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CREDIT NUMBER 4636-TA
CREDIT NUMBER 4002-TA
GRANT NUMBER H134-TA

Financing Agreement

(Amending and Restating Development Financing Agreement)

(Second Social Action Fund Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 22, 2009

Public Disclosure Authorized



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**CREDIT NUMBER 4636-TA
CREDIT NUMBER 4002-TA
GRANT NUMBER H134-TA**

FINANCING AGREEMENT

AGREEMENT dated July 22, 2009, entered into between the UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) under an agreement dated January 19, 2005, between the Recipient and the Association (“Development Financing Agreement”), the Association agreed to provide the Recipient with a grant and a credit in the following amounts to assist in financing the Second Social Action Fund Project described in Schedule 1 to the Development Financing Agreement (“Original Project”):

(1) an amount equivalent to eighty seven million nine hundred thousand Special Drawing Rights (SDR 87, 900,000) (“the Original Credit”); and

(2) an amount equivalent to fourteen million four hundred thousand Special Drawing Rights (SDR 14,400,000) (“the Original Grant”).

(B) the Recipient has requested the Association to provide additional financial assistance in support of the Original Project, as fully described and restated in Schedule 1 to this Agreement (“Project”) by increasing the amount made available under the Development Financing Agreement by an amount in various currencies equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000) (“the Additional Credit”); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Development Financing Agreement as of the Effective Date of this Agreement, to read as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount equivalent to one hundred twenty two million five hundred thousand Special Drawing Rights (SDR 122,500,000) (“Financing”) which consists of: (a) the Original Credit in various currencies equivalent to eighty seven million nine hundred thousand Special Drawing Rights (SDR 87, 900,000); (b) the Original Grant in various currencies equivalent to fourteen million four hundred thousand Special Drawing Rights (SDR 14,400,000) and (c) the Additional Credit in various currencies equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000), to assist in financing the project described in Schedule 1 to this Agreement.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Original Credit and the Additional Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through TASAF MU, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.
 - (b) The LG Act shall have been amended, suspended, abrogated, or waived so as to materially and adversely affect the ability of the Recipient to perform any of its obligations.
- 4.02. The Additional Event of Acceleration consists of the following, namely that, the event specified in Section 4.01(b) of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister responsible for finance.
- 6.02. The Recipient's Address is:

Minister of Finance and Economic Affairs
Ministry of Finance and Economic Affairs
P. O. Box 9111
Dar es Salaam
Tanzania

Cable:

TREASURY
Dar es Salaam

Facsimile:

(255) 222 11 77 90

- 6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at Dar es Salaam, United Republic of Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Ramadhani Khijjah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John McIntire

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve access of beneficiary households to enhanced socio-economic services and income generating opportunities.

The Project consists of the following parts:

Part A: **National Village Fund**

Establishment of a National Village Fund to provide grants to finance the implementation of Subprojects including the construction of roads, bridges, water points, classrooms, health facilities, staff housing, village markets, equipment for village banking facilities, food storage structures, post-harvest produce handling facilities, skills training, reforestation degraded areas, setting windbreaks, stabilization of gullies, construction of dykes in flood prone areas, water retention structures (such as small earth dams, fish ponds, valley tanks, small scale irrigation schemes), livelihood restoration and income generating activities, including a moderate scale up of Conditional Cash Transfers.

Part B: **Capacity Enhancement**

Carrying out of capacity enhancement measures by providing technical advisory services, Training and equipment to:

- (a) support the institutional development of implementing agencies at the national, regional, District, Ward, Village and Community levels including:
 - (i) National: strengthening TASAF MU's financial management, internal audit, procurement, environmental and social, monitoring and evaluation, and research and communication capabilities;
 - (ii) Regional: strengthening of the capacity of the Regional Consultative Committee to monitor and evaluate resource management accountability systems developed by LGAs;
 - (iii) Local Government Authorities: strengthening the capacity of LGAs to carry out participatory planning, Subproject appraisals, taking into account *inter alia* environmental and social factors, supervision, monitoring and evaluation;
 - (iv) Wards: strengthening the capacity of extension staff to provide assistance to Village Governments and Communities in the

implementation of Subprojects, including the environmental and social factors affecting such Subprojects;

- (v) Village Government: strengthening the capacity of Village Governments to manage and account for resources, and to provide support to Communities with respect to environmental and social factors affecting Subprojects; and
 - (vi) Community: provision of training and implementation support to CMCs through out the Subproject implementation cycle.
- (b) promote the accumulation of savings by local Communities to assist them in the management of social risks and shocks.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Implementation Arrangements.

