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**CONFORMED COPY**

**CREDIT NUMBER 4727-TZ**

# **Financing Agreement**

**(Tanzania Strategic Cities Project)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 11, 2010**

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Public Disclosure Authorized

**CREDIT NUMBER 4727- TZ**

**FINANCING AGREEMENT**

AGREEMENT dated June 11, 2010, entered into 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 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 one hundred seven million four-hundred thousand Special Drawing Rights (SDR 107,400,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 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 objective of the Project. To this end, the Recipient shall carry out the Project through its PMO-RALG, 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 Events of Suspension consist of the following:
  - (a) A Participating LGA's Enabling Legislation shall have been amended, suspended, abrogated, or waived so as to materially and adversely affect the ability of the Participating LGA to perform any of its obligations under the Project or its respective Performance Agreement.
  - (b) A Participating LGA fails to perform any of its obligations under its Performance Agreement.
  - (c) The Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2010.
- 4.02. The Additional Event of Acceleration is that any event(s) specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event(s) has been given by the Association to the Recipient.

**ARTICLE V —EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Recipient has adopted a PIM in form and substance satisfactory to the Association.
  - (b) The Performance Agreements have been executed on behalf of the Recipient, through its PMO-RALG, and the Participating LGAs.
- 5.02. The Additional Legal Matter consists of the following: the Performance Agreements have been duly authorized or agreed by the Recipient and the Participating LGAs and are legally binding upon the Recipient and Participating LGAs in accordance with their respective 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 years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's representative is its Minister for Finance.

- 6.02. The Recipient's Address is:

Ministry of Finance and Economic Affairs  
P. O. Box 9111  
Dar es Salaam  
Tanzania  
Facsimile:  
(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,  
month and year first above written.

UNITED REPUBLIC OF TANZANIA

By

/s/ Ramadhani M. Khijjah  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ John Murray McIntire  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the quality of and access to basic urban services in Participating LGAs.

The Project consists of the following parts:

#### Part 1: Core Urban Infrastructure and Services

Improving core infrastructure and key urban services in the Participating LGAs through the provision of:

- (a) investment in core urban infrastructure and services subprojects prioritized by the Participating LGAs that include: (i) urban roads and drainage, culverts, bridges, footpaths and street lighting; (ii) solid waste management including solid waste collection centers, equipment for transportation and disposal, and the development or improvement of waste disposal sites; and (iii) local infrastructure such as bus and lorry stands; and
- (b) construction supervision support and technical assistance specifically for the implementation and monitoring of ESMPs and RAPs linked to subprojects, including the payment of compensation costs.

#### Part 2: Institutional Strengthening

Strengthening the fiscal and management capacity of Participating LGAs and PMO-RALG for improved operations and maintenance (O&M) and infrastructure development through the provision of support for:

- (a) urban infrastructure development and management including technical design, procurement, financial management, contract management, and environmental and social safeguards;
- (b) upgrading systems for asset management and O&M;
- (c) enhanced management and cost recovery of key urban services;
- (d) improved revenue collection from all sources within the Participating LGA's jurisdiction (including property rates, city service levy, fees and charges etc.);
- (e) improved strategic urban planning; and
- (f) strengthened capacity of PMO-RALG to provide sustained support and guidance to Participating LGAs in the areas of urban infrastructure development and urban management.

#### Part 3: Project Implementation and Preparation of Future Urban Projects

Providing Project implementation and Project preparation support through the provision of:

- (a) financing for: (i) the procurement of office furniture, IT equipment and vehicles to facilitate the coordination and supervision of Project activities; (ii) technical assistance and consultancy services to augment the capacity of PMO-RALG for Project implementation; (iii) consultancy services for the Mid Term Review (MTR) and impact assessment; and (iv) Operating Costs including the cost of technical and steering committee meetings, Project workshops and the annual audit of Project accounts;
- (b) financing for the preparation of future urban projects, focusing specifically on the design and preparation of a future investment project for Dar es Salaam, including support for preparatory studies and the detailed design of priority investments; and
- (c) financing for studies and technical assistance to inform the preparation and implementation of a national urban policy.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements****1. PMO-RALG**

The Recipient shall ensure that PMO-RALG is maintained at all times during the implementation of the Project with mandate, staffing and resources satisfactory to the Association for the purpose of ensuring the prompt and efficient overall coordination, implementation, monitoring, reporting, and evaluation of the Project.

