

CONFORMED COPY

CREDIT NUMBER 4171 - TA

Financing Agreement

(Accountability, Transparency and Integrity Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 5, 2006

CREDIT NUMBER 4171 - TA

FINANCING AGREEMENT

AGREEMENT dated June 5, 2006, between UNITED REPUBLIC OF TANZANIA (“Recipient”) and 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 the Financing 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 seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000) (referred to variously as “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 Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 1 and July 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with 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 and the Program. To this end, the Recipient shall carry out the Project 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 Event of Suspension shall be that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

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
P. O. Box 9111
Dar es Salaam
Tanzania

Cable address:

Telex:

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 and year first above written.

UNITED REPUBLIC OF TANZANIA

By /s/ Gray S. Mgonja

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Judy O'Connor

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in improving access to legal and judicial services and the accountable and transparent use of public financial resources, through improvement of the skills and means to deliver legal and judicial services and public financial management, and strengthening of the capacity of oversight and watchdog institutions to perform their role.

The Project consists of the following components:

Component 1 Strengthening of the Legal and Judicial System

Carrying out of Subprograms to support the implementation of the Recipient's Legal Sector Reform Program in the following areas:

1. Harmonization of the national legal framework

(a) Consultative identification, review, and amendment of priority laws and regulations with a view to modernizing and harmonizing the legal and regulatory framework affecting business activities and access to justice.

(b) Strengthening the capacity of the Law Reform Commission of Tanzania to conduct legal research, legislative drafting and management of legal reforms, including to: (i) undertake technical studies related to its mandate; (ii) establish a continuous and sustainable mechanism for reviewing national legislation through participatory processes; (iii) develop cost effective legislative drafting mechanisms and procedures for ensuring the quality, relevance and impact of legislation; and (iv) develop mechanisms for collaboration with legal education and training institutions.

2. Enhancement of access to justice for the poor and the disadvantaged

(a) (i) Streamlining of the case management systems of primary and district courts, including the establishment and strengthening of case flow committees; (ii) development of special guidelines and procedures for handling cases involving indigents and other disadvantaged groups; and (iii) training of judges and clerks on efficient case flow management and speedy dispensation of justice.

(b) (i) Design and implementation of a program to promote and monitor the expansion of the national legal aid network, including the establishment of a legal aid literacy fund and legal aid groups and centers at ward, district and regional levels; (ii) translation into Kiswahili and Braille and printing and dissemination of basic laws, regulations and other legal information; (iii) preparation and dissemination of legal aid guidelines and procedures and a code of conduct for legal aid

institutions; (iv) development of legal aid training materials and provision of training to paralegals at ward, district and regional levels; and (v) carrying out of legal aid information, education and communication activities.

(c) (i) Design and implementation of a program of assistance and training to ward tribunals with a view to enhancing their efficiency in administering justice; and (ii) construction, rehabilitation, equipment and community maintenance of selected priority primary courts facilities.

3. Improvement of governance and administrative justice

(a) (i) Streamlining, translation into Swahili and Braille, promotion and dissemination of service delivery procedures and client service charters for legal and judicial institutions; and (ii) development and dissemination of guidelines and procedures for lodging complaints against misuse of power and un-ethical conduct by legal and judicial institutions personnel, including a computerized complaints management system.

(b) Implementation of a program of capacity development for administrative tribunals for provision of efficient administrative justice, including the preparation of a harmonized set of procedures and guidelines for administrative tribunals operations, assessment of the needs and feasibility of establishing an administrative appellate body, and establishment of a monitoring mechanism for the performance of the administrative justice system.

4. Improvement of knowledge and skills of legal professionals

(a) (i) Establishment and building of the capacity of the permanent secretariat of the Council of Legal Education to monitor the quality of national legal education and training; (ii) preparation, publication and dissemination of a national legal (degree and non-degree) education curriculum, including establishment and institutionalization of a mechanism for continuous curriculum updating; (iii) preparation and implementation of action plans for selected legal education and training institutions to improve the quality and relevance of legal education, including modernization of curricula and syllabi; and (iv) design and implementation of specialized legal training programs for academic staff.

