

CONFORMED COPY

CREDIT NUMBER 3409 TA

Development Credit Agreement

(Social Action Fund Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 30, 2000

CREDIT NUMBER 3409 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 30, 2000, between UNITED REPUBLIC OF TANZANIA (the Borrower) and 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 Association has received the Borrower's Letter of Sector Policy dated June 21, 2000 (hereinafter called the Program) declaring, inter alia, the Borrower's commitment to the execution of the Program; 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;

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 October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries"; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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 community, including a village, group of villages, or a group of peri-urban dwellers, duly represented by a Community Project Committee (as hereinafter defined), which is the recipient of a Community Subproject Grant or a Public Works Subproject Grant (as hereinafter defined);

(b) "Community Project Committee " means a committee established by a community to represent that community's interests, as specified in the Project Manuals (as hereinafter defined) during the identification, preparation, appraisal, and implementation of a Community Subproject (as hereinafter defined) and comprising a chairperson, a secretary, a treasurer, a deputy treasurer, and from three to five members, all duly elected by the members of the community;

(c) "Community Subproject" means a specific development project financed or to be financed through a Community Subproject Grant extended under Part A.1 of Project;

(d) "Community Subproject Agreement" means an agreement to be entered into between TASAF MU (as hereinafter defined) and a Beneficiary for the purpose of carrying out a Community Subproject;

(e) "Community Subproject Grant" means a grant made or proposed to be made by TASAF MU (as hereinafter defined) to finance a Community Subproject;

(f) "District" means a district as defined in the local government (district authorities) Act No. 7 of 1982;

(g) "District Steering Committee" means each district steering committee referred to in paragraph 3 of Schedule 4 to this Agreement;

(h) "Fiscal Year" or "FY" mean the Borrower's fiscal year commencing on July 1 and ending on the following June 30;

(i) "IAPSO" means the Inter-Agency Procurement Services Office established by the United Nations Development Programme;

- (j) "IEC" means information, education, and communication;
- (k) "Memoranda of Understanding" means the memoranda of understanding referred to in paragraph 4 of Schedule 4 to this Agreement;
- (l) "MIS" means management information system;
- (m) "NGO" means a nongovernmental organization duly authorized to operate in the Borrower's territory;
- (n) "NSC" means the National Steering Committee established under the Borrower's Office of the President on February 15, 2000 to provide policy oversight over TASAF MU (as hereinafter defined) and referred to in paragraph 1 (b) of Schedule 4 to this Agreement;
- (o) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;
- (p) "Project Manuals" means the operational manual and supporting handbooks, as well as the implementation, administration, and accounting manuals for the implementation of all the components of the Project, in form and substance satisfactory to the Association, referred to in paragraph 1 (b) of Schedule 4 to this Agreement and containing, inter alia, disbursement and procurement arrangements, work plans, training plans, the monitoring and performance indicators set forth in Schedule 6 to this Agreement, and procedures to be used for the purposes of implementation of the Project, as they may be amended from time to time, in consultation with the Association, and such term includes any schedules to the Project Manuals;
- (q) "Project Preparation Advance" means the Project preparation advance granted by the Association to the Borrower pursuant to the letter agreements signed on behalf of the Association on April 13, 1999 and on behalf of the Borrower on April 23, 1999;
- (r) "Public Works Subproject" means a specific development project financed or to be financed through a Community Subproject Grant extended under Part B.1 of Project;
- (s) "Public Works Subproject Agreement" means an agreement to be entered into between TASAF MU (as hereinafter defined) and the District Steering Committee for the purpose of carrying out a Public Works Subproject (as hereinafter defined);
- (t) "Public Works Subproject Grant" means a grant made or proposed to be made by TASAF MU (as hereinafter defined) to finance a Public Works Subproject;
- (u) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (v) "Subprojects" means Community Subproject and Public Works Subprojects;
- (w) "TASAF" means the Tanzania Social Action Fund; and
- (x) "TASAF MU" means the Tanzania Social Action Fund Management Unit within the Borrower's Office of the President, to be established to carry out the Project pursuant to Section 6.01 (e) and referred to in paragraph 1 of Schedule 4 to this 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 the Development Credit Agreement, an amount in various currencies equivalent to forty-five million, five hundred thousand Special Drawing Rights (SDR 45,500,000).

