

CONFORMED COPY

CREDIT NUMBER 4106-TA

Development Credit Agreement

(Marine and Coastal Environment Management Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 25, 2005

CREDIT NUMBER 4106 -TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 25, 2005, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated June 6, 2005, describing a program designed to support the implementation of policy reforms aimed at strengthening the sustainable management and use of the Borrower's marine and coastal resources (the Program) and declaring the Borrower's commitment to the execution of such Program;

(B) 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;

(C) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank), acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund (GEF Trust Fund) by certain members of the Bank as participants of the GEF, to provide additional finance in the amount of ten million Dollars (\$10,000,000) (the Grant), on terms and conditions set forth in an agreement of even date herewith between the Borrower and the Bank (the GEF Trust Fund Grant Agreement), for purposes of financing the implementation of activities complementary to those being implemented under the Project; 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 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Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation,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.”

- (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: (i) Service Poor Community (ies); or (ii) Food Insecure Household (s); or (iii) Vulnerable Group (s), as the case may be;

- (b) “CMC” means a Community Management Committee established by a Village Council pursuant to the provisions of Section 107 of the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, to implement Subprojects;

(c) “Coastal Districts” means the Districts of Bagamoyo, Mafia, Mkuranga, Rufiji, Ilala, Kinondoni, Temeke, Kilwa, Lindi, Mtwara, Muheza, Pangani, Tanga, and the Zanzibar Districts;

(d) “Coastal Village Fund” or “CVF” means the fund to be established by the Borrower referred to in Part C.1 of Schedule 2 to this Agreement;

(e) “Coastal Community Action Fund Technical Committee” or “CCAFTC” means the committee referred to in paragraph 8 of Section II of Part A of Schedule 4 to this Agreement;

(f) “Collaborating Agencies” means the Borrower’s Ministry of Foreign Affairs, the Ministry of Trade and Industry, the Ministry of Finance, the Ministry of Lands and Human Development, the Ministry of State, Regional Administration and Special Departments, President’s Office – Regional Administration and Local Government, the Vice President’s Office, the Navy, the Coast Guard (KMKM), the Marine Police, the Port Authorities, the National Environmental Council, the Meteorology Department, local universities and research institutions, the National Protected Areas Board of Zanzibar, and the Antiquities Departments of Mainland Tanzania and Zanzibar, respectively;

(g) “Community” means a group of people with common needs;

(h) “Community Managed Area” or “CMA” means an area of marine environment that is reserved under national, tribal or local laws and regulations to provide long-term protection for part or all of the natural and cultural resources located therein, and is managed jointly by local communities and local governments based on collaborative multi-Village management plans;

(i) “Community Mitigation Action Plan” or “CMAP” means the plan of action, acceptable to the Association, to be prepared by the Borrower, prior to restricting access by local communities to legally designated parks and protected areas, describing specific measures to be undertaken to assist displaced persons under the Project and the proposed implementation arrangements;

(j) “District” means an administrative area established pursuant to Section 6 of the Regions and Districts (Establishment Procedures) Act No. 12 of 1994 for Mainland Tanzania or pursuant to the Regional Administration Authority Act No. 1 of 1998 for Zanzibar, representing a designated area and population within the territory of the Borrower;

(k) “District MOU” means the memorandum of understanding to be entered into between the Borrower and each Coastal District falling within Mainland Tanzania setting forth the implementation modalities for Part B of the Project;

(l) “Eligible Categories” means Categories 1 through 6, set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(m) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 (a) of this Agreement;

(n) “ESA” means the Environmental and Social Assessment dated January 24, 2005, approved by the Association, setting forth *inter alia* an environmental and social screening process that will enable Project and Subproject implementers to identify and assess potential adverse environmental and social impacts, offset and reduce them to acceptable levels, or to enhance positive impacts, and in accordance with which management plans will be prepared and submitted to the Association for its approval, as the said Assessment may be amended from time to time with the concurrence of the Association, such Assessment making reference to the linkages of the Project with the Second Social Action Fund Project;

(o) “ESMF” means the Environmental and Social Management Framework dated July 2004, prepared for the Second Social Action Fund Project, setting forth an environmental and social screening process to enable subproject implementers to identify and assess potential adverse environmental and social impacts, offset and reduce them to acceptable levels, or enhance positive impacts and in accordance with which environmental management plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association, such Framework to apply to the Project with such modifications as the context shall so require;

(p) “Exclusive Economic Zone” or “EEZ” means the marine zone established pursuant to Section 7 of the Borrower’s Territorial Sea and Exclusive Economic Zone Act No. 3 of 1989, extending two hundred (200) nautical miles from the baselines from which the breadth of the territorial water is measured;

(q) “EEZ Governance Facilitation Team” or “EGFT” means the team created to support the implementation of the Project pending the establishment of the proposed EEZ authority, and referred to in paragraph 5 of Section I of Part A of Schedule 4 to this Agreement;

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

(s) “Fiscal Year” or “FY” means the Borrower’s fiscal year which commences on July 1 of each calendar year and ends on June 30 of the following calendar year;

(t) “Food Insecure Household” means a household that does not have ready access to food due to inability of able bodied adults in the household to obtain gainful employment, and who are expected to benefit from working on the Subprojects;

(u) “LG Act” means the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, or the Local Government (Urban Authorities) Act No. 8 of 1982, as amended, or the Zanzibar Local Government Acts No. 3 and 4 of 1995, as amended, either individually or collectively, as the case may be;

(v) “Local Government Authority” or “LGA” means a District authority or an urban authority established pursuant to the respective LG Act;

(w) “LGA Finance Committee” means the committee referred to in paragraph 12 of Section II of Part A of Schedule 4 to this Agreement;

(x) “LSP” means a local service provider recruited by an LGA in accordance with the procedures set forth in Section III of Schedule 3 to this Agreement to supervise Subproject implementation;

(y) “Mainland Tanzania”, as defined in the Borrower’s constitution, means the whole of the territory of the Borrower which was formerly the territory of the Republic of Tanganyika;

(z) “MACEMP” means the Marine and Coastal Environment Management Project;

