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**CREDIT NUMBERS 4724-TZ and 4991-TZ**

# **Financing Agreement**

**(Additional Financing for Transport Sector Support Project)**

**between**

**UNITED REPUBLIC OF TANZANIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated September 2, 2011**

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## **CREDIT NUMBERS 4724-TZ and 4991-TZ**

### **FINANCING AGREEMENT**

AGREEMENT dated September 2, 2011, entered into between the UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

WHEREAS (A) by a financing agreement between the Recipient and the Association, dated June 11, 2010, (“Original Financing Agreement”), the Association made a credit (Credit No. 4724-TZ) (“Original Financing”) available to the Recipient to assist in the financing of the Original Project on the terms and conditions set forth in the Original Financing Agreement;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the project set forth in Schedule 1 to this Agreement (“Project”), which is related to the Original Project, has requested the Association to provide assistance in support of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to provide such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree as follows:

#### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in Section I of the Appendix to this Agreement.
- 1.03. The Original Financing Agreement is hereby amended as set forth in Section II of the Appendix to this Agreement. In all other respects, the Original Financing Agreement remains in full force and effect.

## **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty six million four hundred thousand Special Drawing Rights (SDR 36,400,000) (variously, “Credit” and “Financing”) to assist in financing the Project.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

## **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part A of the Project through MoIC (Zanzibar) and Part B of the Project through PMO-RALG, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

## **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) the TANROADS Order has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TANROADS to perform any of its obligations under the Implementation Agreement; and

- (b) either party to the Implementation Agreement has failed to perform any obligation under said agreement.

4.02. The Additional Events of Acceleration consist of the following:

- (a) The event specified in Section 4.01(a) of this Agreement occurs.
- (b) The event specified in Section 4.01(b) of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient and TANROADS.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Implementation Agreement has been duly executed on behalf of the Recipient and TANROADS in accordance with the provisions of Section I.B of Schedule 2 to this Agreement.
- (b) The PIP has been adopted in accordance with the provisions of Section I.C. of Schedule 2 to this Agreement.

5.02. The Additional Legal Matter is that the Implementation Agreement has been duly authorized or ratified by the Recipient and TANROADS and is legally binding upon the Recipient and TANROADS in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister responsible for finance.

6.02. The Recipient's Address is:

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

Facsimile:

(255) 222 11 77 90

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at, Dar es Salaam, United Republic of Tanzania, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By

*/s/ Mustafa Haidi Mkulo*  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

*/s/ Mercy Tembon*  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project comprise a subset of the objectives of the Original Project, which are to improve the condition of the national paved road network, to lower transport cost on selected roads and to Songo Songo island, and to expand the capacity of selected airports.

The Project consists of the following parts:

**Part A: Improvement of Zanzibar Airport**

Rehabilitation and extension of taxiways and apron at the Zanzibar International Airport.

**Part B: Songo Songo Jetty Repair**

Rehabilitation and extension of the Songo Songo jetty.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

##### 1. MoIC (Zanzibar)

- (a) The Recipient shall ensure that MoIC (Zanzibar) is maintained at all times during the implementation of the Project with functions and resources satisfactory to the Association, and supported by qualified and experienced staff in adequate numbers.
- (b) Without limitation upon the provisions of sub-paragraph (a) of this paragraph, MoIC (Zanzibar) shall be responsible for managing the day-to-day implementation of Part A of the Project (including, *inter alia*, the monitoring and evaluation and reporting on procurement, and the ESIA, EMP and RAP relating to Part A of the Project). To this end, the Recipient, shall, at all times during the implementation of the Project, maintain within MoIC (Zanzibar) a manager, whose qualifications, experience and terms of reference shall be satisfactory to the Association.

##### 2. PMO-RALG

- (a) The Recipient shall ensure that PMO-RALG is maintained at all times during the implementation of the Project with functions, staffing and resources satisfactory to the Association, and supported by qualified and experienced staff in adequate numbers.
- (b) Without limitation upon the provisions of sub-paragraph (a) of this paragraph, PMO-RALG shall be responsible for managing the day-to-day implementation of Part B of the Project (including, *inter alia*, monitoring and evaluation, and reporting on procurement, and the ESIA and EMP relating to Part B of the Project). To this end, the Recipient shall, at all times during the implementation of the Project, maintain within PMO-RALG a Project coordinator whose qualifications, experience and terms of reference shall be satisfactory to the Association.



