

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4712-TA

Financing Agreement

(Housing Finance Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 31, 2010

CREDIT NUMBER 4712-TA

FINANCING AGREEMENT

AGREEMENT dated March 31, 2010, entered into between the UNITED REPUBLIC OF TANZANIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 twenty five million six hundred thousand Special Drawing Rights (SDR 25,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III —PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity, 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) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
 - (b) The amendment, dissolution or disestablishment of the TMRC charter without the prior written approval of the Association.
 - (c) The assignment, amendment, abrogation or waiver of any provision of a signed Participation Agreement, without the prior written approval of the TMRC, the Project Implementing Entity, and the Association.
- 4.02. The Additional Event of Acceleration is that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V – EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Subsidiary Agreement has been executed between the Recipient and the Project Implementing Entity;
 - (b) the Project Implementing Entity has adopted the Operations Manual, in a form and substance satisfactory to the Association;
 - (c) a Sub-financing Agreement between the Project Implementing Entity and the TMRC has been legally concluded and is acceptable to the Association;

- (d) the business plan for the TMRC has been adopted with composition, mandate and resources acceptable to the Association;
- (e) the constitution of the board of directors and the recruitment of senior officers (CEO, CFO and COO) for the TMRC has been finalized, with composition, mandate and resources acceptable to the Association; and
- (f) a model framework Participation Agreement between TMRC and potential PMLs has been adopted and is acceptable to the Association.

5.02. The Additional Legal Matters consist of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. 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
Tanzania

Cable address:

Facsimile:

TREASURY
Dar es Salaam

(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:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Dar es Salaam, United Republic of Tanzania, as of the day, month 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 support the Recipient's effort to develop the housing mortgage finance market through the provision of medium and long-term liquidity to mortgage lenders.

The Project consists of the following parts:

Part 1: Developing the Mortgage Market

Provision of: (a) support in the form of loan funds to the TMRC to provide Mortgage Refinancing to PMLs; (b) technical advisory support for a TMRC bond issue; and (c) various forms of capacity building support, including mortgage regulatory review, a mortgage toolkit to provide potential lenders with standardized sets of documentation, manuals and processes for developing a mortgage product line.

Part 2: Development of Housing Microfinance

Provision of technical advisory assistance to: (a) carry out an initial study of the housing microfinance market study; (b) provide capacity building support to develop housing microfinance industry; (c) undertake a feasibility study assessing the options for the design, creation and management of a Housing Microfinance Fund (HMFF) to provide longer term funds; and (d) provide capacity building support for the benefit of MFIs entering into the housing microfinance market.

Part 3: Expansion of Affordable Housing Supply

Provision of technical advisory assistance to carry out a baseline housing market study designed to: (a) identify gaps and constraints facing the housing market; (b) provide real estate development training to banks and financial institutions; (c) improve the capacity of NHC to deliver serviced land for residential development; (d) improve the capacity of banks and financial institutions to provide construction finance for developers to undertake residential development; and (e) promote lower cost building materials and construction technologies to make housing more affordable.

SCHEDULE 2

Project Execution

Section I. Subsidiary Financing, Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the Project Implementing Entity, the Recipient shall on-lend the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include the following:
 - (a) on-lending terms which shall be the same as those which apply to the Financing, and on a back-to-back basis;
 - (b) the obligation of the Project Implementing Entity to carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial and technical practices and in accordance with the Operations Manual, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project;
 - (c) the obligation of the Project Implementing Entity to comply with record keeping, auditing and reporting requirements set forth in Section II.B(3) of this Schedule with respect to the Project, including the annual auditing of its records and accounts (operations, resources and expenditure) in respect of the Project;
 - (d) the obligation of the Project Implementing Entity to comply with the procedures for procurement of goods, and consultant services set forth in the Procurement Plan; and in accordance with Section III of this Schedule with respect to the Project;
 - (e) the obligation of the Project Implementing Entity, at the request of the Recipient or the Association, to exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement; and
 - (f) the obligation of the Project Implementing Entity to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Institutional Arrangements

