

CONFORMED COPY

**CREDIT NUMBER 4136-TA**

# **Development Credit Agreement**

**(Private Sector Competitiveness Project)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 9, 2006**

**CREDIT NUMBER 4136-TA**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated March 9, 2006, between the UNITED REPUBLIC OF TANZANIA (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has obtained from the BEST Pooled Funding Partners (as hereinafter defined) grants or loans to assist in financing Part A of the Project, and for that purpose the Borrower has entered into the BEST Memorandum of Understanding (as hereinafter defined) with the BEST Pooled Funding Partners;

(C) Parts B and C of the Project will be carried out by, respectively, the Tanzania Private Sector Foundation (TPSF) and the Financial Sector Deepening Trust (FSDT) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to TPSF and the FSDT, as set forth in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Association and TPSF (the TPSF Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”; and

- (b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “Beneficiary” means a private sector MSME, financial or business development service provider, apex or intermediary level organization, academic or training institution or another eligible private sector or public sector entity, or a grouping thereof, established and operating under the laws of the Borrower, which has met the eligibility criteria specified in the Project Implementation Manual (as hereinafter defined) and, as a result, has been extended, or is to be extended, a BP Grant (as hereinafter defined), an FSDT Grant (as hereinafter defined), or a Matching Grant (as hereinafter defined), as the case may be, for the carrying out of a Subproject (as hereinafter defined);

- (b) “BEST” means the “Business Environment Strengthening for Tanzania” overall program of activities supported by the BEST Pooled Funding Partners in

accordance with the provisions of the BEST Memorandum of Understanding, and to be financed out of the proceeds of the Credit under Part A of the Project;

(c) “BEST Annual Work Plan and Budget” means the annual plan and budget for Part A of the Project referred to in Section III (2) of Schedule 4 to this Agreement;

(d) “BEST Implementing Agencies” means the MDAs and other entities responsible for implementing BEST Subprograms (as hereinafter defined) as specified in Section I (2) of Schedule 4 to this Agreement;

(e) “BEST Memorandum of Understanding” means the memorandum of understanding dated between the Borrower and the BEST Pooled Funding Partners, dated December 18, 2003, as the same may be amended from time to time, providing for common arrangements and procedures on procurement, disbursement, accounting, monitoring, reporting, auditing, coordination and exchange of information required for the implementation of Part A of the Project;

(f) “BEST Pooled Funding Partners” means, collectively, the Association upon its signature of the BEST Memorandum of Understanding, the Danish Agency for Development Assistance, the Netherlands, the Swedish International Development Agency, the United Kingdom Government Department for International Development, and any other national or international agency pooling at least a part of their funds for Part A of the Project and having signed the BEST Memorandum of Understanding;

(g) “BEST Subprogram” means a set of specific activities under Parts A.1 through A.7 of the Project included in the BEST Annual Work Plan and Budget;

(h) “BP Grant” means a business plan implementation grant made or proposed to be made out of the proceeds of the Credit by TPSF, through the Grants Manager (as hereinafter defined), to a Beneficiary for the purpose of financing a Subproject under Part B.3 of the Project in accordance with the provisions of Section III of the Schedule to the Project Agreement;

(i) “BP Grant Agreement” means an agreement entered into, or to be entered into, between the Grants Manager, on behalf of TPSF, and a Beneficiary, for the purpose of extending a BP Grant to such Beneficiary on the terms and conditions set forth or referred to in Section III (3) of the Schedule to the Project Agreement;

(j) “Eligible Categories” means Categories 1 through 5 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(k) “Eligible Expenditures” means the expenditures referred to in Section 2.02 (a) of this Agreement;

(l) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement and Section 4.02 of the Project Agreement;

(m) “Fiscal Year” means the Borrower’s fiscal year commencing July 1 and ending June 30 of each year;

(n) “FSDT” means the Financial Sector Deepening Trust incorporated under the laws of the Borrower pursuant to the Trust Deed between the United Kingdom Government Department for International Development as the founder and Epitome Advocates as the original trustee, dated June 8, 2004, for the purpose of providing grants financed by various donors to eligible financial service providers;

(o) “FSDT/Borrower Agreement” means the grant agreement to be entered into between the Borrower and the FSDT pursuant to Section 3.03 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the FSDT/Borrower Agreement;

