

CFOI were classified according to five code structures that describe the injury or illness and how it occurred: Nature of injury or illness, part of body affected, source of injury or illness, event or exposure, secondary source of injury or illness. These structures comprise the Occupational Injury and Illness Classification System.

The Occupational Injury and Illness Classification System (OIICS) was developed by the Bureau of Labor Statistics with input from data users and States participating in the BLS Occupational Safety and Health (OSH) Federal/State cooperative programs. It was ultimately based on the American National Standards Institute (ANSI) Z16.2-1962, *Method of Recording Basic Facts Relating to the Nature and Occurrence of Work Injuries*, revised 1969. In addition, certain portions are based on the International Classification of Disease, 9th Revision, Clinical Modification (ICD-9 CM), which is widely used in the medical community.

The Occupational Injury and Illness Classification System contains the following code structures used to describe the injury and illness and how it occurred:

- Nature of Injury or Illness, which describes the physical characteristics of the injury or illness.
- Part of Body Affected, which identifies the part of the body directly affected by the nature.
- Source of Injury or Illness, which identifies the object or substance that directly inflicted the injury or illness.
- Event or Exposure, which describes the manner in which the injury or illness was inflicted by the source.
- Secondary Source, which identifies other objects or substances, if any, that contributed to the event or exposure. The same code list is used for both source and secondary source.

The classification structures are hierarchical with four levels of detail to facilitate the aggregation of information and to accommodate both variations in detail available on reporting forms and the needs of data users. For example, one user may wish to look at data for injuries involving all trucks (Source code 825); whereas, another user may be interested only in cases involving tractor trailer trucks (Source code 8254).

Each classification structure is comprised of the following:

- Rules of selection, which define the characteristic and assist in assigning a code when more than one code category might apply to the case.
- Code descriptions, which provide more detail about the individual code categories and often give examples of

types of cases that are included or excluded from the category.

- Complete code list, which includes the codes and associated titles by themselves without the descriptions.

• Alphabetical indices.

The original OIICS was released in December 1992 and was approved for use as the American National Standard for Information Management for Occupational Safety and Health in 1995 (ANSI Z16.2-1995). In addition to the BLS occupational safety and health statistics program, the OIICS is used by several State workers' compensation agencies, the National Institute for Occupational Safety and Health, and other organizations. The Bureau of Labor Statistics' current coding is limited to cases that result in death or days away from work; other users of the OIICS may code cases which involve medical treatment only.

In September 2007, the OIICS was updated to incorporate various interpretations and corrections. That phase of the revision process was limited in order to minimize computer systems changes and breaks in the BLS data series. Although a few code titles were changed to reflect the category's contents, no new codes were added. The current version of the OIICS along with a list of changes recently incorporated is available on the BLS Web site at <http://www.bls.gov/iif/oshoiics.htm>.

II. Current Action

A more extensive revision is being planned. This revision is intended to update the classification system to:

- Capture workplace hazards resulting from the many technological changes that have taken place in the work environment since the OIICS was initially released.
- Include new or emerging conditions that could potentially result from an incident or exposure in the workplace.
- Provide for data aggregations not available with the current OIICS.
- Resolve remaining coding issues.

In addition, BLS will review the International Statistical Classification of Diseases and Related Health Problems—Tenth Revision (ICD-10) to identify work-related conditions and hazards not captured in the current OIICS.

III. Desired Focus of Comments

Comments and recommendations are requested from the public on the following aspects of the OIICS:

- The basic coding system.
- The format of the manual.
- The definitions of the five characteristics (Nature of Injury or Illness, Part of Body Affected, Source of Injury or Illness, Secondary Source, Event or Exposure).

- Potential new characteristics.
- The rules of selection.
- The code categories, including any recommendations for additional categories and for merging or deleting existing categories.

• The descriptions of the code categories, including the lists of inclusions and exclusions.

- Alphabetical indices.