(b) Construction, establishment and operationalization of a new national law school for practical training and apprenticeship of law graduates leading to bar examinations.

(c) Carrying out of a continuing training needs assessment and strengthening the capacity of selected legal training institutions to offer continuous legal education courses for legal and judicial practitioners.

5. Strengthening of service delivery capacity in key legal and judicial institutions

(a) (i) Establishment of an integrated management information system to enable the effective coordination and communication among key legal and judicial institutions; and (ii) implementation of measures for strengthening the administrative support, revenue retention, division of work, supervision and other organizational systems within the said institutions for effective service delivery.

(b) Institutionalization of a merit-based personnel management and performance incentive system for key legal and judicial institutions, including improved remuneration packages in accordance with the Recipient's public service reform program, and training of legal and judicial personnel in specialized skills.

(c) (i) Preparation and implementation of an action plan for modernizing and equipping selected law libraries; (ii) implementation of a mechanism for continuous updating of law reports, case digests and amended laws; and (iii) construction, rehabilitation and equipment of selected priority judiciary infrastructure and registries, other than primary courts under Component 1.2 (c) above.

6. Coordination, Monitoring, Evaluation and Communication

Strengthening the capacity of the LSRP implementing entities to implement LSRP Subprogram activities in an efficient and effective manner, including to conduct improved policy research and evidence-based policy-making, strengthen change management skills to champion the reform program, develop strategic and annual work plans and budgets, design and implement mechanisms for effective coordination, monitoring and evaluation of LSRP Subprogram activities, and carry out public information, education and communication activities related to the LSRP.

Component 2 Enhancement of Public Financial Accountability

Carrying out of Subprograms to support the implementation of the Recipient's Public Financial Management Reform Program in the following areas:

1. Improvement of macroeconomic and fiscal management capacity

Strengthening the capacity of MOF for sound macroeconomic, fiscal and debt management through the development and implementation of strategies and models, tools and technologies for improved macroeconomic and fiscal forecasting, analysis, stakeholder consultation, policy-making, execution, monitoring and reporting.

2. Devolution of decision-making and accountability for resources

Strengthening the capacity of MDAs, LGAs and other budgetary entities for sound public financial management, including the expansion and enhanced application of the government's integrated financial management system, deepening internal audit and

accounting capabilities, support for fiscal decentralisation through monitoring of the system of intergovernmental transfers, review of staffing levels, skills, responsibilities and other resource requirements and development and carrying out of training programs, and development and implementation of mechanisms for enhanced financial management and accountability awareness and understanding.

3. Improvement of the predictability of resource flows to MDAs and LGAs

Support for developing and implementing improved resource planning and prioritization integrated with the Recipient's medium-term expenditure framework, and budget preparation and execution and monitoring mechanisms and regulations for predictable resource flows to MDAs and LGAs.

4. Enhancement of value for money in the use of public resources

Strengthening of public procurement capacity and practice in accordance with the Recipient's new public procurement law with a view to ensuring improved value for public resources, including development and implementation of a public procurement anti-corruption strategy and a public procurement capacity building strategy, operationalization of the public procurement regulatory agency and the public procurement appeals authority, transformation of MDAs supplies units into procurement management units, development of procurement guidelines, user manuals and revised standard bidding documents, establishment of a procurement professional body and expansion and training of procurement cadre, and establishment of a system for public procurement monitoring at MDAs and LGAs.

5. Reduction of dependency on external financing

Strengthening of the Recipient's external resource management and accountability capacity with a view to increasing the proportion of external finance recorded in the government budget and exchequer system, including development and maintenance of a robust external aid flow database, building of the performance capacity of staff in the MOF external financing department, rationalization of the tax exemptions regime with a view to broadening the domestic tax base and enhancing mobilization of domestic resources, and enhancement of awareness of the PFMRP objectives and activities among MDAs, LGAs and civil society.