(p) “FSDT Annual Business Plan” means the annual plan of activities and expenditures for Part C of the Project referred to in Section V (2) of Schedule 4 to this Agreement;

(q) “FSDT Grant” means a grant or other facility made or proposed to be made out of the proceeds of the Credit by the FSDT to a Beneficiary for the purpose of financing a Subproject under Part C of the Project in accordance with the provisions of Section V of Schedule 4 to this Agreement;

(r) “FSDT Grant Agreement” means a grant agreement entered into, or to be entered into, between the FSDT, on behalf of the Borrower and the other FSDT donors, and a Beneficiary, for the purpose of extending an FSDT Grant to such Beneficiary on the terms and conditions set forth or referred to in Section V (4) of Schedule 4 to this Agreement;

(s) “Grant” means a BP Grant, an FSDT Grant, or a Matching Grant, as the case may be;

(t) “Grants Manager” means one or more firms or individuals to be recruited by TPSF in accordance with the provisions of Section I (2) of the Schedule to the Project Agreement to assist TPSF in managing the provision of BP Grants and Matching Grants;

(u) “Matching Grant” means a matching grant made or proposed to be made out of the proceeds of the Credit by TPSF, through the Grants Manager, to a Beneficiary for the purpose of financing a Subproject under Parts B.2 or B.4 of the Project, as the case may be, in accordance with the provisions of Section III of the Schedule to the Project Agreement;

(v) “Matching Grant Agreement” means an agreement entered into, or to be entered into, between the Grants Manager, on behalf of TPSF, and a Beneficiary, for the purpose of extending a Matching Grant to such Beneficiary on the terms and conditions set forth or referred to in Section III (3) of the Schedule to the Project Agreement;

(w) “MDAs” means the Borrower’s ministries, departments and agencies;

(x) “MSMEs” means micro, small and medium enterprises operating in the territory of the Borrower;

(y) “POPP” means the President’s Office, Planning and Privatization;

(z) “Procurement Plan” means the Borrower’s procurement plan, dated November 10, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be periodically updated in accordance with the provisions of Section 3.04 to this Agreement, to cover succeeding 18-month periods (or longer) of Project implementation;

(aa) “Project Implementation Manual” or “PIM” means the Project Implementation Manual referred to in Section II of Schedule 4 to this Agreement, as may be modified from time to time with the prior agreement of the Association, and such term includes any schedules to the PIM;

(bb) “Report Based Disbursements” means withdrawal of funds from the Credit Account using the method referred to in Part A.5 of Schedule 1 to this Agreement;

(cc) “SMEs” means small and medium enterprises operating in the territory of the Borrower;

(dd) “Special Account” means the special deposit account referred to in Section 2.02 (b) of this Agreement;

(ee) “Subproject” means a set of specific activities carried out or to be carried out by a Beneficiary under Parts B.2, B.3, B.4 or C of the Project, as the case may be, and financed or proposed to be financed through a BP Grant, an FSDT Grant, or a Matching Grant, as the case may be;

(ff) “TPSF” means the Tanzania Private Sector Foundation incorporated under the laws of the Borrower pursuant to Certificate No. 35130, November 4, 1999;

(gg) “TPSF Project Agreement” means the agreement between the Association and TPSF 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; and

(hh) "TPSF Subsidiary Grant Agreement" means the grant agreement to be entered into between the Borrower and TPSF pursuant to Section 3.02 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the TPSF Subsidiary Grant Agreement.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to sixty five million five hundred thousand Special Drawing Rights (SDR 65,500,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit; (ii) amounts paid (or, if the Association shall so agree, amounts to be paid) on account of Grants to meet the reasonable cost of goods, works and services required for Subprojects; and (iii) amounts paid (or, if the Association shall so agree, to be paid) on account of BEST Subprograms to meet the reasonable cost of goods, works and services under Part A of the Project.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the Bank of Tanzania, on terms and conditions satisfactory to the Association (the Special Account). Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2012 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as

of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing January 15, 2016 and ending July 15, 2045. Each installment to and including the installment payable on July 15, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.



