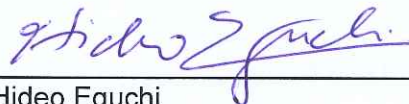


RECORD OF DISCUSSIONS
ON
PROJECT FOR FORMULATION OF MASTER PLAN ON
LOGISTICS IN NORTHERN ECONOMIC CORRIDOR
IN
THE REPUBLIC OF KENYA
AGREED UPON BETWEEN
MINISTRY OF TRANSPORT AND INFRASTRUCTURE
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

Nairobi, *Dec. 31st 2014*



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Principal Secretary, State Department
of Transport, Ministry of Transport and
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In response to the official request of the Government of the Republic of Kenya (hereinafter referred to as "GOK") to the Government of Japan (hereinafter referred to as "GOJ"), the Japan International Cooperation Agency (hereinafter referred to as "JICA") held a series of discussions with Ministry of Transport and Infrastructure of GOK (hereinafter referred to as "MoTI") and relevant organizations to develop a detailed plan of the Project for Formulation of Master Plan on Logistics in Northern Economic Corridor (hereinafter referred to as "the Project").

Both parties agreed the details of the Project and the main points discussed as described in the Appendix 1 and the Appendix 2 respectively.

Both parties also agreed that MoTI, the counterpart to JICA, will be responsible for the implementation of the Project in cooperation with JICA, coordinate with other relevant organizations and ensure that the self-reliant operation of the Project is sustained during and after the implementation period in order to contribute toward social and economic development of the Republic of Kenya.

The Project will be implemented within the framework of the Agreement on Technical Cooperation signed on April 29, 2004 (hereinafter referred to as "the Agreement") and the *Note Verbales* to be exchanged between GOJ and GOK.

The effectiveness of the Record of Discussions is subject to the exchange of the *Note Verbales* and approval of JICA

Appendix 1: Project Description

Appendix 2: Main Points Discussed



PROJECT DESCRIPTION

I. BACKGROUND

The Northern Corridor is a multi-modal corridor, encompassing road, rail, pipeline and potential inland waterways transport, and a significant corridor for logistics in East Africa. The main road network runs from Mombasa Sea Port through Kenya and Uganda to Rwanda, Burundi and to Democratic Republic of Congo. The road network also links Kenya and Uganda to Juba in South Sudan. The importance of the Northern Corridor is increasing and the current combined transit and transshipment traffic through the Corridor has been growing at a rate of 20 percent annually.

However, there are some obstacles in Northern Corridor, such as inadequate infrastructure, poor interconnectivity of modes, slow clearance of cargo at the port and border post, and lack of goods to transport for the return trip from the hinterland to Mombasa port. They raise transport cost within the Corridor, which accounts for about 30 percent of the value of goods. The high transport cost is one of the obstructive factors to promote economic development of the region.

In this context, the GOK requested GOJ to implement a project to formulate a master plan on logistics in Northern Corridor in order to promote regional development. Concurrently with this, the Government of the Republic of Uganda (hereinafter referred to as "GOU") also requested GOJ for the project on Northern Corridor which shares the same goal and outputs.

This request conforms to the GOJ's cooperation policy to stimulate regional and local economies as well as the JICA's cooperation program. In addition, the Project is based on one of the initiatives in the Yokohama Declaration as a result of the TICAD V held in Yokohama, Japan in June 2013. GOK and GOU, the major beneficiaries of the Northern Corridor, agree to implement the project in a collaborative and harmonized manner with JICA.

II. TARGET YEAR

The target year of the Master Plan on Logistics in Northern Economic Corridor is 2030.

III. TARGET AREA

The Project will cover the area shown in the Annex 1.

IV. OUTLINE OF THE PROJECT

1. Title of the Project

Project for Formulation of Master Plan on Logistics in Northern Economic Corridor

2. Expected Goals which will be attained after the Project Completion

(1) Goal which will be attained by utilizing the Proposed Plan

Regional development utilized development potentials and resources are

enhanced to strengthen competitiveness of the Northern Corridor. Hence, Regional integration and market expansion in East Africa region is promoted.