1. The Recipient shall ensure that the Project is carried out in accordance with the POM and the Service Guidelines on Community Participation, provided, however, that in case of any conflict between the provisions of the POM, the Service Guidelines and those of this Agreement, the latter shall prevail; and except as the Association shall otherwise agree in writing, shall not amend or waive any provisions of the POM or the said Service Guidelines, if such amendment or waiver may in the opinion of the Association materially or adversely affect the implementation of the Project.

Project Coordination and Implementation:

2. National Steering Committee:
 - (a) Membership: The Recipient shall maintain until completion of the Project, the NSC under terms of reference and with a membership composition that is satisfactory to the Association which shall include; the Permanent Secretary in the Prime Minister's offices as Chair, the Executive Director for TASAF, and representatives from the State House and Planning Commission in the President's office, the Prime Minister's Office-Regional Administration and Local Government, Recipient's ministry responsible for finance and economic affairs, the Recipient's ministry responsible for community development, gender and children, the Recipient's ministry responsible for labor and youth development, the Regional Administration, the Presidential Trust Fund for Self Reliance, Research on Poverty Alleviation, and two representatives from the Chief Minister's Office.
 - (b) Role: The NSC shall oversee the implementation of the Project by the TASAF MU, and without limitation to the generality of the foregoing shall: (i) set the policy framework underpinning the implementation of the Project; (ii) approve TASAF MU's annual work plans and budgets; and (iii) endorse all Subprojects.

3. Sector Experts Team:

The Recipient shall maintain throughout Project implementation a SET to provide the NSC with advice regarding the compliance of proposed Subprojects with sector norms and standards.

4. TASAF MU:

(a) Staffing: The Recipient shall maintain the TASAF-MU for the duration of the Project with staffing and resources satisfactory to the Association. Without limitation to the generality of the foregoing, the Recipient shall ensure that the following key positions are at all times staffed by persons with terms of reference, qualifications and experience that are satisfactory to the Association: the Executive Director, Finance Director, Internal Audit Director and Procurement Specialist.

(b) Role: Without limitation to the provisions of Section 3.01 of this Agreement, the TASAF-MU shall: (i) ensure that the Project is carried out in accordance with the POM and the Service Guidelines on Community Participation; (ii) ensure that Project funds are disbursed promptly and accounted for in accordance with the financial management principles set forth in this Agreement; (iii) carry out all the procurement not being undertaken by the Communities; (iv) prepare annual work plans and budgets that are satisfactory to the Association for the approval of the NSC; and (v) prepare the Project Reports and financial reports referred to Sections II and III of this Schedule 2 to this Agreement.

5. Regional Consultative Committee:

Regional Commissioners shall maintain throughout Project implementation a Regional Consultative Committee to monitor the progress made by LGAs in developing resource accountability measures.

6. LGA Finance Committees:

The Recipient shall maintain, until completion of the Project, the LGA Finance Committees which shall be responsible for overseeing the implementation of the Project at the local government level.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Terms and Conditions for Financing of Subprojects under Part A of the Project