(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project, with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of this Article III and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Without any limitation upon any of its obligations under this Agreement, the Borrower shall: (i) cause TPSF to: (A) carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and (B) perform, in accordance with the provisions of the Project Agreement, all the obligations of TPSF therein set forth; (ii) take and cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable TPSF to perform such obligations; and (iii) not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of carrying out Part B of the Project, the Borrower shall make available to TPSF the proceeds of the Credit allocated from time to time to Eligible Categories 1 (b), 3 and 4 of the table set forth in Part A.1 of Schedule 1 to this Agreement, under a TPSF Subsidiary Grant Agreement to be entered between the Borrower and TPSF, under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the TPSF Subsidiary Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the TPSF Subsidiary Grant Agreement or any provision thereof.

Section 3.03. (a) Without any limitation upon any of its obligations under this Agreement, the Borrower shall: (i) carry out Part C of the Project through the FSDT in accordance with the FSDT/Borrower Agreement, on terms and conditions which shall have been approved by the Association (provided, however, that in case of any conflict between the arrangements and procedures set out in the FSDT/Borrower Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail); (ii) perform all its obligations and take all actions necessary on its part to enable the FSDT to perform all FSDT's obligations under the FSDT/Borrower Agreement; (iii) not take or permit to be taken any action which would prevent or interfere with such performance; (iv) exercise its rights under the FSDT/Borrower Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the objectives of the Project; and (v) except as the Association shall otherwise agree, not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived the FSDT/Borrower Agreement or any provision thereof.

(b) For the purposes of carrying out Part C of the Project, the Borrower shall make available to the FSDT the proceeds of the Credit allocated from time to time to Eligible Categories 1 (c) and 5 of the table set forth in Part A.1 of Schedule 1 to this Agreement.

Section 3.04. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by TPSF in respect of Part B of the Project pursuant to Section 2.03 of the Project Agreement.

Section 3.06. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall, in conjunction with TPSF and the FSDT:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain or cause to be established and maintained a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section VI of Schedule 4 to this Agreement, the Borrower shall prepare and furnish or cause to be prepared and furnished to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of

such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) TPSF shall have failed to perform any of its obligations under the Project Agreement;

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that TPSF will be able to perform its obligations under the Project Agreement;

(c) The Memorandum and Articles of Association of TPSF shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TPSF to perform any of its obligations under the Project Agreement;

(d) the Borrower or the FSDT shall have failed to perform any of their obligations under the FSDT/Borrower Agreement;

(e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the FSDT or the Borrower will be able to perform their obligations under the FSDT/Borrower Agreement;

(f) The Trust Deed establishing the FSDT shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or the FSDT to perform any of their obligations under the FSDT/Borrower Agreement;

(g) The Borrower or any authority having jurisdiction shall have taken any action for the dissolution or disestablishment of TPSF or the FSDT or for the suspension of their operations; and

- (h) (i) Subject to subparagraph (ii) of this paragraph:
  - (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower by the BEST Pooled Funding Partners for the financing Part A of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or
  - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:
  - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
  - (B) adequate funds for Part A of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

- (a) any event specified in paragraphs (a) and (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;
- (b) any event specified in paragraphs (b), (c), (e), (f) and (g) of Section 5.01 of this Agreement shall occur; and
- (c) the event specified in paragraph (h) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (h) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the TPSF Subsidiary Grant Agreement has been executed on behalf of the Borrower and TPSF;

(b) the Borrower has adopted the Project Implementation Manual, in form and substance satisfactory to the Association;

(c) the Borrower and TPSF have established a procurement management system and a financial management system for the Project, satisfactory to the Association; and

(d) the Borrower has appointed a project coordinator within POPP, with terms of reference and qualifications acceptable to the Association, in accordance with the provisions of Section II of Schedule 3 to this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by TPSF, and is legally binding upon TPSF in accordance with its terms; and

(b) that the TPSF Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and TPSF and is legally binding upon the Borrower and TPSF in accordance with its terms.

