

CONFORMED COPY

CREDIT NUMBER 4293-TA

Financing Agreement

(Zanzibar Basic Education Improvement Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 25, 2007

CREDIT NUMBER 4293-TA

FINANCING AGREEMENT

AGREEMENT dated June 25, 2007, entered into between the 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 this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty eight million two hundred thousand Special Drawing Rights (SDR 28,200,000) (“Credit”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 1 and August 1 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 cause the Project to be carried out by MoEVT (Zanzibar) in accordance with the provisions of Article IV of the General Conditions, and the Project Agreement.
- 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 carry out or 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 — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Subsidiary Agreement has been executed on behalf of the Recipient and MoEVT (Zanzibar); and
 - (b) the Recipient has: (i) established MoEVT (Zanzibar) Audit Committee in accordance with the Public Finance Act (Zanzibar), and has submitted to the Association satisfactory evidence of such establishment; and (ii) appointed a procurement specialist to MoEVT (Zanzibar) Procurement Management Unit, all in form and substance satisfactory to the Association.
- 5.02. The Additional Legal Matter shall be that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and MoEVT (Zanzibar) and is legally binding upon the Recipient and MoEVT (Zanzibar) in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE V — 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

Facsimile:

(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:

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.

THE 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 support the Recipient's efforts to improve the lower secondary education in the islands of Zanzibar within its territory, including raising the rates of students successfully completing the first four years of secondary education.

The Project consists of the following parts:

PART 1 Physical Infrastructure

Improving equitable access to secondary school education and providing an appropriate environment for education to A-level education standard, including: (a) construction of lower and upper secondary schools and a teacher training college in *Pemba*; and (b) rehabilitation of selected schools in *Pemba* and *Stone Town*, all through the provision of works and technical advisory services.

PART 2 Teacher Training, Curriculum Reform and Learning Materials

1. Strengthening the capacity for school management and teacher supervision, including: (a) developing and delivering an in-service upgrading course for retraining secondary school teachers teaching science and mathematics, and other selected personnel involved in secondary school curricula; (b) developing and delivering an in-service upgrading course for improving communication skills and retraining: (i) primary school teachers teaching English language, science, mathematics; and (ii) other selected personnel involved in primary school curricula; (c) developing a manual on secondary and primary school management and teacher supervision, and training for selected personnel; and (d) carrying out of activities to manage the current and future supply of teachers, all through the provision of technical advisory services, training and acquisition of goods.

2. Supporting curriculum revision and provision of learning materials for students, enhancing science and mathematics education for girls and raising HIV/AIDS, gender and environmental awareness, including: (a) developing a policy for sustained provision of textbooks for primary and secondary schools; (b) provision of books, equipment, consumables and other learning and instructional materials in secondary schools; (c) developing a new curriculum for upper primary standards, and provision of textbooks and instructional materials in primary schools, including for pupils with disabilities due to loss of sight or hearing; (d) organizing an annual residential science camp for girls, and training selected teachers to run the camp; and (e) developing a new manual and organizing workshops for promoting life skills, all through the provision of technical advisory services and acquisition of goods.

PART 3 Project Monitoring and Coordination

Supporting effective management and coordination of the Project activities, including effective monitoring and evaluation systems, and strengthening capacity of MoEVT (Zanzibar) for coordination, supervision, monitoring and evaluation of the Project and the Program, through the provision of technical advisory services.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project by MoEVT (Zanzibar), the Recipient shall make the proceeds of the Financing available to MoEVT (Zanzibar), under the Subsidiary Agreement between the Recipient and MoEVT (Zanzibar), under terms and conditions approved by the Association, which shall include obligations of MoEVT (Zanzibar) to:
 - (a) (i) carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical and environmental practices and in accordance with the Project Implementation Plan; (ii) provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the Project; and (iii) not amend, abrogate or waive any provision of the Project Implementation Plan except as the Association and the Recipient shall otherwise agree, if such amendment, abrogation or waiver may, in the opinion of the Recipient and the Association, materially or adversely affect the implementation of the Project;
 - (b) comply with the procedures for procurement of goods, and consultant services set forth in the Procurement Plan;
 - (c) comply with record keeping, auditing and reporting requirements set forth in Schedule 2 to this Agreement with respect to the Project, including the annual auditing of its records and accounts in respect of the Project (operations, resources and expenditure in respect of the Project);
 - (d) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of the Project and the performance of its obligations under the Subsidiary Agreement;
 - (e) promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of the Project, or the performance of its obligations under the Subsidiary Agreement; and

(f) in case of conflict between the Subsidiary Agreement and this Agreement, the latter shall prevail.

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

B. Institutional Arrangements

1. **General:** The Recipient shall, at all times during the implementation of the Project and the Program, maintain MoEVT (Zanzibar), including the DPP, DTE, DCE and other comparable departments, with the staffing, functions and resources acceptable 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. Environmental and Social Safeguards

The Recipient shall ensure that the Project is carried out in accordance with Section 1(D) of the Schedule to the Project Agreement, and the procedures and guidelines in the ESMF and the RPF.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall, cause MoEVT (Zanzibar) to 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 sub-paragraph (b) of this paragraph. 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.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) Increase in pupil to classroom ratio;

- (ii) Increase in percentage of English, science and mathematics teachers who are qualified to teach at the secondary school level; and
- (iii) Increase in the pupil to textbook ratio.