1. To manage the NVF, LGAs must meet the eligibility criteria agreed with the Association and set out in the POM, including *inter alia* that they shall have: (a) established a computerized management information system that is satisfactory to the Association; and (b) met the required financial management, fiscal, and procurement standards.
2. Each Village shall establish a Village Fund in accordance with the provisions of the LG Act, into which the TASAF MU shall disburse funds from the National Village Fund.
3. LSPs may be contracted by the LGAs or Village Councils to supervise the implementation of the Subprojects.
4. A Subproject proposal shall be submitted by the community for the approval of the Village Council or Local Government Authority, as the case may be, depending upon the size of the Subproject, as further set out in the POM. The LGA staff, together with the Village Council shall appraise the Subproject to ensure that it meets the eligibility criteria for funding from the National Village Fund, including confirmation that: (i) the Subproject was proposed after carrying out an extended participatory rural appraisal; (ii) counterpart contribution has been provided by the Beneficiary, if required; (iii) the proposed Subproject is in compliance with sectoral norms and standards; (iv) the proposed Subproject is economically and technically viable in accordance with the standards specified in the POM; (v) an environmental and social impact assessment has been carried out by the community, and an environmental management plan or resettlement action plan prepared, as the case may be, to address any environmental or social impacts so identified; (vi) a review, through a Limited Impact Assessment (LIA) is conducted by LGA staff trained in environmental and social issues; and (vii) the proposed Subproject is in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental protection. The subproject is approved by the LGA Finance Committee and endorsed by the full council at the LGA.
5. The TASAF MU shall enter into a memorandum of understanding with each LGA participating in the Project, under terms and conditions that are satisfactory to the Association, setting forth their respective responsibilities with respect to implementation of the Project at each stage of the Subproject cycle.
6. TASAF MU shall provide an amount equivalent to 10% of the Subproject costs to the LGA and the Village Council for Subproject management, facilitation and supervision, including the recruitment of LSPs.

7. In cases where an LGA has been certified by the Prime Minister's Office – Regional Administration and Local Government (PMO-RALG) as having satisfactory financial management capacity, TASAF MU shall disburse the amount referred to in paragraph (6) above directly to the LGA to disburse 15% to the Village Council, and to retain the remaining 85%.
8. In cases where an LGA has not been certified as having satisfactory financial management capacity, TASAF MU shall disburse 65% of the amount referred to in paragraph (6) above to the Village Council, and 35% to the LGA.
9. The CMC, shall be responsible for Subproject implementation, and for this purpose, the respective LGA and Village Council shall enter into a Subproject Financing Agreement with each CMC under terms and conditions that are satisfactory to the Association including but not limited to:
 - (a) funds shall be provided on a non-reimbursable grant basis;
 - (b) procedures for the disbursement of funds that are consistent with the provisions of the Subproject Financing Agreement including the requirement that the CMC opens a separate account, in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, for the management of Subproject funds;
 - (c) the provision of the agreed counterpart contribution by the Subproject Beneficiary;
 - (d) the requirement that the CMC carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (e) the right of the Recipient to obtain all such information, records or documents as the Association or Recipient shall reasonably request relating to the implementation of a Subproject or to inspect either by itself or jointly with the Association, if the Association shall so request;
 - (f) the CMC shall maintain adequate records reflecting the operations, resources and expenditures incurred under the Subprojects in accordance with sound accounting practices that are acceptable to the Association;
 - (g) the CMC shall procure the goods, works and services financed from the proceeds of the Financing, as the case may be, in accordance with the

procedures set forth in Section III of Schedule 2 to this Agreement, and use these exclusively in the implementation of the Subprojects; and

- (h) the right of the Recipient to suspend or terminate the right of a participating LGA or a Village Council to the proceeds of the Credit or the Grant upon failure by such CMC to perform its obligations under the Subproject Financing Agreement.
- (10) The CMCs shall prepare quarterly progress reports including financial reports for submission to the Village Council, and subsequent consolidated submission by LGAs of such reports to TASAF MU. The TASAF MU shall utilize these reports in the preparation of the Project Reports referred to in Section II of this Schedule 2 to this Agreement.