Section 6.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

**ARTICLE VII**

**Representative of the Borrower; Addresses**

Section 7.01. The Minister of the Borrower at the time responsible for finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:	Facsimile:
TREASURY Dar es Salaam	41329	(255) 222 11 77 90

For the Association:

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)	(202) 477-6391



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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**

**Withdrawal of the Proceeds of the Credit**

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works, training, consultants' services including audits, and operating costs:		100%
(a) under Part A.8 of the Project	980,000	
(b) under Parts B.1 and B.5 of the Project	6,200,000	
(c) under Part C of the Project	2,760,000	
(2) BEST Subprograms	27,600,000	100% of amounts disbursed
(3) BP Grants	5,800,000	100% of amounts disbursed
(4) Matching Grants	11,030,000	100% of amounts disbursed
(5) FSDT Grants	5,500,000	100% of amounts Disbursed
(6) Unallocated	5,630,000	
<b>TOTAL</b>	<b>65,500,000</b> =====	

2. For the purposes of this Schedule:

(a) the term “training” means all costs associated with the training of personnel involved in Project supported activities including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to course preparation and implementation; and

(b) the term “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, travel per diems and allowances and travel and accommodation, but excluding salaries of the Borrower’s civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) BEST Subprograms under Eligible Category (2), unless: (i) the BEST Memorandum of Understanding has been executed on behalf of the Borrower, the Association and the other BEST Pooled Funding Partners; and (ii) the BEST Annual Work Plan and Budget for the respective Fiscal Year has been approved by the Association in accordance with Section III (2) of Schedule 4 to this Agreement.

(c) any BP Grant or Matching Grant under Eligible Categories (3) or (4), as the case may be, unless: (i) TPSF has contracted the Grants Manager with qualifications and terms of reference satisfactory to the Association, in accordance with the provisions of Section III of Schedule 3 to this Agreement; and (ii) such Grant has been made in accordance with the criteria, procedures and terms and conditions set forth or referred to in Section III of the Schedule to the Project Agreement and the PIM; and

(d) any FSDT Grant under Eligible Category (5), unless: (i) the FSDT/Borrower Agreement has been executed on behalf of the Borrower and the FSDT, on terms and conditions satisfactory to the Association; (ii) the FSDT Annual Business Plan for the respective Fiscal Year has been approved by the Borrower and the Association; and (iii) such FSDT Grant has been made in accordance with the criteria, procedures and terms and conditions set forth or referred to in Section V of Schedule 4 to this Agreement and the PIM.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) works costing less than \$200,000 equivalent per contract; (b) goods costing less than \$150,000 equivalent per contract; (c) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (d) services of individual consultants

costing less than \$50,000 equivalent per contract; (e) Grants costing less than \$150,000; and (f) training and operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. After the Association has received evidence satisfactory to it that the Special Account has been opened in accordance with Section 2.02 (b) of this Agreement, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

3. Notwithstanding the provisions of Part B.1 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit

of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

4. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.1 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

5. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account, or, if the Association shall so request, refund to the Association, an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

**Annex A**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are Not  
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means an amount equivalent to \$15,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.2 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further

withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B**

**to**

**SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account, an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.



## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in creating sustainable conditions for enterprise creation and growth by: (i) reducing the cost of doing business; (ii) increasing the capacity of the local private sector to participate in domestic and international markets; and (iii) improving access to financial services.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A. Business Environment Strengthening

1. Business Registration Reform. Review and revision of the business registration legal, policy and institutional framework to simplify the business registration process and separate business registration from business licensing, including capacity building support to concerned MDAs, computerization of national databases for improved search, verification and inter-linkage capabilities, and carrying out of related public awareness activities.

2. Land Reform. Implementation of selected short and medium term activities for development of efficient land registration and administration services identified under the Borrower's Strategic Plan for Implementation of Land Laws, including: (a) development of a streamlined land registration process supported by strengthened land information systems; (b) improvement of the survey and mapping infrastructure and undertaking of a program of geodetic control and mapping in priority areas; (c) decentralization of land registration and administration services in selected districts, including the carrying out of a comprehensive public awareness program; (d) undertaking of field campaigns to map and register house plots and issue residential licenses in unplanned settlements in Dar es Salaam and other priority areas, and establishment of property registries within local authorities; (e) capacity building support to district land and housing tribunals to facilitate the resolution of land disputes, including the carrying out of public awareness activities; and; (f) capacity building of MLHSD, district land offices and village land committees for implementation, monitoring and evaluation of activities under this Part A.2.

