
CREDIT NUMBER 7476 -TZ (Portion A)
CREDIT NUMBER 7477-TZ (Portion B)

Financing Agreement

(Tanzania Second Inclusive and Resilient Growth Development Policy Financing)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the 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: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic 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) apply to and form 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 — CREDIT

- 2.01. The Association agrees to extend to the Recipient a credit in two portions, as follows:
 - (a) a first portion, deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of five hundred million United States Dollars (USD 500,000,000), as such amount may be converted from time to time through a Currency Conversion (“Portion A of the Credit”); and
 - (b) a second portion, deemed as Concessional Financing for purpose of the General Conditions, in the amount of two hundred fifty million United States Dollars (USD 250,000,000) (“Portion B of the Credit”).

(Portion A of the Credit and Portion B of the Credit collectively referred to as variously the “Credit” or the “Financing”).
- 2.02. The Front-end Fee is one quarter of one percent ($\frac{1}{4}$ of 1%) of the amount of Portion A of the Credit.
- 2.03. The Commitment Charge is one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance of Portion A of the Credit.
- 2.04. The Interest Charge, to be paid only on Portion A of the Credit, is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.

- 2.05. The principal amount of Portion A of the Credit shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.06. The Payment Dates for the Part A of the Credit are March 15th and September 15th in each year.
- 2.07. The Maximum Commitment Charge Rate to be levied on Portion B of the Credit is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance of Portion B of the Credit.
- 2.08. The principal amount of Portion B of the Credit shall be repaid in accordance with Schedule 3 to this Agreement.
- 2.09. The Payment Dates for the Part B of the Credit are May 15th and November 15th in each year.
- 2.01. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
 - (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 promptly inform the Association of any situation that 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 consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness is that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Recipient's Minister responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
Ministry of Finance
Government City – Mtumba
Treasury Avenue
P.O. box 2802
40468 Dodoma
Tanzania; and
 - (b) the Recipient's Electronic Address is:
Facsimile:
+255-26-296-3109
- 6.03. For purposes of Section 11.01 of the General Conditions:
- (a) the Association's address is:
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
 - (b) the Association's Electronic Address is:
Facsimile:
1-202-477-6391

AGREED as of the Signature Date.

THE UNITED REPUBLIC OF TANZANIA

By



Authorized Representative

Mwigulu Lameck Nchemba

Name: _____

Title: _____ Minister for Finance and Planning

Date: _____ 21-Dec-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Nana S R H Soetantri

Name: _____

Title: _____ Acting Country Director

Date: _____ 21-Dec-2023

SCHEDULE 1

Program Actions; Availability of Credit Proceeds

Section I. Actions Taken under the Program

A. **Actions Taken under the Program for the Disbursement of the First Withdrawal Tranche.**

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

1. To meet the Basel II and Basel III requirements, the Recipient, through BOT, has issued Banking Sector Regulations and Guidelines enhancing the quality and quantity of banks' capital, strengthening the risk capture of the prudential framework, lowering the level of leverage, and introducing a new framework for mitigating liquidity risk and maturity transformation.
2. To strengthen the state-owned enterprises ("SoEs") oversight and corporate governance, the Recipient, has: (a) submitted to the Parliament a Public Investment Authority Bill establishing a Public Investment Authority with the mandate to lead the competitive recruitment process for selection and nomination of SoEs' board members; and; (b) issued a Treasury Registrar Circular mandating the publication of audited financial statements for all SoEs.
3. To increase private participation in public infrastructure projects and strengthen governance in the PPP framework, the Recipient has:
 - (a) Submitted to the Parliament a bill of amendment to the PPP Act , enabling: (i) international arbitration in PPP disputes resolution; (ii) establishing the supremacy of PPP law over other laws on PPP governance; (iii) strengthening and clarifying project identification and preparation procedures; and (iv) clarifying the regulatory regime for project companies; and
 - (b) Issues revised PPP Regulations.
4. To support the implementation of the Arrears Management Strategy (2022) and to strengthen public finance management and contain fiscal risks, the Recipient, through its Ministry of Finance has issued a Circular instructing accounting officers of the use of: (a) IFMIS (MUSE) for timely entering all financial transactions/obligations at the commitment (contract signing) stage; (b) Account Payables and Purchasing Modules (MUSE) for the systemic recording and reporting of all arrears.

