Financing Agreement

(Eleventh Poverty Reduction Support Development Policy Financing)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 10, 2014
FINANCING AGREEMENT

AGREEMENT dated April 10, 2014, entered into between the UNITED REPUBLIC OF TANZANIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient’s maintenance of an adequate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty five million five hundred thousand Special Drawing Rights (SDR 55,500,000) (referred to variously as “Credit” and “Financing”).

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 August 15 and February 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 2 to this Agreement.
2.07. The Payment Currency is Dollars.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV—REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V—EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days 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
United Republic of Tanzania

Facsimile:

(255) 222 11 0326

6.03. The Association’s Address is:

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

Cable address: Telex: Facsimile:

INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.
AGREED at District of Columbia, United States of America, as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By

Authorized Representative

Name: SAADA MKUYA SALUM
Title: MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: PHILIPPE DONGIER
Title: COUNTRY DIRECTOR
Section I. Actions Taken Under the Program

The actions taken by the Recipient under the Program include the following:

1. The Recipient has drafted legislation institutionalizing the Extractive Industries Transparency Initiative (EITI) and providing a sound framework for EITI’s operation in its territory and has completed stakeholder consultations on the draft legislation.

2. The Recipient’s Cabinet has approved a bill to enact the Tax Administration Act and said bill has been finalized by the Attorney General’s Chamber.

3. The Recipient has: (a) drafted a bill to amend the Planning Commission Act; and (b) initiated development of a public investment operational manual to provide guidance for the MDAs and the LGAs to carry out economic and financial analysis of public investment projects.

4. The Recipient’s Cabinet has approved amendments to the PPP Act No. 18 of 2010 to: (i) streamline the number of approvals required for PPP projects; (ii) create the PPP facilitation fund; and (iii) establish rules for unsolicited proposals.

5. The Recipient has: (a) through its Internal Auditor General issued public sector audit committee guidelines to improve effectiveness of audit committees MDAs and LGAs; and (b) facilitated implementation of the Procedures Manual for the QAIP and of the Guidelines for Developing Institutional Risk Management Framework (IRMF) in Public Sector, issued by the Internal Auditor General.

6. The Recipient has: (a) completed and published the MTDS, which recognizes as central government debt off-budget liabilities, including from pension funds and other parastatals; and (b) submitted to its Cabinet proposed amendments to the Government Loans, Grants and Guarantees (GLGG) Act CAP 134 R.E. 2004.

7. The Recipient has published on the MoF website: (a) guidelines for the preparation of the annual plan and budget for FY2013/14 by December 2012; (b) the executive budget proposal as submitted to its Parliament by June 2013; (c) the approved budget for FY2013/14 by September 2013; (d) the citizens’ budget for FY2013/14 by November 2013; and (e) the year-end report on preliminary budget outturn by November 2013.
8. The Recipient has established a single one-stop services center of MDAs for SEZs’ investors and has developed operational guidelines for public private partnership (PPP) arrangements for SEZs.

9. The Recipient has taken measures to improve port efficiency including: (a) strengthening implementation of custom regulations which require manifest to be lodged electronically 24 hours before arrival of the vessel by effecting penalties for non-compliance; (b) starting to implement the Action Plan to move Tanzania Port Authority (TPA) to landlord status, including completion and adoption of feasibility study for berths one to seven with options for public private partnerships (PPPs); and (c) developing and implementing action plan to merge cargo management and clearance under the new automated custom system (TANCIS).

10. The Recipient has issued an operational manual for border trade and has started disseminating the manual to traders to increase their awareness of required procedures for trading across the border.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>55,500,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>55,500,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.
D. Deposits of Financing Amounts

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the following two deposit accounts ("Deposit Accounts") on terms and conditions satisfactory to the Bank:

   (a) a deposit account in Dollars ("Foreign Currency Deposit Account"); and

   (b) a deposit account in Tanzania Shillings ("Local Currency Deposit Account").

2. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account. Upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount into the Local Currency Deposit Account. All amounts withdrawn from the Local Currency Deposit Account shall be used exclusively for budgeted public expenditures.

E. Excluded Expenditures

The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

F. Audit

Upon the Association’s request, the Recipient shall:

1. have both Deposit Accounts audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four (4) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and

3. furnish to the Association such other information concerning the Deposit Accounts and their audit as the Association shall reasonably request.

G. Closing Date. The Closing Date is June 30, 2015.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each August 15 and February 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing August 15, 2024, to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>Commencing August 15, 2034, to and including February 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

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

Section I. Definitions

1. “Action Plan” means the Action Plan for the operationalization of the TPA’s shift to landlord status, specifically completion of the feasibility study to upgrade berths of the Port of Dar es Salaam including options for PPP in port activities.

2. “Attorney General’s Chamber” means the Recipient’s Attorney General’s office or any successor thereof.


4. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

5. “Extractive Industries Transparency Initiative” or “EITI” means the standard adopted by the Association for the Extractive Industries Transparency Initiative, an association established by Articles of Association adopted on February 16, 2009, to promote transparency over payments and revenues related to the extractive sector.

6. “Fiscal Year” or “FY” means the Recipient’s fiscal year commencing on July 1 and ending on June 30 of the following year.

7. “Foreign Currency Deposit Account” the account referred to in Part D.1(a).of Section II of Schedule 1 to this Agreement.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.


13. "Letter of Development Policy" means the letter dated February 14, 2014, from the Recipient to the Association, describing the Program (as hereinafter defined), and declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

14. “LGAs” means the Recipient’s local government authorities.

15. “Local Currency Deposit Account” means the account referred to in Part D.1(b) of Section II of Schedule 1 to this Agreement.

16. “Medium Term Debt Strategy” or “MTDS” means the Recipient’s strategy, which recognizes as central government debt off-budget liabilities, including from pensions and parastatals.

17. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible at the time for finance.

18. “MDAs” means the Recipient’s line ministries, departments, and agencies.


20. “Procedures Manual” means the manual for procedures to be followed for the QAIP.


23. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty as set forth or referred to in the Letter of Development Policy.

24. “Quality Assurance Improvement Program” or “QAIP” means the Recipient’s QAIP developed by the Internal Auditor General.

25. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

26. “SEZs” means special economic zones in the Recipient’s territory.

27. “TANCIS” means the Recipient’s new automated customs system.
28. "Tanzania Revenue Authority" and "TRA" means the Recipient’s Revenue Authority or any successor thereof.

29. "Tax Administration Act" means the Recipient’s act for the purpose of establishing common tax procedures for different taxes collected by the Tanzania Revenue Authority.

30. "TPA" means the Tanzania Port Authority of the Recipient or any successor thereof.

31. "Tanzania Shillings" means the Recipient’s local currency.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Sections 4.01 (Project Execution Generally), and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. Plans; Documents; Records

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. Program Monitoring and Evaluation
... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six (6) months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

"’Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

"’Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.