6. Capacity for sustained improvements in management and program implementation

Support to the PFMRP implementing entities for the effective implementation of PFMRP Subprogram activities, including capacity development for enhanced policy and strategic leadership and coordination, carrying out of needs based human resource capacity building interventions, implementation of measures to promote a culture of ethics, integrity and accountability in accordance with the government's anti-corruption

strategy and ethical conduct policy, expansion and effectively utilization of management information and network systems, adoption of a robust program monitoring and evaluation framework, and carrying out of public information, communication and education activities related to the PFMRP.

Component 3 Strengthening Oversight and Watchdog Institutions

1. Facility for Ethics, Accountability and Transparency

Provision of grants to eligible oversight and watchdog institutions for eligible demand-driven activities that are designed to improve public and private sector accountability, including interventions aimed at: (i) generating and disseminating quality information on public sector performance, particularly with respect to the Recipient's crosscutting Public Sector Reform Program, the LSRP, the PFMRP and the National Anti-Corruption Strategy and Action Plan; (ii) improving the ethical environment in both public and private sectors, by supporting improvements in the capacity of professional organizations to raise the ethical standards and conduct of their members using self-regulatory ethics mechanisms, continuing education programs and, more broadly, information, education and communication programs aimed at the broader public; and (iii) generally improving the capacity of oversight and watchdog institutions' staff in undertaking their functions.

2. Ethics Secretariat Capacity Building

Strengthening of the capacity of the Ethics Secretariat to: (i) publicize and administer the Facility for Ethics, Accountability and Transparency; and (ii) implement an action plan for promoting ethical behavior within the public service, enhancing transparency and accountability of the public sector, and raising awareness of the importance of ethical behavior within the general population.

Component 4. Project coordination, monitoring, evaluation and communication

Strengthening the capacity of GGCU to: (i) coordinate the implementation and oversee the monitoring, evaluation, reporting and dissemination of information on overall Project activities; and (ii) perform its core functions for overall coordination, monitoring and dissemination of public information on the progress in the implementation of the Recipient's National Anti-Corruption Action Plan and good governance programs, including the carrying out of a review of the government institutional structure to combat corruption with a view to delineating clear mandates and developing mechanisms for greater collaboration among concerned institutions.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Implementation Arrangements

A. Institutional Arrangements

1. **Good Governance Coordination Unit.** The Recipient shall ensure that GGCU is maintained at all times during the implementation of the Project with staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient overall coordination, monitoring, reporting, evaluation and communication of Project activities, including the implementation of GGCU's own activities under Component 4 of the Project.
2. **Steering Committees**
 - (a) Without limitation upon the provisions of Part A.1 of this Section, the Recipient shall maintain, at all times until the completion of the Project, an LSRP Steering Committee for Component 1 of the Project and a FEAT Steering Committee for Component 3.1 of the Project, both with a composition, mandate and resources satisfactory to the Association.
 - (b) Without limitation to sub-paragraph (a) of this paragraph, the LSRP Steering Committee shall be responsible for, *inter alia*: (i) reviewing and endorsing for joint approval by the Recipient, the Association and the Co-financiers of the LSRP Annual Work Plans and Budgets, and ensuring their consistency with the LSRP; (ii) reviewing progress made towards achieving the Project's objectives; (iii) facilitating the coordination of Project activities among the entities represented in the LSRP Steering Committee, and making recommendations for removal of any obstacles to the implementation of the Project; and (iv) providing comments on reports and reviews prepared by the Implementing Agencies for the benefit of the Association.
 - (c) Without limitation to sub-paragraph (a) of this paragraph, the FEAT Steering Committee shall be responsible for, *inter alia*: (i) reviewing, on the basis of the appraisal of the Ethics Secretariat, and approving FEAT Subprojects which do not require the prior no-objection of the Association as specified in the ES Operations Manual, or recommending for the Association's no-objection FEAT Subprojects for which the Association's prior no-objection is required as specified in the ES Operations Manual; (ii) reviewing progress made towards achieving the

Project's objectives, and making recommendations for removal of any obstacles to the implementation of the Project; and (iii) providing comments on reports and reviews prepared by the Ethics Secretariat for the benefit of the Association.

