

CONFORMED COPY

**CREDIT NUMBER 3841-1-TA
(Amendment)**

Agreement Amending Development Financing Agreement

(Project in Support of the Health Sector Development Program - Phase II)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 31, 2007

**CREDIT NUMBER 3841-1-TA
(Amendment)**

AGREEMENT AMENDING DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated July 31, 2007, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Financing Agreement (Project in Support of the Health Sector Development Program - Phase II), dated January 13, 2004 and as amended to date (the Development Financing Agreement), for the purpose of supporting Phase II of the Health Sector Development Program, as described in Schedule 2 of the Development Financing Agreement (the Project);

(B) the Borrower has requested the Association to provide further assistance in support of the Project by increasing the amount made available under the Development Financing Agreement by an amount in various currencies equivalent to forty million Special Drawing Rights (SDR 40,000,000); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Financing Agreement

Section 1.01. Section 1.01 of the Development Financing Agreement is deleted in its entirety and replaced with following:

“Section 1.01. The General Conditions (as defined in Section 1.02 of this Agreement) constitute an integral part of this Agreement.”

Section 1.02. Section 1.02 of the Development Financing Agreement is amended by: (i) rephrasing subsection (s); (ii) deleting the word “and” after sub-section (cc); (iii) deleting the period after subsection (dd) and replacing it with “;and”; and (iv) inserting subsections (ee) through (kk), to read as follows:

“(s) “MOH” or “MOHSW” means the Borrower’s Ministry of Health and Social Welfare;”

“(ee) “Amending Agreement” means this agreement amending the Development Financing Agreement between the Borrower and the Association, dated July 31, 2007;”

“(ff) “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;”

“(gg) “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;”

“(hh) “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (amended through October 15, 2006);”

“(jj) “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credit” published by the Bank in May 2004 and revised in October, 2006;” and

“(kk) “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 4, 2007, 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 the said paragraphs.”

Section 1.03. Section 2.01 of the Development Financing Agreement is amended to read as follows:

“Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

“(a) an amount in various currencies equivalent to sixty seven million nine hundred thousand Special Drawing Rights (SDR 67,900,000) (the Credit), which includes: (i) an original amount in various currencies equivalent to twenty-seven million, nine hundred thousand Special Drawing Rights (SDR 27,900,000) (the Initial Credit); and (ii) an additional amount in various currencies equivalent to forty million Special Drawing Rights (SDR 40,000,000) (the Additional Credit).”

Section 1.04. Section 2.03 of the Development Financing Agreement is amended to read as follows.

“Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”

Section 1.05. Section 2.04(b) of the Development Financing Agreement is amended to read as follows:

“(b) “(i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or the Grant Account (as the case may be) or canceled; provided however that the commitment charge on the Additional Credit shall accrue from a date sixty days after the date of the Amending Agreement.””

Section 1.06. Section 2.04(c) of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 2.04 (c) “Each commitment charge is to be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 3.07 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.””

Section 1.07. Section 2.05 of the Development Financing Agreement is amended to read as follows:

“Section 2.05. The Borrower shall pay to the Association: (i) a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Initial Credit withdrawn and outstanding from time to time; and (ii) a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Additional Credit withdrawn from time to time.”

Section 1.08. Section 2.07(a) of the Development Financing Agreement is amended to read as follows:

“(a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay:

“(i) the principal amount of the Initial Credit in semiannual installments payable on each March 15 and September 15 commencing March 15, 2014 and ending September 15, 2043.

Each installment to and including the installment payable on September 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount;” and

“(ii) the principal amount of the Additional Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2017 and ending March 15, 2047. Each installment to and including the installment payable on March 15, 2027, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.””

Section 1.09. Section 2.08 of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 2.08. “The Payment Currency is Dollars.””

Section 1.10. Section 3.03 of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 3.03. For the purpose of Section 4.07 of the General Conditions and without limitation thereto, the Borrower shall:

- (a) prepare, on the basis of guidelines acceptable to the Association not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and
- (b) afford the Association a reasonable opportunity to exchange views with the Borrower on the said plan.””

Section 1.11. Section 5.01 of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 5.01. “The Additional Events of Suspension shall be 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) (i) Subject to paragraph (ii) of this paragraph:
 - (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the

Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing thereof; or

(B) any such loan shall become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligation of the Borrower under this Agreement.””

Section 1.12. Section 5.02 of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 5.02. “The Additional Event of Acceleration shall be that the event specified in Section 5.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.””

Section 1.13. Section 6.01 of the Development Financing Agreement is deleted in its entirety and replaced with the following:

“Section 6.01. “The date ninety (90) days after the date of this agreement is hereby specified for the purposes of Section 8.04 of the General Conditions.””

Section 1.14. The table in Paragraph 1 of Schedule 1 to the Development Financing Agreement is deleted in its entirety and replaced with the Table set forth in Annex 1 to this Amending Agreement.

Section 1.15. Paragraph 3 of Schedule 1 to the Development Financing Agreement is amended by inserting a new sub-paragraph (d), to read as follows:

“3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

“(d) payments in an amount exceeding \$5 million from the proceeds of the Additional Credit under Category 1, unless: (i) the Association shall have received satisfactory procurement audits for

FY 2003/2004, FY 2004/2005 and FY 2005/2006; and (ii) the Borrower shall have adopted action plans, satisfactory to the Association, to adequately address any issues that may be identified through the financial and procurement audits.””

Section 1.16. Schedule 3 to the Development Financing Agreement is deleted in its entirety and replaced with Annex 2 to this Amending Agreement.

Section 1.17. Schedule 4 to the Development Financing Agreement is amended by inserting paragraph 10 under Section 1 to read as follows:

“10. **“Anti-Corruption”**

“The Borrower shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.””

Section 1.18. All other provisions of the Development Financing Agreement, including all the Schedules shall remain in full force and effect.

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective unless evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development

Financing Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in 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 Murray McIntire

Authorized Representative

ANNEX 1

Category	Amount of the Initial Credit Allocated (expressed in SDR)	Amount of the Additional Credit Allocated (expressed in SDR)	Amount of the Initial Grant Allocated (expressed in SDR)	% of Expenditures to be Financed
(1) Pooled Funds Expenditures financed under the Subprograms, including civil works, drugs, equipment, vehicles, training and associated materials, consulting services, Operating Costs and CHF Grants after FY 2004	23,500,000	23,320,000	17,400,000	Such percentage of Pooled Fund Expenditures as the Association may determine for each Fiscal Year
(2) Non-Pooled Expenditures financed under the Subprograms, including civil works, drugs, equipment, vehicles, training and associated materials, consulting services, Operating Costs	4,240,000	16,680,000		100%
(3) CHF Grants for FY 2004 only	160,000			100% of amounts disbursed
(4) Unallocated	0			
TOTAL AMOUNT	27,900,000	40,000,000	17,400,000	

ANNEX 2

“Schedule 3” “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 methods of procurement, other than International Competitive Bidding, may be used for goods and works under the circumstances specified in the Procurement Plan for each such method: (a) Limited International bidding; (b) National Competitive Bidding; (c) shopping; (d) Direct Contracting; (e) Procurement from UN Agencies; and (f) Community participation.

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 methods of procurement, other than Quality and Cost-based Selection, may be used for consultants’ services under circumstances specified in the Procurement

Plan for each such method: (a) Least-cost-Selection; (b) Selection Based on Consultants' Qualifications; (c) Single Source Selection; (d) Selection Under a Fixed Budget; and (e) Individual Consultants.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$200,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (e) each contract for consultants' services procured on single source basis.
2. All other contracts shall be subject to Post Review by the Association.”