

**Agreement**  
**between**  
**the Government of the Kingdom of Norway**  
**and**  
**the Government of the United Republic of Tanzania**  
**regarding**  
**General Budget Support**

WHEREAS the Government of the Kingdom of Norway (Norway) and the Government of the United Republic of Tanzania (Tanzania) have entered into an agreement dated 13 June 1988 regarding cooperation for promotion of the economic and social development of Tanzania which has been prolonged by Addenda of which the latest is dated 1 November 2007 (the Main Agreement).

WHEREAS Norway and Tanzania have entered into a Memorandum of Understanding dated 9 November 2007 on Development Cooperation which confirms the two countries' aim at increasing the provision of development assistance through General Budget Support.

WHEREAS Tanzania has adopted the National Strategy for Growth and Reduction of Poverty (MKUKUTA) in June 2005, requesting that external contributions to the national budget from its development partners are provided through General Budget Support, and has entered into the Partnership Framework Memorandum of 24 January 2006 (PFM) with Norway and other development partners (the Development Partners) to that effect.

WHEREAS Norway has provided General Budget Support to Tanzania through agreements dated 4 December 2000, 2 December 2002, 8 August 2003, and 7 August 2006.

WHEREAS Tanzania at the Annual Review 2007 has requested Norway and the Development Partners to continue General Budget Support (the Programme).

WHEREAS Tanzania in a letter dated 7 February 2008 has requested Norway to continue supporting the Programme.

WHEREAS Norway has decided to comply with the request.

NOW THEREFORE Norway and Tanzania (the Parties) have reached the following understanding which shall constitute an Agreement between the Parties:

**Article I Scope and Objectives**

- 1 This Agreement sets forth terms and procedures for Norway's financial assistance to the Programme. Moreover, the provisions of the PFM, including any possible further details set out in a Technical Note (TN) or amendments to the PFM or the TN adopted by the Parties, shall be complied with. In case of inconsistency between this Agreement and the PFM (as amended), this Agreement shall prevail.

- 2 As specified in the PFM the Goal of the Programme is to contribute to Tanzania's economic growth and poverty reduction in all its dimensions by supporting the financing, implementation and monitoring of MKUKUTA with the following intermediate purposes

Providing financial resources to the public sector to be used to promote growth and poverty reduction;

- √ Improving aid effectiveness and country ownership of the development agenda, reducing transaction costs, enhancing predictability of aid flows, improving public expenditure and financial management, enhancing national planning and budgeting process and shifting accountability from donors to citizens;
- √ Improving monitoring and evaluation and ensuring mutual accountability;
- √ Engaging in policy dialogue aimed at enriching the country's strategies for growth and reduction of poverty; and
- √ Strengthening and using the national planning and budgeting process, and strengthening the capacity of Local Government Authorities (LGAs), which are the front-line implementers of the MKUKUTA.

### **Article II Cooperation – Representation**

The Parties shall communicate and cooperate fully with the aim to ensure that the Goal and Purposes are successfully achieved. The Parties further agree to cooperate on preventing corruption within and through the Programme, and undertake to take rapid legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to the Programme.

- 2 In matters pertaining to the implementation of the Programme the Norwegian Ministry of Foreign Affairs (MFA) and the Tanzanian Ministry of Finance and Economic Affairs (the Ministry) shall be competent to represent Norway and Tanzania respectively.

The Norwegian Embassy in Dar es Salaam (the Embassy) is, as part of MFA, competent to act on behalf of MFA. All communication to Norway in connection with the Agreement shall be directed to the Embassy.

3. Tanzania shall permit representatives of Norway to visit any part of Tanzania for purposes related to this Agreement and examine any relevant records, goods and documents.
4. Tanzania shall observe the highest ethical standards during procurement and execution of contracts, and shall ensure in its national legislation adequate and effective means to punish and prevent illegal or corrupt practices
5. No offer, gift, payment or benefit of any kind, which would or could, either directly or indirectly, be construed as an illegal or corrupt practice, e.g. as an inducement or reward for the award or execution of procurement contracts, shall be accepted.
6. Tanzania shall promptly inform Norway of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

### **Article III Contribution and Disbursements**

Norway shall, subject to Parliamentary appropriations and the terms and procedures of this Agreement and the PFM, make available to Tanzania a financial grant not exceeding NOK 726 000 000 (Norwegian kroner seven hundred and twenty six million) (the Grant) to be used exclusively to finance the Programme in the planned period of the Tanzanian fiscal years 2008/09, 2009/10, and 2010/11.

The Grant includes the remaining undisbursed funds, NOK 305 million, from the support to the Road Sector, which will be transferred to General Budget Support on the terms and conditions set forth in the Agreement regarding Termination of the Road Sector Agreement and Transfer of Remaining Funds to General Budget Support, dated 27 November 2008.

Any accrued interests on the Grant may be used for the benefit of the Programme.

3. The Grant will be disbursed in accordance with the procedures of the PFM. The tentative disbursements will be NOK 196 million for fiscal year 2008/09 and NOK 265 million for fiscal years 2009/10 and 2010/11, subject to progress made as measured by the Performance Assessment Framework (PAF) and observance of the underlying principles in the PFM. The Annual Review described in the PFM will assess progress in achieving targets and indicators in PAF. Based on progress made, Norway will assess the contribution for the next Tanzanian financial year and communicate the disbursement schedule to Tanzania. While there will be two annual disbursements, Norway will aim at front loading the disbursements in line with the spirit of the PFM.

The funds will be transferred to the General Budget Support foreign exchange account at the Bank of Tanzania and shall be made available to the Programme immediately.

4. In the dialogue with Tanzania, Norway will pay special attention to the areas of anti-corruption, revenue from natural resources, and the political development towards the 2010 general elections, with particular emphasis on the political development on Zanzibar.

#### **Article IV Reservations**

1. Norway reserves the right to withhold and/or reclaim all or parts of the Grant and cancel this Agreement if Programme funds are found not to have been used in accordance with the terms and conditions of this Agreement and the PFM or are found not to be satisfactorily accounted for.
2. Norway has the right to cancel the Agreement or portion of the Agreement with immediate effect if it determines that corrupt or fraudulent practices were engaged in by representatives of Tanzania or by a beneficiary of Programme funds without Tanzania having taken timely and appropriate action satisfactory to Norway to remedy the situation.
3. Before Norway withholds disbursements, reclaims funds or cancels the Agreement, the Parties shall consult with a view to reaching a solution in the matter.



**Article V Disputes – Entry into force - Termination**

The Agreement shall enter into force on the date of its signature, and shall remain in force as long as the PFM remains in force or both Parties have fulfilled all obligations arising from the Agreement, whichever comes first. Whether the obligations are fulfilled, shall be determined in consultations by the Parties.

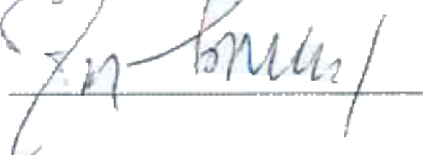
- 2 Notwithstanding the previous clause each Party may terminate the Agreement upon three months written notice.

If any dispute arises relating to the implementation or interpretation of the Agreement, the Parties shall consult with a view to reaching a solution.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective Governments, have signed the Agreement in two originals in the English language.

Done in Dar es Salaam the 27<sup>th</sup> day of November of 2008.

For the Government of the  
Kingdom of Norway



Jon Lomoy  
Ambassador

For the Government of  
the United Republic of Tanzania



Mustafa Haidi Mkulo  
Minister of Finance and Economic  
Affairs