3. **Implementing Agencies**

- (a) Without limitation upon the provisions of Parts A.1 and A.2 of this Section, the Recipient shall ensure that MJCA, MOF and the Ethics Secretariat are maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient implementation of the Project.
- (b) Without limitation to sub-paragraph (a) of this paragraph: (i) MJCA shall be responsible for the overall planning, coordination, financial management, procurement, monitoring, evaluation, reporting and communication of LSRP Subprogram activities carried out under Component 1 of the Project by MJCA, the judiciary and other LSRP implementing entities specified in the LSRP Memorandum of Understanding; (ii) MOF shall be responsible for the overall planning, coordination, financial management, procurement, monitoring, evaluation, reporting and communication of PFMRP Subprogram activities carried out under Component 2 of the Project by MOF and other PFMRP implementing entities specified in the PFMRP Memorandum of Understanding; and (iii) the Ethics Secretariat shall be responsible for publicizing of FEAT and for dissemination, appraisal, administration, fiduciary supervision, monitoring, reporting and evaluation of FEAT Subprojects carried out by Beneficiaries under Component 3.1 of the Project, as well as for the day-to-day implementation of activities under Component 3.2 of the Project and the financial management and procurement of activities under Component 4 of the Project.

B. Implementation Arrangements

- 1. **Operations Manuals:** The Recipient shall carry out the Project in accordance with the arrangements and procedures set out in the Operations Manuals (provided, however, that in case of any conflict between the arrangements and procedures set out in the Operations Manuals and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of any of the Operations Manuals, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

2. **Environmental and social safeguards**

- (a) The Recipient shall carry out the Project in accordance with the environmental, social and resettlement guidelines, rules and procedures defined in the Environmental and Social Management Framework and the Resettlement Policy Framework and, wherever applicable, prepare and implement Resettlement Action Plans in accordance with the RPF and in form and substance acceptable to the Association, defining a program of actions, measures and policies for compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAPs.
- (b) The Recipient shall not amend or waive, or permit to be waived, the ESMF, RPF and RAPs, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.
- (c) The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the ESMF, RPF and RAPs are taken in a timely manner; and (ii) the Project Reports referred to in Part A of Section II of this Schedule shall include adequate information on monitoring the measures defined in the ESMF, RPF and RAPs.

3. **Memoranda of Understanding**

- (a) The Recipient shall implement the Subprograms in accordance with the arrangements and procedures set out in the Memoranda of Understanding; provided, however, that in case of any conflict between the provisions of said memorandum and of this Agreement, the provisions of this Agreement shall prevail.
- (b) Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Memoranda of Understanding, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

4. **Annual Work Plans and Budgets; Subprograms**

- (a) The Recipient shall prepare and furnish to Association for its joint approval with the Co-financiers, not later than March 31 of each year during the implementation of the Project, or such later date as the

Association may agree in consultation with the Co-financiers, the Annual Work Plans and Budgets containing all proposed Subprograms to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account the Association's comments and views on the matter.

- (b) The Recipient shall cause each Subprogram implementing entity to implement, monitor and evaluate its respective Subprogram in accordance with the provisions set forth in this Agreement and in more detail in the LSRP Operations Manual and the PFMRP Operations Manual, and shall not make or allow to be made any material change to any Subprogram included in the approved Annual Work Plans and Budgets without consultation and approval of the Association.

5. **FEAT Grants**

(a) **General**

Without limitation upon the provisions of Part A of this Section, the Recipient shall appraise, approve and monitor FEAT Subprojects and administer the FEAT Grants in accordance with the provisions and procedures set forth or referred to in this paragraph 5 and in more detail in the ES Operations Manual.