Steering Committee and Project Coordination Committee

- (a) The Recipient shall, by not later than February 15, 2010, establish and thereafter maintain, at all times until the completion of the Project, a Steering Committee and a Project Coordination Committee with composition, mandate and resources acceptable to the Association.
- (b) The Steering Committee shall review overall project policies and results, and shall be chaired by MOFEA, and comprise of representatives from the BOT, MOFEA, MLHHS and PMO-RALG.
- (c) The Project Coordination Committee shall have responsibility for, *inter alia*: (i) overall strategic direction and oversight of the Project; and (ii) monitoring and evaluation of the Project, and shall be chaired by a representative of the Project Implementing Entity and shall comprise of representatives from the BOT, MOFEA, MLHHS, PMO-RALG and bankers.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall ensure the monitoring and evaluation of the progress of the Project and prepare Project Reports, all in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in paragraph 2. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The performance indicators referred to above in paragraph 1 consist of the following:
 - (a) total number of housing finance loans (refinanced housing mortgage loans and housing microfinance loans) provided;
 - (b) ratio of mortgages debt outstanding to gross domestic product (GDP); and
 - (c) mortgage interest rates.
3. Progress on these indicators shall be evaluated as follows:
 - (a) total number of housing finance loans (refinanced housing mortgage loans and housing microfinance loans) provided increases;
 - (b) ratio of mortgage debt outstanding to gross domestic product (GDP) increases; and
 - (c) mortgage interest rates stabilize or decrease.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A.1 of this Section, the Recipient shall prepare and furnish to the Association, not later than 45 days after the end of every six months, interim un-audited financial reports for the Project covering the six months, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of such Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Project 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.** All goods 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 Schedule.

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 Schedule.
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

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

Procurement Method	
(a)	National Competitive Bidding
(b)	Direct Contracting
(c)	Shopping

3. **Additional Provisions Governing National Competitive Bidding referred to in paragraph B.2(a) of this Section.**

National Competitive Bidding for goods and works shall be 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) There shall be no preference accorded 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 methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants' services under the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection Based on Consultants' Qualifications; (e) Single-source Selection; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Sole Source Procedures for the 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 World Bank 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- 2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in said Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
1) Mortgage Refinancing, Goods, Consultants, Training and Workshops for Part 1	20,800,000	100%
2) Creation of HMFF, Goods, Consultants, Training and Workshops for Part 2	3,200,000	100%
3) Goods, Consultants, Training and Workshops for Part 3	1,170,000	100%
4) Project Preparation	430,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	25,600,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A.1 of this Section no withdrawal shall be made in respect of:
 - (a) payments made prior to the date of this Agreement;
 - (b) Mortgage Refinancing under Category 1) unless: (i) the Project Implementing Entity has adopted a regulatory framework for housing mortgage finance that is acceptable to the Association; (ii) the TMRC has been certified OP 8.30 compliant by the Association and has adopted governance principles and processes acceptable to the Association; (iii) the TMRC has defined its financial strategy and financial products that are acceptable to the Association; (iv) the TMRC has adopted a risk management strategy acceptable to the Association; (v) the Project

Implementing Entity has duly authorized and licensed the TMRC as a financial institution; and (vi) full capitalization of the TMRC by PML shareholders;

- (c) HMFF funding under Category 2) unless: (i) the HMFF has been legally established in a manner satisfactory to the Association; (ii) there has been an appraisal of the fiduciary arrangements for the administration of the HMFF that is acceptable to the Association; (iii) certification by the Association that HMFF has become OP 8.30 compliant and (iv) there has been an assessment whether the financial intermediary loan (FIL) requirements of OP 4.01 should apply to the HMFF; and
- (d) Category 3) unless MLHSD has adopted a new business plan for NHC that is acceptable to the Association.

2. The Closing Date is March 31, 2015.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2020, to and including November 15, 2029	1%
commencing May 15, 2030, to and including November 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

Definitions

1. “Annual Work Plan” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.E (b) of the Schedule to the Project 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. “BOT” means Bank of Tanzania, the Recipient’s central bank established and operating pursuant to the Bank of Tanzania Act No. 4 of 2006 of the laws of the Recipient.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CEO” means Chief Executive Officer.
6. “CFO” means Chief Financial Officer.
7. “COO” means Chief Operations Officer.
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. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Displaced Persons” means more than one Displaced Person.
10. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient, dated October 2009, defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