5. To boost access to climate-smart agricultural practices, the Recipient, through its Ministry of Agriculture, has mandated the integration of M-Kilimo system with the National Farmers Enterprise Registry to improve the provision of mobile extension services climate information and advice to farmers.
6. To boost poverty reduction and to promote inclusiveness of growth, the Recipient has approved a National Social Protection Policy (2023): (a) institutionalizing the Productive Social Safety Net Program (“PSSNP”); (b) converting TASAF’s PSSN Registry into a unified social registry and expanding its coverage; and (c) establishing a national coordination mechanism for social protection programs.
7. To promote gender inclusion, the Recipient has approved the National Gender and Women Development Policy (2023): (a) enhancing inter-ministerial coordination for gender programs; (b) expanding access to reproductive health services; and (c) promoting economic empowerment of women by expanding access to capital.

B. Actions to be Taken Under the Program for the Disbursement of the Second Withdrawal Tranche.

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

1. To increase private sector investment, the Recipient, through its Ministry of Investment and Planning, shall have:
 - (a) Submitted to the Parliament an amendment to the Tanzania Investment Act (2022) adopting non-discriminatory principles (i.e. equal treatment to foreign and domestic investors) and streamlining access to investment protection guarantees; and
 - (b) Issued regulations operationalizing the Tanzania investment Act (2022), including the amendments introduced in subparagraph (a) above.
2. To expand access to healthcare services, reduce inequities across socio-economic groups in healthcare access, and to increase the efficiency of healthcare services provision, the, the Recipient, through its Ministry of Health, shall have issued regulations to operationalize the Universal Health Insurance Act on, *inter alia*, registration procedures for the health insurance scheme and the establishment of benefit package.

Section II. Availability of Credit Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Credit 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 Credit Amounts.** The Credit is allocated in two withdrawal tranches, from which the Recipient may make withdrawals of the Credit proceeds. The allocation of the amounts of the Credit to this end is set out in the table below:

Allocations	Amount of Portion A of the Credit (expressed in USD)	Amount of Portion B of the Credit (expressed in USD)
(1) First Withdrawal Tranche	500,000,000	0
(2) Second Withdrawal Tranche	0	250,000,000
TOTAL AMOUNT	500,000,000	250,000,000

- C. Payment of Fee Pursuant to Section 2.02 of Agreement.**

The Recipient has elected to finance from its own resources the fee set forth in Section 2.02 of this Agreement, accordingly, no withdrawal shall be made from the Credit Account for Portion A of the Credit until the Association has received payment in full of such fee.

- D. Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the First Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.
2. No withdrawal shall be made of the Second Withdrawal Tranche unless the Association is satisfied, after an exchange of views as described in Section 3.01(a) and (b) of this Agreement based on evidence satisfactory to the Association:
 - (a) with the progress achieved by the Recipient in carrying out the Program;
 - (b) that the macroeconomic policy framework of the Recipient is adequate; and
 - (c) that the actions described in Part B of Section I of this Schedule have been taken.

If, after this exchange of views, the Association is not so satisfied, it may give notice to the Recipient to that effect and, if within ninety (90) days after the notice,

the Recipient has not taken steps satisfactory to the Association, with respect to paragraphs (a), (b) and (c) above, then the Association may, by notice to the Recipient, cancel all or any part of the Unwithdrawn Credit Balance

E. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of each of the First Withdrawal Tranche and Second Withdrawal Tranche from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Tanzanian Shilling equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

F. Audit. Upon the Association's request, the Recipient shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and
3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is February 28, 2025.

SCHEDULE 2

Repayment Schedule for Portion A of the Credit

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date (“Installment Share”).

Principal Payment Date	Installment Share (Portion A of the Credit)*
On each March 15 th and September 15 th , beginning on March 15 th , 2037, through March 15 th , 2050	3.57%
On September 15 th , 2050	3.61%

*The determination of the principal amounts of the Credit repayable on each Principal Payment Date is made in accordance with Section 3.10 of the General Conditions

SCHEDULE 3

Repayment Schedule for Portion B of the Credit

Date Payment Due	Principal Amount of Portion B of the Credit repayable (expressed as a percentage)*
On each May 15 th and November 15 th :	
commencing May 15 th , 2030 to and including May 15 th , 2035	8.33334%
on November 15 th , 2035	8.33326%