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 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, Works and Services (other than Consulting Services).** All goods, works and services (other than consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.
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 Section.
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, Works and Services (other than Consulting Services)

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services (other than consulting services) shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Services (other than Consulting Services).** 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; and (c) Shopping.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods of procurement, other than Quality and Cost-based Selection, may be used for consultants' services under the circumstances specified in the Procurement Plan for each such method: (a) Quality Based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection Based on Consultants' Qualifications; (e) Single-source Selection; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$500,000 or more procured on the basis of International Competitive Bidding or National Competitive Bidding; (b) each contract for goods estimated to cost the equivalent of \$150,000 or more procured on the basis of International Competitive Bidding; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (d) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and (e) each contract for consultants' services procured on single source basis.
2. 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 under Part 1 of the Project	18,280,000	100%
(2) Goods:		100%
(a) for Parts 1 and 2(1) of the Project	1,150,000	
(b) for Part 2(2) of the Project	6,070,000	
(3) Consultants’ services	1,430,000	100%
(4) Operating costs	930,000	100%
(5) Unallocated	340,000	
TOTAL AMOUNT	28,200,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A.1 of this Section no withdrawal shall be made for:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed two million eight hundred and twenty thousand Special Drawing Rights (SDR 2,820,000) (equivalent to USD 4,200,000) may be made for payments made prior to this date but on or after February 26, 2007, for Eligible Expenditures; and
 - (b) Eligible Expenditures under Category 2(b) for Part 2 of the Project, unless the Recipient has formulated a policy, acceptable to the Association, for sustained provision of textbooks.
2. The Closing Date is July 31, 2013.

Section V. Other Undertakings

A. Appointment of Financial and Procurement Auditors

- 1. The Recipient shall cause MoEVT (Zanzibar), not later than six months after the Effective Date to appoint the independent auditors referred to in Section 4.09(b) of the General Conditions, in accordance with the provisions of Section II of this Schedule.
- 2. The Recipient shall cause MoEVT (Zanzibar), not later than six months after the Effective Date, to 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 cause MoEVT (Zanzibar), 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 February 1 and August 1	
commencing August 1, 2017 to and including February 1, 2027	1%
commencing August 1, 2027 to and including February 1, 2047	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “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. “DCE” means the Department of Curriculum Development and Examinations within MoEVT (Zanzibar), as herein defined.
5. “DPP” means the Department of Policy and Planning within MoEVT (Zanzibar), as herein defined.
6. “DTE” means the Department of Teacher Education within MoEVT (Zanzibar), as herein defined.
7. “Environmental Impact Assessment” means each environmental impact assessment prepared as an annex to the ESMF, in form and substance acceptable to the Association, in respect of each proposed constructing or rehabilitation of a school under Part I of the Project, including, *inter alia*: (i) description of the construction or rehabilitation activity and site; (ii) actual or potential environmental impact of each construction or rehabilitation activity; and (iii) a management plan setting forth adequate mitigation measures and systems required to monitor the implementation of each construction or rehabilitation activity, and to ensure compliance of such activity with the procedures set forth in the ESMF.
8. “Environmental and Social Management Framework” or “ESMF” means the document of the Recipient dated January 30, 2007, 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 Part D of Section I of the Schedule to the Project Agreement.

9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
10. “MoEVT (Zanzibar)” means the Ministry of Education and Vocational Training of the Revolutionary Government of Zanzibar (as herein defined), the Project Implementing Entity.
11. “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.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
13. “Procurement Management Unit” means the unit means the unit established and operating under the Procurement and Disposal of Public Assets Act, 2005, of the Revolutionary Government of Zanzibar.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 26, 2007, 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.
15. “Program” means the program designed to reform the education system in the territory governed by the Revolutionary Government of Zanzibar (as herein defined) and set forth or referred to in the Letter of Sector Policy communicated in the form of a letter dated February 28, 2007, from the Recipient to the Association
16. “Project Agreement” means the agreement between the Association and MoEVT (Zanzibar) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
17. “Project Implementation Plan” means a plan comprising of a financial management manual, a procurement manual, annual work plans, including an annex setting forth institutional and implementation arrangements for the Project, as such plan may be amended from time to time.

18. “Public Finance Act (Zanzibar)” means the Public Finance Act No. 12 of 2005, of the Revolutionary Government of Zanzibar.
19. “Resettlement Action Plan” or “RAP” means the plan referred to in Part D.1 of Section I of the Schedule to the Project Agreement.
20. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework of the Recipient dated January 30, 2007, 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 Part D.1 of Section I of the Schedule to the Project Agreement.
21. “Revolutionary Government of Zanzibar” means the government established and operating pursuant to the Constitution of the Recipient, as the administrative authority over the islands of Zanzibar and Pemba within the territory of the Recipient.