Financing Agreement

(Additional Financing for Housing Finance Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 12, 2015
CREDIT NUMBER 5590-TZ

FINANCING AGREEMENT

AGREEMENT dated March 12, 2015, entered into between the UNITED REPUBLIC OF TANZANIA ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in 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 forty one million five hundred thousand Special Drawing Rights (SDR 41,500,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are February 15 and August 15 in each year.
2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE V — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) TMRC’s charter has been amended, or TMRC has been dissolved or disestablished, without the prior written approval of the Association.

(c) The assignment, amendment, abrogation or waiver of any provision of a signed Participation Agreement, without the prior written approval of the TMRC and/or HMFF, as the case may be, the Project Implementing Entity and the Association.

4.02. The Additional Event of Acceleration is that any of the three (3) events specified in Section 4.01 of his Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) the Subsidiary Agreement has been executed between the Recipient and the Project Implementing Entity under terms and conditions acceptable to the Association; and

(b) the Project Implementing Entity and the TMRC have entered into a Sub-financing Agreement acceptable to the Association.

5.02. The Additional Legal Matters consist of the following:

The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

Ministry of Finance
1 Madaraka Street
P. O. Box 9111
11468 Dar es Salaam, Tanzania

Cable address: TREASURY
Faesimile: (255) 222 11 77 90
Dar es Salaam
6.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

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

THE UNITED REPUBLIC OF TANZANIA

By

[Signature]

Authorized Representative

Name: Dr. A.B. Likiwile
Title: Permanent Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: P.H. Metian
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to facilitate the development of the housing finance market through the provision of medium and long-term liquidity to lenders.

The Project consists of the following parts:

Part 1: Developing the Mortgage Market

(a) Providing loan funds to TMRC to enable it to provide Mortgage Prefinancing and Mortgage Refinancing to PMLs.

(b) Providing technical advisory support to TMRC in issuing its bonds.

(c) Reviewing products options for providing mortgages to lower income borrowers; and supporting consumer financial literacy and related information dissemination activities.

Part 2: Development of Housing Microfinance

(a) Provision of Housing Finance Loans by HMFF to eligible PFI.

(b) Strengthening the capacity of HMFF and selected financial institutions in providing housing loans in the market through provision of technical advisory assistance and/or related information technology equipment.

Part 3: Expansion of Affordable Housing Supply

(a) Undertaking feasibility studies to identify options for enhancing operational efficiency and effectiveness of the Recipient's real estate profession.

(b) Developing guidelines and standards for the development of low income housing.

(c) Setting up a housing information center.

(d) Providing information and communication technology (ICT) support to the Recipient's agency/agencies involved in the implementation of the Recipient's public housing schemes.
(e) Strengthen the capacity of the Recipient’s National Housing and Building Research Agency in researching and disseminating affordable building technologies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project's institutional and implementation arrangements shall be identical to those set forth in Section I of Schedule 2 to the Original Financing Agreement, except as restated immediately below in Section I.B, in respect of the Anti-Corruption provisions referred to in Section I.C of Schedule 2 to the Original Financing Agreement.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of every six (6) months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of each six (6) months, interim unaudited financial reports for the Project covering the six (6) months, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.
Section III.  Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
</tbody>
</table>

3. Additional Procedures for the use of National Competitive Bidding

The following additional procedures shall apply to National Competitive Bidding:

(a) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document for, and contract financed out of the proceeds of the Financing, shall provide that: (i) the bidders, suppliers, contractors and
subcontrac tors shall permit the Association, at its request, to inspect their 
accounts and records relating to the bid submission and performance of 
the contract, and to have said accounts and records audited by auditors 
appointed by the Association; and (ii) the deliberate and material violation 
by the bidder, supplier, contractor or subcontractor of such provision may 
amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the 
Procurement Guidelines.

(b) Preference: may not be awarded to domestic suppliers or contractors.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 
2 below, consultants' services shall be procured under contracts awarded on the 
basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following 
methods of procurement, other than Quality- and Cost-based Selection, may be 
used for consultants' services under the circumstances specified in the 
Procurement Plan for each such method: (a) Quality-Based Selection; (b) Selection 
under a Fixed Budget; (c) Least-Cost Selection; (d) Selection Based on 
Consultants' Qualifications; (e) Single-source Selection; (f) Procedures set forth 
in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of 
Individual Consultants; and (g) Sole-Source Procedures for the Selection of 
Individual Consultants.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the 
provisions of Article II of the General Conditions, this Section, and such additional 
instructions as the Association shall specify by notice to the Recipient (including 
the "World Bank Disbursement Guidelines for Projects" dated May 2006, as 
revised from time to time by the Association and as made applicable to this 
Agreement pursuant to such instructions), to finance Eligible Expenditures as set 
forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be 
financed out of the proceeds of the Financing ("Category"), the allocations of the
amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) (a) Mortgage Prefinancing and Refinancing, Goo-Is, Consultants, Training and Workshops for Part 1 of the Project</td>
<td>21,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Mortgage Prefinancing and Refinancing for Part 1 of the Project</td>
<td>7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Housing Loans, Goods, Consultants, Training and Workshops for Part 2 of the Project</td>
<td>10,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Consultants, Training and Workshops for Part 3 of the Project</td>
<td>2,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>41,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A.1 of this Section no withdrawal shall be made in respect of:

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

   (b) any payments under Category (1)(b), unless and until evidence satisfactory to the Association is furnished to the Association confirming that the Operation Manual has been updated to include detailed disbursement arrangements acceptable to the Association, for disbursing the Credit’s proceeds under said Category (1)(b).
C. **Withdrawal Instructions**

For purposes of making withdrawals of funds under Category 1(b), the Recipient shall: (a) provide satisfactory evidence to the Association confirming that TMRC has issued one or more new bonds to fund the Mortgage Refinancing and/or Mortgage Refinancing of eligible mortgages, as well as the associated value of said bonds; and (ii) only make withdrawals for an amount equivalent to, or up to, the monetary value of said issued bonds, but not exceeding the amount allocated to said Category (1)(b).