Signed at Washington, DC, this 21st day of February 2008.

Kimberley Hill,

Acting Chief, Division of Management Systems, Bureau of Labor Statistics.

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MILLENNIUM CHALLENGE CORPORATION

[MCC FR 08-02]

Notice of Entering Into a Compact With the Government of the United Republic of Tanzania

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: In accordance with Section 610(b)(2) of the Millennium Challenge Act of 2003 (Pub. L. 108-199, Division D), the Millennium Challenge Corporation (MCC) is publishing a summary and the complete text of the Millennium Challenge Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Government of the United Republic of Tanzania acting through the Ministry of Finance. The President of the United States of America and the President of the United Republic of Tanzania executed the Compact documents on February 17, 2008.

Dated: February 21, 2008.

William G. Anderson Jr.,

Vice President & General Counsel, Millennium Challenge Corporation.

Summary of Millennium Challenge Compact With the Government of the United Republic of Tanzania

A. Introduction

The United Republic of Tanzania, comprised of the mainland and Zanzibar, is strategically located in East Africa bordering the Indian Ocean and eight nations.¹ Tanzania plays an important role in the region as an economic trade partner and stands out

¹ The countries bordering Tanzania are Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, Zambia, Malawi, and Mozambique.

as a proponent of peace and security. In a region that has historically been divided by violent ethnic and religious conflict, Tanzania has been a peaceful country with a religiously diverse population, abundant natural resources, and a distinct sense of national pride and identity. However, this stability has not translated into widespread economic prosperity, as nearly 36 percent of the mainland population and 49 percent of the Zanzibar population live below the national poverty line. An inadequate transportation network, an insufficient and unreliable supply of energy, and a shortage of potable water

are three key constraints to economic growth and private investment in Tanzania. The program (Program) to be funded under the proposed Millennium Challenge Compact (Compact) with the Government of the United Republic of Tanzania (GoT) is designed specifically to address each of these constraints.

B. Program Overview and Budget

The overall goal of the Program is to stimulate economic growth, increase household incomes, and raise the quality of life through targeted infrastructure investments in transport, energy, and water. The specific objectives of the Program are to increase

agricultural activity and to increase business investment and spending by visitors through activities in the transport sector (Transport Sector Project), to increase investment, economic output and household productivity in several regions through activities in the energy sector (Energy Sector Project), and to increase investment in human and physical capital in two large cities through activities in the water sector (Water Sector Project) (each, a Project).

The table below shows the total budget and an estimated investment plan for the Program.

Description	Program budget (US\$ '000)					
	CIF ² & year 1	Year 2	Year 3	Year 4	Year 5	Total
Transport Sector Project	21,552	84,406	147,131	82,606	37,081	372,776
Energy Sector Project	16,646	45,501	53,435	59,083	31,806	206,471
Water Sector Project	5,845	16,959	17,786	16,838	8,908	66,336
Monitoring & Evaluation	2,500	1,000	1,000	1,000	4,500	10,000
Program Administration	11,202	7,615	7,900	7,868	7,968	42,553
Total	57,745	155,481	227,252	167,395	90,263	698,136

1. Transport Sector Project (\$372.8 Million)

Transport infrastructure in Tanzania is inadequate to meet the needs of the country's widely dispersed population. The Transport Sector Project aims to reduce travel times and provide access to basic social services by rehabilitating a portfolio of trunk roads on the mainland and the airport on Mafia Island, both originating from the GoT's Transport Sector Investment Program (TSIP) for mainland Tanzania, as well as selected rural roads on Pemba Island in Zanzibar. To ensure the sustainability of these investments, the Project will provide technical assistance to enhance the maintenance capacity of the GoT in both the road and airport sectors.