D. ESMF and RPF

The Recipient shall ensure that:

1. the Project is carried out in accordance with the provisions of the ESMF and the RPF, and, except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the ESMF and the RPF;
2. in cases of Subprojects requiring the adoption of an EMP or RAP:
 - (i) proceed to have such EMP or RAP developed, approved and adopted;
 - (ii) thereafter take such measures as shall be necessary or appropriate to comply with the requirements of such EMP or RAP, as the case may be;
3. the Project Reports referred to in Section II of this Schedule shall include adequate information on the status of compliance with the ESMF, RPF, and EMPs and RAPs, giving details of:
 - (a) measures taken in furtherance of such ESMF, RPF, and EMPs and RAPs;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such ESMF, RPF, and EMPs and RAPs; and
 - (c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth below in paragraph (4) of this Section.
2. The Project Reports shall include:
 - (a) Quarterly progress reports to be furnished to the Association for its review and comments on each January 21, April 21, July 21, and October 21 of each year of Project implementation.
 - (b) Annual progress reports to be furnished to the Association for its review and comments on or about September 30 of each year of Project implementation.
3. The Recipient shall undertake any corrective actions deemed by the Association to be necessary to remedy any shortcomings identified in the implementation of the Project.
4. The performance indicators referred to above in paragraph (1) consist of the following:
 - (a) Number of people with access to improved: (i) health facilities; (ii) safe drinking water; (iii) Sanitation; (iv) Roads; (v) irrigation; and (vi) markets.
 - (b) Education (student /classroom ratio).
 - (c) Percentage increase in income of targeted vulnerable beneficiary.
 - (d) Number of person-days provided in labor intensive public works program.
 - (e) Percentage of Citizens satisfied with the delivery of basic social services.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial

reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Community Participation in Procurement

3. Exceptions for the use of National Competitive Bidding referred to in paragraph B.2(a) of this Section.

National Competitive Bidding for goods and works may be used subject to the following:

- (a) In accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.
- (b) National Competitive Bidding may be used, except for the provisions given to domestic suppliers and contractors.

C. Particular Methods of Procurement of Consultants’ Services

- 1. Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- 2. Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Selection Based on Consultant’s Qualifications
(c) Single Source Selection
(d) Least Cost Selection
(e) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Original Credit Allocated (Expressed in SDR Equivalent)	Amount of the Original Grant Allocated (Expressed in SDR Equivalent)	Amount of the Additional Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Subprojects under Part A of the Project				95% of amount disbursed by each of the Subprojects
(a) Food Insecure Households	0	6,995,000	11,200,000	
(b) Vulnerable Groups	0	7,405,000	3,000,000	
(c) Service Poor Communities	62,132,000	0	0	
(d) Cash Transfers	0	0	3,000,000	
(2) Goods	3,063,000	0	0	100%
(3) Consultants' services	8,762,000	0	1,000,000	93%
(4) Training	5,528,000	0	1,000,000	100%
(5) Operating Costs	7,415,000	0	1,000,000	90%
(6) Unallocated	1,000,000	0	0	
TOTAL AMOUNT	87,900,000	14,400,000	20,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made out of the proceeds of the Additional Financing for payments:
 - (a) made prior to the date of this Agreement; and

- (b) for Cash Transfers under Category 1(d), unless and until the Association has determined, on the basis of the review referred to in Section V.B(i) of this Schedule 2 to this Agreement, that the systems in place for the implementation of the cash transfer pilot are satisfactory and the strategy referred to in Section V.B(ii) of this Schedule 2 to this Agreement has been developed.

2. The Closing Date is June 30, 2012.

Section V. Other Undertakings

A. Annual Work Plans and Budgets

The Recipient shall furnish to the Association as soon as available, but in any case not later than May 31 of each year, the annual work plan and budget for the Project for each subsequent year of Project implementation, of such scope and detail as the Association shall have reasonably requested, except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date.

B. Conditional Cash Transfer Pilot Review

By not later than November 30, 2009, the Recipient shall: (i) jointly with the Association, conduct a review of the conditional cash transfer pilot under the JSDF Grant focusing on overall performance of the scheme, challenges that have been identified in its implementation along with recommendation for improving the performance of the said pilot; and (ii) develop a strategy, satisfactory to the Association, for the scaling up of the pilot incorporating the recommendations of the review referred to in sub-paragraph (i) of this Section V.B.