(aa) “MACEMP Management Teams” means the MANREC MACEMP Management Team and the MNRT MACEMP Management Team;

(bb) “MANREC” means the Ministry of Agriculture, Natural Resources, Environment and Cooperatives for Zanzibar;

(cc) “MANREC MACEMP Management Team” or “MANREC MMT” means the team established by the Borrower to support MANREC in the implementation of the Project, referred to in paragraph 6 of Section I of Part A of Schedule 4 to this Agreement;

(dd) “MANREC Special Account” means the special deposit account opened for Zanzibar for withdrawals in respect of expenditures to be financed from the Credit for the Project, and referred to in Part B.1 of Schedule 1 to this Agreement;

(ee) “Marine Legacy Fund” or “MLF” means the fund referred to in Part A.1 (b) of Schedule 2 to this Agreement to be established by the Borrower as a long-term financing mechanism for the sustainable management of marine resources;

(ff) “Marine Management Area” or “MMA” means an area of the marine environment that is reserved under national, tribal, or local laws and regulations to provide long-term protection for part or all of the natural and cultural resources located therein;

(gg) “Marine Protection Area” or “MPA” means an area of the marine environment that is established under the Marine Parks and Reserves Act of 1994 of Mainland Tanzania and the Fisheries Act of 1988 of Zanzibar, respectively, to provide long-term protection for part or all of the natural and cultural resources located therein;

(hh) “MNRT” means the Ministry of Natural Resources and Tourism for Mainland Tanzania;

(ii) “MNRT MACEMP Management Team” or “MNRT MMT” means the team established by the Borrower to support MNRT in the implementation of the Project, referred to in paragraph 6 of Section I of Part A of Schedule 4 to this Agreement;

(jj) “MNRT Special Account” means the special deposit account opened for Mainland Tanzania for withdrawals in respect of expenditures to be financed from the Credit for the Project, and referred to in Part B.1 of Schedule 1 to this Agreement;

(kk) “MOU” means the memorandum of understanding to be entered into between the Borrower and TASAF setting forth the implementation arrangements for Part C.1 of the Project;

(ll) “National Integrated Coastal Environment Management Strategy” means the strategy document prepared by the Borrower dated January, 2003, setting forth the Borrower’s approach to integrated coastal management in Mainland Tanzania, referred to in Part B.1 (a) of Schedule 2 to this Agreement;

(mm) “Process Framework” means the framework dated January 26, 2005, approved by the Association, setting forth the governing framework for the mitigation of adverse impacts on the livelihoods of displaced persons in cases where there is an

involuntary restriction of access to legally designated parks and protected areas, and in accordance with which CMAPs will be prepared and submitted to the Association for its approval, as the said Framework may be amended from time to time with the concurrence of the Association;

(nn) “Procurement Plan” means the Borrower’s procurement plan, dated April 7, 2005 covering at least the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods of Project implementation;

(oo) “PIM” or “Project Implementation Manual” means the manual, satisfactory to the Association, setting forth the implementation arrangements for the Project including *inter alia* financial management, disbursement, procurement procedures, monitoring and evaluation procedures, and environmental and social safeguard procedures, as the same may be amended from time-to-time with the concurrence of the Association, and such term includes any schedules thereto;

(pp) “Project Preparation Advances” means: (a) the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on July 5, 2004, and on behalf of the Borrower on July 6, 2004; and (b) the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on May 12, 2005, and on behalf of the Borrower on May 18, 2005;

(qq) “Project Steering Committee” or “PSC” means the committee referred to in paragraph 2 of Section I of Part A of Schedule 4 to this Agreement;

(rr) “Region” means any part proclaimed or deemed to be proclaimed by the President of the United Republic of Tanzania to be a region, pursuant to the powers conferred upon him by the constitution;

(ss) “Regional Consultative Committee” means the committee referred to in paragraph 11 of Section II of Part A of Schedule 4 to this Agreement;

(tt) “Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Credit Account referred to in Part A.5 of Schedule 1 to this Agreement;

(uu) “RPF” or “Resettlement Policy Framework” means the Framework dated July 2004 prepared for the Second Social Action Fund Project, setting forth the governing framework for land acquisition, resettlement and compensation, and in accordance with

which resettlement action plans will be prepared and submitted to the Association for its approval, as the same may be amended from time to time with the concurrence of the Association, such Framework to apply to the Project with such modifications as the context shall so require;

(vv) “Roster of Experts” means the experts who may from time to time be called upon to provide advisory services on the implementation of the Project, referred to in paragraph 4 of Section I of Part A of Schedule 4 to this Agreement;

(ww) “Second Social Action Fund Project” means the project as described in Schedule 2 of the development credit agreement for the said project, dated January 19, 2005, between the Borrower and the Association;

(xx) “Sector Experts Team” or “SET” means the team of sectoral experts appointed by the Borrower for purposes of Part C.1 of the Project, referred to in paragraph 9 of Section II of Part A of Schedule 4 to this Agreement;

(yy) “Service Guidelines on Community Participation” means the Service Guidelines, consistent with the TASAF POM, prepared by the Borrower for purposes of Part C of the Project;

(zz) “Service Poor Community” means a community which does not have ready access to services such as health, roads, education, water and sanitation, village markets and banking services;

(aaa) “Special Accounts” means the MANREC and MNRT Special Accounts;

(bbb) “Subproject” means a specific activity financed or to be financed from the proceeds of the Credit under Part C.1 of the Project;

(ccc) “Subproject Financing Agreement” means a tripartite agreement to be entered into among a LGA, Village Council, and a CMC on behalf of a Beneficiary, in accordance with the provisions of paragraph 15 (i) of Part D of Schedule 4 to this Agreement;

(ddd) “Tanzania Shilling” or “Tshs” means the lawful currency of the Borrower;

(eee) “TASAF” means the Tanzania Social Action Fund established by the Borrower to spearhead community-driven development;

(fff) “TASAF MU” means the TASAF Management Unit established within the Borrower’s Office of the President to implement *inter alia* Part C.1 the Project;