- *Mainland Trunk Roads.* The Project includes rehabilitation of three trunk roads on the mainland: (i) Tanga—Horohoro, a 68 km stretch of highway in northeast Tanzania connecting the seaport of Tanga with Horohoro at the Kenyan border whose rehabilitation will ease transport of goods between Dar es Salaam and Kenya, (ii) Tunduma—Sumbawanga, a 224 km stretch of highway in western Tanzania, a very fertile agricultural area, constituting the southernmost part of the Western Corridor representing the only link

between Dar es Salaam and Zambia, and (iii) Mtwara Corridor, a 139 km stretch of highway in southwestern Tanzania, the westernmost part of the Southern Corridor that runs from the Indian Ocean port of Mtwara to Mbamba Bay on Lake Nyasa.

- *Zanzibar Rural Roads.* The Project includes rehabilitation of up to five rural roads on Pemba Island, totaling approximately 35 km.

- *Road Maintenance.* The Project includes enhancement of Tanzania's capacity to maintain its road network. Specifically, this activity will support improvements in institutional capacity for strategic maintenance planning, and management of routine and periodic maintenance contracts of Tanzania National Roads Agency (TANROADS) for the mainland and the Ministry of Communications and Transport for Zanzibar.

- *Mafia Island Airport.* The Project includes provision of necessary aviation and public safety related facilities at the airport on Mafia Island, which is located off the east coast of Tanzania, approximately 135 km southeast of Dar es Salaam. Due to the poor condition of the airport and lack of feasible alternative transportation options, this activity will keep the airport open and prevent the island's residents from being cut off from the mainland. The activity also includes provision of technical assistance to the Tanzania Airports Authority (TAA) for

implementation of the activity and maintenance planning.

2. Energy Sector Project (\$206.5 Million)

Currently in Tanzania, industry, businesses, and households suffer from either a lack of energy services or unreliable service. Where electricity is available, the quality of supply is poor, and blackouts and other service interruptions are common. The Energy Sector Project will improve electricity service and coverage in Tanzania through the addition of new power generation, transmission and distribution capacity, as well as through much needed reinforcement of the existing network. The Project is expected to result in improved reliability and quality of electric power, and the extension of service to communities and businesses not currently served.

- *Zanzibar Interconnector.* The Project includes laying an approximately 40 km long, 100 MW capacity submarine electric transmission cable (including telecom fiber optic shield wire) from the mainland to Unguja Island, along the path of the existing submarine cable that is reaching its limits in both capacity and lifespan. To support the additional transmission capacity, the activity also includes the reinforcement of substations at either end of the cable, as well as the corresponding installation of roughly 20 km of supplementary

² This refers to the period between the Compact's conclusion and its entry into force.

transmission capacity along existing lines. This activity is expected to provide a reliable and non-polluting power supply to Unguja Island, the largest island in the Zanzibar archipelago with a population of approximately 700,000, which is entirely dependent on power supply from the mainland. This will allow the island to continue to develop its potential as a high-value tourist destination. The increased supply of electricity will also improve the productivity and quality of life for the island's population.

- *Malagarasi Hydropower & Kigoma Distribution.* The Project includes the construction of a small, 8 MW run-of-river hydropower plant on the Malagarasi River at Igamba Falls, and the extension of a mini-grid system in the Kigoma region, which suffers from an inadequate and unreliable power supply. This lack of access to reliable power has been one of the major constraints to investment in commercial and industrial operations in the region. This activity seeks to displace costly, inefficient, and polluting diesel power generation with affordable, reliable, and clean renewable small-scale hydropower. The expanded distribution system will also facilitate the electrification of rural villages and towns. In addition, this activity will include the assessment and design of a public-private partnership for the independent operation of the completed mini-grid system. Such partnership will provide an opportunity to increase the participation of the private sector in the national electricity system.

- *Distribution Systems Rehabilitation & Extension.* The Project includes the rehabilitation of existing distribution infrastructure and a number of small distribution line extensions to un-served areas in six regions (Mwanza, Tanga, Morogoro, Iringa, Dodoma, and Mbeya) that were identified by the GoT as priority areas for investment. By complementing similar projects to be funded by the World Bank in the regions of Dar es Salaam, Kilimanjaro, and Arusha, this activity will address the growing demand and the corresponding strain on the network to deliver reliable and quality power to industrial and commercial users, as well as to households, in these regions.