(2) Goal of the Proposed Plan

Proposed development strategies and plans to guide appropriate development and investment are approved by GOK and implemented.

3. Outputs

Master Plan on Logistics in Northern Corridor with integrated regional development strategies consistent with sub-regional development plans and national development plans is formulated.

4. Activities

- (1) Review of existing development plans, development projects, studies, and public and private investments
- (2) Collection of available data and information concerning the targeted area and surrounding areas
- (3) Economic analysis of current and past corridor utilization including cargo traffic
- (4) Socio-economic and outlined sector survey for the whole country
- (5) Analysis to identify constraints to development, factors of promoting development
- (6) Identifying development potential of industrial development and value chain along the corridor
- (7) Establishment of social economic framework and future demand forecast
- (8) Analysis by preparing alternative development scenarios
- (9) Conducting Strategic Environmental and Social Assessment of development strategies
- (10) Formulation of integrated regional development strategies
- (11) Formulation of Master Plan on Logistics in Northern Corridor composed of optimized transport system and regional development
- (12) Recommendation of measures to complement on-going and planned development projects
- (13) Prioritization of existing and proposed development projects of Sub-regional and country level
- (14) Holding of international seminars and individual meetings to share the progress, get input and feedback from the stakeholders including the private sector, and results of the Project

5. Inputs

(1) Input by JICA

(a) Dispatch of Mission

Assignment of principal members of mission

- 1) Leader / regional development
- 2) Infrastructure
- 3) Industrial Development / Investment Promotion
- 4) Public Private Partnership
- 5) Logistics
- 6) Natural resource and Energy

- 7) Agriculture, Forestry and Fishery / Agribusiness
- 8) Urban Development
- 9) Water Resources
- 10) Economic and Financial Analysis
- 11) Environment and Social Considerations
- 12) Internal coordinator

(b) Training

JICA will organize training courses on the Corridor Development in Japan and/or third countries, which will be held during the Project period.

Input other than indicated above will be determined through mutual consultations between JICA and MoTI during the implementation of the Project, as necessary.

(2) Input by MoTI

MoTI will take necessary measures to provide at its own expense:

- (a) Services of MoTI's counterpart personnel and administrative personnel as referred to in IV-6(1);
- (b) Suitable office space with necessary equipment;
- (c) Supply or replacement of machinery, equipment, instruments, vehicles, tools, spare parts and any other materials necessary for the implementation of the Project other than the equipment provided by JICA;
- (d) Information as well as support in obtaining medical service;
- (e) Credentials or identification cards;
- (f) Available data (including maps and photographs) and information related to the Project;
- (g) Running expenses necessary for the implementation of the Project;
- (h) Expenses necessary for transportation within the Republic of Kenya of the equipment for counterparts as well as for the installation, operation and maintenance thereof; and
- (i) Necessary facilities to members of the JICA missions for the remittance as well as utilization of the funds introduced into the Republic of Kenya from Japan in connection with the implementation of the Project.

6. Implementation Structure

The Project organization chart is given in the Annex 2. The roles and assignments of relevant organizations are as follows:

(1) MoTI (GOK)

(a) Project Director

Principal Secretary of transport will be responsible for overall administration and implementation of the Project.

(b) Project Manager

The Chief Engineer (Infrastructure) will be responsible for the smooth implementation of the Project, assisted by the Chief Economist (Transport).

(2) Ministry of Works and Transport, GOU

Ministry of Works and Transport of the GOU will be responsible for administration and implementation of the relevant JICA project on Northern Corridor in Uganda.

(3) JICA Experts

The JICA experts will give necessary technical guidance, advice and recommendations to MoTI on any matters pertaining to the implementation of the Project.

(4) Steering Committee

Steering Committee (hereinafter referred to as "S/C") will be established in order to facilitate inter-organizational coordination. S/C will be held when the JICA missions submit the reports and/or whenever the necessity arises. A list of proposed members of S/C is shown in the Annex 3-1.

