Trust Fund Grant Agreement

(Energy Sector Capacity Building Project)

Between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as an administrator of the Energy Sector Capacity Building Project Single-Donor Trust Fund)

Dated: November 4, 2013
GRANT NUMBER TF015902

TRUST FUND GRANT AGREEMENT

AGREEMENT dated NOVEMBER 4, 2013, entered into between: UNITED REPUBLIC OF TANZANIA ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the trust funds provided by the Government of Canada, represented by the Minister for International Development, acting through the Department of Foreign Affairs, Trade and Development (the "Donor") for the Energy Sector Capacity Building Project Single-Donor Trust Fund ("Trust Fund").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, this Agreement, in the Appendix to this Agreement, or in the Trust Fund Project Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (i) carry out Parts A.1, A.2(a)(b), B.1, B.2(c), B.3, B.4, D.1 and E.1 of the Project through MEM; (ii) cause Parts A.2(c), B.2(a) and (b), and E.2 of the Project to be carried out by the Energy and Water Utilities Regulatory Authority (EWURA) (Project Implementing Entity); (iii) cause Parts B.2(d), C and E.3 of the Project to be carried out by Tanzania Petroleum Development Corporation (TPDC); and (iv) cause Parts D.2 and E.4 of the Project to be carried out by Tanzania Electric Supply Company Limited (TANESCO), all in accordance with the provisions of Article II of the Standard Provisions and the Trust Fund Project Agreement in the case of EWURA.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient
shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million eight hundred fifty two thousand nine hundred fifty-five United States Dollars ($4,852,955) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the Donor to the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned Trust Fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Trust Fund Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Trust Fund Project Agreement.

(c) The Project Implementing Entity has failed to perform any obligation under the Trust Fund Project Agreement.

(d) The Project Implementing Entity has failed to perform any of its obligations under the Subsidiary Agreement.
(e) The Project Implementing Entity's Legislation and/or the Memorandum and Articles of Association of TANESCO have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the ability of the Project Implementing Entity or TANESCO to perform any of its obligations under this Agreement or – as applicable - under the Subsidiary Agreement.

(f) At any time before the Closing Date, the Recipient has not, in the opinion of the World Bank, applied standards and measures consistent with the SESIA or sound environmental or social standards or practices in its management or carrying out of PPP projects in the oil and gas sub-sector that have commenced or been materially revised subsequent to the date of this Agreement.

(g) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

(b) The IDA Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) has been fulfilled.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 above, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters:
(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;

(b) on behalf of the Project Implementing Entity, that the Trust Fund Project Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(c) the Subsidiary Agreement referred to in Section 1.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.
6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
P. O. Box 9111
Dar es Salaam, Tanzania
Facsimile:
(255) 222 11 77 90

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
AGREED at **NOVEMBER 4, 2013**
as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By:

[Signature]

Authorized Representative

Name: **PHILIPPE DONAVER**  
Title: **COUNTRY DIRECTOR**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION  
(acting as an administrator of the Energy Sector Capacity Building Project Single-Donor Trust Fund)

By:

[Signature]

Authorized Representative

Name: **DR. SERKSENS BILIKWEKI**  
Title: **PERMANENT SECRETARY**
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the capacity of the Recipient to develop its natural gas sub-sector and public private partnerships for the power generation sector.

The Project consists of the following parts:

Part A: Petroleum Policy and Legal Framework

1. Petroleum Policy and Strategy
   (a) Carrying out feasibility studies to facilitate implementation of the Natural Gas Utilization Master Plan.
   (b) Developing and updating sector policies, strategies and plans to integrate natural gas projects into the wider economic development agenda of the Recipient.
   (c) Developing and implementing programs to promote local industry participation in the gas industry.

2. Legal and Regulatory Framework
   (a) Strengthening the legal and regulatory framework for the gas sub-sector.
   (b) Providing support to OSHA for: (i) adoption of international safety standards and approaches in the regulation of health and safety in the gas industry; (ii) development of gas sub-sector specific health and safety regulations; (iii) development of health and safety awareness programs; (iv) development and implementation of a resourcing and training plan; and (v) development and implementation of legal compliance, and audit and monitoring protocols.
   (c) Providing legal advisory services to EWURA for: (i) engagement in the gas sub-sector regulatory reform process; and (ii) development of regulatory tools based on the national Gas Policy and the Natural Gas Utilization Master Plan.