(ggg) “TASAF National Steering Committee” or “TASAF NSC” means the committee referred in paragraph 7 of Section II of Part A of Schedule 4 to this Agreement;

(hhh) “TASAF POM” means the project operations manual for the Second Social Action Fund Project;

(iii) “Technical Committee” or “TC” means the committee referred to in paragraph 3 of Section I of Part A of Schedule 4 to this Agreement;

(jjj) “Village” means a village registered as such pursuant to the provisions of the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, representing a designated area and population in Mainland Tanzania;

(kkk) “Village Assembly” as defined in Section 55 of the provisions of the Borrower’s Local Government (District Authorities) Act No. 7 of 1982, as amended, consists of every person who is ordinarily resident in a Village and who has attained the apparent age of eighteen (18) years;

(lll) “Village Council” means the council established for a Village pursuant to the provisions of Section 25 of the Local Government (District Authorities) Act No. 7 of 1982;

(mmm) “Village Fund” means the fund to be established by each Village into which funds from the CVF shall be disbursed, and referred to in paragraph 15 (b) of Part D of Schedule 4 to this Agreement;

(nnn) “Village Government” means the Village Assembly and Village Council, as set forth in Sections 55 – 62 of the Local Government (District Authorities) Act No. 7 of 1982;

(ooo) “Vulnerable Groups” means groups such as orphans, the disabled and elderly, and persons living with HIV/AIDS;

(ppp) “Ward” means the administrative sub-division of a District referred to in Section 29 of the Local Government (District Authorities) Act No. 7 of 1982; and

(qqq) “Zanzibar”, as defined in the Borrower’s constitution, therein referred to as “Tanzania Zanzibar”, means the whole of the territory of the United Republic which formerly was the territory of the People’s Republic of Zanzibar and which was previously referred to as “Tanzania Visiwani”.

Section 1.03. Where the terms “LGA”, “Village (s)”, “Village Council”, “Village Government” and “Ward” are used in this Agreement, for purposes of Mainland Tanzania, they shall be deemed to apply equally to the equivalent administrative areas or institutions in Zanzibar, as the case may be.

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 thirty-three million nine hundred thousand Special Drawing Rights (SDR 33,900,000) (the Credit).

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 Parts A, B, C.2 and D of the Project 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) under Part C.1 of the Project to meet the reasonable costs of goods, works, and services required for Subprojects, in respect of which withdrawal from the Credit Account is requested.

(b) 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 Advances 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 Advances shall thereupon be canceled.

Section 2.03. The Closing Date shall be August 31, 2011, 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 February 15 and August 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 February 15 and August 15 commencing August 15, 2015 and ending February 15, 2045. Each installment to and including the installment payable on February 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: (i) Parts A, B, C.2 and D of the Project through MNRT and MANREC in Mainland Tanzania and Zanzibar, respectively; and (ii) Part C.1 of the Project through the TASAF MU, all with due diligence and efficiency and in conformity with appropriate financial, administrative, environmental, social, cultural 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 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. (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 3.03. For the purposes of Section 9.06 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 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 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), commencing with the Fiscal Year in which the first withdrawal under the Project Preparation Advances was made,

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 paragraphs 16, 17, and 18 of Part E of Schedule 4 to this Agreement, the Borrower shall prepare and furnish 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) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

(b) The LG Act shall have been amended, suspended, abrogated, or waived so as to materially and adversely affect the ability of the Borrower to perform any of its obligations.

(c) The Borrower's right to make withdrawals under the GEF Trust Fund Grant Agreement shall have been suspended in whole or in part, pursuant to the provisions of the said Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

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 Borrower has established the EEZ Governance Facilitation Team under terms of reference acceptable to the Association, and appointed thereto in accordance with the provisions of Section III of Schedule 3 to this Agreement, a team leader, a financial management specialist and a procurement specialist;

(b) The Borrower has identified a MACEMP manager, procurement officer(s) and accountant for the MNRT and MANREC MMTs, respectively, with terms of reference acceptable to the Association, and completed key training of the said persons in the Association's financial management and procurement systems;

(c) The Borrower has established or caused to be established the Coastal Community Action Fund Technical Committee under terms of reference that are satisfactory to the Association;

(d) The Borrower has entered into the MOU with TASAF that is satisfactory to the Association;

(e) The Borrower has developed a monitoring and evaluation framework for the Project that is satisfactory to the Association;

(f) The Borrower has prepared and adopted the PIM in a form and substance that is satisfactory to the Association; and

(g) The Borrower has entered into a District MOU with the each of the Coastal Districts of Kilwa, Rufiji and Mafia.

Section 6.02. The date one hundred 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 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:

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) Works		100%
(a) Mainland Tanzania	2,400,000	
(b) Zanzibar	1,500,000	
(2) Goods		100%
(a) Mainland Tanzania	2,800,000	
(b) Zanzibar	2,250,000	
(3) Consultants' Services		100%
(a) Mainland Tanzania	4,000,000	
(b) Zanzibar	2,650,000	
(4) Training		100%
(a) Mainland Tanzania	1,200,000	
(b) Zanzibar	870,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Operating Costs		100%
(a) Mainland Tanzania	4,500,000	
(b) Zanzibar	2,800,000	
(6) Subprojects		100% of amounts disbursed
(a) Mainland Tanzania	3,200,000	
(b) Zanzibar	2,100,000	
(7) Refunding of Project Preparation Advance	670,000	Amount due pursuant to Section 2.02 (b) of this Agreement
(8) Unallocated	2,960,000	
	<u>33,900,000</u>	
TOTAL	=====	

2. For the purposes of this Schedule, the term “Operating Costs” means the incremental operating costs on account of Project coordination, implementation and monitoring carried out, as the case may be, by the MNRT and MANREC MMTs, the EEZ Governance Facilitation Team, the Coastal Districts and the Project Steering Committee, Technical Committee, and CCAF Technical Committee, including office supplies, operation and maintenance costs for vehicles and equipment, utilities, salaries of the EGFT, daily subsistence allowances, communication charges, the organizational expenses associated with Project Steering Committee, Technical Committee, and CCAF Technical Committee meetings, and workshop expenses, 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; and (b) expenditures incurred for Subprojects under Category 6 of the Project until the Association has declared the Second Social Action Fund Project effective.