3. Commercial Law and Justice Reform. (a) Review, modernization and dissemination of selected commercial laws and regulations; (b) Development and carrying out of commercial law and dispute resolution training programs for legal professionals in private, public and judicial practice; (c) Provision of technical assistance to support priority court system reform measures, including review and revision of the Civil Procedure Code and other related legislation, establishment and operation of online

legal databases, development of information technologies, upgrading the skills of law librarians, streamlining of case law reporting, provision of training to magistrates and court staff, and improvement of court registry systems; and (d) Provision of training to private companies in corporate governance standards and conduct.

4. Labor Law Reform. Review and revision of the legal framework governing the labor market, including capacity building support to concerned MDAs and carrying out of public awareness activities.

5. Tanzania Investment Center. Support to the Tanzania Investment Center to perform its functions as a one-stop information and facilitation centre for foreign and local investors.

6. National Individual Identification System. Creation of a national identification database under a public private partnership, including provision of related operational training to government officials and issuance of identity cards.

7. MSME Database. Support to the MSME Policy Unit of the Ministry of Industry and Trade to conduct an initial baseline survey and establish and maintain a reliable database for continuous monitoring of MSME sector data to enable appropriate MSME analyses and policy interventions.

8. Project Administration and Monitoring. Support to POPP for the overall coordination, financial management, procurement, monitoring, reporting and evaluation of activities under the Project.

#### Part B. Enterprise Development

1. Cluster Competitiveness and Business School Linkages. (a) Support to TPSF, sector business associations and eligible clusters of firms to: (i) develop enterprise cluster and sub-sector competitiveness assessments and carry out related workshops and public outreach activities; (ii) prepare cluster development strategies and action plans for selected clusters; and (iii) implement selected initiatives identified in the said strategies and action plans; (b) Strengthening the capacity of TPSF to monitor sub-sector development and promote dialogue between the public and private sectors at the national and sub-national level; and (c) Support to eligible business management and financial schools to develop and deliver quality entrepreneurial training, including upgrading of training curricula and comprehensive training of faculty, and dissemination of best practices through workshops and publications.

2. Business Development Services. Provision of Matching Grants to eligible firms to modernize their management systems, production techniques, business development services, and marketing and other business skills and technology, and to eligible training providers to develop and implement general business management and industry-specific training programs.

3. Business Development Gateway. Provision of BP Grants to eligible entrepreneurs through a business plan competition to implement business start up, innovation and upgrade plans.

4. Technical Innovation, Applied Research and Continuing Education. Provision of Matching Grants to eligible training and research institutions to develop and provide continuing technical education and services demanded by the private sector, introduce technological innovations and carry out research and development to capture new market opportunities.

5. Administration and Monitoring. Support to TPSF for the overall coordination, financial management, procurement, monitoring, reporting and evaluation of activities under this Part B of the Project.

Part C. Access to Financial Services

Provision of FSDT Grants to eligible financial service providers, and support to the FSDT, for: (i) training, education, consulting and other related support for activities aimed at developing human resources and organizational capacity to deliver financial services to low income groups; (ii) development of new financial products that address the needs of poor households and MSMEs; (iii) improvements in the policy, legislative and regulatory framework affecting delivery of financial services; (iv) improvements in financial market integration and access to wholesale forms of finance by financial service providers addressing poor households and MSMEs; (v) enhancement of the supply of appropriate business services to financial service providers; and (vi) research and information dissemination activities aimed at increasing the understanding across the financial sector, the government and donors of best practice in the Tanzanian context.

\* \* \*

The Project is expected to be completed by December 31, 2011.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

##### B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$200,000 equivalent per contract, and goods estimated to cost less than \$150,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Goods estimated to cost less than \$50,000 equivalent per contract may be procured directly from the Inter-Agency Procurement Services Agency (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Commercial Practices. Items estimated to cost less than \$150,000 equivalent per contract and to be financed under Grants made for Subprojects, may be procured in accordance with commercial practices acceptable to the Association.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Commercial Practices. Services estimated to cost less than \$100,000 equivalent per contract and to be financed under Grants made for Subprojects may be procured in accordance with commercial practices acceptable to the Association.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines

may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$200,000 or more; (b) goods and services (other than consultants' services) to cost the equivalent of \$150,000 or more; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 4**

### **Implementation Program**

#### Section I. Institutional Arrangements

##### 1. President's Office, Planning and Privatization

The Borrower shall ensure that POPP is maintained at all times during the implementation of the Project with staffing and resources satisfactory to the Association, for the purpose of ensuring the prompt and efficient overall coordination, financial management, procurement, monitoring, reporting and evaluation of Project activities.