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 works, goods, and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or if the Association shall so agree, amounts to be paid) by the Borrower on account of withdrawals made for the benefit of a Beneficiary under a Community Subproject Grant to meet the reasonable cost of goods, works, or services required for such Community Subproject and in respect of which withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2005 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 April 1 and October 1 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 April 1 and October 1, commencing October 1, 2010 and ending April 1, 2040. Each installment to, and including the installment payable on, April 1, 2020 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 through TASAF MU with due diligence and efficiency and in conformity with appropriate financial, administrative, environmental, and economic 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 paragraph (a) of this Section, 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. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' 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.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(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 designed to ensure the sustainability 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 maintain or cause to be maintained records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, 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, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall 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 Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for 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;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the

Project Management Reports or statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than March 31, 2002, or such later date as the Association shall agree, to prepare quarterly Project Management Reports acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said Report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said Report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said Report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said Report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said Report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said Report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Borrower has established an accounting and financial management system satisfactory to the Association;

(b) the Borrower has adopted the Project Manuals;

(c) the Borrower has furnished to the Association the signed

Memoranda of Understanding referred in paragraph 4 of Schedule 4 to this Agreement (with the exception of the Memoranda of Understanding signed with the Districts in Zanzibar, also referred to in paragraph 4 of Schedule 4 to this Agreement);

(d) the Borrower has confirmed that the MIS system referred to in paragraph 12 of Schedule 4 to this Agreement is operational;

(e) TASAF MU has been established in accordance with the provisions of paragraph 1 (a) of Schedule 4 to this Agreement; and

(f) each District Steering Committee has been established in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement (with the exception of the District Steering Committees for Zanzibar, also referred to in paragraph 3 of Schedule 4 to this Agreement).

Section 6.02. The date ninety (90) 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 at the time responsible for finance of the Borrower 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  
United Republic of Tanzania

Facsimile: Cable address: Telex:

(255-51) 117790 TREASURY 41329  
Dar es Salaam

For the Association:

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

Facsimile: Cable address: Telex:

477-6391 INDEVAS 248423 (MCI) or (202)  
Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA



By /s/ Alex C. Massinda  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo  
Regional Vice President  
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Community Subprojects	23,400,000	95% of amounts paid by TASAF MU
(2) Public Works Subprojects	9,300,000	95% of amounts paid by TASAF MU
(3) Equipment, furniture, vehicles, and supplies	2,000,000	100% of foreign expenditures and 90% of local expenditures
(4) Consultants' services, training workshops, studies, and audits	3,150,000	100%
(5) Operating costs	3,150,000	90%
(6) Refunding of Project Preparation of Advance	950,000	Amount due pursuant to Section 2.02 (c)  this Agreement
(7) Unallocated	3,550,000	
TOTAL	45,500,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of

the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) The term "operating costs" means incremental recurrent expenditures incurred on account of the Project for TASAF MU contract staff remuneration, per diems, benefits, office supplies, fuel, maintenance of vehicles, maintenance of equipment, telephone and other communications charges, office rent, and insurance for vehicles including motorcycles, office equipment and furniture, but excluding salaries of officials of the Borrower's civil and public service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for (a) expenditures prior to the date of this Agreement; and (b) expenditures under Categories (1) and (2) unless the Community Subproject Grants and the Public Works Subproject Grants have been made in accordance with the criteria, procedures, and terms and conditions set forth or referred to in paragraphs 7, 8, 10, and 11 of Schedule 4 to this Agreement, respectively.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure (a) for expenditures under contracts for works and goods not exceeding \$100,000 equivalent each; (b) for expenditures under contracts for consultants' services, provided by firms, not exceeding \$100,000 equivalent each; and (c) for expenditures under contracts for consultants' services provided by individuals, incremental operating costs, as well as training, workshops, studies, audits, Community Subprojects, and Public Works Subprojects not exceeding \$50,000 equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to enhance and sustain the provision and use of resource endowments by Beneficiaries, which will contribute to poverty reduction through (i) the improvement of socioeconomic infrastructure and basic social and economic services; (ii) the increase in capacity and skills among rural and peri-urban communities; and (iii) the creation of temporary safety-net programs for the poorest and most vulnerable sections of the communities.

