenger inspection trolleys	40,000
7) Ten diesel generators and water pumps	200,000
8) Three IBM-compatible PC's	30,000
Total Estimated Base Cost of Procured Items	\$ 5,770,000

* inclusive of all transport

3. Procurement Process:

All procurement of equipment and materials under this project will be conducted by Malawi Railways under the Host Country contracting procedures of AID handbook 11, Chapter 3. Malawi

Railways, with the help of AID-financed technical assistance, will draft all solicitations (Invitations for Bids and Request for Proposals) for the procurement of equipment and materials. Draft solicitations will be submitted to USAID/Malawi for approval. The solicitations will be reviewed by the USAID/Malawi Project Officer, the RESDO/ENGR, the RESDO/RCMO and the REDSO/RLA. AID-required changes and/or approval of solicitations will be conveyed to Malawi Railways by Project Implementation Letter. All procurements of goods or materials will be advertised in the AID-financed Export Opportunities Bulletin and in the U.S. Commerce Business Daily. Bids/offers in response to solicitations will be received and opened by the Malawi Central Tender Board and evaluated by Malawi Railways. After deciding on the contract award, Malawi Railways will make a written request to USAID/Malawi for A.I.D approval of the contract award and for A.I.D financing of the contract. A.I.D approval/disapproval will be by Project Implementation Letter.

Procurement of the 100-ton self-propelled recovery crane will be by formal competitive bidding procedures (an invitation for bids, IFB). Procurement of the spare parts for the overhaul and maintenance of Malawi Railways' existing fleet of Bombardier locomotives will be by competitive negotiated procurement procedures (a request for quotations RFQ). Procurement of the trolleys, and the diesel generators and water pumps for the out stations would also be procured by competitive negotiated procurement procedures. To the greatest extent possible, procurements will be consolidated and the number of solicitations kept to a minimum. At this time no more than four solicitations, as indicated in the procurement timing section below, are anticipated.

4. Procurement Source/Origin:

The authorized source/origin for commodities and commodity related services for this component of the Project is A.I.D Geographic Code 941. However, most of the equipment listed above is available from the United States. The Bombardier locomotives in the Railway's fleet were manufactured in Canada, and some of the spare parts necessary for the overhaul and maintenance of these locomotives are not made in the United States. However, these locomotives have U.S.-manufactured ALCO engines, and Malawi Railways estimates that approximately 65 percent of the required spare parts for the locomotive overhaul and maintenance can be of U.S source/origin. The 35 percent manufactured in Canada will require a Code 935 source/origin waiver in the amount of \$1,000,000.

SCHEDULE OF EVENTS

<u>SCHEDULE OF EVENTS</u>	<u>DATE</u>	<u>ACTION</u>
Project Paper completed	July 88	USAID/Z
Project paper reviewed and approved	July 88	USAID/Z, USAID/M
Grant agreement signed	Aug 88	USAID/M, GOM
CP's met by GOM	Oct 88	GOM
Recovery crane IFB submitted	Nov 88	MR
1st Year Loco spare parts list RFQ submitted	Nov 88	MR, REDSO, USAID/Z
IFB recovery crane advertised	Dec 88	REDSO
Loco spare parts RFQ advertised	Jan 89	REDSO
Training begun	Jan 89	MR, USAID/M
Rail trolleys, diesel generators submitted	Jan 89	MR
PC's ordered	Jan 89	USAID/M
Rail trolleys, diesel generators advertised	Feb 89	REDSO, USAID/Z
Recovery crane bids if received	Feb 89	MR
Loco spares offer received	Mar 89	MR, USAID/M
Recovery crane awarded	Mar 89	MR, USAID/M
Rail trolleys, diesel generators offers rec	Apr 89	MR
Training ended	Apr 89	MR
Loco spares awarded	Apr 89	MR, USAID/M, REDSO
PC's arrive	Apr 89	MR
Rail trolleys diesel generators awarded	Apr 89	MR, USAID/M
Loco parts delivered	Sept 89	MR, USAID/M
Rail trolleys, diesel generators delivered	Oct 89	MR
Recovery crane delivered	Nov 89	MR, USAID/Z
2nd Year Loco spare parts list submitted	Nov 89	MR, REDSO, USAID/Z
Loco spare parts, RFQ advertised	Jan 90	REDSO
Training begun	Jan 90	MR, USAID/M
Loco spare parts offers received	Mar 90	MR
Loco spare parts awarded	Apr 90	MR, USAID/M
Training ended	Apr 90	MR
Loco spare parts delivered	Sept 90	MR, USAID/Z
3rd Year Loco spare parts list submitted	Nov 90	MR, REDSO, USAID/Z
Loco spare parts RFQ advertised	Jan 91	REDSO
Training begun		
Loco spare parts offers received	Mar 91	MR, USAID/M
Loco spare parts awarded	Apr 91	MR
Training ended		
Loco spare parts delivered	Sept 91	MR, USAID/M
4th Year Loco spare parts list submitted	Nov 91	MR, REDSO, USAID/Z
Loco spare parts RFQ advertised	Jan 92	REDSO
Loco spare parts offers received	Mar 92	MR, USAID/M
Loco spare parts awarded	Apr 92	MR
Loco spare parts delivered	July 92	MR, USAID/M
Project assistance completion Date (PACD)	Aug 92	MR, USAID/M

