

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4639-TA

Financing Agreement

(Additional Financing for Agricultural Sector Development Project)

between

UNITED REPUBLIC of TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 22, 2009

Public Disclosure Authorized



CONFORMED COPY

REDIT NUMBER 4639-TA

FINANCING AGREEMENT

AGREEMENT dated July 22, 2009, entered into between the UNITED REPUBLIC OF TANZANIA (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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, the Original Financing Agreement, or this Agreement.
- 1.03. The Original Financing Agreement is amended as set out in Section II of 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 million two hundred thousand Special Drawing Rights (SDR 20, 200,000) (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 II 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 and the Program. To this end, the Recipient shall carry out Component 1 of the Project through the Prime Minister's Office – Regional Administration and Local Government, and Local Government Authorities, and Component 2 of the Project through the Ministry of Agriculture Food Security, and Cooperatives; Ministry of Livestock Development and Fisheries; Ministry of Industries Trade and Marketing, and Ministry of Water and Irrigation 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 consists of the following, namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof 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 sixty (60) 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 its minister responsible for finance.

6.02. The Recipient's Address is:

Minister of Finance and Economic Affairs
Ministry of Finance and Economic Affairs
P. O. Box 9111
Dar es Salaam
Tanzania

Cable:

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)

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/ Ramadhani Khijjah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John McIntire

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) enable farmers to have better access to, and use of, agricultural knowledge, technologies, marketing systems and infrastructure, all of which contribute to higher productivity, profitability and farm incomes; and (ii) promote agricultural private investment based on an improved regulatory and policy environment.

The Project consists of the Original Project.

SCHEDULE 2**Project Execution****Section I. Implementation and Institutional Arrangements; Project Monitoring, Reporting, Evaluation; Financial Management, Financial Reports and Audits; and Procurement.**

A. Sections I, II, and III of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference in this Part A and shall apply, mutatis mutandis, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. Memorandum of Understanding

The Recipient shall ensure that by not later than two months after Effective Date, the Memorandum of Understanding shall have been revised and executed in form and substance satisfactory to the Association.

C. Anti-Corruption

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

D. IPMP

The Recipient shall:

1. by not later than three months after Effective Date, cause the MAFC to revise and disclose the IPMP, in form and substance satisfactory to the Association; and
2. thereafter, cause the Project to be carried out in accordance with the revised IPMP.

E. Cumulative Impact Assessment Report

By not later than three months before the Closing Date, the Recipient shall submit to the Association an environmental Cumulative Impact Assessment Report, in form and substance satisfactory to the Association.

Section II. 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), 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) Subprogram A	19,500,000	Such percentage of Eligible Expenditures as the Association may determine for each FY
(2) Subprogram B	700,000	Such percentage of Eligible Expenditures as the Association may determine for each FY
TOTAL AMOUNT	20,200,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement;
 - (b) under Categories (1) and (2) unless,

for each year of Project implementation, the Recipient submits to the Association and other Development Partners an AWPB; or
 - (c) under Category (1), unless for each year of Project implementation, the Recipient provides to the Association a list of LGAs that have qualified for Subprogram A resources under the Annual Performance Assessment.
2. The Closing Date is June 30, 2012.

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 November 15, 2019 to and including May 15, 2029	1%
commencing November 15, 2029 to and including May 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**Section I. Definitions**

1. “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.
2. “Category” means a category set forth in the table in Section II of Schedule 2 to this Agreement.
3. “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.
4. “Cumulative Impact Assessment Report” means the report referred to in Section I.E. of Schedule 2 to this Agreement, detailing the cumulative environmental impacts that the increased use of fertilizer, pesticides and irrigation during Project implementation, shall have on water (ground and surface) and soil quality.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “Original Financing Agreement” means the financing agreement for a Agricultural Sector Development Project between the Recipient and the Association, dated August 30, 2006, as amended to the date of this Agreement (Credit No 4192-TA).
7. “Original Project” means the Project described in the Original Financing Agreement.
8. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 6, 2009 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.
10. “Program” means the Recipient’s strategic plan for development of the agricultural sector as set forth in the Agricultural Sector Development Program dated May 2006 and covering the period from 2006-07 to 2012-13.

