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**CREDIT NUMBER 4526 -TA**

# **Financing Agreement**

**(Sixth Poverty Reduction Support Development Policy Financing)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 4, 2008**

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## CREDIT NUMBER 4526 -TA

### FINANCING AGREEMENT

AGREEMENT dated November 4, 2008, entered into between UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree 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, a credit in an amount equivalent to one hundred and one million eight hundred thousand Special Drawing Rights (SDR 101,800,000) (referred to variously as “Credit” and “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.

2.07. The Payment Currency is Dollars.

### **ARTICLE III — PROGRAM**

3.01 The Recipient declares its commitment to the Program and its implementation. To this end:

- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the Association on any proposed action to be taken after the disbursement of the Financing which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

### **ARTICLE IV—REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension shall be that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration shall be that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

### **ARTICLE V—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 its Minister responsible for finance.
- 6.02. The Recipient's Address is:

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

United Republic of Tanzania

Facsimile:  
(255) 222 11 0326

6.03. The Association's Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	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/ Gray S. Mgonja**

**Authorized Representative**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By /s/ John McIntire**

**Authorized Representative**

**SCHEDULE 1****Program Actions; Availability of Financing Proceeds****Section I. Actions Taken Under the Program**

The actions taken by the Recipient under the Program include the following:

1. Crop Board Legislation: The Recipient has, in accordance with paragraph 15 of the Letter of Development Policy, prepared draft amendments to six crop board legislation, and has finalized stakeholder consultations on implementation of crop board reforms and prepared the required strategic plans.
2. TANESCO Financial Recovery Plan: The Recipient has, in accordance with paragraph 12 of the Letter of Development Policy, made progress in the implementation of the TANESCO financial recovery plan, specifically in increasing revenues, and strengthening governance of the energy sector through improved regulation.
3. Roads Bill: In accordance with paragraph 11 of the Letter of Development Policy, the Recipient has submitted to the Parliament a draft Roads Bill.
4. Transport Sector Investment Plan: In accordance with paragraph 9 of the Letter of Development Policy, the Recipient has prioritized the implementation of the Transport Sector Investment Plan, and made adequate provision in the budget for maintenance and a framework to facilitate public-private partnerships in the transport sector.
5. Health Sector: In accordance with paragraph 39 of the Letter of Development Policy, the Recipient has carried out a health sector review, satisfactory to the Association.
6. Education Sector: In accordance with paragraphs 40 and 41 of the Letter of Development Policy, the Recipient has carried out an education sector review, satisfactory to the Association.
7. Water Sector: In accordance with paragraph 42 of the Letter of Development Policy, the Recipient has carried out a water sector review, satisfactory to the Association.
8. Anti-Corruption Act: In accordance with paragraph 32 of the Letter of Development Policy, the Recipient has enacted the Anti-Corruption Act.
9. Audit Bill: In accordance with paragraph 34 of the Letter of Development Policy, the Recipient has submitted to the Parliament the Audit Bill.
10. Approved FY08 Budget: In accordance with paragraphs 22 and 23 of the Letter of Development Policy, the Recipient has approved its budget for FY 2007/08 in line with MKUKUTA policy objectives.

11. Expenditure Outturn: In accordance with paragraph 21 of the Letter of Development Policy, the Recipient has provided its expenditure outturn for FY 2006/07 consistent with its approved budget for said FY.

**Section II. Availability of Financing Proceeds**

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

**B. Allocation of Financing Amounts**

The Financing shall be withdrawn in a single tranche. The allocation of the amounts of the Financing to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>
Single Tranche	101,800,000
<b>TOTAL AMOUNT</b>	<b>101,800,000</b>

**C. Deposits of Financing Amounts**

Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

**D. Excluded Expenditures**

The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

- E. Closing Date.** The Closing Date is November 30, 2009.

**SCHEDULE 2****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15: commencing April 15, 2019 to and including October 15, 2028.	<b>1%</b>
commencing April 15, 2029 to and including October 15, 2048.	<b>2%</b>

\* 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. “Audit Bill” means the bill titled “draft, the Public Audit Act, 2008”, now known as the Public Audit Act, (Act No. 11 of 2008), of the laws of the Recipient, pursuant to the enactment of the bill by the Recipient’s Parliament on June 11, 2008.
2. “Anti-corruption Act” means The Prevention and Combating of Corruption Act, (Act No.11 of 2007), of the laws of the Recipient.
3. “Crop Board Legislation” means the respective acts of parliament relating to management of various cash crops.
4. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except



		watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
5. "Fiscal Year" or "FY" means the Recipient's fiscal year commencing on July 1 and ending on June 30 of the following year.
  6. "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.
  7. "Letter of Development Policy" means the letter dated September 12, 2008, from the Recipient to the Association, describing the Program (as hereinafter defined), and declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
  8. "MKUKUTA" means the Recipient's National Strategy for Growth and Reduction of Poverty dated June 2005.
  9. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the Letter of Development Policy.
  10. "Roads Bill" means a draft bill dated November 2006, and titled "Draft, the Roads Act, 2006", now known as the Roads Act, (Act No. 13 of 2007), of the laws of the Recipient, pursuant to the enactment of the bill by the Recipient's Parliament on April 19, 2007.

11. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
12. “Transport Sector Investment Plan” means plan contained in the Recipient’s document titled, “10 Year Transport Sector Investment Programme Phase 1 (2007/08 – 2011/12)”, setting forth a strategy for encouragement of private sector investment in the transport sector, including a framework to facilitate public-private partnerships.
13. “TANESCO” means Tanzania Electric Supply Company Limited, a public company established and operating pursuant to the Companies Act (CAP 212 (R.E 2002) of the laws of the Recipient, and includes any successors thereto.

## **Section II. Modifications to the General Conditions**

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of

such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.