(b) **Eligibility Criteria for FEAT Subprojects**

No proposed FEAT Subproject shall be eligible for financing under a FEAT Grant out of the proceeds of the Financing unless the Recipient, through the Ethics Secretariat, has determined, on the basis of an appraisal conducted in accordance with this sub-paragraph and the guidelines set forth in the ES Operations Manual, that the proposed FEAT Subproject satisfies the eligibility criteria specified below and set forth or referred to in more detail in the ES Operations Manual, which shall include, *inter alia*, the following:

- (i) The proposed FEAT Subproject activities shall fall within the areas described under Component 3.1 of the Project in Schedule 1 to this Agreement, and shall exclude any activities and expenditures specified as ineligible in the ES Operations Manual;
- (ii) the proposed FEAT Subproject shall be initiated by a Beneficiary which has been registered as a legal entity and has the capacity to enter into a binding contract under the laws of the

Recipient, and which has met the other eligibility criteria specified or referred to in the ES Operations Manual;

- (iii) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed FEAT Subproject in compliance with the guidelines set forth in the ES Operations Manual; and
- (iv) the Beneficiary shall be eligible to receive subsequent FEAT Grants if it has completed the preceding FEAT Subproject to the satisfaction of the Ethics Secretariat, in accordance with the terms of the FEAT Grant Agreement.

(c) **Approval of FEAT Grants**

Based on the appraisal and recommendation of the Ethics Secretariat in accordance with the sub-paragraph (b) of this paragraph, the FEAT Steering Committee shall: (i) approve FEAT Subprojects whose cost falls below the threshold specified in the ES Operations Manual for prior no-objection by the Association or which do not otherwise require such no-objection as specified in the ES Operations Manual; and (ii) recommend for the Association's prior no-objection FEAT Sub-projects whose cost exceeds the threshold for approval by the FEAT Steering Committee or which otherwise require such no-objection as specified in the ES Operations Manual.

(d) **Terms and Conditions of FEAT Grants**

A FEAT Subproject shall be carried out pursuant to a FEAT Grant Agreement, to be concluded between the Ethics Secretariat, on behalf of the Recipient, and the respective Beneficiary, under terms and conditions described or referred to in more detail in the ES Operations Manual and satisfactory to the Association, which, *inter alia*, shall include the following:

- (i) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the FEAT Subproject;
- (ii) the obligation of the Beneficiary to contribute, in cash and/or in-kind, a minimum percentage of the projected FEAT Sub-project cost as specified in the ES Operations Manual;
- (iii) the modalities of transfer of funds by the Ethics Secretariat to the

Beneficiary for the financing of the FEAT Subproject;

- (iv) the obligation of the Beneficiary to: (A) carry out the FEAT Subproject with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the FEAT Subproject;
- (v) the requirement that the goods, works and consultants' services to be financed from the proceeds of the FEAT Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the FEAT Subproject; and
- (vi) the right of the Ethics Secretariat, on behalf of the Recipient, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the FEAT Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of FEAT Subprojects; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the FEAT Grant upon failure by the Beneficiary to perform any of its obligations under the FEAT Grant Agreement.

(e) **Administration of FEAT Grant Agreements**

The Ethics Secretariat shall exercise its rights under the FEAT Grant Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any FEAT Grant Agreement or any substantial provision thereof.

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 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 one month 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) Average time taken to resolve court cases;
 - (b) Increased number of qualified magistrates in primary courts;
 - (c) Increased number of qualified law graduates employed in the judiciary and MJCA;
 - (d) Expenditure outturn as percentage of approved budget;
 - (e) Percentage of procurement units established and operational in MDAs and LGAs;
 - (f) Percentage of National Audit Office staff able to undertake value for money audits;
 - (g) Number of evidence based and quality reports by participating oversight and watchdog institutions on government performance in key reform programs; and
 - (h) Percentage of participating professional associations actively regulating ethical standards and practice of members.