SCHEDULE 3

Repayment Schedule

I. Repayment of the Original Credit

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2015, to and including November 15, 2024.	1%
commencing May 15, 2025 to and including November 15, 2044.	2%

II. Repayment of the Additional Credit

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
Commencing November 15, 2019 to and including May 15, 2029.	1%
Commencing November 15, 2029 and including May 15, 2049.	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Additional Credit” means the additional financing in various currencies equivalent to twenty million two hundred thousand Special Drawing Rights (SDR 20,200,000) provided to the Recipient, on the terms and conditions set forth or referred to in this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Beneficiary” means: (i) Service Poor Community (ies); or (ii) Food Insecure Household (s); (iii) Vulnerable Group (s), as the case may be.
4. “CMC” means a Community Management Committee established by a Village Council pursuant to the provisions of Section 107 of the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, to implement Subprojects (as some of these expressions are hereinafter defined).
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Community” means a group of people with common needs.
7. “Conditional Cash Transfer” means the conditional cash transfers to the Community for the benefit of selected Vulnerable Groups under Part 1 of the Project on the basis of selection criteria and terms and conditions set forth in the Project Operational Manual, with the aim of improving nutrition for the Vulnerable Groups, such payment being conditional on health and/or school attendance (as some of these expressions are hereinafter defined).
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
9. “District” means an administrative area established pursuant to Section 6 of the Regions and Districts (Establishment Procedures) Act No. 12 of 1994 for Mainland Tanzania or pursuant to the Regional Administration Authority Act No. 1 of 1998 for Zanzibar, representing a designated area and population within the territory of the Recipient.
10. “ESMF” means the Environmental and Social Management Framework dated July 2004, approved by the Association, setting forth an environmental and social screening process that will enable Subproject implementers to identify and assess

potential adverse environmental and social impacts, offset and reduce them to acceptable levels, or to enhance positive impacts, and in accordance with which environmental management plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association.

11. “Food Insecure Household” means a household that does not have ready access to food due to inability of able bodied adults in the household to obtain gainful employment, and who are expected to benefit from working on the Subprojects.
12. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
13. “HIV/AIDS” means Human Immuno-deficiency Virus/Acquired Immunity Deficiency Syndrome.
14. “JSDF Grant” means the grant from the Association, acting as an administrator of grant funds provided by Japan under the Japan Social Development Fund, to the Recipient for the Community Based Conditional Cash Transfer Pilot Project (Grant No. TF090491-TA)
15. “LG Act” means the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, or the Local Government (Urban Authorities) Act No. 8 of 1982, as amended, either individually or collectively, as the case may be.
16. “LGA” or “Local Government Authority” means a District authority or an urban authority established pursuant to the respective LG Act.
17. “LGA Finance Committee” means the committee referred to in Section I.A.6. of Schedule 2 to this Agreement.
18. “LSP” means a local service provider recruited by a LGA in accordance with the procedures set forth in Section I.C.3. of Schedule 2 to this Agreement to supervise Subproject implementation.
19. “Mainland Tanzania” means all parts of the Recipient’s territory with the exception of Zanzibar.
20. “National Steering Committee” or “NSC” means the committee referred to in Section I.A.2. of Schedule 2 to this Agreement.
21. “National Village Fund” or “NVF” means the fund to be established by the Recipient referred to in Part A of Schedule 1 to this Agreement.

22. “Operating Costs” means the incremental expenses, based on the annual budgets referred to in Section V.A of Schedule 2 to this Agreement as approved by the Association, incurred by the TMU under the Project on account of Project coordination, implementation, and monitoring activities carried out by TASAF MU, including office rent, equipment and office supplies, utilities, maintenance and operation of Project motor vehicles, per diems and travel allowances for staff from the Recipient’s National Audit Office undertaking the Project’s annual audit, per diems and travel allowances for staff at TASAF MU, salaries of contracted support staff at TASAF MU, but excluding the salaries of the Recipient’s civil service.
23. “Original Credit” means the original credit in various currencies equivalent to eighty seven million nine hundred thousand Special Drawing Rights (SDR 87, 900,000) provided to the Recipient, on the terms and conditions set forth or referred to in the Development Financing Agreement.
24. “Original Grant” means the original grant in various currencies equivalent to fourteen million four hundred thousand Special Drawing Rights (SDR 14,400,000) provided to the Recipient, on the terms and conditions set forth or referred to in the Development Financing Agreement
25. “POM” means the Project Operations Manual, satisfactory to the Association, setting forth the implementation arrangements for the Project including, *inter alia* financial management, disbursement and procurement procedures, as the same may be amended from time-to-time with the prior written concurrence of the Association, and such term includes any schedules thereto.
26. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006
27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 6, 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
28. “Program” means the program designed to strengthen community participation in the decentralization process and set forth or referred to in the letter dated October 20, 2004, from the Recipient to the Association.
29. “Region” any part proclaimed or deemed to be proclaimed by the President of the United Republic of Tanzania to be a region, pursuant to the powers conferred upon him by the constitution.