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) goods;

(b) works; (c) services of individual consultants; (d) services of consulting firms; (e) training; (f) Operating Costs; and (g) Subprojects, all under such terms and conditions as the Association shall specify by notice to the Borrower. After the first year of Project implementation, the Association shall carry out a statement of expenditure audit as a basis for determining whether the use of statements of expenditure should be limited for subsequent contracts under the Project.

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 quarter following the date of such request.

B. Special Accounts

1. The Borrower may open and maintain in Dollars the MNRT Special Account and the MANREC Special Account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Accounts are open, withdrawals from the Credit Account of amounts to be deposited into the Special Accounts 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 1; 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 1.

3. Payments out of the Special Accounts shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Accounts, 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 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 Accounts; 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.

5. The Association shall not be required to make further deposits into the Special Accounts in accordance with the provisions of Part B.2 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 Accounts may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of any 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 respective 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 any 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 any 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 Accounts.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 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 Accounts
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means:
 - (a) with respect to the MNRT Special Account, for Categories 1 (a), 2 (a), 3 (a), 4 (a), 5 (a), and 6 (a) the amount of three million Dollars (\$3,000,000) to be withdrawn from the Credit Account and deposited into the said Special Account pursuant to paragraph 2 of this Annex; and
 - (b) with respect to the MANREC Special Account, for Categories 1 (b), 2 (b), 3 (b), 4 (b), 5 (b), and 6 (b), the amount of two million Dollars (\$2,000,000) to be withdrawn from the Credit Account and deposited into the said Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 respective 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 respective Special Account such amount as the Borrower shall have requested.

 - (b) For replenishment of the Special Accounts, the Borrower shall furnish to the Association requests for deposit into the respective 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.3 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 respective 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 respective Special Account for Eligible Expenditures. Each such deposit into the respective 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 respective Special Account, once the total unwithdrawn amount of the Credit 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 respective 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 Accounts
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Accounts in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Accounts 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 respective 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 quarter following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the sustainable management and use of the Borrower's Exclusive Economic Zone, territorial seas, and coastal resources resulting in enhanced revenue collection, reduced threats to the environment, better livelihoods for participating coastal communities living in the Coastal Districts, and improved institutional arrangements.

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: Sound Management of the Exclusive Economic Zone

1. EEZ Planning Support: Supporting the Borrower's efforts towards the establishment of a common EEZ governance regime by: (a) carrying out of a review and subsequent reform of the current policy, regulatory and institutional framework including the Borrower's Territorial Sea and EEZ Act Number 3 of 1989, the Deep Sea Fishing Authority Act Number 3 of 1998, and the Zanzibar Fisheries Act of 1988; (b) designing and legally establishing a Marine Legacy Fund taking into account a detailed economic analysis of marine resources within the EEZ and their revenue generation capacity; (c) developing a scientific knowledge base so as to determine the appropriate balance between income maximization and the long term sustainability of fisheries, and establish sound EEZ management targets, by *inter alia* carrying out a fish stock assessment of the Borrower's territorial waters; and (d) developing an EEZ resource management strategy and an action plan for the implementation of the said strategy to facilitate the setting of sustainable fishing quotas and the corresponding issuance of fishing licenses, such strategy to include an environmental status monitoring system.

2. EEZ Common Governance Regime Implementation: Supporting the Borrower's proposed EEZ regulatory authority's administration and implementation of the fisheries management system for the EEZ including: (a) improving the monitoring, control and surveillance system to enforce adherence to the fisheries management system regulatory framework by *inter alia* providing the necessary equipment and infrastructure support, financing the operational cost of regular sea and aerial patrols, installing a vessel monitoring system and developing standardized reporting formats setting forth *inter alia* target fish species and respective quantities, and strengthening the fisheries judicial system for prompt prosecution of fisheries related violations; (b) collecting of fisheries catch data to inform future fisheries management decisions and prosecutions; (c) supporting the operations of the proposed EEZ authority; (d) implementing the EEZ

resource management strategy developed in A.1 (d) above; (e) rehabilitating MNRT and MANREC's infrastructure; (f) carrying out of a capacity needs assessment of the proposed EEZ authority and fisheries staff within MNRT and MANREC and subsequent implementation of the capacity building and institutional strengthening program developed; and (g) carrying out of targeted research related to EEZ governance and management.

3. EEZ Management Partnerships:

(a) Facilitating regional dialogue on EEZ governance including: (i) developing regional quota systems for licensing relating to maximum sustainable yields of key commercial transboundary species; (ii) establishing information and knowledge sharing mechanisms for scientific data and lessons learnt in EEZ resource management; (iii) regional collaboration on transboundary fish stock assessments in the EEZ of West Indian Ocean states and the high seas, harmonization of activities, and sharing of lessons learnt for purposes of developing and implementing replicable strategies; (iv) supporting the participation of the relevant staff of the Borrower in relevant regional and international meetings; (v) finalizing agreements with the Republic of Comoros on its boundaries with the Borrower's EEZ; and (vi) developing a regional monitoring, surveillance and enforcement system including a regional vessel monitoring satellite system, joint air and sea patrols, and mutual agreements for the hot pursuit of illegally operating fishing vessels into neighboring waters; and

(b) Supporting private sector dialogue relating to improvements in post-harvest fish processing, quality controls, and market access, both national and international, including the provision of training and equipment to strengthen the capacity of microfinance institutions to provide credit services for specific District-level investments such as the construction or rehabilitation of local ports, piers and processing facilities, and the purchase of coolers, freezers and trucks to store and transport produce to markets.