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. 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 each calendar quarter, interim un-audited 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 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 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) National Competitive Bidding; (b) Direct Contracting; (c) Shopping; and (d) Established Private or Commercial Practices which have been found acceptable to the Association.

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) Established Private or Commercial Practices which have been found acceptable to the Association; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant

Guidelines for the Selection of Individual Consultants; and (h) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the Bank 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 this Section and such additional instructions as the Bank 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 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 Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works, goods, consultants' services including audits, Training and Operating Costs under Components 3.2 and 4 of the Project	980,000	100%
(2) LSRP Subprograms	16,380,000	Such percentage of Eligible Expenditures as the Association shall determine for each Fiscal Year
(3) PFMRP Subprograms	6,630,000	Such percentage of Eligible Expenditures as the Association shall determine for each Fiscal Year
(4) FEAT Grants	2,790,000	100% of amounts disbursed
(5) Refund of Project Preparation Advance	1,120,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	<u>27,900,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A.1 of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) Eligible Expenditures under Category (1), unless: (i) the Recipient has adopted the ES Operations Manual, in form and substance satisfactory to the Association; and (ii) the ES has been staffed with personnel in numbers and with qualifications and terms of reference satisfactory to the Association;

- (c) LSRP Subprograms under Category (2), unless: (i) the LSRP Memorandum of Understanding has been executed on behalf of the Recipient and the Association and has entered into effect in accordance with its terms; (ii) MJCA has been staffed with personnel in numbers and with qualifications and terms of reference satisfactory to the Association; and (iii) the LSRP Annual Work Plan and Budget for the respective Fiscal Year has been approved by the Association in accordance with Part B.4 of Section I of this Schedule;
 - (d) PFMRP Subprograms under Category (3), unless: (i) the PFMRP Memorandum of Understanding has been executed on behalf of the Recipient and the Association and has entered into effect in accordance with its terms; and (ii) the PFMRP Annual Work Plan and Budget for the respective Fiscal Year has been approved by the Association in accordance with Part B.4 of Section I of this Schedule; and
 - (e) any FEAT Grant under Category (4) which requires the Association's no-objection pursuant to Part B.5 (c) of Section I of this Section, unless the Association has given its no-objection to such FEAT Grant.
2. The Closing Date is December 1, 2011.

Section V. Other Undertakings

A. Appointment of Financial and Procurement Auditors

- 1. The Recipient shall, not later than six months after the Effective Date, appoint the independent auditors referred to in Section 4.09 (b) of the General Conditions, in accordance with the provisions of Section III of this Schedule.
- 2. The Recipient shall, not later than six months after the Effective Date, put in place arrangements, satisfactory to the Association, including the appointment of independent procurement auditors acceptable to the Association, in accordance with the provisions of Section III of this Schedule, for reviewing the procurement of goods, works and consultants' services financed under the Project, including the reviewing of procurement procedures and processes.

B. Procurement Audits

The Recipient shall, not later than six months after the end of each Fiscal Year, or such later date as the Association may agree, furnish to the Association an audit report on the procurement of goods, works and consultants' services carried out under the Project, prepared by the independent procurement auditors referred to in Part A.2 of this Section.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1:	
commencing July 1, 2016 to and including January 1, 2026	1%
commencing July 1, 2026 to and including January 1, 2046	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

1. “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.
2. “Annual Work Plans and Budgets” means the LSRP Annual Work Plan and Budget and the PFMRP Annual Work Plan and Budget (as hereinafter defined).
3. “Beneficiary” means a governmental or non-governmental organization, established and operating under the laws of the Recipient, which has met the eligibility criteria specified in the ES Operations Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended, a FEAT Grant (as hereinafter defined) for the carrying out of a FEAT Subproject (as hereinafter defined).
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Co-financiers” means each and any co-financier (other than the Recipient) that has extended or is to extend the Co-financing (as hereinafter defined) to the Recipient pursuant to the Co-financing Agreement (as hereinafter defined), and that has signed the LSRP Memorandum of Understanding or the PFMRP Memorandum of Understanding, as the case may be.
6. “Co-financing” means, for the purposes of Section 6.02 (g) (ii) and (iii) and Section 6.06 (c) of the General Conditions, each and any credit or grant extended or to be extended to the Recipient by the Co-financiers for the purpose of assisting in the joint co-financing of Subprograms under Components 1 or 2 of the Project, in accordance with the provisions of the Co-financing Agreement and the LSRP Memorandum of Understanding or the PFMRP Memorandum of Understanding, as the case may be.
7. “Co-financing Agreement” means, for the purposes of Section 6.02 (g) (ii) and (iii) and Section 6.06 (c) of the General Conditions, each and any agreement entered or to be entered into between the Recipient and the Co-financiers providing for the Co-financing.