Part B: Strengthening Institutional Sector Management, Coordination and Governance

1. Sector Coordination and Governance
   (a) Training of TEITI Secretariat staff, members of the TEITI Multi-Stakeholder Working Group and staff of the Tanzania Revenue
Authority and Controller and Auditor General’s office in revenue streams and physical audit processes in the gas sector.

(b) Training of TEITI Secretariat staff on financial modeling of gas revenues and EITI reporting through twinning with international gas experts and undertaking study tours to other EITI secretariats in Sub-Saharan Africa.

(c) Supporting an inter-ministerial platform of ministers and a working group of technical staff to champion oil and gas sector policy integration and implementation.

(d) Providing technical assistance and training to enhance: (i) sector coordination; (ii) knowledge sharing; and (iii) the Recipient’s capacity to negotiate natural gas projects.

2. Enhancing Organizational Capacity

(a) Support to EWURA’s gas division for: (i) development of gas quality and service standards and transmission and distribution codes; (ii) carrying out a technical skills capacity assessment for the regulation of midstream and downstream gas sub-sector and developing and implementing a capacity enhancement training program; and (iii) development of technical designs, and acquisition of data simulation software and hardware for gas transmission and distribution tariff models.

(b) Support to EWURA’s energy division for: (i) development of appropriate cost reflective feed-in tariffs for standard power purchase renewable energy technologies; (ii) development and implementation of regulations for standard power purchase technology based feed-in tariffs; (iii) acquisition of software and hardware for standard power purchase technology based feed-in tariff models; and (iv) acquisition of standard power purchase technology based feed-in tariff model on technology specific cost estimates.

(c) Providing technical assistance, training and operating support to MEM for: (i) policy development to integrate natural gas projects into the wider economic development; (ii) carrying out of a capacity and capability assessment of MEM’s gas and legal sections and developing and implementing a training program; (iii) training of staff from MEM and other relevant ministries in relevant skills as identified in the above-mentioned training program; (iv) provision of transactional advice; (v) implementation of a technology based data solution to facilitate exchange of data between MEM and operators; and (vi) support of secondee arrangements from Government agencies to MEM and support of additional staff positions in MEM.
Support to TPDC for: (i) acquisition of reservoir simulation hardware and software and provision of associated training; (ii) acquisition of geological modeling hardware and software and provision of associated training; (iii) acquisition of geo-chemical laboratory equipment and provision of associated training; (iv) development of structured reservoir modeling workflow and provision of associated training; and (v) training on gas value chain and liquefied natural gas technology, market and contracts.

3. Environmental and Social Management

(a) Conducting a Strategic Environmental and Social Impact Assessment for the oil and gas sub-sector activities.

(b) Support to NEMC through: (i) provision of advisory services for effective oversight of environmental aspects of the petroleum sub-sector; (ii) development and implementation of a resourcing and training plan; (iii) development of control guidelines and monitoring procedures for hazardous waste management; (iv) development of standards, control guidelines and monitoring procedures for gas venting and flaring; (v) development and implementation of an oil spill contingency plan in association with SUMATRA; (vi) development and implementation of a community-based early warning and response system; (vii) publicity and dissemination to communities and the public of the oil spill contingency plan, the community-based early warning and response system and the hazardous waste management guidelines; and (viii) acquisition of equipment for monitoring compliance with environmental regulations.

4. Health and Safety Management

Support to OSHA through: (i) development and implementation of a health and safety training program for its staff; and (ii) acquisition of equipment for monitoring compliance with health and safety regulations.