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: Community Development Initiatives

Promotion, identification, design, appraisal, implementation, supervision, and evaluation of community-based socioeconomic infrastructure Community Subprojects and provision of Community Subproject Grants for the financing thereof, for the rehabilitation, extension, construction, and equipment for sustainable basic and post-basic education, health facilities, construction and rehabilitation of economic infrastructure, including markets, small-scale water supply, storm drainage and sanitation, access roads, bridges, and natural resource management.

#### Part B: Public Works Program

Carrying out Public Works Subprojects consisting of labor-intensive works as a safety-net scheme in targeted poor rural and urban areas, including road rehabilitation and maintenance, land husbandry and

afforestation, water supply and sanitation and drainage schemes, water retention structures, and the construction of terraces, and provision of financing therefor.

Part C: Institutional Development

1. Strengthening the capacity of TASAF MU and national, regional, and district agencies to implement the Community and Public Works Subprojects, and monitor and evaluate the overall implementation of the Project, through the provision of training in the use of procedures, systems, and criteria developed under TASAF MU.

2. Carrying out studies relevant to the objectives of the Project, including annual Beneficiary assessments, impact assessments, national welfare monitoring and analysis, and strategic and technical studies to determine the future role of TASAF MU.

3. Carrying out IEC activities, including the production of flyers, posters, radio programs, videos, and the use of drama groups, about the objectives, working principles, and activities related to the Program.

\* \* \*

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 and September 1997 and January 1999 (the Guidelines) and the following provisions of this Section.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping and IAPSO

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$700,000 equivalent (such aggregate amount to apply solely to Part C of the Project), may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of

the Guidelines, or through IAPSO.

### 3. Community Participation

Goods and works required for Parts A and B of the Project may be procured in accordance with procedures acceptable to the Association and documented in the Project Manuals.

### 4. Procurement of Small Works

Subproject works under Part A of the Project estimated to cost \$25,000 equivalent or less per contract, and under Part B of the Project estimated to cost \$50,000 equivalent or less per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.

### 5. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines and costing \$10,000 equivalent or less in the aggregate, up to an aggregate amount not to exceed \$200,000 equivalent, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

## Part D: Review by the Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association and with the provisions of said paragraph 1.

### 2. Prior Review

With respect to (i) each contract for goods and works estimated to cost the equivalent of \$100,000 or more; (ii) the first five contracts for goods and works under Parts A and B of the Project estimated to cost the equivalent of \$25,000 or more; and (iii) the first five contracts for goods and works under Part C of the Project estimated to cost the equivalent of \$25,000 or more, but less than the equivalent of \$100,000, respectively, procured in accordance with National Competitive Bidding, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

### Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines:

Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: Quality- and Cost-Based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The shortlist of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for consultants under Part C of the Project 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 and 3.7 of the Consultant Guidelines.

2. Single-Source Selection

Services for consultants may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for consultants for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines, may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)), and 5 of Appendix 1 to the Consultant

Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)), and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference, and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

## SCHEDULE 4

### Implementation Program

#### General

#### 1. TASAF MU

(a) The Borrower shall (i) establish and maintain TASAF MU which shall be responsible for the day-to-day implementation of the Project; and (ii) at all times maintain within TASAF MU staff with qualifications and terms of reference acceptable to the Association, including an Executive Director, Directors for Community Development Initiatives and the Public Works Program, a Director for Finance, as well as heads of Monitoring and Evaluation and Capacity Building Units and an Internal Audit Officer.

(b) TASAF MU shall (i) maintain the Project Manuals for the implementation of all components of the Project, (ii) take all measures necessary to ensure that the Project is carried out in conformity with the Project Manuals, (iii) not amend or waive any provision thereof which, in the opinion of the Association, will materially or adversely affect the implementation of the Project; and (iv) prepare the annual work plans for approval by the NSC.

#### 2. NSC

(a) The Borrower shall maintain the NSC, to oversee the work of TASAF MU. Unless the Association shall otherwise agree, the NSC shall (i) be chaired by a representative of the Vice President's Office, or any other person designated by the President's Office; and (ii) comprise, inter alia, the following members: representatives of the President's Office, the ministries responsible for finance; community development, women's affairs and children; regional administration and local government; labor and youth; as well as by representatives of NGOs, research institutions, and Interfaith. The Executive Director of TASAF MU shall be the Secretary and an ex-officio member.