##### 2. BEST Implementing Agencies

Without limitation upon the provisions of paragraph 2 of this Section, the Borrower shall: (a) cause the day-to-day implementation, procurement and monitoring and evaluation of: (i) BEST Subprograms under Parts A.1 and A.8 of the Project to be carried out by the Ministry of Industry and Trade; (ii) BEST Subprograms under Part A.2 of the Project to be carried out by the Ministry of Lands and Human Settlements Development; (iii) BEST Subprograms under Part A.3 of the Project to be carried out by the Ministry of Justice and Constitutional Affairs and the judiciary; (iv) BEST Subprograms under Part A.4 of the Project to be carried out by the Ministry of Labour, Youth Development and Sports; (v) BEST Subprograms under Part A.5 of the Project to be carried out by the Tanzania Investment Center; and (vi) BEST Subprograms under Part A.7 of the Project to be carried out by the Ministry of Home Affairs; and (b) cause the BEST Implementing Agencies to coordinate closely with the other MDAs involved in the implementation of activities under Part A of the Project.

#### Section II. Project Implementation Manual

1. The Borrower shall, in conjunction with TPSF and the FSDT, adopt a PIM in form and substance satisfactory to the Association, containing or referring to detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) capacity building activities for sustained achievement of the Project's objectives; (iii) disbursement and financial management; (iv) procurement; (v) a Grants manual or manuals defining eligibility criteria, environmental and social screening guidelines, and approval, disbursement, administration and monitoring arrangements for Subprojects together with sample grant agreement formats; (vi) monitoring, evaluation and reporting; and (vii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Borrower shall carry out the Project in accordance with the arrangements and procedures set out in the PIM (provided, however, that in case of any conflict

between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, shall not amend, abrogate or waive any provision of the PIM, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

Section III. BEST Subprograms

1. BEST Memorandum of Understanding

(a) Without limitation upon the provisions of Sections I and II of this Schedule, the Borrower shall implement the BEST Subprograms under Part A of the Project in accordance with the arrangement and procedures set out in the BEST Memorandum of Understanding, as the same shall be amended on terms and conditions satisfactory to the Association; provided, however, that in case of any conflict between the provisions of said memorandum and of this Agreement, the provisions of this Agreement shall prevail.

(b) Except as the Association shall otherwise agree, the Borrower shall not amend, abrogate or waive any provision of the BEST Memorandum of Understanding, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of Part A of the Project.

2. BEST Annual Work Plan and Budget

The Borrower shall, prepare and furnish to Association for its joint approval with the other BEST Pooled Funding Partners, not later than March 31 of each year during the implementation of the Project, or such later date as the Association may agree in consultation with the other BEST Pooled Funding Partners, a BEST Annual Work Plan and Budget containing eligible activities and expenditures under each proposed BEST Subprogram to be carried out under Part A of the Project in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter.

Section IV. BP Grants and Matching Grants

Without limitation upon the provisions of Sections I and II of this Schedule, the Borrower shall cause the TPSF to appraise, approve and monitor Subprojects under Parts B.2, B.3 and B.4 of the Project, and administer the BP Grants and Matching Grants in accordance with the provisions and procedures set forth or referred to in Section III of the Project Agreement and in more detail in the PIM.



Section V. FSDT Grants

1. General

Without limitation upon the provisions of Sections I and II of this Schedule, the Borrower shall cause the FSDT to appraise, approve and monitor Subprojects under Part C of the Project, and administer the FSDT Grants in accordance with the provisions and procedures set forth or referred to in this Section V and in more detail in the PIM and the FSDT/Borrower Agreement.

2. FSDT Annual Business Plan

The Borrower shall prepare, through the FSDT, and furnish to Association for its no-objection, not later than April 30 of each year during the implementation of the Project, or such later date as the Association may agree, an FSDT Annual Business Plan containing the eligible activities and expenditures for Subprojects to be carried out under Part C of the Project in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account its comments and views on the matter.

