

Japanese ODA Loan Agreement for Tanzania

-Promoting the Fourth Tokyo International Conference on African Development (TICAD IV) Commitment to Accelerate Economic Growth and Poverty Alleviation through Policy and System Changes-

1. On March 3, JICA(President Sadako Ogata) signed an agreement with the United Republic of Tanzania to provide a Japanese ODA loan of up to just under 2 billion yen for the Sixth Poverty Reduction Support Credit (PRSC6).
 2. This loan follows the Fourth Poverty Reduction Support Credit (PRSC4) and the Fifth Poverty Reduction Support Credit (PRSC5) agreed to by JICA in March 2006 and September 2007, respectively. However, unlike past projects which supported mainly infrastructure building, PRSC programs are intended for policy and institutional reform. The Tanzanian government has adopted a five-year National Strategy for Growth and Reduction of Poverty, known by its Swahili name as MKUKUTA. This master plan covers all development policy activity from 2005 to 2009, and establishes an overall framework for setting specific targets based on three major frameworks: economic growth and the reduction of income poverty, improved quality of life and social well being, and good governance and accountability. It is the Tanzanian government's efforts to realize its various activity targets under MKUKUTA, upon careful evaluation by JICA, that led to the granting of this loan.
 3. The defining objective of MKUKUTA is to alleviate poverty through economic growth, which has focused the Tanzanian government's attention on improving basic infrastructure and increasing agricultural productivity. To assist the government in the necessary policy dialogues, JICA has dispatched specialists who are proposing policy and institutional improvements related to infrastructure. JICA is also supporting agricultural sector initiatives and the creation of a suitable implementation framework at the region and central ministry levels. JICA is thus aiding the Tanzanian government not only financially through this loan, but is working to help them realize MKUKUTA through policy efforts. Additional financial assistance is coming from such donors as the World Bank, the United Kingdom, the Netherlands, Sweden and the European Union. These countries and institutions are cooperating to lessen the administrative burden placed on the Tanzanian government when requesting or receiving aid, and are even reducing their individual transaction fees.
 4. In October 2008, JICA underwent a major reform to centrally handle the implementation of the three instruments of overseas development assistance: technical cooperation, loans (Japanese ODA loans) and grant aid. This empowers JICA to deliver not only infrastructure improvements, but to effectively combine the three aid instruments to produce a synergetic effect in its aid efforts. Technical cooperation in the areas of maintenance and operation will be reinforced by policy and institutional improvements facilitated by tools such as the present loan. This arrangement will ensure that aid for Tanzania's agricultural development, which represents 50 percent of the country's gross domestic product and is an important driver of economic growth, is delivered using the appropriate tools. This applies also to improvements in administrative accountability and enhancement of financing capabilities. The new JICA is thus setting expectations in Tanzania and among donors that it can accelerate the country's future economic growth.
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(For further details, [click here.](#))

Reference

Terms and amounts of loan

Project Name	Amount (Mil. Yen)	Interest Rate (% / year)	Repayment /Grace Period (years)	Procurement
Sixth Poverty Reduction Support Credit (PRSC6)	2,000	0.01	40/10	Untied

Executing agency:

Ministry of Finance and Economic Affairs

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