Part B Sound Management of the Coastal Marine Environment

1. Integrated Coastal Management (ICM) Planning Support: Supporting integrated coastal management planning through: (a) strengthening the capacity of Districts in Mainland Tanzania to implement the National Integrated Coastal Management Environment Strategy for Mainland Tanzania; (b) assisting Zanzibar in the development and implementation of an ICM action plan; (c) developing ICM awareness raising programs, including the circulation of information pamphlets on ICM procedures and short-term training programs, and establishing a monitoring system for the impact of such programs; (d) developing of capacity building programs, focusing on *inter alia*: (i) the mainstreaming of environmental considerations into coastal area planning by reviewing and creating awareness at the District and national levels on environmental and social assessment procedures; (ii) enhancing the capacity of resource users and managers, including District environment management teams and environmental committees,

Village environmental and resource management committees, women and other vulnerable groups; and (iii) training of trainers to provide training to community based organizations and non-governmental organizations on environmental issues; (e) developing and implementing collaborative resource management strategies and action plans for activities like ecotourism, biodiversity conservation, fisheries management and mariculture, including sea weed farming; (f) strengthening negotiation and conflict resolution skills at the Village level; (g) improving the institutional capacity of the MMA, MPA and CMA network by improving human resources, providing infrastructure, reviewing the current network of MMAs, MPAs and CMAs, and their regulatory framework; and (h) developing of a national MPA/MMA master plan.

2. Implementation of Network of MMAs, MPAs and CMAs:

Supporting the implementation of the national MPA/MMA master plan developed in B.1 (h) above, through: (a) establishing of a national monitoring and evaluation system for habitats within and outside the MPAs; (b) establishing a marine conservation unit in Zanzibar; (c) carrying out a communication and outreach campaign, including environmental education and awareness raising programs; (d) developing human resource capacity in MPA management in MNRT and MANREC through the development of a curriculum for a local masters degree program in coastal management and the expansion of existing certificate and diploma programs, provision of scholarships, and participation in short-term training courses and exchange programs; (e) establishing new MPAs and CMAs including carrying out of an inventory of resources and socio-economic and ecological baseline studies of the proposed MPAs and CMAs, and provision of equipment to local communities; (f) financing direct investments and capacity building of local communities in existing and emerging MPAs and CMAs including: (i) developing of general management plans and co-management agreements; (ii) implementation of the activities included in the general management plans such as boundary demarcation, development of site infrastructure and start-up operations in emerging MPAs and CMAs; (iii) developing of specific management plans for activities related to *inter alia* tourism, mangroves, turtles and Village land use plans; (iv) strengthening of capacity of CMCs to undertake community based monitoring; and (v) developing and implementing Community Mitigation Action Plans in accordance with the provisions of the Process Framework; (g) financing environmentally friendly sustainable livelihood activities such as mariculture, and fishing gear exchange; and (h) protecting and managing selected key natural and cultural resources, including: (i) preparing mangrove management plans, and supporting community-based mangrove conservation activities; (ii) restoring or rehabilitating cultural sites including sites located in Kilwa, Livingstone House, Maruhubi/Mtoni ruins, Mangapwani ruins, Mkamandume, and the cave system in Kiwengwa, Mtende and Chwaka in Zanzibar through investments undertaken by the Antiquities Departments of Mainland Tanzania and Zanzibar, respectively, investments undertaken as part of the MPA/MMA management plan implementation process, and Subprojects under Part C.1 of the Project; and (iii) supporting the Antiquities Departments of Mainland Tanzania and Zanzibar in carrying

out an inventory of historical sites, demarcating such sites and setting up signboards to prevent encroachment and removal of resource materials, and carrying out of studies aimed at ensuring the protection of vulnerable sites in accordance with standards and norms that are consistent with both those of the United Nations Educational, Scientific and Cultural Organization and national policy..

3. ICM Partnerships: Developing and supporting ICM partnerships through: (a) establishing transboundary MPAs to promote transboundary conservation initiatives of important marine biodiversity areas such as coral reefs; and (b) promoting private sector partnerships to create an enabling environment for environmentally sustainable micro, small and medium enterprise (MSME) growth along the coast including: (i) carrying out of a study to identify the legal or regulatory constraints to private sector development and subsequent preparation and implementation of an action plan addressing the said constraints; (ii) establishing of local business councils and a business linkages program; (iii) improving the capacity of the rural private sector to participate in viable domestic and international markets and to expand financial services; (iv) supporting micro-lending by facilitating training to potential borrowers by non-governmental organizations involved in this area and assisting the LGAs in facilitating the movement of the micro-lenders within the Project sites; (v) providing training to Savings and Credit Cooperative Societies and Village banks on SME lending and outreach programs for membership expansion; (vi) providing training to staff engaged in investment promotion and business services including staff of the Tanzania Investment Center, the Zanzibar Investment Promotion Authority, the Tanzania Chamber of Commerce, Industry and Agriculture, the Board of External Trade, the Zanzibar Chamber of Commerce, Industry and Agriculture, and the Small Industries Development Organization; and (vii) carrying out of surveys on the market value chain of sustainable utilizable natural products including the development of markets and promotion of local brands produced by local private and community-owned businesses.

Part C Coastal Community Action Fund and Capacity Enhancement

1. Coastal Village Fund: Establishing a Coastal Village Fund to provide grants to finance the implementation of Subprojects including *inter alia* the purchase of fishing gear, seaworthy motorized boats, and the construction of roads, bridges, water and sanitation facilities, village markets and banking facilities.

2. Coastal Community Capacity Enhancement: Carrying out of capacity enhancement measures by providing technical advisory services, training and equipment to:

(a) support the institutional development of implementing agencies at the national, District, Village, Ward and Community levels, including monitoring and evaluation for results; and

(b) promote the accumulation of savings by local Communities to assist them in the management of social risks and shocks.

Part D: Project Management

1. MACEMP Management Teams and Technical Committees: (a) Supporting the operational capacity of the EEZ Governance Facilitation Team by meeting staffing, training, operational and equipment costs; (b) Strengthening of the operational capacity of the MNRT and MANREC MMTs to manage and implement the Project through the provision of technical advisory services, training, goods and Operating Costs; (c) Facilitating the meetings of the Project Steering Committee, Technical Committee, the CCAF Technical Committee and the Roster of Experts; and (d) Organizing of bi-annual workshops targeted at *inter alia* the private sector, the scientific community and donors active in the sector to provide input to the Project Steering Committee through the Technical Committee.