(5) Working Group

Working Group (hereinafter referred to as "W/G") will be established in order to promote the coordination between Kenyan side and JICA missions. W/G will be held whenever the necessity arises and hold workshops in order to monitor the progress of the Project. Members of W/G shall be selected before beginning of the Project.

(6) Joint Steering Committee with the Government of the Republic of Uganda

GOK will send representative(s) to the Joint Steering Committee (hereinafter referred to as "JSC") with GOU in order to facilitate international coordination. JSC will be co-chaired by representatives of both GOK and GOU and held when the JICA missions submit Interim Report and Draft Final Report and/or whenever the necessity arises. A list of proposed members of JSC is shown in the Annex 3-2. JSC will welcome the observers from other East African Countries such as South Sudan, Rwanda, Burundi and east part of the Democratic Republic of the Congo as the output of the Project may have some impacts on their economy and development.

7. Beneficiaries

The direct beneficiaries will be the user of the Northern Corridor. The Project will also be contributing to the people of the nearby countries, such as Kenya, Uganda, South Sudan, Rwanda, Burundi and east part of the Democratic Republic of the Congo.

8. Duration

The Project will be carried out for approximately eighteen (18) months.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Project Period																		
S/C		▲				▲						▲					▲	
Reports		▲ IC/R				▲ PR/R						▲ IT/R					▲ DF/R	▲ F/R

Notes:

S/C: Steering Committee, IC/R: Inception Report, PR/R: Progress Report, IT/R: Interim Report, DF/R: Draft Final Report, F/R: Final Report

9. Reports

JICA will prepare and submit the following reports to the MoTI in English.

- (1) 30 hard copies and soft copy of Inception Report at the commencement of the first work period in the Republic of Kenya
- (2) 30 hard copies and soft copy of Progress Report at the time about six (6) months after the commencement of the first work period in the Republic of Kenya
- (3) 30 hard copies and soft copy of Interim Report at the time of twelve (12) months after the commencement of the first work period in the Republic of Kenya
- (4) 30 hard copies and soft copy of Draft Final Report at the end of the last work period in the Republic of Kenya
- (5) 30 hard copies and soft copy of Final Report within one (1) month after the receipt of the comments on the Draft Final Report

10. Environmental and Social Considerations

MoTI agreed to abide by 'JICA Guidelines for Environmental and Social Considerations (April 2010)' in order to ensure that appropriate considerations will be made for the environmental and social impacts of the Project.

V. UNDERTAKINGS OF MoTI AND GOK

1. MoTI and GOK will take necessary measures to:

- (1) Ensure that the technologies and knowledge acquired by the Republic of Kenya nationals as a result of Japanese technical cooperation contributes to the economic and social development of Republic of Kenya, and that the knowledge and experience acquired by the personnel of Republic of Kenya from technical training as well as the equipment provided by JICA will be utilized effectively in the implementation of the Project; and
 - (2) Grant privileges, exemptions and benefits to members of the JICA missions referred to in IV-5(1) above and their families, which are no less favorable than those granted to experts and members of the missions and their families of third countries or international organizations performing similar missions in the Republic of Kenya.
2. Other privileges, exemptions and benefits will be provided in accordance with the Agreement on Technical Cooperation signed on April 29, 2004 between the GOJ and the GOK.

VI. EVALUATION

JICA will conduct the following evaluations and surveys to mainly verify sustainability and impact of the Project and draw lessons. The MoTI is required to provide necessary support for them.

1. Ex-post evaluation three (3) years after the project completion, in principle
2. Follow-up surveys on necessity basis



VII. PROMOTION OF PUBLIC SUPPORT

For the purpose of promoting support for the Project, MoTI will take appropriate measures to make the Project widely known to the people of the Republic of Kenya.

VIII. Misconduct

If JICA receives information related to suspected corrupt or fraudulent practices in the implementation of the Project, MoTI and relevant organizations shall provide JICA with such information as JICA may reasonably request, including information related to any concerned official of the government and/or public organizations of the Republic of Kenya.