3. Eligibility Criteria and Procedures for Subprojects under Part C of the Project

No proposed Subproject under Part C of the Project shall be eligible for financing under an FSDT Grant out of the proceeds of the Credit unless the Borrower, through the FSDT, has determined, on the basis of an appraisal conducted in accordance with this Section and the guidelines set forth in the PIM and the FSDT/Borrower Agreement, that the proposed Subproject satisfies the eligibility criteria specified below and set forth or referred to in more detail in the PIM and the FSDT/Borrower Agreement, which shall include, *inter alia*, the following:

- (i) the proposed Subproject shall be initiated by a Beneficiary which has been registered as a legal entity and has the capacity to enter into a binding contract under the laws of the Borrower, and which has met the other eligibility criteria specified or referred to in the PIM and the FSDT/Borrower Agreement;
- (ii) the Beneficiary has adequate technical, financial management and procurement capacity to implement the proposed Subproject in compliance with the guidelines set forth in the PIM and the FSDT/Borrower Agreement; and
- (iii) the Beneficiary shall be eligible to receive subsequent FSDT Grants if it has completed the preceding Subproject to the satisfaction of the FSDT, in accordance with the terms of the FSDT Grant Agreement.

4. Terms and Conditions of FSDT Grants

(a) A Subproject under Part C of the Project shall be carried out pursuant to an FSDT Grant Agreement, to be concluded between the FSDT, on behalf of the Borrower and the other FSDT donors, and the Beneficiary, under terms and conditions described or referred to in more detail in the PIM and the FSDT/Borrower Agreement and satisfactory to the Association, which, *inter alia*, shall include the following:

- (i) the description of the activities to be implemented, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on the implementation of the Subproject;
- (ii) the modalities of transfer of funds by the FSDT to the Beneficiary for the financing of the Subproject;
- (iii) the obligation of the Beneficiary to: (A) carry out the Subproject with due diligence and efficiency and in accordance with sound technical, engineering, environmental, financial, and managerial practices; and (B) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
- (iv) the requirement that the goods, works and consultants' services to be financed from the proceeds of the FSDT Grant shall be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement, and shall be used exclusively in the carrying out of the Subproject; and
- (v) the right of the FSDT, on behalf of the Borrower, to: (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Subproject, the operations thereof and any relevant records and documents; (ii) obtain all information as it, or the Association, shall reasonably request regarding the administration, operation and financial conditions of Subprojects; and (iii) suspend or terminate the right of any Beneficiary to use the proceeds of the FSDT Grant upon failure by the Beneficiary to perform any of its obligations under the FSDT Grant Agreement.

(b) The Borrower shall cause the FSDT to exercise its rights under the FSDT Grant Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Borrower shall not permit the FSDT to assign, amend, abrogate or waive the FSDT Grant Agreement, or any substantial provision thereof.

Section VI. Monitoring, Evaluation and Reporting Arrangements

1. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement and in more detail in the PIM, the carrying out of the Project and the achievement of the objectives thereof.

2. (a) The Borrower shall, in conjunction with TPSF and the FSDT, submit to the Association: (i) on or about October 30 of each year with respect to Part A of the Project and on or about June 30 of each year with respect to Parts B and C of the Project, until the completion of the Project, an annual progress implementation report for the said parts of the Project; and (ii) on or about the date twenty four (24) months after the Effective Date, a mid-term report, each such report prepared under terms of reference and in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of the said report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(b) The Borrower shall review with the Association, TPSF, the FSDT and other interested parties the reports referred to in paragraph 2 (a) of this Section, on or about the date one month after the submission of said reports, and thereafter take or cause to be taken all measures required to ensure the efficient implementation of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said reports and the Association's views on the matter.

## **SCHEDULE 5**

### **Key Performance Indicators Attributable to the Project**

1. Number of steps to formally start a business reduced.
2. Number of days to formally start a business reduced.
3. Cost to formally start a business reduced.
4. Number of days to complete the registration of a certificate of occupancy/customary rights reduced.
5. Number of days to complete the registration of a mortgage reduced.
6. Time to resolve a dispute on the overdue debt in court reduced.
7. Official cost to complete a dispute on the overdue debt in court reduced.
8. Increase in gross revenue in firms supported by the Project.
9. Increase in the number of SME loans.
10. Increase in the number of micro-loans.
11. Increase in volume of savings.