Honorable Mustafa Haidi Mkulo
Minister for Finance
Ministry of Finance
The United Republic of Tanzania
Dar es Salaam

Dear Honorable Minister:

RE: Letters dated March 2 and March 8, 2011 and related correspondence of April 06, 2011, REF NO TYC/B/40/122/02 on Request for Reallocation of Credit Proceeds and inclusion of a new clause to amend the Financing Agreements and the Grant Agreement for the Tanzania Energy Development and Access Expansion Project (Cr. 4370-TA, Cr. 4726-TZ and TF091281)[TEDAP]

Reallocation and Amendment to the Financing Agreements and Grant Agreement

Please refer to the Financing Agreements, dated January 31, 2008 and April 9, 2010 and the Grant Agreement, dated January 31, 2008 (together the Agreements) respectively for the above-captioned Project between the United Republic of Tanzania (the Recipient) and the International Development Association (the Association).

Pursuant to your letters dated March 2 and March 8 and your additional correspondence on April 6, 2011, requesting the Association to Reallocate the Credit Proceeds of Credit 4370-TA and Amend the Financing Agreements and the Grant Agreement, I hereby inform you that the Association will accommodate your requests to the extent that the disbursement schedules in all three Agreements will be amended to reallocate the proceeds and allow only for eligible expenditures exclusive of taxes.

Please be advised, however, that the Association reiterates what has been discussed on many occasions with your Ministry’s team: the Agreements originally provide that the proceeds of the credit may be used to finance taxes. The original language, i.e., "Percentage of Expenditures to be Financed (Inclusive of Taxes)," is flexible with respect to whether Tanzanian law imposes taxes or not. If Tanzanian law allows for tax exemption on certain eligible expenditures, the proceeds of the credit may finance these eligible expenditures. At the same time, if Tanzanian law does not allow for tax exemption on certain eligible expenditures, the proceeds of the credit still may finance these eligible expenditures that are subject to taxation. This is likewise true for all IDA Financing Agreements with the same provision(s). By amending these Agreements as the Recipient now has requested, the Recipient thereby loses this flexibility with respect to eligible expenditures under the TEDAP. The decision whether taxes and duties are applicable to all or part of the works, goods and services supported by the TEDAP is a decision to be taken at the sole discretion of the Recipient.
Accordingly, and with full notice of the above, the Agreements are hereby amended as follows:

1. Section IV of Schedule 2 to Agreement Cr. 4370-TA is hereby deleted in its entirety and is replaced with a new Schedule as set forth in Attachment I to this Amendment Letter reflecting the reallocation of credit proceeds and prospectively limiting Eligible Expenditures to those exclusive of taxes.

2. Section II of the Schedule to Agreement Cr. 4726-TZ is hereby deleted in its entirety and is replaced with a new Schedule as set forth in Attachment II to this Amendment Letter, prospectively limiting Eligible Expenditures to those exclusive of taxes.

3. Section IV of Schedule 2 to Agreement TF091281 is hereby deleted in its entirety and is replaced with a new Schedule as set forth in Attachment III to this Amendment Letter prospectively limiting Eligible Expenditures to those exclusive of taxes.

In all respects other than as set forth above, the provisions of the Agreements shall continue to apply with full force and effect.

Please confirm your agreement to the foregoing amendments by signing and dating the two (2) originals of this Amendment Letter and returning one fully signed original to us.

The provisions set forth in this Amendment Letter will become effective upon receipt by the Association of one (1) fully executed original of this Amendment Letter.

Sincerely,

By: /s/ John Murray McIntire
Country Director for Tanzania, Uganda and Burundi
Africa Region

AGREED:
UNITED REPUBLIC OF TANZANIA

__________________________________
By: Authorized Representative
Name: /s/ R.M. Khijjah
Date: 19/04/2011
ATTACHMENT I

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works and goods, including supply and installation, and services other than consultants’ services under Part A of the Project</td>
<td>46,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services, including audits, Training and Workshops under Parts A and C.1 of the Project</td>
<td>4,948,292</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services, Training and Workshops, and Operating Costs under Part B.3 of the Project, and audits for Parts B and C.2 of the Project</td>
<td>1,366,561</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, including supply and installation, and consultants’ services under Parts B.2(a) and B.3 of the Project</td>
<td>5,595,006</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Grants for Subprojects under Part B.1 and B.2(b) of the Project</td>
<td>5,500,000</td>
<td>100% of the amount disbursed</td>
</tr>
<tr>
<td>(6) Consultants’ services under Part C.2 of the Project</td>
<td>3,590,141</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>67,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

   (b) in respect of any Grant for a Subproject under Category (5): (i) which requires the Association’s no-objection pursuant to Section 1.E.3 (a) of this Schedule, unless the Association has given its no-objection to such Grant; and (ii) unless a relevant Grant Agreement has been executed between MEM and the Beneficiary, as shall be evidenced by the first of such Grant Agreements in respect of the Subprojects.

2. The Closing Date is March 31, 2015.
Section II. Withdrawal of the Proceeds of the Financing

B. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the said Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants Services, Training and Workshops, and Operating Costs for subparts (d) and (e) of Part B.1 of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-loans to PFIs for SPPs in Part B.4 of the Project</td>
<td>14,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,100,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is March 31, 2015.
Section IV. Withdrawal of GEF TF Grant Proceeds

C. General

1. The Recipient may withdraw the proceeds of the GEF TF Grant in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the GEF TF Grant (“Category”), the allocations of the amounts of the GEF TF Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF TF Grant Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, including supply and installation, and consultants’ services under Parts B.2(a) and B.3 of the Project</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Grants for Subprojects under Parts B.1 and B.2(b) of the Project</td>
<td>3,300,000</td>
<td>100% of the amount disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,500,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement;

   (b) for payments made (or to be made) for expenditures for consultants’ services and training under Category (1) supplied (or to be supplied) under a contract which International Development association, the Recipient, or any other financier shall have financed or agreed to finance under any other loan or grant; or
(c) in respect of any Grant for a Subproject under Category (2): (i) which requires the World Bank’s no-objection pursuant to Section I.C.3(a) unless the World Bank has given its no-objection to such Grant; and (ii) unless a relevant Grant Agreement has been executed between MEM and the Beneficiary, as shall be evidenced by the first of such Grant Agreements in respect of the Subprojects.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2012.