(b) The NSC shall, on behalf of the Borrower, (i) provide overall policy guidance on the management of the Project, (ii) give TASAF MU directives and guidance on the interpretation of the Borrower's policies pertaining to those sectors affected by the Project, (iii) approve TASAF MU's annual work plans, (iv) review quarterly and annual reports and semiannual and annual audits; and (v) monitor and evaluate Project implementation and impact.

### 3. District Steering Committees

The Borrower shall establish and maintain the District Steering Committees which shall be responsible for the processing, the recommendation, and the approval of Subprojects. Unless the Association shall otherwise agree, each District Steering Committee shall consist of, inter alia, the District Commissioner, the TASAF District Officer, the District Executive Director, NGOs, and private sector contractors. The District Steering Committees for Zanzibar shall be established by May 1, 2001. All other District Steering Committees shall be established by the Effective Date. The TASAF Program Officer will be an ex-officio member of the District Steering Committee.

### 4. Memoranda of Understanding

TASAF MU shall enter into Memoranda of Understanding, acceptable to the Association, with (a) the Bureau of Statistics to formalize its role in the implementation of the Subprojects; and (b) the Executive Directors of each District guaranteeing to provide full-time TASAF District officers and support staff in sufficient numbers, as well as adequate office space. The Memoranda of Understanding (i) with the Executive Directors of the Zanzibar Districts shall be finalized by May 1, 2001; and (ii) with the Executive Directors of all other Districts shall be finalized by the Effective Date.

5. The Borrower shall designate desk officers in its ministries and departments, who shall be assigned to work with TASAF MU and to carry out the following activities: (a) provide information to TASAF MU on sectoral gaps, policies, and norms; (b) provide feedback on issues arising from the implementation of the Subprojects; (c) obtain approval of Subprojects' inclusion under the Project; and (d) monitor whether sectoral recurrent budgets cover assets created under the Project. Such designation shall be formalized by the issuance of ministerial circulars by the relevant Permanent Secretary.

### 6. Performance Indicators, Annual and Midterm Reviews

The Borrower shall:

(a) 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 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November of each year for the annual reviews, and November 1, 2002 with respect to the midterm review, an annual progress report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the various components of the Project during the period preceding the date of said report based on the work plan for the period under review 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; and

(c) review with the Association, by December of each year for the annual reviews and December 30, 2002 with respect to the midterm review, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Part A of the Project

7. Eligibility Criteria for Community Subprojects

Without limitation on the provisions of paragraph 1 (b) above, no Community Subproject shall be eligible for financing out of the proceeds of the Credit unless the Executive Director of TASAF MU shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Manuals, that the Community Subproject satisfies the eligibility criteria specified in more detail in the Project Manuals, which shall include the following:

(a) the Community Subproject shall be for social and economic infrastructure and services, including primary health, basic education, rural water supply, feeder roads, and the construction of markets and granaries;

(b) the Community Subproject shall be initiated by a Beneficiary duly represented by a Community Project Committee;

(c) the Community Subproject shall be economically, financially, and technically viable in accordance with the standards specified in the Project Manuals;

(d) except as the Association shall otherwise agree, the Beneficiary shall provide not less than 20% of the estimated costs of the Community Subprojects in the form of cash, materials, labor, or other services and not less than 5% of the estimated costs of Community Subprojects for boreholes and Community Subprojects related to HIV/AIDS; and

(e) the Community Subproject shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to health, safety, and environmental protection.

8. Terms and Conditions of Community Subprojects Grants

In financing Community Subprojects, TASAF MU shall enter into a Community Subproject Agreement with the Beneficiary, under terms and conditions which shall include the following:

(a) financing to be on a grant basis and, unless otherwise agreed with the Association, not to exceed the equivalent of \$25,000 per Community Subproject Grant;

(b) the obligation to carry out the Community Subproject in accordance with the Project Manuals, with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures in respect of the Community Subproject;

(c) the requirement that (i) the goods, works, and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works, and services shall be used exclusively in the carrying out of the Community Subproject;

(d) the right of TASAF MU to inspect by itself, or jointly with the Association if the Association shall so request, the goods, works, sites, plants, and construction included in the Community Subproject, the operations thereof, and any relevant records and documents;

(e) the right of TASAF MU to obtain all information as TASAF MU or the Association shall reasonably request regarding the administration, operation, and financial conditions of the Subproject; and

(f) the right of TASAF MU to suspend or terminate the right of the Beneficiary to use the proceeds of the Credit for the Community



Subproject upon the failure by the Beneficiary to perform any of its obligations under the Community Subproject Agreement.

