

CONFORMED COPY

CREDIT NUMBER 4170-TA

Financing Agreement

(Fourth Poverty Reduction Support Development Policy Financing)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 5, 2006

CREDIT NUMBER 4170-TA

FINANCING AGREEMENT

Agreement dated June 5, 2006, entered into between UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I—GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in 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 one hundred forty million Special Drawing Rights (SDR 140,000,000).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 1 and November 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III—PROGRAM

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

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

ARTICLE IV—REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension 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.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V—TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister responsible for Finance.

- 6.02. The Recipient's Address is:

Ministry of Finance
P.O. Box 9111
Dar es Salaam
United Republic of Tanzania

Cable address:

Facsimile:

TREASURY

(255) 222 11 0326

- 6.03. The Association's Address is:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI) 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

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program

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

The Recipient has:

1. in accordance with paragraph 11 of the Letter of Development Policy, made progress in the implementation of the action plan for the rationalization of roles, functions and accountability of agricultural crop boards, consistent with the Agriculture Sector Development Strategy, and has issued a ministerial circular requiring all agricultural crop boards to cease charging any levies or cess;
2. in accordance with paragraph 16 of the Letter of Development Policy, made progress in the implementation of the strategic plan for operationalizing its Land Act and Village Land Act, and has during the first six months of the FY 2005/2006, issued at least 400 certificates of customary rights of occupancy;
3. in accordance with paragraph 9 of the Letter of Development Policy drafted and submitted to its Legislative Assembly for consideration, the draft Business Activities Registration Bill;
4. in accordance with paragraph 22 of the Letter of Development Policy, approved its budget for FY 2005/06 in line with *MKUKUTA* implementation, delineating budget codes for budget activities related to *MKUKUTA* goals and strategies;
5. in accordance with paragraph 21 of the Letter of Development Policy, provided its expenditure outturn for FY 2004/05 consistent with its approved budget for said FY;
6. in accordance with paragraph 37 of the Letter of Development Policy, trained its national audit office staff, and completed procurement and installation of computer equipment at the national audit office to allow future audit through the integrated financial management systems;

7. in accordance with paragraph 36 of the Letter of Development Policy, approved the organizational structure of the Public Procurement Regulatory Authority, and has allocated additional budgetary resources to the Public Procurement Regulatory Authority;
8. in accordance with paragraph 32 of the Letter of Development Policy, made pay enhancement consistent with its approved budget for the FY 2006, and the overall thrust of the pay reform;
9. in accordance with paragraph 34 of the Letter of Development Policy, defined a process for reform of its public sector allowances on the basis of the recommendations of the ongoing review under the public sector reform program; and
10. in accordance with paragraph 43 of the Letter of Development Policy, carried out a satisfactory health sector review.

Section II. Availability of Financing Proceeds

A. General

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

B. Allocation of Financing Amounts

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

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Tranche	140,000,000
TOTAL AMOUNT	<u>140,000,000</u>

C. Deposits of Financing Amounts

Except as the Association may otherwise agree:

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

D. Excluded Expenditures

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

E. Closing Date

The Closing Date is June 30, 2007.

SCHEDULE 2

Repayment Schedule

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

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:
 - a. for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another Financing, credit, grant or loan;
 - b. for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

2. Group	3. Sub-group	4. Description of Item
5. 112	6.	7. Alcoholic beverages
8. 121	9.	10. Tobacco, un-manufactured, tobacco refuse
11. 122	12.	13. Tobacco, manufactured (whether or not containing tobacco substitutes)
14. 525	15.	16. Radioactive and associated materials
17. 667	18.	19. Pearls, precious and semiprecious stones, unworked or worked
20. 718	21. 718.7	22. Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
23. 728	24. 728.43	25. Tobacco processing machinery
26. 897	27. 897.3	28. Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
29. 971	30.	31. Gold, non-monetary (excluding gold ores and concentrates)

- c. for goods intended for a military or paramilitary purpose or for luxury consumption;

- d. for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party, and any other goods designated as environmentally hazardous by agreement between the Recipient and the Association;
 - e. on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - f. under a contract with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds during the procurement or execution of such contract, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to remedy the situation.
- 2. “Fiscal Year” and “FY” means the Recipient’s fiscal year commencing on July 1 and ending on June 30 of the following year.
 - 3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 with the modifications set forth in Section II of this Appendix.
 - 4. “Letter of Development Policy” means the letter dated April 4, 2006, received by the Association from the Recipient, describing the Program (as hereinafter defined), and declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during the execution thereof.
 - 5. “Land Act” means the Recipient’s Act No. 4 of 1999 of the Laws of the Recipient providing for registration, ownership, titling, alienation and other dealings with individually owned agricultural land in the territory of the Recipient.
 - 6. “Village Land Act” means the Recipient’s Act No. 5 of 1999 of the Laws of the Recipient providing for registration, ownership, titling, alienation and other dealings with communally owned land in the rural areas of the territory of the Recipient.
 - 7. “Legislative Assembly” means the parliament or legislative assembly of the Recipient, established under the Constitution of the Recipient.

8. “MKUKUTA” means the Recipient’s National Strategy for Growth and Reduction of Poverty, dated June 2005.
9. “Public Procurement Regulatory Authority” means the Procurement Regulatory Authority established and operating pursuant to the Procurement Authority Act No. 21 of 2004, of the Laws of the Recipient.
10. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 4, 2006, 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.
11. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
12. “Tranche of the Financing” means the amount of the Financing specified in Section 2.01 of this Agreement.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, are as follows:

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

“Section 4.06. *Plans; Documents; Records*

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

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

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

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

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

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

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