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CREDIT NUMBER 5710-TZ

# Financing Agreement

(First Business Environment for Jobs Development Policy Financing)

Between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated Sept 29, 2015

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**CREDIT NUMBER 5710-TZ**

**FINANCING AGREEMENT**

AGREEMENT dated Sept 29, 2015, 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 seven million six hundred thousand Special Drawing Rights (SDR 57,600,000) (variously “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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 15 and July 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 policy 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  
1 Madaraka Street  
P.O. Box 9111  
11468 Dar es Salaam  
The 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  
Washington, D.C.

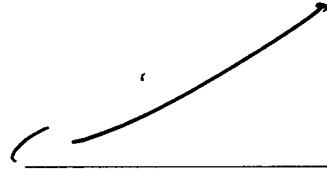
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1-202-477-6391

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

THE UNITED REPUBLIC OF TANZANIA

By

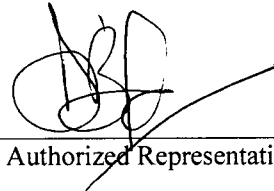


Authorized Representative

Name: M.S.B. LIKWELI  
Title: DEPARTMENT SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: BELLA BIRD  
Title: COUNTRY DIRECTOR

## SCHEDULE 1

### Program Actions; Availability of Financing Proceeds

#### Section I. Actions Taken Under the Program

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

1. The Recipient has launched the first phase of the One-Stop Shop (OSS) Program by integrating tax and business registration within the Business Registration and Licensing Agency (BRELA) office.
2. The Recipient through its Ministry of Industry and Trade (MoIT) has established a Regulatory Licensing Reform Committee (RLRC) with the responsibility to streamline the legal framework (laws, regulations, licenses, permits and certifications) and the regulatory bodies concerning business licenses.
3. The Recipient through its Ministry of Finance (MoF) has repealed the Directive requiring 100% cargo inspection at the port of Dar es Salaam allowing the Tanzania Revenue Authority (TRA) to implement the risk-based inspection system according to its capacity building action plan, targeting initially eighty (80) percent of all import cargo.
4. The Recipient through its TRA has increased the budget allocation for value-added tax (VAT) refunds in the FY2014/15 budget and has reduced the amount of outstanding claims of VAT refunds.
5. The Recipient has submitted to the Parliament: (i) a bill to amend the “Employment and Labor Relations Act” (ELRA); and (ii) a bill to enact the “Non-Citizen Employment Regulation Act”.
6. The Recipient through its Ministry of Lands, Housing, and Human Settlements Development (MLHSD) has established a desk at its Dar es Salaam Zonal Land Office offering notarization for the transfer of properties using standardized contract forms and has announced it through the media.
7. The Recipient has created a unified legal framework for payment systems by submitting to the Parliament a bill to enact the “National Payments Systems Act”.
8. The Recipient has improved transparency in its resource allocation for implementing rural transport policy by creating a new budget line specifically for rural road development.

9. The Recipient's Ministry of Natural Resources and Tourism (MoNRT) has published on its website a comprehensive list of public charges (including licenses, permits, taxes, levies, fees, and excises) applicable to the tourism sector.

**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:

| <b>Allocations</b>        | <b>Amount of the Financing Allocated<br/>(expressed in SDR)</b> |
|---------------------------|---|
| Single Withdrawal Tranche | 57,600,000  |
| <b>TOTAL AMOUNT</b>       | <b>57,600,000</b>   |

**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. Except as the Association may otherwise agree:
  - (a) all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
  - (b) the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.
2. The Recipient shall report to the Association the equivalent amounts accounted for in the Recipient's budget management system within 30 days upon each deposit of an amount of the Financing into said designated account.