2. Monitoring and Evaluation:

Supporting the monitoring and evaluation function of the MACEMP Management Teams through the provision of technical advisory services, goods, training and Operating Costs for *inter alia*: (a) carrying out of baseline studies, and preparation and implementation of a development communications strategy; and (b) preparation of annual reports, annual audits, mid-term review and Project completion reports.

* * *

The Project is expected to be completed by February 28, 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/Guarantor and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$2,000,000 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. Works and Goods 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 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 Inter-Agency Procurement Services Agency in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

5. Community Participation. Goods, works and services required for Part C.1 of the Project estimated to cost less than \$50,000 equivalent per contract may be procured on the basis of community participation in accordance with the following procedures set forth in the PIM and TASAF POM.

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 meets 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. 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.

3. 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.

4. 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.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, there shall be no Prior Review of contracts during the first year of Project implementation. Without prejudice to the foregoing, copies of all contracts that are procured on the basis of International Competitive Bidding and Quality- and Cost-based Selection shall promptly be furnished to the Association. After the first year of Project implementation, the Association shall carry out a procurement audit to be used as the basis for determining the conduct of Prior Review for subsequent contracts under the Project and for updating the Procurement Plan, as necessary. All contracts, with the exception of those for which the Association may require a Prior Review, shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Part A: Project Management

Section I. General Project Coordination and Implementation

1. The Borrower shall ensure that the Project is implemented in accordance with the PIM, the TASAF POM, the Service Guidelines on Community Participation, the MOU, and the District MOUs and except as the Association shall otherwise agree, shall not amend or waive any provisions of the said PIM, the TASAF POM, the Service Guidelines, the MOU or the District MOUs, if such amendment or waiver may in the opinion of the Association materially or adversely affect the implementation of the Project.

2. Project Steering Committee:

(a) Membership: The Borrower shall maintain the PSC under terms of reference and with a membership composition that is satisfactory to the Association which shall include the Permanent Secretary, Vice President's Office, the Permanent Secretaries of MNRT and MANREC, and the Permanent Secretaries responsible for Finance, and Local Administration, from Mainland Tanzania and Zanzibar, respectively.

(b) Role: The PSC shall meet at least semi-annually and shall be responsible for providing overall policy guidance for the Project. Without limitation to the generality of the foregoing, the PSC shall *inter alia*: (i) provide guidance on Project implementation strategy, and on policy, institutional and regulatory reform, including the common governance regime of the EEZ; (ii) coordinate the participation of, and linkages among, Collaborating Agencies, to ensure consistency with sector policies and adherence to established norms and standards; (iii) approve annual work plans and semi-annual updates; (iv) review annual progress reports, financial statements and audit reports; (v) oversee the hiring of the key staff of the EEZ Governance Facilitation Team; and (vi) resolve any disputes.

3. Technical Committee:

(a) Membership: The Borrower shall maintain the TC under terms of reference and with a membership composition that is satisfactory to the Association, which shall include the Director of Fisheries, MNRT and the Director of Fisheries, MANREC, as co-chairs, the Director of Poverty Eradication and the Director of

Environment in the Vice President's office, the Director General of the National Environment Management Council, the Director of Environment of Zanzibar, the respective Directors of Regional Administration and Local Government in Mainland Tanzania and Zanzibar, the Director of Commercial Crops, Fruit and Forestry in Zanzibar, and one private sector representative from a marine-related industry from Mainland Tanzania and Zanzibar, respectively.

(b) Role: The TC shall meet at least quarterly, and shall be the technical advisory body to the PSC. Without limitation to the generality of the foregoing, the TC shall *inter alia*: (i) provide technical information to the PSC to facilitate policy decision making and encourage high-level commitment towards improved sustainable management of the Borrower's marine and coastal eco-systems; (ii) review annual work plans and progress reports; (iii) provide guidance on strategic decisions based on the results of the Project's monitoring system, and advise on the need for research studies related to policy initiatives; (iv) serve as a forum for cooperation among Collaborating Agencies; (v) coordinate and support national and regional partnerships with the overall objective of adopting a long-term approach towards the sound management of marine and coastal ecosystems; and (vi) provide advice on the engagement of the key staff of the MNRT and MANREC MMTs.

4. Roster of Experts:

The Borrower shall ensure that a Roster of Experts is maintained through out Project implementation to act as a resource available to the Project to carry out quality control, due diligence and risk mitigation, the services of such experts to be drawn upon on an as needed basis to carry out tasks that shall include: (i) advising the TC on ongoing or planned research studies; (ii) reviewing the terms of reference for activities to be undertaken under the Project; and (iii) reviewing the reports provided under the various consultancies initiated under the Project.

5. EEZ Governance Facilitation Team:

(a) Staffing:

The Borrower shall maintain the EGFT for such period as shall be agreed upon with the Association, adequately staffed with persons with terms of reference, qualifications and experience that are satisfactory to the Association, including a team leader, development communication specialist, monitoring and evaluation specialist, financial management specialist, procurement specialist and administrative assistant.

(b) Role:

The EGFT shall *inter alia*: (i) facilitate the preparation and implementation of annual work plans by the MNRT and MANREC MMTs; (ii) prepare consolidated annual work plans, financial, and monitoring and evaluation reports for the Project; (iii) provide such technical support as shall be required by the MNRT and MANREC MMTs in financial management, procurement, and monitoring and evaluation; (iv) address cross-cutting issues arising under Part A of the Project, including related procurement; (v) establish, maintain and coordinate access to the Roster of Experts; and (vi) provide operational support to the PSC and TC.

6. MNRT and MANREC MACEMP Management Teams:

(a) Membership:

The Borrower shall maintain through out Project implementation the MNRT and MANREC MMTs, each team composed of at least a MACEMP manager, procurement officer, accountant, CVF coordinator, and an administrative assistant. The Borrower shall to the extent possible ensure consistency in the composition of the said teams through out Project implementation.

