



CREDIT NUMBER 5619 -TZ

Financing Agreement

(First Open Government and Public Financial Management
Development Policy Financing)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 23, 2015



CREDIT NUMBER 5619 -TZ

FINANCING AGREEMENT

AGREEMENT dated 23 June, 2015, entered into between THE UNITED REPUBLIC OF TANZANIA ("Recipient") and 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 seventy one million one hundred thousand Special Drawing Rights (SDR 71,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 1 and November 1 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 I 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
The United Republic of Tanzania

Facsimile:

(255) 222 1 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.

248423(MCI)

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: SHADIA MKUYA GALUM
Title: MINISTER FOR FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Jacques P. Morisset
Title: Acting 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's Cabinet has approved an Access to Information Bill for submission to Parliament in line with the OGP Action Plan, following broad consultations with stakeholders.
2. The Recipient has initiated the pro-active disclosure of data by issuing:
(a) instructions to establish an interagency working group to set policies, advise on standards, and coordinate implementation of open data across MDAs and LGAs; and
(b) a circular with interim guidelines for publishing data in Open Data Format on the Recipient's OD Portal.
3. (a) The Recipient's MoF has issued instructions to spending units to commit all expenditures through the Integrated Financial Management Information Systems.
(b) The Recipient's appropriated budget for FY14/15 has provided funding to reduce the level of expenditure arrears.
4. The Recipient's MoF has piloted payments by regional MDAs through the Tanzania Inter-bank Settlement Scheme and Electronic Fund Transfer.
5. The Recipient's MoF and POPC have jointly issued budget guidelines for six pilot MDAs, including education, water and health, to present years 2015 and 2016 estimates on programmatic classification as a supplementary budget document.
6. The Recipient's MoF has issued budget guidelines that require the mandatory use of the Public Investment Management Manual in preparation and screening of investment projects.
7. The Recipient's MoF has published the regulations to implement the Public Procurement Act 2011 and a notice to all procuring entities to implement said Act and related regulations.

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:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	71,100,000
TOTAL AMOUNT	71,100,000

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 December 31, 2015.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 1 and November 1, commencing November 1, 2021, to and including May 1, 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. "Access to Information Bill" means the bill on access to information approved by the Recipient's Cabinet on February 5, 2015, for submission to the Recipient's Parliament.
2. "Bank of Tanzania" means the Central Bank of the United Republic of Tanzania, which has the sole responsibility of formulating and implementing monetary policy.
3. "Cabinet" means the Recipient's Cabinet, or any successor thereto.
4. "Electronic Fund Transfer" means the electronic funds transfer system of the Recipient operated through its IFMIS (hereinafter defined) and the Bank of 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 from July 1 to June 30.
 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. "Integrated Financial Management Information Systems" or "IFMIS" mean the Recipient's financial management software used by MDAs and LGAs for managing their budgets.
9. "Letter of Development Policy" means the letter dated March 24, 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.
10. "LGAs" means the Recipient's Local Government Authorities.
11. "MDAs" means the Recipient's Ministries, Departments and Agencies.
12. "MoF" means the Recipient's ministry responsible at the time for finance.
13. "OGP Action Plan" means the Recipient's second national action plan (2014/15 – 2015/16) for the Open Government Partnership initiative.
14. "Open Data Format" means data provided free and with open access to the public that is technically and legally open and reusable (<http://opendatahandbook.org/en/what-is-open-data/>).
15. "OD Portal" means the Recipient's Open Data Portal.
16. "POPC" means President's Office – Planning Commission.
17. "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.
18. "Public Investment Management Manual" means the Recipient's manual for the preparation and screening of investment projects dated November, 2014.
19. "Public Procurement Act 2011" means the Recipient's Act on Public Procurement published in the Government Gazette dated December 30, 2011.
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 Inter-bank Settlement Scheme" means the Recipient's inter-bank settlement scheme that became effective on April 8, 2004.

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 V 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".