### 3. **TANROADS**

The Recipient shall ensure that TANROADS is maintained at all times during the implementation of the Project with functions and resources satisfactory to the Association, supported by qualified and experienced staffing in adequate numbers, in order to provide assistance as required to MoIC (Zanzibar) and PMO-RALG in the carrying out of their responsibilities under this Agreement.

#### **B. Implementation Agreement**

1. To assist the Recipient in the carrying out of the Project, the Recipient shall enter into an Implementation Agreement with TANROADS, under terms and conditions approved by the Association (“Implementation Agreement”), pursuant to which TANROADS shall provide assistance to MoIC (Zanzibar) and PMO-RALG, in the implementation, respectively, of Parts A and B of the Project, such assistance to include, *inter alia*, the following activities to be carried out on behalf of the Recipient:

- (a) oversight of the procurement of works, goods, and consultants’ services;
- (b) financial management and reporting, including ensuring the performance of annual audits of Project accounts;
- (c) withdrawal of proceeds of the Financing, and of any designated account opened by the Recipient for the Financing; and
- (d) preparation of Project Reports;

all in accordance with the provisions of this Agreement.

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

#### **C. Project Implementation Plan**

1. The Recipient shall update the implementation plan for the Original Project and adopt said updated plan, in form and substance satisfactory to the Association, so as to contain detailed arrangements and procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) budgeting,

disbursement and financial management; (iii) procurement; (iv) environmental and social safeguard guidelines; (v) monitoring, evaluation, reporting and communication including, in respect of environmental and social safeguard matters; and (vi) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project (“Project Implementation Plan”).

2. The Recipient shall ensure that the Project is carried out, in accordance with the arrangements and procedures set out in the Project Implementation Plan (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Implementation Plan 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 updated Project Implementation Plan.

**D. Anti-Corruption**

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

**E. Environmental and Social Safeguards**

1. The Recipient shall ensure that:
  - (a) the Project is carried out in accordance with the ESIA, EMPs and RAP; and
  - (b) prior to carrying out activities which involve Affected Persons, all requirements of the RAP shall be taken in a timely manner, satisfactory to the Association. To this end, the Recipient shall ensure that:
    - (i) all rights to land, usufructs or customary rights and other property are allocated or acquired, equitable compensation thereof is paid and resettlement is carried out, all in accordance with the RAP;
    - (ii) all Affected Persons shall be equitably compensated, resettled and rehabilitated in accordance with the RAP;
    - (iii) the implementation arrangements for resettlement, including compensation, relocation and rehabilitation of Affected Persons are documented; and

- (iv) the implementation, monitoring and evaluation of the RAP are completed and reported in a manner satisfactory to the Association.
2. The Recipient shall: (a) not later than thirty days after Effectiveness, open and maintain an escrow account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment (“Escrow Account”); (b) thereafter, but not later than December 31, 2011, deposit into the Escrow Account such amounts as shall be required pursuant to the RAP to pay compensation to the Affected Persons; and (c) ensure that all amounts so deposited into the Escrow Account shall be exclusively used to pay compensation to the Affected Persons in accordance with the RAP.
  3. The Recipient shall ensure that the Project Reports referred to in Section II.A of this Schedule shall include adequate information on monitoring the measures defined in the ESIA, EMPs and RAP.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

### **B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding subject to the additional provisions in paragraph 3 of this Section III.B.
(b)	Shopping
(c)	Direct Contracting

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

National Competitive Bidding for goods and works shall be subject to the following:

- (a) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.
- (b) There shall be no preference accorded to domestic suppliers and contractors.

**C. Particular Methods of Procurement of Consultants’ Services**

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality Based Selection
(b)	Selection under a Fixed Budget
(c)	Least-cost Selection
(d)	Selection Based on Consultants’ Qualifications
(e)	Single-source Selection

<b>Procurement Method</b>	
(f)	Procedures set forth in paragraphs 5.2 – 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works, Goods and Consulting services under Part A. of the Project	35,200,000	100%
(2) Works, Goods and Consulting services under Part B. of the Project	1,200,000	100%
<b>TOTAL AMOUNT</b>	36,400,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement
2. The Closing Date is June 30, 2015.