**2. Steering Committee**

The Recipient shall establish within three months of the Effective Date, and maintain throughout Project implementation, a Steering Committee with mandate, staffing and resources satisfactory to the Association for the purpose of providing overall policy guidance in the implementation of the Project and providing linkage between the Project and other related projects and interventions.

**3. Technical Committee**

The Recipient shall establish by the Effective Date and maintain throughout Project implementation, a Technical Committee with mandate, staffing and resources satisfactory to the Association for the purpose of promoting peer-to-peer learning between the Participating LGAs and for reviewing and endorsing the overall annual work program and cash flow forecast for the Project.

**4. Participating LGAs**

(a) Without limitation upon the forgoing provisions of this Section, the Recipient shall ensure that Participating LGAs are maintained, at all times until the completion of the Project, with mandate, staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient coordination, implementation, monitoring, reporting and evaluation of Parts 1 and 2 of the Project.



**Performance Agreements**

- (b) To facilitate the carrying out of Parts 1 and 2 of the Project by Participating LGAs, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Parts 1 and 2 of the Project, available to Participating LGAs by executing Performance Agreements between the Recipient, through PMO-RALG, and the Participating LGAs, under terms and conditions approved by the Association, which shall include the following, to protect the Recipient's interests and those of the Association, including the right to:
- (i) suspend or terminate the right of the Participating LGA to use the proceeds of the Financing or any part of the amount of Financing then withdrawn, upon the Participating LGA's failure to perform any of its obligations under the Performance Agreement; and
  - (ii) require each Participating LGA to: (A) carry out its respective part of the Project with due diligence and efficiency and environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines, with the ESIA's, ESMPs and RAPs, and with the PIM; (B) procure the goods, works and services to be financed in accordance with the provisions of this Agreement; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of its respective part of the Project and the achievement of its objective; (D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its respective part of the Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (E) enable the Recipient and the Association to inspect its respective part of the Project, its operation and any relevant records and documents; and (F) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

- (c) Each Performance Agreement shall provide and detail the activities to be undertaken by Participating LGAs and shall describe:
  - (i) the investment subprojects to be financed by the Project;
  - (ii) the institutional strengthening activities to be financed by the Project;
  - (iii) the obligations of the Recipient to the Participating LGAs; and
  - (iv) the commitments of the Participating LGAs in terms of resource mobilization, operations and maintenance, financial management and environmental and social safeguards management.
- (d) Each year, pursuant to its Performance Agreement, each Participating LGA shall provide PMO-RALG an annual work program detailing the activities to be undertaken that year by the Participating LGA.
- (e) Each year, pursuant to its Performance Agreement and the specific Participating LGA's annual work program, the Recipient, through PMO-RALG, shall provide the Participating LGA sufficient funding on a quarterly year basis so that the Participating LGA may complete its annual work program activities to be undertaken that year.
- (f) The Recipient shall exercise its rights and carry out its obligations under each Performance Agreement in such manner as to protect the interests of the Recipient and the Association, and to accomplish the purposes of the Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Performance Agreements or any of its provisions.

**B. Annual Work Plans and Budget**

The Recipient, through PMO-RALG, shall prepare and furnish to the Association for its approval, not later than March 31 of each year during the implementation of the Project, or such other date as the Association may agree, the annual work plans and budget containing all Project activities and implementation schedules and take into account the Association's comments and views on the matter.

**C. Project Implementation Manual**

1. The Recipient shall prepare in accordance with terms of reference acceptable to the Association, a PIM acceptable to the Association for carrying out the Project activities.
2. The Recipient shall ensure that the Project is carried out in accordance with the arrangements, procedures and guidelines set out in the PIM (provided, however,

that in case of any conflict between the terms set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail).