Section II. Amendments to Original Financing Agreement

The Original Financing Agreement is amended as set forth below.

1. In Schedule 2 to the Original Financing Agreement, Section I.2.B.5(iii)(c) is amended to read as follows:

“(c) “the obligation to carry out the Subproject in accordance with the Anti-Corruption Guidelines and the PIP, with due diligence and efficiency, in accordance with sound technical, financial, managerial, social and environmental standards, as more fully described in Section I (2) (D) of this Schedule;”

2. A new Section I.2.E is added to Schedule 2 of the Original Financing Agreement to read as follows:

“E. Anti-Corruption

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

3. Section II.A.(b) is amended to read as follows:

“(b) The performance indicators referred to above in Sub-paragraph (a) consist of the following:

- (i) Percentage of farm households using improved seeds, fertilizers, improved livestock breeds and soil fertility management practices.
- (ii) Proportion of smallholder using mechanization (Oxen and /or tractor).
- (iii) Area under irrigation.
- (iv) Flow of private funds into agriculture sectors (Tsh Million).
- (v) Ratio of processed exported agricultural products to total exported agricultural products.”

4. Section III.B.2 of the Original Financing Agreement is amended by adding a new Section III.B.2.E to read as follows:

Procurement Method
(a) Limited International Bidding
(b) National Competitive Bidding
(c) Shopping
(d) Direct Contracting
(e) Community Participation in Procurement

5. A new paragraph 3 is introduced to Section III.B of the Original Financing Agreement as follows:

“3. Exceptions for the use of National Competitive Bidding referred to in paragraph B.2(b) of this Section.

National Competitive Bidding for goods and works may be used 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) National Competitive Bidding may be used, except for the provisions given to domestic suppliers and contractors.”

6. Section IV.B.2 of Schedule 2 to the Original Financing Agreement is amended to read as follows:

“2. The Closing Date is June 30, 2012”

7. Paragraph 10 of the Appendix to the Original Financing Agreement is amended to read as follows:

“10. “Integrated Pest Management Plan” or “IPMP” means a comprehensive plan to be revised and disclosed pursuant to Section I.D of Schedule 2 to the Financing Agreement for Additional Financing to the Agriculture Sector

Development Project, to address significant pest management issues such as: (a) new land-use development or changed cultivation practices in an area; (b) significant expansion into new areas; (c) diversification into new crops in agriculture; (d) intensification of existing low-technology systems; (e) proposed procurement of relatively hazardous pest control products or methods; or (f) specific environmental or health concerns (e.g., proximity of protected areas or important aquatic resources, worker safety), and designed to minimize potential adverse impacts on human health and the environment and to advance ecologically-based integrated pest management.

8. Paragraph 35 of the Appendix to the Original Financing Agreement is amended to read as follows:

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

9. Paragraph 13 of the Appendix to the Original Financing Agreement is amended to read as follows:

“13. “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”

10. Paragraph 48 of the Appendix to the Original Financing Agreement is amended to read as follows:

“48. Ministry of Livestock Development and Fisheries” or “MLDF” means Recipient’s ministry responsible for livestock development and fisheries.”

11. Paragraph 57 of the Appendix to the Original Financing Agreement is amended to read as follows:

“57. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.”

12. Paragraph 74 of the Appendix to the Original Financing Agreement is amended to read as follows:

“74. “Zonal Agricultural Research and Development Institutes” or “ZARDI” means the institutes for promotion of agricultural research and development constituted in each of the Recipient’s seven agro-ecological zones by MAFC and

MLDF and referred to in Section I (2) (C) (4) (a) of Schedule 2 to this Agreement.”

13. A new paragraph 77 is introduced in the Appendix to the Original Financing Agreement to read as follows:

“77. “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.”

14. A new paragraph 78 is introduced in the Appendix to the Original Financing Agreement to read as follows:

“78. “Ministry of Water and Irrigation” or “MOWI” means Recipient’s ministry responsible for water and irrigation development.”