2. The Closing Date is March 31, 2018; and the Closing Date of the Original Project is March 31, 2017.
**SCHEDULE 3**

**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, commencing August 15, 2021, to and including February 15, 2053</td>
<td>1.5625%</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

Definitions

1. “Annual Work Plan” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section 1.5(b) of the Schedule to the Original Project Agreement.


3. “BOT” means Bank of Tanzania, the Recipient’s central bank established and operating pursuant to the Bank of Tanzania Act No. 4 of 2006 of the laws of the Recipient.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of: assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Displaced Persons” means more than one Displaced Person.

7. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Recipient, dated October 2009, defining the set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

8. “Environmental Management Plan” or “EMP” means an environmental management plan, in form and substance satisfactory to the Association, to be prepared by the Recipient on the basis of the ESMF, and giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of Project activities,
together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as any such plan may be amended and/or supplemented from time to time with prior written approval of the Association; and “EMPs” means, collectively, all or several such plans.


10. “HMFF” means the Housing Microfinance Fund established by the Recipient in April 2014 with a mandate to, among other things, provide affordable loans, to eligible financial institutions for on-lending short and medium term housing loans and pursuant to the Recipient’s Agency Agreement with BOT dated April 2014, BOT is responsible for the HMFF’s operations.

11. “Housing Finance Loan” means the financing made or proposed to be made out of the proceeds of the Credit, by the HMFF to a PFI (as such term is hereinafter defined) for the purpose of making said financing available to qualified applicants seeking to finance the purchase and/or the construction of a residential home pursuant to the eligibility criteria set forth in the Operations Manual and the term “Housing Finance Loans” means the plural thereof.


13. “Mortgage Loan” means a mortgage loan secured by a lien and made or proposed to be made by a FMI (as such term is hereinafter defined) for the purpose of providing financing for the purchase, refinance, construction or renovation of a residential housing unit.

14. “Mortgage Prefinancing” means the financing made or proposed to be made out of the proceeds of the Credit, by the TMRC to a PML (as such term is hereinafter defined) for the purpose of making said funds available to qualified applicants seeking to finance the purchase and/or the construction of a residential home pursuant to the eligibility criteria set forth in the Operations Manual.

15. “Mortgage Refinancing” means refinancing made or proposed to be made out of the proceeds of the Credit, by the TMRC to a PML (as such term is hereinafter defined) which meets the eligibility criteria set forth in the Operations Manual.

16. “National Housing and Building Research Agency” means the Recipient’s executive agency under its Ministry of Lands, Housing and Human Settlements Development with a mandate to research and disseminate affordable building technologies, any successor thereto.
17. "Operations Manual" means the manual referred to Section I.A.1 of the Schedule to the Original Project Agreement, as the same may be amended from time to time with the prior agreement of the Association.

18. "Original Financing Agreement" means the financing agreement for the Original Project (as defined hereunder) between the Recipient and the Association, dated March 31, 2010, as amended to the date of this Agreement (Credit No. 4712-TZ).

19. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

20. "Original Project Agreement" means the project agreement for the Original Project between the Association and the Project Implementing Entity, dated March 31, 2010, as amended to the date of this Agreement (Credit No. 4712-TZ).

21. "Participation Agreement" means an agreement entered into, or to be entered into between the TMRC and each eligible PML (as such term is hereinafter defined) or an agreement entered into, or to be entered into between the HMFF and each eligible PFI (as such term is hereinafter defined) in accordance with Section 1.F of the Schedule to the Project Agreement.

22. "PFI" means a financial institution selected to participate in Part 2(a) of the Project in accordance with the selection criteria set out in the Operations Manual, and the term "PFIs" means the plural thereof.

23. "PML" means a participating mortgage lender selected to participate in Part 1(a) of the Project in accordance with the selection criteria set out in the Operations Manual, and the term "PMLs" means the plural thereof.


25. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 22, 2015, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

26. "Project Implementing Entity" means the BOT.


28. "Resettlement Action Plan" or "RAP" means a Resettlement Action Plan acceptable to the Association and consistent with the RPF, to be adopted by the Recipient, and giving details of the specific actions, measures and policies
designed to facilitate the achievement of the objectives of the RPF, along with the procedural and institutional measures needed to implement such actions, measures and policies; as such RAP may be amended from time to time with the prior written agreement of the Association.

29. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework acceptable to the Association, dated October 2009, adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such RPF may be amended from time to time with the prior written agreement of the Association.

30. “Sub-financing” means a loan made by the Project Implementing Entity to the TMRC pursuant to the Sub-financing Agreement (as such term is hereinafter defined).

31. “Sub-financing Agreement” means an agreement between the Project Implementing Entity and the TMRC providing for the Sub-financing.

32. “Subsidiary Agreement” means the agreement referred to in Section 5.01 (a) of this Agreement pursuant to which the Recipient shall make proceeds of the Financing available to BOT.

33. “Tanzania Shilling” means the Recipient’s currency.

34. “TMRC” means the Tanzania Mortgage Refinance Company created under The Companies Act Cap 212 RE 2002 for the purpose of providing short and long term funds to PMLs necessary for prefinancing and refinancing Mortgage Loans.