Part C: Education and Skills Development

Support to VETA through the provision of: (i) technical assistance for a vocational skills assessment of the oil and gas sub-sector; (ii) technical assistance for the development, implementation and supervision of an education development plan; (iii) training of instructors and curriculum developers; (iv) administrative and logistics support for VETA training centers; and (v) acquisition of learning materials, tools and equipment.
Part D: Power Generation and Natural Gas PPP Projects Capacity Building

1. Support to MEM PPP Node

Provision of technical assistance to MEM for: (i) development of a sector PPP strategy; (ii) preparation of a PPP project pipeline in the natural gas and power sector; (iii) establishing coordination mechanisms on the energy sector PPP agenda with other relevant government agencies; and (iv) development and implementation of a PPP training program for MEM staff.

2. Support to TANESCO PPP Node

(a) Acquisition of software to update TANESCO’s power system master plan models.

(b) Engagement of a technical advisor to provide support and mentorship to TANESCO staff.

(c) Provision of technical advisory services for: (i) review and update of the TANESCO PPP Node action plan; (ii) development of an implementation plan for the PPP priority projects; and (iii) development of operating guidelines for the development of PPP projects.

(d) Carrying out a training needs assessment and implementing a training programme for TANESCO’s staff.

(e) Provision of training to TANESCO’s Communications Unit on the communication aspects of specific PPP projects.

(f) Carrying out feasibility studies, environmental and social impact assessments and provision of technical advisory services for identification and structuring of PPP projects.

Part E: Project Coordination

1. Support to the Project Steering Committee and Project Management Teams of the Project Implementing Entity, TANESCO and TPDC and financing of costs associated with the implementation of the Project (except under Parts A.2(c), B.2(a), (b) and (d), C, D.2, E.2, E.3 and E.4), all through the provision of technical advisory services, training, acquisition of goods and financing of Operating Costs.

2. Financing of costs associated with the implementation of Parts A.2(c), B.2(a) and (b) of the Project all through the provision of technical advisory services, training and acquisition of goods and financing of Operating Costs.
3. Financing of costs associated with the implementation of Parts B.2(d) and C of the Project all through the provision of technical advisory services, training, and acquisition of goods and financing of Operating Costs.

4. Financing of costs associated with the implementation of Part D.2 of the Project all through the provision of technical advisory services, training, and acquisition of goods and financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Ministry of Energy and Minerals

1. The Ministry of Energy and Minerals (MEM) shall be responsible for the overall coordination and implementation of the Project.

Project Steering Committee

2. The Recipient shall establish, by not later than one (1) month after the Effective Date or such other date as may be agreed with the World Bank, and thereafter maintain throughout Project implementation, a Project Steering Committee under the chairmanship of MEM, with terms of reference satisfactory to the World Bank and with adequate resources to carry out its functions.

3. The functions of the Project Steering Committee shall be to: (i) facilitate overall coordination of the Project; (ii) approve Project annual work plans and budgets; and (iii) provide overall policy and strategic guidance on the Project. The PSC shall meet as needed but in any event at least monthly in the first year of implementation and thereafter, at least quarterly, to discharge its functions.

MEM PMT

4. The Recipient shall: (i) maintain throughout Project implementation, a Project Management Team (PMT) including a Project coordinator, two officers, an accountant, a procurement specialist and such other staff as may be agreed with the World Bank, all with qualifications and experience and terms of reference satisfactory to the World Bank; and (ii) ensure that the MEM PMT has adequate resources for carrying out its responsibilities under the Project.

5. The MEM PMT shall be responsible for: (i) the day-to-day implementation of the MEM activities under the Project; (ii) overseeing implementation of Project activities by NEMC, OSHA and TEITI Secretariat; and (iii) undertaking procurement, financial management, monitoring, evaluation and reporting on behalf of MEM, NEMC, OSHA and TEITI Secretariat.

Project Coordinator

6. The Recipient shall, by not later than one (1) month after the Effective Date or such other date as may be agreed with the World Bank, appoint and thereafter
maintain throughout Project implementation, a full time Project Coordinator with qualifications, experience and terms of reference satisfactory to the World Bank.

7. The Project Coordinator shall be responsible for overall Project coordination and management and shall serve as secretary to the Project Steering Committee.