EVALUATION PLAN

Since the major activity in this component of the project is the procurement of railway locomotive equipment and spare parts, evaluations will focus chiefly on how smoothly and appropriately procurement has taken place and how effectively Malawi Railways has utilized resources provided by the project. Since audits by a CPA firm stressing all aspects of financial management will also take place (see final paragraph of Procurement and Contracting Plan, above), care should be taken to plan the scope of the evaluations so as not to duplicate work done by the audits.

Two evaluations are planned during the project's 4-year life. A mid-term evaluation will be scheduled for approximately September, 1990, by which time most of the major procurement will have been completed, except for locomotive parts which are ordered annually. The exact timing of the first evaluation will be determined by the delivery date of the recovery crane, the largest single item to be procured in the project. Estimated delivery time is about 18 months from date of order, and arrival and assembly of this major piece of equipment will constitute an important milestone in the project. As such, it is considered a good reference point for the initial evaluation. This evaluation will also examine workshop renovation completed and computerization of inventory records. Almost half of the supervisory training at the railway school in Zimbabwe will be completed by this time, and evaluators will interview returned trainees to assess the degree to which their training has been applied. The evaluation will also review any studies which have been completed at that time under the short-term TA element of the project.

A final evaluation will take place in mid-1992, shortly before the project's PACD, after all procurement and training have been completed. At this time, an assessment will be made of the effectiveness of the MR locomotive maintenance program and the impact of project activities in MR's overall performance in the area of maintenance. Since this timing should coincide with the anticipated reopening of the Beira and Nacala lines, a transport economist should assess the adequacy of MR's capacity to cope with greatly expanded traffic, with recommendations for further action by MR.

Both evaluations will involve outside consultants, including a railway management specialist, a railway equipment specialist and a transport economist. The project provides a total of \$100,000 for both evaluations and any audits determined appropriate by the USAID/Malawi Controller. To conserve both funds and manpower, some thought should be given to coordinating these evaluations with those of the companion projects in Mozambique and Swaziland under the overall RRSS project.

ANNEX II

STANDARD PROVISIONS

DEFINITIONS

As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

ARTICLE A: PROJECT IMPLEMENTATION LETTERS

To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the Amplified Project Description in Annex 1.

ARTICLE B: GENERAL COVENANTS

SECTION B.1. Consultation

The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project

The Grantee will:

(a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit

The Grantee will:

(a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) 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 to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information

The Grantee confirms:

(a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments

Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking

The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

ARTICLE C: PROCUREMENT PROVISIONS

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date

No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts

In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a)(2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price

No more than reasonable prices will be paid for any goods or

services financed, in whole or in part, under the Grant. Such items will be produced on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers

To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

SECTION C.6. Shipping

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval or on a non-U.S. flag air carrier if a U.S. flag carrier is available (in accordance with criteria which may be contained in Project Implementation Letters) without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this sub-section must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance

(a) Marine insurance on goods financed by A.I.D. which are to be

transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in U.S. dollars or, as A.I.D. may agree in writing, in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property

The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

ARTICLE D: TERMINATION; REMEDIES

SECTION D.1. Termination

Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursement under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies

No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment

The Grantee agrees, upon request, to execute an assignment to A.I.D. 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 A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

**ILLUSTRATIVE BUDGET
(FY 1987 OBLIGATION)**

HRID PROJECT 612-0230

FUNCTIONAL ACCOUNTS

<u>PROJECT ELEMENTS</u>	<u>DA/ARDN</u>	<u>DA/HE</u>	<u>EHR</u>	<u>TOTAL</u>
Technical Assistance				
Long-term (OPEX)	1,006,000	523,600	0	1,529,600
Short-term (L1yr)	226,350	130,900	0	357,250
Sub-total	1,232,350	654,500	0	1,886,850
Training -				
Degree Training	352,100	170,170	0	533,270
Non-Degree Training	125,750	78,240	0	203,990
In-country Scholarship	100,600	0	0	100,600
In-country Training support	125,750	144,290	0	270,040
Sub-total	704,200	392,700	0	1,096,900
Commodities	176,050	65,450	0	241,500
Core Contract	377,250	196,350	0	573,600
Evaluations/Audit	25,150	0	0	25,150
TOTAL PROJECT	<u>2,515,000</u>	<u>1,309,000</u>	<u>0</u>	<u>3,824,000</u>