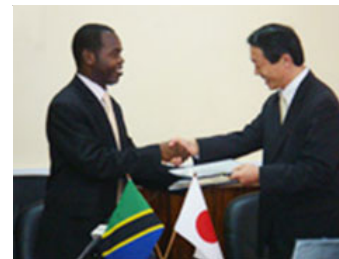


Japanese ODA Loan Agreement for Tanzania Participating in the Policy Process and Resolving Issues to Accelerate Growth and Alleviate Poverty

1. On December 3, JICA (President: Sadako Ogata) signed an agreement with the United Republic of Tanzania to provide a Japanese ODA loan of up to two billion yen for the Seventh Poverty Reduction Support Credit (PRSC7).
2. Unlike projects which support infrastructure development, PRSC7 is intended for policy and institutional reform. The Tanzanian government has adopted a five-year National Strategy for Growth and Reduction of Poverty with top priority among the nation's policies, 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. After a careful evaluation, JICA based the granting of this loan as well as other projects on the Tanzanian government's efforts to realize its various activity targets under MKUKUTA¹.
3. The defining feature of MKUKUTA¹ is to alleviate poverty through economic growth. In particular, the Tanzanian government emphasizes improving income poverty through backbone infrastructures for economic growth along with agricultural productivity while raising the level of governance at the local and central levels for a stronger national government. To assist the Tanzanian government with policy dialogue, JICA has dispatched specialists who are proposing policy and institutional improvements related to infrastructure for economic growth. In the fields of agriculture and governance, assistance is being provided for policy formulation and building an implementation framework at the central and local government levels through technical cooperation. JICA is thus not only providing financial assistance to the Tanzanian government with this loan, but is supporting efforts to achieve MKUKUTA¹ targets through active participation in locally held meetings and providing advice on policy. 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 costs.
4. In 2007, a household survey was held in Tanzania for the first time in seven years, and the results revealed that poverty had not been greatly alleviated among small-scale farmers in rural areas. The Tanzanian government and locally active donors are preparing to increase efforts in building the investment climate with agricultural development and by increasing employment in both the urban and rural areas.
5. In addition to assistance for the basic infrastructures necessary for economic growth, JICA promotes assistance that focuses on policy and institutional improvements in Tanzania such as this project. JICA also effectively combine a variety of assistance methods to support agricultural development and other elements that will act as a driving force toward producing synergistic results.



MKUKUTA: With cooperative financing from the World Bank, JICA has provided Japanese ODA loan financing for the following projects as well, making evaluations of the efforts by the Tanzanian government at each stage:

- The Fourth Poverty Reduction Support Credit – loan signed in March 2007 (Japanese)
- The Fifth Poverty Reduction Support Credit – loan signed in September 2007 (Japanese)
- The Sixth Poverty Reduction Support Credit – loan signed in March 2009 (Japanese)

Reference: Loan Amount and Terms

Reference

1. Loan Amount and Terms

| Project Name | Amount (Mil. Yen) | Interest Rate (% per annum) | Repayment Period /Grace Period (years) | Procurement |
|--|-------------------|-----------------------------|--|-------------|
| Seventh Poverty Reduction Support Credit | 2,000 | 0.01% | 40/10 | Untied |

2. Executing Agency

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3. Planned implementation schedule

- (1) Completion of the project: December 2009, with completion of the loan procedure
- (2) Issuing of letters of invitation for consulting services: No consulting is planned for this project
- (3) Tender announcement for initial procurement package for international competitive bidding on project construction: No tendering is planned for construction for this project