PMTs of the Project Implementing Entity, TANESCO, TPDC, AND Beneficiaries

8. The Recipient shall: (i) cause each of the Project Implementing Entity, TANESCO, TPDC and Beneficiaries to maintain throughout Project implementation, a Project Management Team (PMT) including a Project coordinator, an accountant, a procurement specialist, and such other staff as may be agreed with the World Bank, all with qualifications, experience and terms of reference satisfactory to the World Bank; and (ii) ensure that the PMTs have adequate resources for carrying out their responsibilities under the Project.

9. The PMTs shall be responsible for the day-to-day implementation of the activities of the Project Implementing Entity, TANESCO, TPDC and Beneficiaries under the Project.

10. Without limitations upon the provisions of paragraph 9 above, the TPDC PMT shall also be responsible for overseeing implementation of Project activities under Part C of the Project by VETA and for carrying out, on behalf of VETA, all procurement, financial management, monitoring, evaluation and reporting responsibilities under the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity’ Respective Parts of the Project, the Recipient shall make part of the proceeds of the Grant allocated from time to time to the respective Category available to the Project Implementing Entity under a subsidiary agreement between the Recipient through MEM and the Project Implementing Entity (“Subsidiary Agreement”), under terms and conditions approved by the World Bank, which shall require the Project Implementing Entity to, inter alia:

   (a) carry out its Respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, including the provisions of the Anti-Corruption Guidelines and in accordance with the provisions of this Agreement;

   (b) (i) procure all goods and services required for its Respective Parts of the Project and to be financed out of the proceeds of the Grant in accordance with the provisions of Section III of this Schedule; and (ii) ensure that all such goods and services are used exclusively for the purposes of the Project;
(c) ensure that all facilities relevant to its Respective Parts of the Project shall at all times be properly operated and maintained and that all necessary repairs and renewals of such facilities shall be made promptly as needed;

(d) with respect to record management: (i) maintain records adequate to record the progress of its Respective Parts of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Grant and disclose their use in the Project; (ii) furnish such records and information as may be requested by the Recipient or the World Bank; and (iii) retain all records evidencing expenditures under its Respective Parts of the Project for the period of time specified in the Standard Conditions;

(e) with respect to monitoring and evaluation: (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Recipient and the World Bank, the progress of its Respective Parts of the Project and the achievement of its objective; (ii) prepare periodic reports, in form and substance satisfactory to the Recipient and World Bank, integrating the results of such monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of its respective part of the Project, and to achieve its objective, each such report to cover a calendar quarter; (iii) furnish each such report to the Recipient within two weeks after such period to enable the Recipient to incorporate such report in its Project Report for the same period and to comply with its reporting obligations under Section II of this Schedule 2; and (iv) prepare, and furnish to the Recipient a final report, of such scope and in such detail as the Recipient and the World Bank shall reasonably request, on the execution of its respective parts of the Project, and furnish the same to the Recipient within two weeks after the end of such period to enable the Recipient to incorporate such report in its report and comply with its obligations under Section II.A of this Schedule 2;

(f) with respect to financial management: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Recipient and the World Bank, in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to its Respective Parts of the Project; (ii) avail the records pertaining to the Project to external and internal auditors; (iii) prepare as part of the Project Report, interim unaudited financial reports covering each quarter, and furnish them to the Recipient not later than two (2) weeks after the end of the period covered by such reports for incorporation and forwarding by the Recipient to the World Bank, and provide such other information concerning such unaudited financial statements as the Recipient or the World Bank may from time to time
reasonably request; and (iv) have its financial statements audited by independent auditors in accordance with auditing standards acceptable to the World Bank at least once in each fiscal year;

(g) open and maintain a dedicated Project Account, until completion of the Project, in a commercial bank on terms and conditions acceptable to the World Bank; and ensure that the funds deposited into the Project Account shall be used exclusively to finance the cost of expenditures related to the Project; and

(h) participate in and implement the relevant recommendations of the Mid-Term Review.

2. The Recipient shall exercise its rights and carry out its obligations under each Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Agreement or any of its provisions.

3. The Recipient shall: (i) cause TANESCO to maintain throughout Project implementation, the TANESCO PPP Node comprising a Project coordinator, a Project accountant, a Project procurement specialist, an electrical engineer, a civil engineer and a financial analyst and such other staff as may be agreed with the World Bank, all with qualifications and experience and terms of reference satisfactory to the World Bank; and (ii) ensure that the TANESCO PPP Node has adequate resources for carrying out their responsibilities under the Project.