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

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15:	
Commencing October 15, 2021 to and including April 15, 2031	1%
commencing October 15, 2031 to and including April 15, 2051	2%

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

**APPENDIX****Definitions; Amendment to the Original Financing Agreement****I. Definitions**

1. “Affected Person” means a person who on account of execution of Part A of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and “Affected Persons” means, collectively, all persons who qualify as an Affected Person.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
5. “Environmental Management Plan” or “EMP” means the Recipient’s environmental management plan entitled “The United Republic of Tanzania, Ministry of Communication and Transport, Zanzibar, Geometric and Detailed Engineering Design of the Application of the Rehabilitation of Zanzibar Airport Apron and Taxiways Environmental Impact Assessment” and dated November 2008 for Part A of the Project and entitled “Environmental Impact Statement Rehabilitation and Extension of Songo Songo Village Jetty, Kilwa, Tanzania” and dated April 28, 2011, for Part B of the Project describing mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of infrastructure activities under Parts A and B of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts.
6. “Environmental and Social Impact Assessment” or “ESIA” means the Recipient’s (a) environmental and social impact assessment for Part A of the Project entitled “The United Republic of Tanzania, Ministry of Communication and Transport, Zanzibar, Geometric and Detailed Engineering Design of the



Application of the Rehabilitation of Zanzibar Airport Apron and Taxiways Environmental Management Plan” and dated January 2011; and (b) environmental and social impact assessment for Part B of the Project entitled “Environmental Management Plan for the Rehabilitation and Extension of Songo Songo Village Jetty, Kilwa, Tanzania” and dated April 28, 2011, each describing the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the respective Part of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; and the term “Environmental and Social Impact Assessments” means both such environmental and social impact assessments.

7. “Escrow Account” means the account referred to in Section I.E.2 of Schedule 2 to this Agreement.
8. “Fiscal Year” or “FY” means (a) for the Recipient, the twelve month period commencing July 1 and ending June 30 of each year.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
10. “Implementation Agreement” means the agreement referred to in Section I. B. of Schedule 2 to this Agreement between the Recipient and TANROADS.
11. “Original Financing Agreement” means the agreement dated June 11, 2010 (Credit No. 4724-TZ), between the Recipient and the Association providing for a credit in an amount in various currencies equivalent to sixty seven million seven hundred thousand Special Drawing Rights (SDR 177,900,000) to assist in financing the Transport Sector Support Project.
12. “MoIC (Zanzibar)” means the Ministry of Infrastructure and Communication, Zanzibar, and any successor thereto.
13. “Original Project” means the project described in Schedule 1 to the Original Financing Agreement.
14. “PMO-RALG” means the Recipient’s Prime Minister’s Office-Regional Administration and Local Government, responsible for regional administration and local government, and any successor thereto.
15. “Procurement Guidelines” means “Guidelines: Procurement of Goods, Works, and Non Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.

16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 16, 2011, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Implementation Plan” or “PIP” means the implementation plan for the Original Project, as updated in accordance with the provisions of Section I.C. of Schedule 2 to this Agreement, as the said PIP may be amended and/or supplemented from time to time with the prior concurrence of the Association.
18. “Resettlement Action Plan” or “RAP” means the Recipient’s resettlement action plan entitled “The United Republic of Tanzania, Ministry of Communication and Transport, Zanzibar, Geometric and Detailed Engineering Design of the Application of the Rehabilitation of Zanzibar Airport Apron and Taxiways Resettlement Action Plan” dated January 2011, which sets out the principles and procedures governing land acquisition, resettlement, compensation and rehabilitation of Affected Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plan.
19. “TANROADS” or “Tanzania National Roads Agency” means the agency established and operating pursuant to the TANROADS Order, and any successor thereto.
20. “TANROADS Order” means the Recipient’s Tanzania National Roads Agency (TANROADS) Establishment Order No. 293 of 2000, made under the Executive Agencies Act No. 30 of 1997, of the laws of the Recipient, as the same may be amended from time to time.

## **Section II: Amendment to the Original Financing Agreement**

1. The following modified project development objective is inserted in Schedule 1, Project Description to the Original Financing Agreement:

“The objectives of the Project are to improve the condition of the national paved road network, to lower transport cost on selected roads and to Songo Songo Island, and to expand the capacity of selected airports.”