30. “Regional Consultative Committee” means the committee referred to in Section I.5 of Schedule 2 to this Agreement.
31. “Resettlement Policy Framework” or “RPF” means the framework dated July 2004, approved by the Association, setting forth the governing framework for land acquisition, resettlement and compensation under Part A of the Project, and in accordance with which resettlement action plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association.
32. “Sector Experts Team” or “SET” means the team of sectoral experts appointed by the Recipient referred to in Section I.A.3. of Schedule 2 to this Agreement.
33. “Service Guidelines on Community Participation” means the service guidelines, consistent with the POM, prepared by the Recipient for purposes of Project implementation.
34. “Service Poor Community” means a community which does not have ready access to services such as health, roads, education, water and sanitation, village markets and banking services.
35. “Subproject” means a specific activity financed or to be financed from the proceeds of the Financing, as the case may be, under Part A of the Project.
36. “Subproject Financing Agreement” means a tripartite agreement to be entered into among a LGA, Village Council, and a CMC on behalf of a Beneficiary, in accordance with the provisions of paragraph 8 (i) of Schedule 4 to this Agreement.
37. “Tanzania Shilling” or “Tshs” means the currency of the Recipient.
38. “TASAF” means the Tanzania Social Action Fund established to spearhead community-driven development.
39. “TASAF MU” means the TASAF Management Unit established within the Recipient’s Office of the President to carry out the Project.
40. “Training” means the training of persons involved in Project-supported activities, based on the annual budgets referred to in Section V.A of Schedule 2 to this Agreement as approved by the Association, such term including seminars, workshops, and study tours, and costs associated with such activity including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation.

41. “Village” means a village registered pursuant to the provisions of the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, representing a designated area and population in Mainland Tanzania.
42. “Village Assembly” as defined in Section 55 of the provisions of the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, consists of every person who is ordinarily resident in the Village and who has attained the apparent age of eighteen (18) years.
43. “Village Council” means the council established for a Village pursuant to the provisions of Section 25 of the Local Government (District Authorities) Act No. 7 of 1982.
44. “Village Fund” means the fund to be established by each Village into which funds from the NVF shall be disbursed, and referred to in Section I.C.2 of Schedule 2 to this Agreement.
45. “Village Government” means the Village Assembly and Village Council, as set forth in Sections 55 – 62 of the Local Government (District Authorities) Act No. 7 of 1982.
46. “Vulnerable Groups” means groups such as orphans, widows, widowers, the disabled and elderly, and persons living with HIV/AIDS, and the unemployed youth.
47. “Ward” means the administrative sub-division of a District referred to in Section 29 of the Local Government (District Authorities) Act No. 7 of 1982.
48. Where the terms “LGA”, “Village”, “Village Council”, “Village Government” and “Ward” are used in this Agreement, for purposes of Mainland Tanzania, they shall be deemed to apply equally to the equivalent administrative areas or institutions in Zanzibar, as the case may be.

Section II. Modifications to the General Conditions

Section 3.01 (b) of the General Conditions is modified to read as follows:

“(b) The Commitment Charge shall accrue from a date sixty days after: (i) the date of the Development Financing Agreement with respect to the unwithdrawn balance of the Original Credit; and (ii) the date of the Financing Agreement (Amending and Restating Development Credit Agreement) with respect to the unwithdrawn balance of the Additional Credit, to the respective dates on which amounts are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time thereafter pursuant to this Section. The rate set as of

June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months.”