3. Except as the Association shall otherwise agree in writing, the Recipient shall not amend, abrogate or waive any provision of the PIM.

**D. Anti-Corruption**

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

**E. Environmental and Social Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the ESIA's, ESMPs and RAPs.
2. Prior to carrying out activities which involve displacement of Affected Persons, take all measures satisfactory to the Association, to implement the recommendations of the RAP(s) in a timely manner. To this end, the Recipient shall ensure that:
  - (i) all rights to land, usufructs or customary rights and other property are allocated or acquired, equitable compensation thereof is paid and resettlement is carried out in accordance with the principles and institutional procedures established in the RAP(s);
  - (ii) Affected Persons shall be equitably compensated, resettled and rehabilitated in accordance with the RAP(s);
  - (iii) the implementation arrangements for resettlement, including compensation, relocation and rehabilitation of Affected Persons are documented; and
  - (iv) the implementation, monitoring and evaluation of such RAP(s) is/are completed and reported in a manner satisfactory to the Association.
2. The Recipient shall ensure that: (i) all measures for carrying out the recommendations of the ESIA's, ESMPs, and RAPs are taken in a timely manner; and (ii) the Project Reports referred to in Section II.A of this Schedule shall include adequate information on monitoring the measures defined in the ESIA's, ESMPs, and RAPs.

**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 agreed with the Association and set forth in the PIM. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than 6 months after the Closing Date.

### **Mid Term Review**

3. The Recipient shall:
  - (a) within 24 months of the Effective date, or by such other date agreed by the Association, carry out jointly with the Association, a Mid-Term Review of the progress made in carrying out the Project;
  - (b) at the Mid-Term Review assess, *inter alia*: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities; and
  - (c) no later than thirty (30) days after the completion of the Mid-Term Review, start to implement the recommendations of the Mid-Term Review as agreed with the Association.

### **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 as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited 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 and a Management Letter 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 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 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	Limited International Bidding
(b)	National Competitive Bidding
(c)	Shopping
(d)	Direct Contracting

3. **Additional Provisions Governing National Competitive Bidding referred to in paragraph B.2(b) of this Section.**

National Competitive Bidding for goods and works shall be 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) There shall be no preference accorded to domestic suppliers and contractors.

**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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(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 – 5.4 of the Consultant Guidelines for the Selection of Individual Consultants
(g)	Sole Source Procedures for the Selection of Individual Consultants

**D. Review by the Association 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 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.

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
1) Goods, works, consultants’ services, training, workshops and Operating Costs under the Project	107,400,000	100%
<b>TOTAL AMOUNT</b>	107,400,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

**SCHEDULE 3**  
**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>

On each April 15 and October 15:	
Commencing October 15, 2020, to and including April 15, 2030	1%
commencing October 15, 2030, to and including April 15, 2050	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. “Affected Persons” means persons who, on account of the execution of Performance Agreement subprojects, had or would have their: (i) standard of living adversely affected; or (ii) right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and “Affected Person” means any of the Affected Persons.
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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means the Kingdom of Denmark, referred to in paragraph 10 of the Appendix to the General Conditions.
5. “Co-financing” means an amount of approximately twelve million five hundred and forty four thousand Dollars (US \$12,544,000.00 equivalent), to be provided by the Co-financier to assist in financing Part 2 of the Project.
6. “Co-financing Agreement” means the agreement dated July 6, 2007, entered into between the Recipient and the Co-financier providing for the Co-financing.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006.
8. “Enabling Legislation” means the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, or the Recipient’s Local Government (Urban Authorities) Act No. 8 of 1982, as amended, or the Recipient’s Capital Development Authority (Establishment) Order of 1973, as revised in 2001, either individually or collectively, as the case may be.
9. “ESIA” means one of the seven (7) Environmental and Social Impact Assessment, prepared and adopted by the Recipient for each Participating LGA (Arusha, Tanga, Mwanza, Kigoma, Dodoma, Mbeya and Mtwara), dated March 2010, defining the set of mitigation, enhancement, monitoring, and

institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities; and “ESIAs” means, collectively, all or several such plans.