MoTI and relevant organizations shall not, unfairly or unfavorably treat the person and/or company which provided the information related to suspected corrupt or fraudulent practices in the implementation of the Project.

IX. MUTUAL CONSULTATION

JICA and MoTI will consult each other whenever any major issues arise in the course of Project implementation.

X. AMENDMENTS

The record of discussions may be amended by the minutes of meetings between JICA and MoTI.

The minutes of meetings will be signed by authorized persons of each side who may be different from the ones signing the record of discussions.

Annex 1 Target Area

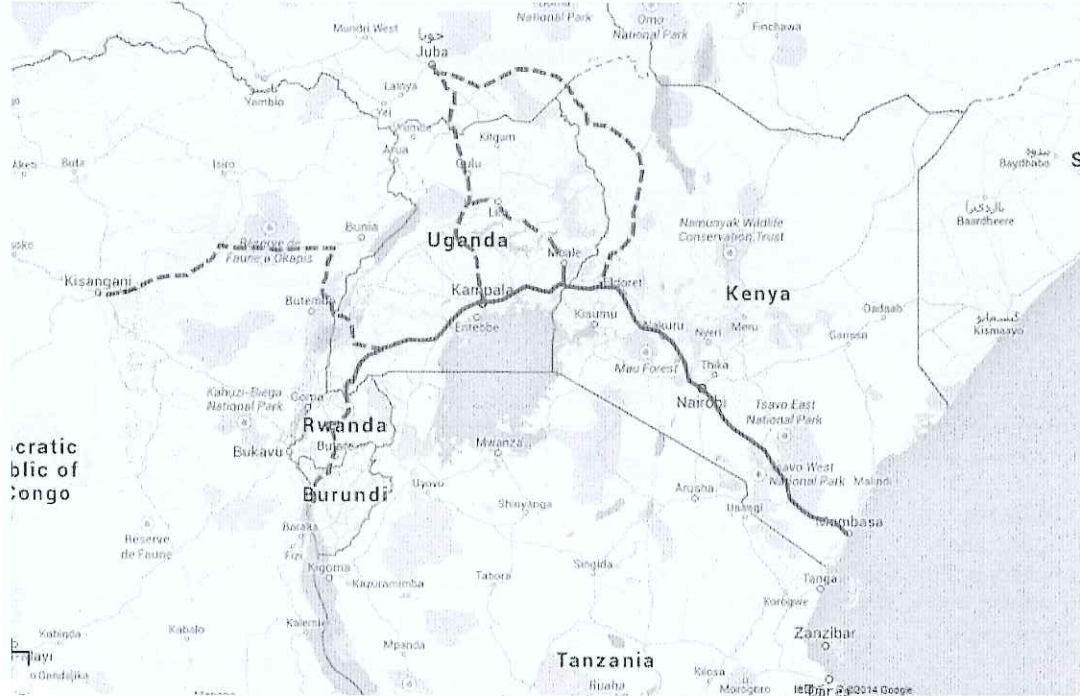
Annex 2 Project Organization Chart

Annex 3-1 A List of Proposed Members of Steering Committee

Annex 3-2 A List of Proposed Members of Joint Steering Committee



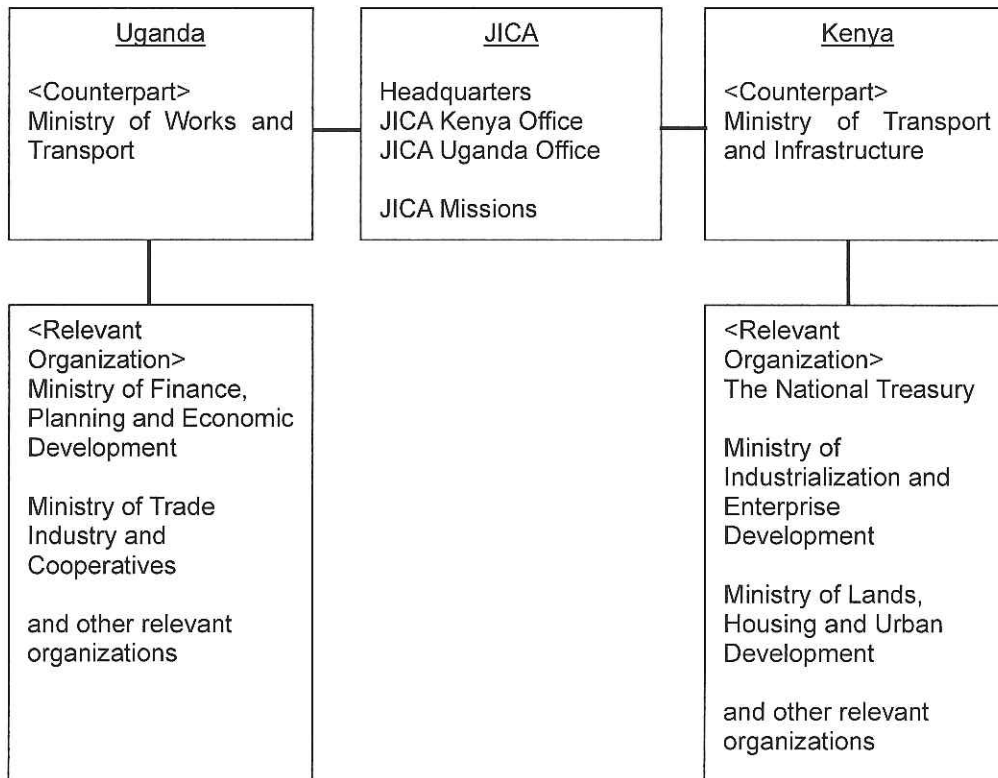
Target Area



Source: Prepared by JICA by using Google Map

Target Corridor and Section

Project Organization Chart



A List of Proposed Members of Steering Committee

1. Function

The Steering Committee will be held when the JICA missions submit the reports and/or whenever the necessity arises in order to fulfill the following functions:

- (1) To monitor and supervise the entire project;
- (2) To discuss and approve the reports;
- (3) To coordinate among the relevant organizations; and
- (4) To review and exchange views on major issues arising from or in connection with the Project.

2. Members

- (1) Chair : Principal Secretary, Transport,
Ministry of Transport and Infrastructure
- (2) Members : Ministry of Transport and Infrastructure
: The National Treasury
: Ministry of Industrialization and Enterprise
Development
: Ministry of Lands, Housing and Urban Development