* The percentages represent the percentage of the principal amount of Portion B of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “Account Payables and Purchase Modules” means the Recipient’s account and payables and purchasing modules within MUSE.
2. “Arrears Management Strategy (2002)” means the strategy adopted by the Recipient (dated September 2022), notified by the Recipient’s Ministry of Finance and Planning pursuant letter Kumb. Na. CBA.187/580/01‘E’, of November 9, 2022, providing a roadmap of three years to clear the existing stock of arrears on the Recipient’s financial obligations and preventing the creation and accumulation of new ones.
3. “Banking Sector Regulations and Guidelines” means BOT’s: (a) Banking and Financial Institutions (Liquidity Management) Regulations, 2023 (GN No. 724 of 2023); (b) Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2023 (GN No. 726 of 2023); (c) Banking and Financial Institutions (Capital Adequacy) Regulations 2023 (GN No.727 of 2023); (d) Market Discipline Guidelines for Bank and Financial Institutions, 2023; (e) Internal Liquidity Adequacy Assessment Process (ILAAP) Guidelines for Banks and Financial Institutions, 2023; and (f) Internal Capital Adequacy Assessment Process (ICAAP) Guidelines for Banks and Financial Institutions, 2023..
4. “Basel II” means the internationally agreed set of measures developed by the Basel Committee on Banking Supervision for the international convergence of capital measurement and capital standards.
5. “Basel III” means the internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09 aiming at strengthening the regulation, supervision and risk management of banks.
6. “BOT” means the Bank of Tanzania, a corporate body established pursuant to Section 4(1) of the Recipient’s Bank of Tanzania Act (2006) (Act No. 4 of 2006).
7. “Circular” means the Recipient’s Ministry of Finance and Planning circular No. EG.3/102/09/180 of May 2, 2023.
8. “First Withdrawal Tranche” means the amount of the Credit allocated to the category entitled “First Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to the Financing Agreement.

9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
10. “IFMIS” means the Recipient’s integrated financial management information system.
11. “M-Kilimo” means the mobile agriculture platform developed, housed and managed by the Administration Department of the Recipient’s Ministry of Agriculture, aimed at helping farmers, breeders and fishermen to access crop markets and receive regular and/or sector sensitive information through their mobiles.
12. “MUSE” means the Recipient’s *Mfumo wa Uhasibu Serikalini*, a centralized payment system developed inhouse.
13. “National Farmers Enterprise Registry” means the farmers registry established by the Recipient’s Ministry of Agriculture pursuant to Notification CBA.31/146/01 of July 1, 2022.
14. “National Gender and Women Development Policy (2023)” means the Recipient’s national gender policy aimed at attaining gender equality and women empowerment, as approved in October 2023 and confirmed pursuant to letter Ref. No. DCA.441/624/01 of November 14, 2023.
15. “National Social Protection Policy (2023)” means Recipient’s National Social Protection Policy 2023 (Second Draft) approved by the Recipient’s Cabinet on November 20, 2023, as informed by the President’s Office through letter SBA.429/546/01 of the same date.
16. “Parliament” means the legislative body established pursuant to Section 62 of the Recipient’s Constitution of 1977, as amended.
17. “PPP” means public-private partnership.
18. “PPP Act” means the Recipient’s Public Private Partnership Act (CAP 103) (Act No 19 of 2010, as amended).
19. “PPP Regulations” means the Recipient’s Public Private Partnership (Amendment) Regulations 2023, made under Section 28 of the PPP Act, and approved by Government Notice No 838A of November 16, 2023, published in the Recipient’s official gazette (special supplement) No 46 of November 16, 2023 (No. 47, Vol 104 16/11/2023).
20. “Productive Social Safety Net Program” and the term “PSSNP” mean the Recipient’s social safety net program managed through TASAF.

21. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 16, 2023 from the Recipient to the Association 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 and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
22. “PSSN Registry” means the registry established by TASAF for the purpose of identifying beneficiaries of PSSNP.
23. “Public Investment Authority” means the authority referred to in Part II (Sections 4 and 5) of the Public Investment Authority Bill.
24. “Public Investment Authority Bill” means the Recipient’s proposed bill for an act introducing the conditions for public investment, institutional system for the coordination and management of public organizations, cancellation of authority and duties of the Recipient’s Registrar of Treasury and other related issues, as published in the Recipient’s special gazette No 13 (No. 43 Vol 104) of October 19, 2023.
25. “Second Withdrawal Tranche” means the amount of the Credit allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to the Financing Agreement.
26. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
27. “SoEs” means state-owned enterprises.
28. “Tanzania Investment Act (2022)” means Recipient’s Tanzania Investment Act (Act No. 10 of 2022) (Chapter 38), enacted by the Parliament on November 1, 2022, and published in the Recipient’s official gazette on June 13, 2023.
29. “Tanzanian Shilling” means the legal currency of the Recipient.
30. “TASAF” means Recipient’s Tanzania Social Action Fund.
31. “Treasury Registrar Circular” means the Circular No. 2 of 2023 (Ref. No. CEA.114/418/01/135), dated September 21st, 2023, issued by the Recipient’s Office of the Treasury Registrar.
32. “Universal Health Insurance Act” means (for the purpose of this Agreement), the Bill passed by the Parliament in November 2023 in order to provide health insurance for all Tanzanian citizens.