C. Operating Guidelines

1. In implementing the Project, the Recipient shall:

(a) develop and adopt Operating Guidelines for the Project in form and substance satisfactory to the World Bank; and

(b) implement the Project in accordance with the Operating Guidelines and except as the World Bank shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Operating Guidelines, if such amendment or waiver may, in the opinion of the World Bank, materially or adversely affect the implementation of the Project.

2. In case of a conflict between the provisions of the Operating Guidelines and this Agreement or a Trust Fund Project Agreement, those of this Agreement or the Trust Fund Project Agreement shall prevail.
D. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Annual Work Plan and Budget

1. The Recipient shall, not later than May 31 of each year, prepare and furnish to the World Bank, an annual program of activities proposed for implementation during the following Fiscal Year, together with a proposed budget.

2. The Recipient shall exchange views with the World Bank on each such proposed annual work plan, and shall thereafter adopt, and carry out such program of activities for such following Fiscal Year as shall have been agreed with the World Bank, as such plan may be subsequently revised during such following Fiscal Year with the prior written agreement of the World Bank ("Agreed Annual Work Plan").

F. Safeguards

The Recipient shall ensure that the SESIA, the preparation of environmental and social safeguards documents, and other technical assistance or preparatory or identification studies, including any feasibility studies, to be supported under the Project, including PIE, TANESCO, and TPDC’s Respective Parts of the Project are carried out under terms of reference satisfactory to the World Bank and are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and in drafting any laws or regulations under the Project, due attention shall be given to said policies and laws.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank and set out in the Operating Guidelines. Each Project Report shall cover the period of one quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.
B. Semi-Annual and Mid-Term Reviews

1. The Recipient shall, in conjunction with the World Bank, hold semi-annual reviews of the Project and cause the Project Implementing Entity, TANESCO and TPDC to participate in said semi-annual, to take stock of implementation progress and assess the state of financial management and procurement and formulate, jointly with the World Bank, and implement and cause the Project Implementing Entity, TANESCO and TPDC to implement, steps to improve Project implementation.

2. Without prejudice to the foregoing, the Recipient shall:

   (a) not later than June 30, 2015, or any other date agreed with the World Bank carry out jointly with the World Bank a Mid-Term Review and cause the Project Implementing Entity, TANESCO and TPDC to participate in said Mid-term Review to assess progress made in carrying out the Project;

   (b) not later than thirty (30) days after the completion of the Mid-Term Review, implement and cause the Project Implementing Entity, TANESCO, and TPDC to implement said review’s recommendations as agreed with the World Bank.

3. The Mid-Term Review shall assess, inter alia: (i) the overall progress made during the implementation of the Project; and (ii) the results of the monitoring and evaluation activities.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
Section III. **Procurement**

A. **General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding <em>(subject to the additional procedures set out in Paragraph 3 below)</em></td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

3. **Additional Procedures for the use of National Competitive Bidding**

The following additional procedures shall apply to National Competitive Bidding:
(a) In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document for, and contract financed out of the proceeds of the Grant, shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the World Bank; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

(b) Preferences may not be awarded to domestic suppliers or contractors.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection of Firms</td>
</tr>
<tr>
<td>(e) Single-source procedures for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Least Cost Selection</td>
</tr>
<tr>
<td>(g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) 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 Grant (“Category”), the allocations of the amounts of the 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 Grant Allocated (expressed in US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Training and Operating Costs under the Project (except under Parts A.2 (c), B.2 (a), (b) and (d), C, D.2, E.2, E.3 and E.4)</td>
<td>2,426,478</td>
<td>38%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Parts A.2(c), B.2(a) and (b) and E.2 of the Project</td>
<td>173,251</td>
<td>38%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Parts B.2(d),C and E.3 of the Project</td>
<td>797,341</td>
<td>38%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Parts D.2 and E.4 of the Project</td>
<td>762,399</td>
<td>38%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>693,486</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,852,955</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 for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is May 31, 2018.
APPENDIX

Section I. Definitions

1. “Agreed Annual Work Plan” means the program of activities agreed each year between the Recipient and the World Bank for inclusion in the Project in accordance with Section I.E.2 of Schedule 2 to this Agreement during the following Fiscal Year, as the same may be revised from time to time with the prior agreement of the World Bank.