8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
9. “Environmental and Social Management Framework” or “ESMF” means the document of the Recipient dated October 2005, as the said document may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for environmental screening and procedures for the preparation and implementation of environmental assessments and management plans under the Project pursuant to Section I.B.2 of Schedule 2 to this Agreement.
10. “ES Operations Manual” means the Recipient’s manual for the Ethics Secretariat, in form and substance satisfactory to the Association, containing or referring to detailed arrangements and procedures for the implementation of Components 3 and 4 of the Project, including: (i) institutional coordination and day-to-day execution of activities under Components 3 and 4 of the Project; (ii) capacity building activities for sustained achievement of the Project’s objectives; (iii) disbursement and financial management; (iv) procurement; (v) a FEAT Grants manual defining eligibility criteria and approval, disbursement, administration and monitoring and evaluation arrangements for FEAT Subprojects together with sample grant agreement formats; (vi) monitoring, evaluation, reporting, information, education and communication; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for Components 3 and 4 of the Project.
11. “Ethics Secretariat” means the Ethics Secretariat of the Recipient’s Office of the President established under the laws of the Recipient.
12. “FEAT” means the Facility for Ethics, Accountability and Transparency to be financed out of the proceeds of the Financing under Component 3.1 of the Project.
13. “FEAT Grant” means funds allocated or proposed to be allocated out of the proceeds of the Financing to a public sector Beneficiary, or a grant made or proposed to be made out of the proceeds of the Financing to a non-governmental Beneficiary, for the purpose of financing a FEAT Subproject in accordance with the provisions of Section I.B.5 of Schedule 2 to this Agreement.
14. “FEAT Grant Agreement” means an agreement entered into, or to be entered into, between the Ethics Secretariat, on behalf of the Recipient, and a Beneficiary, for the purpose of extending a FEAT Grant to such Beneficiary on the terms and conditions set forth or referred to in Section I.B.5 (d) of Schedule 2 to this Agreement.

15. “FEAT Steering Committee” means the Steering Committee referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.
16. “FEAT Subproject” means a set of specific activities carried out or to be carried out by a Beneficiary under Component 3.1 of the Project and financed or proposed to be financed through FEAT Grant
17. “Fiscal Year” means the Recipient’s fiscal year commencing July 1 and ending June 30 of each year.
18. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
19. “GGCU” means the Good Governance Coordination Unit of the Recipient’s Office of the President established under the laws of the Recipient.
20. “LGAs” means the Recipient’s local government authorities.
21. “LSRP” means the Recipient’s Legal Sector Reform Program, set out in the Recipient’s Medium Term Strategy for Legal Sector Reform dated December 2004 and to be supported by the Association under Component 1 of the Project.
22. “LSRP Annual Work Plan and Budget” means the work plan and budget prepared annually by MJCA for Component 1 of the Project, in accordance with Section I.B.4 of Schedule 2 to this Agreement.
23. “LSRP Memorandum of Understanding” means the memorandum of understanding between the Recipient, the Association and the LSRP Co-financiers, as the same may be amended from time to time, providing for common arrangements and procedures on procurement, disbursement, accounting, monitoring, reporting, auditing, coordination and exchange of information required for the implementation of Component 1 of the Project.
24. “LSRP Operations Manual” means the Recipient’s manual, in form and substance satisfactory to the Association, containing or referring to detailed arrangements and procedures for Component 1 of the Project, including: (i) institutional coordination and day-to-day execution of LSRP Subprogram activities; (ii) capacity building activities for sustained achievement of the Project’s objectives; (iii) disbursement and financial management; (iv) procurement; (v) monitoring, evaluation, reporting, and public information, education and communication; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for Component 1 of the Project.
25. “LSRP Steering Committee” means the Steering Committee referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.