: Northern Corridor Transport and Transit Coordination
Authority (NCTTCA)
: JICA Kenya Office
: JICA expert team

The chair may invite necessary representatives of relevant organizations other than described above.

3. Secretariat

Ministry of Transport and Infrastructure is the secretariat for the Steering Committee which shall scrutinize the reports and other agenda to discuss for the preparation of Steering Committee meetings.



A List of Proposed Members of Joint Steering Committee

1. Function

The Joint Steering Committee will be held when the JICA missions submit Interim Report and Draft Final Report and/or whenever the necessity arises in order to fulfill the following functions:

- (1) To monitor and supervise the entire project;
- (2) To discuss and approve the reports;
- (3) To coordinate among the relevant organizations; and
- (4) To review and exchange views on major issues arising from or in connection with the Project.

2. Members

- (1) Joint-Chair : Principal Secretary, Ministry of Transport and Infrastructure, Government of the Republic of Kenya
: Permanent Secretary, Ministry of Works and Transport, Government of the Republic of Uganda
- (2) Members : Ministry of Transport and Infrastructure, Government of the Republic of Kenya
: Ministry of Works and Transport, Government of the Republic of Uganda
: JICA Kenya Office
: JICA Uganda Office
: JICA expert team

The Joint-Chair may invite necessary representatives of relevant organizations other than described above.

3. Secretariat

Ministry of Transport and Infrastructure of GOK and Ministry of Works and Transport of GOU are the secretariat for the Joint Steering Committee which shall scrutinize the reports and other agenda to discuss for the preparation of Joint Steering Committee meetings.