(b) The MNRT and MANREC MMTs shall be responsible for the respective day to day implementation of Parts A, B, C.2 and D of the Project in Mainland Tanzania and Zanzibar, and without limitation to the generality of the foregoing shall *inter alia*: (i) prepare and implement annual work plans; (ii) carry out fund disbursement, financial management and procurement functions in a timely manner, including the preparation of FMRs for consolidation by the EGFT; (iii) monitoring and evaluation of the Project; (iv) management of environmental, social and cultural impacts of the Project; and (v) preparation of progress reports.

Section II. TASAF Implemented Part C.1 Coordination and Implementation

7. TASAF National Steering Committee:

(a) Membership: The Borrower shall maintain the TASAF NSC under terms of reference and with a membership composition that is satisfactory to the Association which shall include the Permanent Secretary, Vice President's Office as Chair, the TASAF Executive Director, and representatives from the Vice President's Office, Ministry of Finance, Ministry of Community Development, Gender and Children, the President Office's - Regional Administration and Local Government, the President Office's - State House, the Presidential Trust Fund for Self Reliance, Research on Poverty Alleviation, and two representatives from the Chief Minister's Office.

(b) Role: The TASAF NSC shall oversee the implementation of Part C.1 of the Project by the TASAF MU, and without limitation to the generality of the foregoing shall: (i) set the policy framework underpinning the implementation of Part C.1 of the Project; (ii) approve TASAF MU's annual workplans; and (iii) endorse all Subprojects.

8. The Coastal Community Action Fund Technical Committee:

(a) Membership: The Borrower shall maintain the CCAFTC under terms of reference and with a membership composition that is satisfactory to the Association which shall include the EGFT team leader, and the respective Coastal Community Action Fund Coordinators and MACEMP managers on the MNRT and MANREC MMTs. The MACEMP managers shall be designated members of the SET.

(b) Role: The CCAFTC shall serve as the advisory review panel for Subprojects proposed to be financed out of the CVF. Without limitation to the generality of the foregoing, the CCAFTC shall: (i) review proposed Subprojects on a quarterly basis for conformity with sector norms; (ii) monitor the quality and quantity of the Subprojects in the pipeline and ensure that adequate capacity building of the Beneficiaries takes place; (iii) serve as a forum for cooperation and exchange of knowledge and information between Mainland Tanzania and Zanzibar with respect to Project implementation; and (iv) review the overall operations of the CVF and provide the TC with any recommendations for improvements.

9. Sector Experts Team:

The Borrower shall maintain throughout Project implementation a SET to provide the TASAF NSC with advice regarding the compliance of proposed Subprojects with sector norms and standards for purposes of Part C.1 of the Project.

10. TASAF MU:

(a) Staffing: The Borrower shall maintain the TASAF-MU for the duration of the Project with staffing and resources satisfactory to the Association. Without limitation to the generality of the foregoing, the Borrower shall ensure that the following key positions are at all times staffed by persons with terms of reference, qualifications and experience that are satisfactory to the Association: the Executive Director, Finance Director, Internal Audit Director and Procurement Specialist.

(b) Role: Without limitation to the provisions of Section 3.01 of this Agreement, the TASAF-MU shall: (i) ensure that the Project is carried out in accordance with the PIM and TASAF POM; (ii) ensure that Project funds are disbursed promptly and accounted for in accordance with the financial management principles set

forth in this Agreement; (iii) carry out all the procurement not being undertaken by the Communities; and (iv) prepare annual work plans that are satisfactory to the Association for the approval of the TASAF PSC.

11. Regional Consultative Committee:

Regional Commissioners shall maintain throughout Project implementation a Regional Consultative Committee to monitor the progress made by LGAs in developing resource accountability measures. The said Committee shall report back to the TASAF NSC and to the Ministry of Finance's quarterly sector consultations on a six-monthly basis.

12. LGA Finance Committees:

The Borrower shall maintain LGA Finance Committees which shall be responsible for overseeing the implementation of the Project at the local government level.

Part B: Annual Work Plans and District MOUs

13. (a) The Borrower shall ensure that annual work plans are prepared by the MACEMP Management Teams in collaboration with the EGFT each year of Project implementation and submit to the Association for its review and subsequent approval each such work plan by May 31 of each calendar year.

(b) The Borrower shall ensure that it enters into a District MOU with each of the Mainland Tanzania Coastal Districts for Part B of the Project, and shall ensure that the Project is implemented in accordance with the terms and conditions set forth in such District MOU.

Part C: Disputed Areas, Environmental, Social, and Cultural Measures

14. (a) The Borrower shall implement the Project in accordance with the ESA, the ESMF, the RPF and the Process Framework, as the same shall apply to the Project. Without limitation to the generality of the foregoing:

- (i) the Borrower shall ensure that an environmental and social impact assessment in a form that is satisfactory to the Association is carried out prior to the implementation of Subprojects financed under the Project, based on the results of the environmental and social screening process;

- (ii) in the event that the environmental and social impact assessment carried out under sub-paragraph 14 (a) (i) above determines that a proposed Subproject would have a potential negative environmental or social impact, the Borrower shall ensure that a management plan that is satisfactory to the Association is prepared and implemented to mitigate against the potential negative impact(s);
 - (iii) without limitation to the generality of sub-paragraph 14 (a) (ii) above, if it is determined that a Subproject would involve adverse impacts on the livelihoods of displaced persons in cases where there is an involuntary restriction of access to legally designated parks and protected areas, the Borrower shall ensure that CMAPs that are satisfactory to the Association are prepared and implemented for the benefit of the affected persons; and
 - (iv) the Borrower shall ensure that Part B. 2 of the Project is implemented in such a manner as to ensure the protection and preservation of cultural properties identified under the Project.
- (b) the Borrower shall ensure that, pursuant to the provisions of Part A.3 (v) of the Project, the agreement with the Republic of Comoros setting the boundaries with the Borrower's EEZ is completed.