26. “LSRP Subprogram” means a program of activities under Component 1 of the Project and included in the LSRP Annual Work Program and Budget.
27. “MDAs” means the Recipient’s ministries, departments and agencies.
28. “Memoranda of Understanding” means the LSRP Memorandum of Understanding and the PFMRP Memorandum of Understanding.
29. “MJCA” means the Recipient’s Ministry of Justice and Constitutional Affairs.
30. “MOF” means the Recipient’s Ministry of Finance.
31. “Operating Costs” means the incremental operating costs incurred on account of the implementation of the Project including maintenance of vehicles, fuel, equipment, office supplies, utilities, consumables, bank charges, advertising expenses, travel per diems, allowances and accommodation, but excluding salaries of the Recipient’s civil servants.
32. “Operations Manuals” means, collectively, the ES Operations Manual, the LSRP Operations Manual and the PFMRP Operations Manual.
33. “PFMRP” means the Recipient’s Public Financial Management Reform Program, set out in the Recipient’s 2005 PFMRP Strategic Document and to be supported by the Association under Component 2 of the Project.
34. “PFMRP Annual Work Plan and Budget” means the work plan and budget prepared annually by MOF for Component 2 of the Project, in accordance with Section I.B.4 of Schedule 2 to this Agreement.
35. “PFMRP Memorandum of Understanding” means the memorandum of understanding between the Recipient, the Association and the PFMRP Co-financiers, as the same may be amended from time to time, providing for common arrangements and procedures on procurement, disbursement, accounting, monitoring, reporting, auditing, coordination and exchange of information required for the implementation of Component 2 of the Project.
36. “PFMRP Operations Manual” means the Recipient’s manual, in form and substance satisfactory to the Association, containing or referring to detailed arrangements and procedures for Component 2 of the Project, including: (i) institutional coordination and day-to-day execution of PFMRP Subprogram activities; (ii) capacity building activities for sustained achievement of the Project’s objectives; (iii) disbursement and financial management; (iv) procurement; (v) monitoring, evaluation, reporting, and public information, education and communication; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for Component 1 of the Project.

37. "PFMRP Subprogram" means a program of activities under Component 2 of the Project and included in the PFMRP Annual Work Program and Budget.
38. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
39. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 10, 2006 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.
40. "Program" means the program set out in the letter from the Recipient to the Association dated March 11, 2006, describing a set of objectives, policies and actions designed to ensure enhanced accountability, transparency and integrity in the provision of legal and judicial services and the use of public financial resources, and declaring the Recipient's commitment to the execution of the Program.
41. "Project Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreements signed on behalf of the Association on May 8, 2001 and February 19, 2002 and on behalf of the Recipient on, respectively, May 22, 2001 and March 7, 2002.
42. "Resettlement Action Plan" or "RAP" means the plan referred to in Section I.B.2 (a) of Schedule 2 to this Agreement; and "RAPs" means, collectively, each such RAP.
43. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework of the Recipient dated October 2005, as the said framework may be amended and/or supplemented from time to time with the prior concurrence of the Association, setting forth the modalities for resettlement and compensation of Affected Persons under the Project and referred to in Section I.B.2 of Schedule 2 to this Agreement.
44. "Subprograms" means the LSRP Subprograms and the PFMRP Subprograms; and "Subprogram" means any LSRP Subprogram or any PFMRP Subprogram, as the case may be.
45. "Training" means costs associated with the training of personnel involved in Project supported activities 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.