MAIN POINTS DISCUSSED

1. Authorization of the Master Plan

MoTI committed with sincerity that the Ministry takes all the responsibilities for the approval of the Master Plan formulated in the Project once it has been cleared by the Steering Committee (S/C).

2. Coordination with other Organizations

MoTI confirmed that the Ministry will coordinate all the related ministries, concerned bodies, development partners and GOK to avoid any duplication of the projects for the effective development in the targeted area.

3. Target year of the Master Plan

Both sides agreed that the target year of the Regional Development Strategy and the Master Plan formulated in the Project should be 2030.

4. Sector Coordination

The Project will cover plural sectors such as transport, agriculture, energy and so forth. Both sides confirmed that MoTI is responsible organization to organize and coordinate among other relevant organizations as well as for authorization of the Project result.

5. Mutually complementary relationship with "Project for Formulation of Comprehensive Development Master Plan in the Mombasa Gate City"

The output of the Project can be utilized by the "Project for Formulation of Comprehensive Development Master Plan in the Mombasa Gate City (hereinafter referred to as "Mombasa M/P")" which JICA will implement in Mombasa, Kenya. The Project and Mombasa M/P could be complementally cooperated.

6. Management of workshops

Both sides agreed that three (3) workshops should be managed by MoTI and staff of MoTI should make presentations in the workshops with assistance of JICA experts.

Both sides agreed that member of workshops would be carefully selected by MoTI and informed to JICA Kenya office in written by the commencement of the Project.

7. Capacity development of MoTI

Both sides agreed that on-the-job training through daily works with JICA experts and training courses in Japan and/or third countries should be carried out in the Project.

8. Assignment of counterparts, secure office space and running expenses

Kenyan side agreed to provide necessary human resources, space and budget to implement the Project as follows:

- 1) to assign the counterparts for the Project and inform JICA of members of the counterpart staff in writing;

- 2) to secure counterpart staff's travel expenses for the Project; and
- 3) to secure office space for the Project team during the Project period and running expenses to use the space(water, electricity etc.).

9. Provision of related information, data and Map

Kenyan side agreed to provide necessary information including maps of targeted area to implement the Project.

10. Information disclosure

Both sides agreed that the final report will be open to public after the approval by S/C.

During the Project, international seminars/conferences will be held in order to share the progress and outputs of the Project with stakeholders related to Northern Corridor development.

11. TOR of Environmental and Social Considerations

The project should include Terms of Reference (TOR) for Environmental and Social Considerations in line with the JICA Guidelines as follows:

- 1) Review of existing development plans, development projects, studies, and public and private investments.
- 2) Analysis to identify constraints to development, factors of promoting development.
- 3) Analysis of alternatives for achieving the goals of the Project.
- 4) Consideration of contents of developed policy and plans.
- 5) Scoping (clarify extremely important items on environmental and social impacts and its evaluation methods at the time of decision making of Master Plan).
- 6) Confirmation of existing environmental and social conditions of the proposed projects area in Master Plan as a baseline data (land use, natural environment, culture and lifestyle of indigenous people and their communities, local economy and socio-cultural environment and others).
- 7) Confirmation of legal framework and institution of Kenya on environmental and social considerations, and examination of the experiences of Strategic Environmental and Social Assessment (SEA) study in Kenya.
 - A) Laws, regulations and standards related to environmental and social considerations (environmental impact assessment, resettlement, public participation, information disclosure and others).
 - B) SEA Study reports conducted in Kenya development projects, and other relevant information.
 - C) Gaps between the "JICA Guidelines for Environmental and Social Considerations (April 2010)" and legal framework of Kenya on environmental and social considerations.
 - D) Outlines of relative agencies and institutions responsible for the implementation of the projects.
- 8) Prediction of likely impacts of proposed projects in Master Plan.
- 9) Evaluation of likely impacts of the projects above (8) and comparative analysis of alternatives of proposed projects, including 'without project' option.

- 10) Examination of the mitigation measures (to be avoided, minimized and compensated).
- 11) Examination of the monitoring methods (monitoring items, frequencies and methods).
- 12) Support to hold stakeholder meetings.

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