3. “Beneficiaries” means NEMC, OSHA, TEITI Secretariat and VETA.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. “Co-financing” means an amount equivalent to fourteen million Special Drawing Rights (SDR 14,000,000) provided by the Co-financier to co-finance the Project.


8. “Extractive Industries Transparency Initiative” or “EITI” means the global initiative founded on a set of principles and criteria aimed at promoting transparency in oil, gas and mining sectors.


10. “Fiscal Year” means each fiscal year of the Recipient commencing on July 1 and ending on June 30 of the subsequent year.

11. “IDA Financing Agreement” means the agreement, dated April 18, 2013, entered into between the Recipient and the International Development Association providing for the Co-financing (Credit No. 5217-TZ).
12. “MEM PPP Node” means a unit of the Recipient within MEM established to provide technical and strategic guidance on public private partnership matters in the energy sector.

13. “Memorandum and Articles of Association of TANESCO” means the memorandum of association and the articles of association of TANESCO, as originally framed or as amended from time to time, and which comprise the constitutive documents for incorporation of TANESCO under the Recipient’s Companies Act, CAP 212 (R.E 2002).

14. “Mid-Term Review” means the assessment to be carried out by the Recipient and the World Bank on the progress of implementation of the Project with a view to addressing any Project implementation bottlenecks, and referred to in Section II.C(2) of Schedule 2 to this Agreement.

15. “Ministry of Energy and Minerals” or “MEM” means the Recipient’s Ministry responsible for energy and minerals.

16. “National Environment Management Council” or “NEMC” means the Recipient’s agency established and operating pursuant to the Environmental Management Act (Act No. 20 of 2004 of the Laws of the Recipient), and responsible for promoting sustainable environmental management, or any legal successor thereto, if acceptable to the World Bank.

17. “Natural Gas Utilization Master Plan” means a plan to be prepared by the Recipient setting out the strategies and plans of government for the development of the natural gas sub-sector and integrating all elements of the gas value chain.

18. “Occupational Safety and Health Authority” or “OSHA” means the Recipient’s agency established and operating pursuant to the Occupational Health and Safety Act (Act No. 5 of 2003) of the Laws of the Recipient and responsible for promoting the health and safety of workers in the work place, or any legal successor thereto, if acceptable to the World Bank.

19. “Controller and Auditor General” means the Recipient’s independent national institution responsible for the control and audit of state finances.

20. “Operating Costs” means the incremental expenses incurred by the Recipient based on annual budgets approved by the World Bank attributable to Project implementation, management, and monitoring, including office supplies and consumables; communication costs; operation and maintenance of office vehicles; per diem and travel costs for Project staff; reasonable bank charges; allowances and salaries of contractual staff (but excluding the salaries of the Recipient’s civil servants).

21. “Operating Guidelines” means the guidelines acceptable to the World Bank adopted by the Recipient and referred to in Section I.C of Schedule 2 to this Agreement, providing detailed arrangements and procedures for the
implementation of the Project, including procedures for: (i) institutional coordination and day-to-day execution of the Project; (ii) budgeting, disbursement and financial management; (iii) procurement; (iv) monitoring, evaluation, reporting and communication; and (v) such other administrative, financial, technical and organizational arrangements as are necessary for the Project, as such Operating Guidelines may be amended and supplemented from time to time with the prior written approval of the World Bank.


23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 15, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. “Project Implementing Entity” and the acronym “PIE” mean EWURA.

25. “Project Implementing Entity’s Legislation” means the Energy and Water Utilities Act, CAP 414 (R.E. 2002) of the Laws of the Recipient (as the same may be amended from time to time).

26. “Project Management Team” or “PMT” means any of the project implementation teams of MEM, the Project Implementing Entity, TANESCO, TPDC or the Beneficiaries and referred to in Section I.A(4) and (8) of Schedule 2 to this Agreement and “PMs” means, all such teams collectively.