9. In order to assist communities to expeditiously implement Community Subprojects, TASAF MU shall maintain a unit cost data bank for monitoring the cost of materials, goods, works, and services and update such data on a semiannual basis.

#### Part B of the Project

#### 10. Eligibility Criteria for Public Works Subprojects

Without limitation on the provisions of paragraph 1 (b) above, no Public Works Subproject shall be eligible for financing out of the proceeds of the Credit unless the Executive Director of TASAF MU shall have determined, on the basis of an appraisal conducted in accordance with the guidelines set forth in the Project Manuals, that the Public Works Subproject satisfies the eligibility criteria specified in more detail in the Project Manuals, which shall include the following:

(a) the nature and size of the Public Works Subproject is such that it cannot be carried out by the relevant community on a self-help basis;

(b) the unskilled labor content of the Public Works Subproject is not less than 40% of the total cost thereof; and

(c) implementation of the Public Works Subproject will not require highly specialized technical inputs and procedures and can be started expeditiously.

#### 11. Terms and Conditions of Financing for Public Works Subprojects

In financing Public Works Subprojects, TASAF MU shall enter into a Public Works Subproject Agreement with a District Steering Committee, under terms and conditions which shall include the following:

(a) financing to be on a grant basis and, unless otherwise agreed with the Association, not to exceed the equivalent of \$50,000 per Public Works Subproject;

(b) the obligation to carry out the Public Works Subproject in accordance with the Project Manuals, with due diligence and efficiency and in accordance with sound technical, financial, environmental, and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources, and expenditures in respect of the Public Works Subproject;

(c) the requirement that (i) the goods, works, and services to be financed from the proceeds of the Credit shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, works, and services shall be used exclusively in the carrying out of the Public Works Subproject;

(d) the right of TASAF MU to inspect by itself, or jointly with the Association if the Association shall so request, the goods, works, sites and construction included in the Public Works Subproject, the operations thereof, and any relevant records and documents;

(e) the right of TASAF MU to obtain all information as TASAF MU or the Association shall reasonably request regarding the administration, operation, and financial conditions of the Public Works Subproject; and

(f) the right of TASAF MU to suspend or terminate the right of the District Steering Committee to use the proceeds of the Credit for the Public Works Subproject upon the failure by the District Steering Committee to perform any of its obligations under the Public Works

Subproject Financing Agreement.

Part C of the Project

12. The Borrower shall establish an MIS system, satisfactory to the Association, to monitor and report on a monthly basis both the physical progress and financial status of Community and Public Works Subprojects and other activities under the Project.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed SDR 2 million.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, 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 do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) 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 paragraph 4 of this Schedule 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. All such deposits

shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. 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.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) 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 the records and accounts for the Special Account;

(c) 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 the provisions of Section 6.02 of the General Conditions; or

(d) 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 with respect to the Project, 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 allocated to the eligible Categories 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.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. 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 shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 6 (a), (b), and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## SCHEDULE 6

### Performance Indicators

#### Part A: Community Development Initiatives

- Number of Community Subproject requests received, approved, funded, and completed by sector and geographic distribution
- Number of women in Community Project Committees
- Number of women trained in the operation and maintenance of water facilities
- Completion time of Community Subprojects
- Number of proposals received from the urban areas, approved, funded, and completed
- Access to safe water sources—distance to the water point and time savings

#### Part B: Public Works Program

- Number of persons/months of employment created by gender under the urban and rural Subprojects
- Labor intensity: percentage of unskilled labor cost to total project cost
- Number of projects approved, funded and completed by sector and geographic distribution
- Number of households benefiting from employment
- Total wage income transferred in US dollar equivalent

#### Part C: Institutional Development

- Workshops/meetings/studies/field visits by type of training provided and number and type of participants
  - Number of people trained in project cycle management and basic bookkeeping
  - Number of strategic and technical studies, beneficiary and impact assessments carried out and disseminated
  - Number of IEC messages by type, medium, and coverage
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