11. “Environmental Management Plan” or “EMP” means an environmental management plan, in form and substance satisfactory to the Association, to be prepared by the Recipient on the basis of the ESMF, and giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of Project activities, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as any such plan may be amended and/or supplemented from time to time with prior written approval of the Association; and “EMPs” means, collectively, all or several such plans.
12. “Fiscal Year” means the Recipient’s fiscal year commencing July 1 and ending June 30 of each year.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (amended through October 15, 2006).
14. “IUs” means the Project Implementation Units referred to in Section I.A(3.) of the Schedule to the Project Agreement and which are headed by BOT’s banking supervision department, BOT’s microfinance department; and MLHHS D’s Director of Housing, and any successors thereto.
15. “MFI” means Micro Finance Institution.
16. “MLHHS D” means the Recipient’s Ministry of Lands, Housing, and Human Settlements Development.
17. “MOFEA” means the Recipient’s Ministry of Finance and Economic Affairs.
18. “Mortgage Loan” means a mortgage loan secured by a lien and made or proposed to be made by a PML (as such term is hereinafter defined) for the purpose of providing financing for the purchase, refinance, construction or renovation of a residential housing unit.
19. “Mortgage Refinancing” means refinancing made or proposed to be made out of the proceeds of the Credit, by the TMRC to a PML (as such term is hereinafter defined) which meets the eligibility criteria set forth in the Schedule to the Project Agreement.
20. “NHC” means the Recipient’s National Housing Corporation created under Tanzania’s National Housing Corporation Act CAP 295 RE 2002.
21. “OP 4.01” means the Operational Policy 4.01 of the Association regarding Environmental Assessment.

22. "OP 8.30" means the Operational Policy 8.30 of the Association regarding Financial Intermediary Lending.
23. "Operations Manual" means the manual referred to Section I.A.1 of the Schedule to the Project Agreement, as the same may be amended from time to time.
24. "PAT" means the BOT's existing Project Administration Team from the Financial Sector Support Project, Credit No. 4191-TA, which also will be responsible for the day to day running of this Project, processing procurement arrangements and payments on behalf of the PIUs and serving as the main point of contact between the Association and the BOT.
25. "Participation Agreement" means an agreement entered into, or to be entered into between the TMRC and each eligible PML (as such term is hereinafter defined) in accordance with Section I.C of the Schedule to the Project Agreement.
26. "PML" means any eligible participating mortgage lender which is a shareholder of the TMRC and to which Mortgage Refinancing is provided by the TMRC as set forth in the Schedule to the Project Agreement and as designated by the TMRC as a mortgage originating and servicing institution, and the term "PMLs" means collectively all such participating mortgage lenders which qualify as a PML.
27. "PMO-RALG" means the Recipient's Prime Minister's Office on Regional Administration and Local Government.
28. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credit" published by the Bank in May 2004 and revised in October, 2006.
29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 13, 2010, 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.
30. "Project Coordination Committee" means the committee referred to in Section I.B (a) and (c) of Schedule 2 to this Agreement.
31. "Project Implementing Entity" means the BOT.
32. "Project Implementing Entity's Legislation" means Bank of Tanzania Act No. 4 of 2006 of the laws of the Recipient.
33. "Resettlement Action Plan" or "RAP" means a Resettlement Action Plan acceptable to the Association and consistent with the RPF, to be adopted by the Recipient, and giving details of the specific actions, measures and policies

designed to facilitate the achievement of the objectives of the RPF, along with the procedural and institutional measures needed to implement such actions, measures and policies, as such RAP may be amended from time to time with the prior written agreement of the Association.

34. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework acceptable to the Association, dated October 2009, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such RPF may be amended from time to time with the prior written agreement of the Association.
35. “Steering Committee” means the committee referred to in Section I.B(a) and (b) of Schedule 2 to this Agreement.
36. “Sub-financing” means a loan made by the Project Implementing Entity to TMRC pursuant to the Sub-financing Agreement.
37. “Sub-financing Agreement” means an agreement between the Project Implementing Entity and TMRC providing for Sub-financing.
38. “Subprogram” means a program of activities under the Project and included in the Annual Work Program and Budget.
39. “Subsidiary Agreement” means the agreement referred to in Part A.1 of Section 1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make proceeds of the Financing available to BOT.
40. “TMRC” means the Tanzania Mortgage Refinance Company to be created under The Companies Act CAP 212 RE 2002 for the purpose of providing short and long term funds to PMLs necessary for refinancing Mortgage Loans.