**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. Closing Date.** The Closing Date is August 31, 2016.



**SCHEDULE 2**

**Repayment Schedule**

| <b>Date Payment Due</b>   | <b>Principal Amount of the Credit repayable (expressed as a percentage)*</b> |
|---|--|
| On each January 15 and July 15, commencing January 15, 2022, to and including July 15, 2053 | 1.5625%  |

\* 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. "Business Registrations and Licensing Agency" or "BRELA" means the semi-autonomous Executive Agency under the Recipient's Ministry of Industry and Trade, responsible for business facilitation and regulation established under the Recipient's Executive Agencies Act No.30 of 1997, and formally launched on December 3, 1999.
2. "Dar es Salaam Zonal Land Office" means the office under the Recipient's Ministry of Lands, Housing and Human Settlements Development, in charge of overseeing land administration issues, scrutinizing, approving and issuing certificates of occupancy, certificates of village land and certificates of customary rights of occupancy, and resolving land disputes administratively in the zone of Dar es Salaam.
3. "Directive" means the Recipient's administrative order announced by its Minister of Finance in June 2013 during the Budget Speech for fiscal year 2013/2014 (paragraph 123(ii) and additional provisions in the Parliamentary Hansard), requiring the Tanzania Revenue Authority's customs department to physically examine all containers received at the Dar es Salaam port with goods for consumption in the country.
4. "Employment and Labor Relations Act" or "ELRA" means the Recipient's Act No. 6 of 2004, signed by the Recipient's President on June 4, 2004, making provisions for core labor rights, establishing basic employment standards and providing a framework for collective bargaining and settlement of disputes for all employees, including those in public service, in mainland Tanzania.
5. "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:

| Group | Sub-group | Description of Item   |
|-------|-----------|---|
| 112   |           | Alcoholic beverages   |
| 121   |           | Tobacco, un-manufactured, tobacco refuse  |
| 122   |           | Tobacco, manufactured (whether or not containing tobacco substitutes)   |
| 525   |           | Radioactive and associated materials  |
| 667   |           | Pearls, precious and semiprecious stones, unworked or worked  |
| 718   | 718.7     | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors   |
| 728   | 728.43    | Tobacco processing machinery  |
| 897   | 897.3     | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971   |           | Gold, non-monetary (excluding gold ores and concentrates)   |

- (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.
6. "FY" means the Recipient's fiscal year commencing July 1 and ending June 30 in each calendar year.

7. “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.
8. “Letter of Development Policy” means the letter dated June 30, 2015, 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.
9. “Ministry of Finance” or “MoF” means the Recipient’s ministry responsible at the time for finance or any successor thereto.
10. “Ministry of Industry and Trade” or “MoIT” means the Recipient’s ministry responsible for industry and trade or any successor thereto.
11. “Ministry of Lands, Housing, and Human Settlements Development” or “MLHSD” means the Recipient’s ministry responsible for lands, housing and human settlements development or any successor thereto.
12. “Ministry of Natural Resources and Tourism” or “MoNRT” means the Recipient’s ministry responsible for natural resources and tourism or any successor thereto.
13. “National Payments Systems Act” means the Act of Parliament, making provisions for the regulation and supervision of payment systems, electronic payment instruments, electronic money, and payment system service providers.
14. “Non-Citizen Employment Regulation Act” means the Act of Parliament, regulating and aligning the legal regime for employment and engagement in other occupations by non-citizens in mainland Tanzania.
15. “One-Stop Shop Program” or “OSS Program” means the Recipient’s set of reforms aimed at simplifying the bureaucratic process for starting a business by allowing enterprises to complete all the necessary business registration steps at a single office instead of multiple ones.
16. “Parliament” means the Recipient’s Parliament.
17. “Parliamentary Hansard” means the minutes of the proceedings of the Parliament.
18. “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.

19. “Regulatory Licensing Reform Committee” or “RLRC” means the committee established by the Recipient’s Ministry of Industry and Trade on February 20, 2015, in charge of streamlining, simplifying, harmonizing and where necessary consolidating the business laws and regulations applicable to Tanzania for enhancing the business environment.
20. “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.
21. “Tanzania Revenue Authority” or “TRA” means the Recipient’s agency established by Act of Parliament No. 11 of 1995, with operations started on July 1, 1996, responsible for administering impartially various taxes of the central government.
22. “VAT” means value-added tax.

## **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 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”.