Part D: Terms and Conditions for Financing of Subprojects under Part C.1 of the Project

15. (a) LGAs must meet the eligibility criteria agreed with the Association and set out in the TASAF POM, including *inter alia* that they shall have: (i) established a computerized management information system that is satisfactory to the Association; and (ii) met the required financial management, fiscal, and procurement standards.
- (b) Each Village shall establish a Village Fund in accordance with the provisions of the LG Act, into which the TASAF MU shall disburse funds from the Coastal Village Fund.
- (c) LSPs may be contracted by the LGAs or Village Councils to supervise the implementation of the Subprojects.
- (d) A Subproject proposal shall be submitted for the approval of the Village Council or Local Government Authority, as the case may, depending upon the size of the Subproject, as further set out in the TASAF POM. The LGA staff shall appraise the Subproject to ensure that it meets the eligibility criteria for funding from the Coastal Village Fund including confirmation that: (i) the proposed Subproject does not hinder

sustainable coastal resource use and incorporates awareness raising measures to promote sustainable use; (ii) the Subproject was proposed after carrying out an extended participatory rural appraisal; (iii) counterpart contribution has been provided by the Beneficiary, if required; (iv) the proposed Subproject is in compliance with sectoral norms and standards; (v) the proposed Subproject is economically and technically viable in accordance with the standards specified in the TASAF POM; (vi) an environmental and social impact assessment has been carried out and an environmental management plan or the CMAP Plan prepared, as the case may be, to address any environmental or social impacts so identified; and (vii) the proposed Subproject is in compliance with the standards set forth in the applicable laws and regulations of the Borrower relating to health, safety and environmental protection.

(e) TASAF MU shall prepare quarterly work plans comprising *inter alia* the list of Subprojects approved at the Village Council and Local Government Authority levels that were reviewed and approved by the SET, and duly endorsed by the TASAF NSC. Disbursements of funds for the approved Subprojects shall be made to the Local Government Authority or the Village Council or to the CMC, as the case may be, as set forth in the TASAF POM. To facilitate this process, the TASAF MU shall enter into a memorandum of understanding with each LGA participating in the Project, under terms and conditions that are satisfactory to the Association, setting forth their respective responsibilities with respect to implementation of the Project at each stage of the Subproject cycle.

(f) TASAF MU shall provide an amount equivalent to 10% of its contribution to the Subproject costs to be used by the LGA and the Village Council for Subproject management and supervision including the recruitment of LSPs.

(g) In cases where an LGA has been certified as having satisfactory financial management capacity, TASAF MU shall disburse the 10% referred to in paragraph (f) directly to the LGA to disburse 2.5% to the Village Council, and to retain 7.5%.

(h) In cases where an LGA has not been certified as having satisfactory financial management capacity, TASAF MU shall disburse 7.5% out of the 10% referred to in paragraph (f) above to the Village Council, and 2.5% to the LGA.

(i) The CMC shall be responsible for Subproject implementation, and for this purpose, the respective LGA and Village Council shall enter into a Subproject Financing Agreement with each CMC under terms and conditions that are satisfactory to the Association including but not limited to the following:

- (i) funds shall be provided on a non-reimbursable grant basis;
 - (ii) procedures for the disbursement of funds that are consistent with the provisions of this Agreement including the requirement that the CMC open a separate account for the management of Subproject funds;
 - (iii) the provision of the agreed counterpart contribution by the Subproject Beneficiary;
 - (iv) the requirement that the CMC carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records;
 - (v) the right of the Borrower to obtain all such information, records or documents as the Association or Borrower shall reasonably request relating to the implementation of a Subproject or to inspect either by itself or jointly with the Association, if the Association shall so request, the Subprojects;
 - (vi) the CMC shall maintain adequate records reflecting the operations, resources and expenditures incurred under the Subprojects in accordance with sound accounting practices that are acceptable to the Association;
 - (vii) the CMC shall procure the goods, works and services financed from the proceeds of the Credit, as the case may be, in accordance with the procedures set forth in Schedule 3 to this Agreement, and use these exclusively in the implementation of the Subprojects; and
 - (viii) the right of the Borrower to suspend or terminate the right of a participating LGA or a Village Council to the proceeds of the Credit upon failure by such CMC to perform its obligations under the Subproject Financing Agreement.
- (j) The CMCs shall prepare quarterly progress reports including financial reports for submission to the Village Council, and subsequent consolidated submission by LGAs of such reports to TASAF MU and SET.

Part E: Progress Reporting, Monitoring and Evaluation

16. Quarterly progress reports:

Without limitation to the provisions of Section 4.02 of this Agreement, the Borrower shall prepare, under terms of reference satisfactory to the Association, quarterly progress reports for each calendar quarter of each year of Project implementation, commencing calendar year 2005, and furnish to the Association copies of such reports for its review and comments within one month of the end of the respective quarter. The Borrower shall undertake any corrective actions deemed by the Association to be necessary to remedy any shortcomings identified in the implementation of the Project.

17. Annual Progress Reports:

The Borrower shall prepare, under terms of reference satisfactory to the Association, annual progress reports, on or about December 31 of each year of Project implementation, commencing calendar year 2006, and furnish to the Association copies of such reports for its review and comments. The Borrower shall undertake any corrective actions deemed by the Association to be necessary to remedy any shortcomings identified in the implementation of the Project.

18. Mid-term Review:

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 5 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 December 31, 2008, a 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 Project during the period preceding the date of said report 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 February 28, 2009, 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.

SCHEDULE 5

Performance Monitoring Indicators

1. Revenue generation to proposed EEZ authority is at the level of twenty million Dollars (\$20,000,000) at the close of the Project.
2. The MMA system is able to increase revenue generation to the level of at least one hundred fifty percent (150%) of its recurrent costs at the close of the Project, up from forty per cent (40%).
3. The percentage of territorial seas under effective management increases from four per cent (4 %) to ten per cent (10%) at the close of the Project.
4. The number of daily observations of vessel catch and effort entered into the Borrower's fisheries information management system increases from one thousand (1,000) to fifteen thousand (15,000) per year at the close of the Project.
5. At least eighty per cent (80%) of Subproject Beneficiaries indicate an improvement in their welfare and economic status at the close of the Project.