27. “Project Steering Committee” or “PSC” means a committee established for purposes of the Project and referred to in Section I.A(2) of Schedule 2 to this Agreement, chaired by the commissioner for energy and petroleum affairs at MEM and including representatives from the Project Implementing Entity, TANESCO, TPDC, Beneficiaries, office of the prime minister, and the natural gas sector sub-committee of the President’s office planning commission.

28. “Public-Private Partnerships” or “PPP” means government service or business venture which is funded and operated through a partnership of government and one or more private sector companies.

29. “Respective Parts of the Project” means the case of the Recipient through MEM, Parts A.1, A.2(a)(b), B.1, B.2(c), B.3, B.4, D.1 and E.1 of the Project; in the case of EWURA, Parts A.2(c), B.2(a) and (b), and E.2 of the Project; in the case of TPDC, Parts B.2(d), C and E.3 of the Project; in the case of TANESCO, Parts D.2 and E.4 of the Project.

30. “Strategic Environmental and Social Impact Assessment” or “SESIA” means an instrument satisfactory to the World Bank to be prepared by the Recipient
assessing potential environmental impacts and social and economic concerns of investment programs in the oil and gas sector and legal and institutional aspects relevant to the issues and impacts, evaluating alternatives, designing appropriate mitigation, management, and monitoring measures and recommending broad measures to strengthen environmental management in the sector.

31. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Grant available to the Project Implementing Entity.

32. "Surface and Marine Transport Regulatory Authority" or "SUMATRA" means an agency of the Recipient established and operating under the Surface and Marine Transport Regulatory Authority Act (Act No. 9 of 2001 of the Laws of the Recipient) and responsible for the regulation of surface and marine transport or its legal successor thereto, if acceptable to the World Bank.

33. "TANESCO PPP Node" means a unit within TANESCO established to provide technical and strategic guidance on public private partnership matters in the energy sector.

34. "TEITI Multi-Stakeholder Working Group" means a workshop group consisting of, among others, representatives from the Recipient, companies, civil society and other stakeholders, established as part of TEITI, responsible for overseeing the implementation of EITI activities in the Recipient’s territory.

35. "TEITI Secretariat" means the secretariat established within MEM and charged with the responsibility of the day-to-day implementation of TEITI.

36. "Tanzania Electric Supply Company Limited" or "TANESCO" means a limited liability electric power generation, transmission and distribution company established and operating pursuant to the Recipient’s Companies Act, CAP 212 (R.E. 2002) and the Memorandum and Articles of Association of TANESCO, or its legal successor thereto, if acceptable to the World Bank.

37. "Tanzania Extractive Industries Transparency Initiative" or "TEITI" means the Recipient’s initiative to achieve compliance with EITI principles and criteria.

38. "Tanzania Petroleum Development Corporation" or "TPDC" means an agency of the Recipient established and operating under Government Notice No.140 of 30th May 1969 issued under the Public Corporations Act (CAP 17 of the Laws of the Recipient) and responsible for the exploration and development of petroleum, or its legal successor thereto, if acceptable to the World Bank.

39. "Tanzania Revenue Authority" or "TRA" means an agency of the Recipient established and operating under the Tanzania Revenue Authority Act (Act No.11 of 1995 of the Laws of the Recipient) and responsible for the administration of the central government taxes as well as several non-tax revenues, or its legal successor thereto, if acceptable to the World Bank.
40. “Training” means the reasonable costs of training under the Project, based on annual budgets approved by the World Bank, and attributable to seminars, workshops, study programs and tours, along with tuition, travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

41. “Trust Fund Project Agreement” means the Trust Fund Project Agreement of even date between the World Bank and EWURA.

42. “Vocational Education and Training Authority” or “VETA” means an agency of the Recipient established and operating under the Vocational Education and Training Authority Act (Act No.1 of 1994 of the Laws of the Recipient) and responsible for coordinating, regulating, financing, providing and promoting vocational education and training, or its legal successor thereto, if acceptable to the World Bank.