Honorable William A. Mgimwa  
Minister of Finance  
Ministry of Finance  
P. O. Box 9111  
Dar es Salaam  
United Republic of Tanzania

Excellency:

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

We refer to the Financing Agreement (the “Agreement”) between the International Development Association (the “Association”) and the United Republic of Tanzania (the “Recipient”), 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 Financing Agreement. We are pleased to inform you that the Association has agreed to your request. Accordingly, the Financing Agreement is amended as follows:

1. Part 1 of Schedule 1 to the Agreement is hereby amended as follows:

   “Part 1: Developing the Mortgage Market

   Provision of: (a) support in the form of loan funds to the TMRC to provide Mortgage Prefinancing and Mortgage Refinancing to PMLs; (b) technical advisory support for a TMRC bond issue; and (c) various forms of capacity building support, including mortgage regulatory review, a mortgage toolkit to provide potential lenders with standardized sets of documentation, manuals and processes for developing a mortgage product line.”

2. Part 2 of Schedule 1 to the Agreement is hereby amended as follows:

   “Part 2: Development of Housing Microfinance

   Provision of technical advisory assistance to: (a) carry out an initial study of the housing microfinance market study; (b) provide capacity building support to develop housing microfinance industry; (c) undertake a feasibility study assessing the options for the design, creation and management of a Housing Microfinance Fund (HMFF) to provide longer term funds, and thereafter the establishment of the HMFF pursuant to the option selected; and (d) provide capacity building support for the benefit of MFI's entering into the housing microfinance market.”
3. In Section I.B of Schedule 1 to the Agreement, a second paragraph is added to read as follows:

"2. The Recipient shall cause to be established, and thereafter maintained throughout the implementation of the Project, the HMFF with an institutional framework, functions, resources, governance structure as set forth under Section IV.B.1(c) of Schedule 2, and lending rules and procedures satisfactory to the Association."

4. Selected provisions in Section II.A. (Project Reports) of Schedule 2 to the Agreement are hereby amended as follows:

(i) Paragraph 2 (a) is amended to read as follows:

"(a) total number of housing finance loans (prefinancing mortgage loans, refinanced mortgage loans, and housing microfinance loans) provided;"

(ii) Paragraph 3 (a) is amended to read as follows:

"(a) total number of housing finance loans (prefinancing mortgage loans, refinanced mortgage loans, and housing microfinance loans) provided increase;"

(iii) All said numbers to be further differentiated in accordance with methods agreed between the Recipient and the Association.

5. Section IV (Withdrawal of the Proceeds of the Financing) of Schedule 2 to the Agreement is deleted in its entirety and replaced with Attachment I to this amendment letter.

6. The Appendix to the Agreement is hereby amended as follows:

(i) The following definition is added in the alphabetical order, and all following definitions are renumbered accordingly:

"19. "Mortgage Prefinancing" means the financing made or proposed to be made out of the proceeds of the Credit, by the TMRC to a PML (as such term is hereinafter defined) for the purpose of making said funds available to qualified applicants seeking to finance the purchase and/or the construction of a residential home pursuant to the eligibility criteria set forth in the Schedule to the Project Agreement and described in further detail in the Operations Manual."

(ii) The following definitions are amended to read as follows:

"26. "PML" means any eligible participating mortgage lender which is a shareholder of the TMRC and to which Mortgage Prefinancing and Mortgage Refinancing are provided by the TMRC as set forth in the Schedule to the Project Agreement and as designated by the TMRC as a lending and mortgage originating and servicing institution, and the term "PMLs" means collectively all such participating mortgage lenders which qualify as a PML."
“40. “TMRC” means the Tanzania Mortgage Refinance Company to be created under The Companies Act CAP 212 RE 2002 for the purpose of providing short and long term funds to PMLs necessary for prefinancing and refinancing Mortgage Loans.”

7. All other provisions of the Agreement, except as amended herein, shall remain in full force and effect.

8. Capitalized terms used in this letter and not otherwise defined herein have the meaning ascribed to them in the Financing Agreement.

9. The Recipient shall ensure that the enabling legislation for mortgage prefinancing activities is established and maintained throughout the implementation of the Project.

Please confirm your acceptance to the foregoing, on behalf of the Recipient, 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

Philippe Dongier
Country Director for Tanzania
Africa Region

CONFIRMED AND AGREED:

UNITED REPUBLIC OF TANZANIA

By: ____________________________ Date: 20-03-2013

Name: Dr. SEBASTIANO LEMELA

Title: PERMANENT SECRETARY
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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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 said Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Mortgage Prefinancing and Refinancing, Goods, Consultants, Training and Workshops for Part 1</td>
<td>20,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>2) Creation of HMFF, Goods, Consultants, Training and Workshops for Part 2</td>
<td>3,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>3) Goods, Consultants, Training and Workshops for Part 3</td>
<td>1,170,000</td>
<td>100%</td>
</tr>
<tr>
<td>4) Project Preparation</td>
<td>430,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>25,600,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

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

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

   (b) Mortgage Refinancing under Category 1) unless: (i) the Project implementing Entity has adopted a regulatory framework for housing
mortgage finance that is acceptable to the Association; (ii) the TMRC has been certified OP 8.30 compliant by the Association and has adopted governance principles and processes acceptable to the Association; (iii) the TMRC has defined its financial strategy and financial products that are acceptable to the Association; (iv) the TMRC has adopted a risk management strategy acceptable to the Association; (v) the Project Implementing Entity has duly authorized and licensed the TMRC as a financial institution; and (vi) full capitalization of the TMRC by PML shareholders;

(c) HMFF funding under Category 2) unless: (i) the HMFF has been legally established in a manner satisfactory to the Association; (ii) there has been an appraisal of the fiduciary arrangements for the administration of the HMFF that is acceptable to the Association; (iii) certification by the Association that HMFF has become OP 8.30 compliant and (iv) there has been an assessment whether the financial intermediary loan (FIL) requirements of OP 4.01 should apply to the HMFF; and

(d) Category 3) unless MLHHSD has adopted a new business plan for NHC that is acceptable to the Association.

2. The Closing Date is March 31, 2015.