10. “Environmental and Social Management Plan” or “ESMP” means one of the seven (7) plans, satisfactory to the Association, prepared by the Recipient for each Participating LGA city (Arusha, Tanga, Mwanza, Kigoma, Dodoma, Mbeya and Mtwara), dated January 2010, describing the environmental, monitoring and institutional measures to be applied in the implementation of Project as appropriate; and “ESMPs” means, collectively, all or several such plans.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
12. “LGA” means a Recipient Local Government Authority created by either the Recipient’s Local Government (District Authorities) Act No. 7 of 1982, as amended, or the Recipient’s Local Government (Urban Authorities) Act No. 8 of 1982, as amended.
13. “Management Letter” means Recipient’s audit letter concerning the Project’s annual external audit, carried out by the Recipient’s National Audit Office or such other person or entity registered as an auditor and approved by the Recipient’s Controller and Auditor General. The Management Letter shall provide the auditor’s assessment of the internal controls, accounting system and compliance with financial covenants in this Agreement.
14. “Mid Term Review” or “MTR” means the review Recipient shall carry out within 24 months of the Effective Date and with the participation of the Association and the Participating LGAs.
15. “Operating Costs” means the costs incurred for purposes of Project implementation on account of purchase of vehicles, vehicles’ operation and maintenance, communication and reasonable bank charges, rental of office space, office maintenance costs, office supplies, utilities, consumables, travel costs, per diem for Project staff (excluding the salaries of civil servants), the cost of Technical Committee and Steering Committee Meetings, Project workshops and the annual audit of Project accounts.
16. “Participating LGA” means the Arusha Municipal Council, the Tanga City Council, the Mwanza City Council, the Kigoma Municipal Council, the Dodoma Municipal Council, the Capital Development Authority (CDA), the Mbeya City Council and the Mtwara Municipal Council.

17. “Performance Agreements” means, the agreements entered into between the PMO-RALG and Participating LGAs and referred to in Section I.A(4) (b) of Schedule 2 to this Agreement setting out, *inter alia*, the roles and responsibilities of the PMO-RALG and Participating LGAs, mutual expectations and performance targets; the subprojects and institutional strengthening activities to be financed, and the commitments of the Participating LGAs in terms of maintenance, financial management and resource mobilization.
18. “PIM” means the Recipient’s Project Implementation Manual for the Project, to be adopted pursuant to Section I.C of Schedule 2 to this Agreement, containing or referring to detailed arrangements and procedures for implementation of the Project, including, *inter alia*: (i) institutional coordination and day-to-day execution of the Project; (ii) disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, and reporting; (v) procedures, measures and guidelines for environmental management and implementation of the ESIA’s, ESMP’s and RAP’s; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, as such manual may be amended by the Recipient from time to time in accordance with the provisions of such Section I.C.
19. “PMO-RALG” means the Recipient’s Prime Minister’s Office-Regional Administration and Local Government, or any successor thereto, responsible for regional administration and local government, and overall implementation of the Project.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 6, 2010, 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.
22. “Resettlement Action Plan” or “RAP” means one of the seven plans, dated March, 2010, prepared by the Recipient for each of the Participating LGAs (Arusha, Tanga, Mwanza, Kigoma, Dodoma, Mbeya and Mtwara), and referred to in Section I. E of Schedule 2 to this Agreement, which sets out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Affected Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plan; and “RAP’s” means, collectively, all or several such plans.
23. “Steering Committee” means a committee established by the Recipient comprising permanent secretaries from PMO-RALG; Vice President’s Office, Ministry of Finance and Economic Affairs; Ministry of Lands, Housing and

Human Settlements Development; and Ministry of Infrastructure Development, and referred to in Section I A. 2 of Schedule 2 to this Agreement.

24. “Technical Committee” means a committee established by the Recipient comprising technical staff from the PMO-RALG and the Participating LGAs and referred to in Section I A. 3 of Schedule 2 to this Agreement.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (l) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”