Dear Prof. Ndulu:

TANZANIA: Housing Finance Project (Credit No. 4712-TA)
Amendment to the Project Agreement

We refer to the Project Agreement (the "Project Agreement") between the International Development Association (the "Association") and the Bank of Tanzania (the "Project Implementing Entity" or "BOT"), dated March 31, 2010 for the Housing Finance Project (the "Project").

By letter no. CDB.256/441/01, dated September 27, 2012 the Recipient has requested the Association to amend the Project Agreement. Accordingly, the Project Agreement is amended as follows:

1. In Article 2.03., a paragraph (c) is added and the following paragraph is renumbered accordingly:

"(c) The Project Implementing Entity undertakes that, for the purpose of providing Sub-financing to TMRC under the Sub-financing Agreement, all PML Mortgage Loans to be prefinanced shall be made in accordance with the procedures and on terms and conditions acceptable to the Association and TMRC prefinancing funds will be used for prefinancing PML Mortgage Loans only and for no other purposes."

2. Section I.A.1(a) of the Schedule to the Project Agreement is revised to read as follows:

"(a) The Project Implementing Entity shall: (i) prepare and adopt an Operations Manual, in form and substance acceptable to the Association, giving details of administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project, including, inter alia: (A) institutional coordination and day-to-day execution of Subprogram activities; (B) disbursement and financial management, including on-lending terms between BOT and TMRC and between TMRC and PMLs; (C) procurement; and (D) monitoring, evaluation, reporting, and public information, education and communication; (E) PML charter conditions and eligibility criteria for Mortgage Prefinancing and Mortgage Refinancing; (F) Mortgage Loan eligibility criteria; and (G) a satisfactory legal opinion from acceptable legal counsel
confirming the validity of PML assignments/pledges/charges and its opposability to third parties; and (ii) proceed thereafter to carry out the Project in accordance with the Operations Manual.

3. Section I.B.1(c) of the Schedule to the Project Agreement is revised to read as follows:

“(c) The Project Implementing Entity shall cause TMRC to on-lend a portion of the proceeds of the Sub-financing to eligible PMLs to provide Mortgage Prefinancing and Mortgage Refinancing pursuant to Participation Agreements between TMRC and individual PMLs and under terms and conditions acceptable to the Association, including the additional provisions specified in Part C of this Schedule.”

4. Selected provisions in Section I.C.1 of the Schedule to the Project Agreement are hereby amended as follows:

(i) Paragraph (a) is deleted in its entirety and replaced with the following language:

“(a) Participation Agreements shall provide Mortgage Prefinancing and Refinancing, under terms and conditions set forth in the Operations Manual and acceptable to the Association, which shall include: (i) all the terms set forth in Part B of this Schedule; (ii) a requirement that the Sub-financing shall be used either to provide prefinancing to or to refinance eligible Mortgage Loans made by the PMLs and for no other purpose; (iii) Mortgage Prefinancing and Refinancing to PMLs financed, or to be financed out of the proceeds of the Sub-financing Agreement shall be denominated, and their interest, principal and other charges be payable, in Tanzanian Shillings (TZS), and market determined; and (iv) a prohibition that no signed Participation Agreement shall be assigned, amended, abrogated or any of its provisions thereof waived, without the prior written approval of the TMRC, the Project Implementing Entity, and the Association.”

(ii) Paragraph (f) is deleted in its entirety and replaced with the following language:

“(f) Each Participation Agreement shall require the PML to make by appropriate legal means:

(i) For Refinancing: (a) mortgages as security for the Mortgage Refinancing providing an assignment, pledge or other charge or collateral security in favor of TMRC of the relevant eligible first-ranking mortgage portfolio; and (b) the undertaking of the PML to exercise its rights under the Mortgage Loan in such manner as to protect its interests and the interests of the TMRC and to accomplish the purposes of the Project; and

(ii) For Prefinancing: (a) Tanzanian treasury bond as collateral security in favor of TMRC for an amount covering not less than 95% of the value of the Prefinancing Mortgage Loan; (b) upon reaching maturity, the undertaking of the PML to replace treasury bond with qualifying mortgage loans or other assets eligible to be used as collateral for refinance operation; and (c) the undertaking of the PML to exercise its rights under
the Mortgage Loan in such manner as to protect its interests and the interests of the TMRC and to accomplish the purposes of the Project."

(ii) All other provisions of the Project Agreement, except as amended herein, shall remain in full force and effect.

(iii) Capitalized terms used in this letter and not otherwise defined herein have the meaning ascribed to them in the Project Agreement.

Please confirm your acceptance to the foregoing by signing and dating the two originals, retaining one original for your records and returning the other original to the Association. Upon receipt by the Association of the copy of this letter of amendment countersigned and dated by you, this letter of amendment will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Philippine Dongier
Country Director for Tanzania
Africa Region

CONFIRMED AND AGREED:

BANK OF TANZANIA

By: [Signature] [Name: Benno J. Ndulu] [Title: Governor] Date: 03/01/2013