3. Water Sector Project (\$66.3 Million)

Tanzania faces a serious shortage of access to potable water, resulting in a high incidence of water-related disease, decreased workforce productivity, and a challenge for business growth. To address these issues, the GoT, in coordination with other stakeholders

(including donors) developed a 20-year program for transforming the sector known as the Water Sector Development Program (WSDP). The WSDP identifies all activities under the Water Sector Project as priorities. The Water Sector Project focuses on improving water supply infrastructure in Dar es Salaam and Morogoro, and is designed to increase the quantity and reliability of potable water for domestic and commercial use. By increasing the volume of water supply, the Water Sector Project is expected to reduce the prevalence of water-related disease, to increase time available for productive activities such as education, and to promote greater investments in physical capital.

- *Lower Ruvu Plant Expansion.* Dar es Salaam, Tanzania's largest city and commercial center, is experiencing a severe water crisis due to a shortage of water supply and poor water quality. The Project includes expansion of the capacity of the Lower Ruvu water treatment plant from about 180 million liters per day (MLD) to approximately 270 MLD. In addition, technical assistance for the Dar es Salaam Water and Sewerage Authority (DAWASA) will be provided.

- *Non-Revenue Water.* The Project includes improvement to the system efficiencies of DAWASA and Dar es Salaam Water and Sewerage Company (DAWASCO) to determine the locations and volumes of physical losses through leaks, and commercial losses as a result of deficiencies in billing and collection and theft. Currently, approximately 60 percent of Dar es Salaam water is lost due to physical leakages and commercial losses. This activity, to be built on past and ongoing donor activities, will substantially reduce water resource waste and the need to develop new water sources, and will improve the long-term financial viability of DAWASA and DAWASCO. Specifically, the activity includes a comprehensive assessment of the Dar es Salaam water supply system, its physical and commercial losses, the development of performance benchmarks for reduction of these losses, and the implementation of a performance-based contract by a private sector firm to achieve those benchmarks. The activity also includes technical assistance to DAWASA and DAWASCO for implementation of the activity.

- *Morogoro Water Supply.* The Project includes improvements to water supply in Morogoro, a city that, due to a growing population coupled with its aging water infrastructure, faces water supply deficiencies and increased

health risks for its population. Specifically, this will be achieved through the rehabilitation of the Mambogo water intake and water treatment plant (including the addition of a 6 MLD capacity), rehabilitation of the Mafiga water treatment plant, and improvement to the existing distribution network (including a 1.9 kilometer pressure main). In addition, technical assistance will be provided to Morogoro Urban Water and Sewerage Authority (MORUWASA) to support its continued progress toward achieving financial sustainability, including meeting its operation and maintenance costs and capital expenditure requirements.

C. Impact

The Program's investments in the transport, energy, and water sectors are critical to Tanzania's development.

First, poor transport infrastructure is a constraint to Tanzanian economic growth. In Tanzania, roads are essential for commerce (especially agricultural commerce), and for trade between Tanzania and its neighboring countries, including Kenya, Mozambique and Malawi. The rehabilitation of the roads, therefore, will help connect road users and communities along the rehabilitated roads with markets, schools and health clinics, and promote the expansion of economic opportunities by reducing transport costs and thus increasing the economic viability of various local products, including cash crops. The rehabilitation of the airport on Mafia Island will allow for easier, more efficient, and safer access to the island, resulting in increased tourist and business travel to and from the mainland, leading to additional income on the island.

Second, an inadequate supply of energy is also a constraint to private investment and economic growth in Tanzania. Energy is essential for activities in industry, agriculture, transport and water service supply, and for the provision of social services such as education and health. Moreover, it serves as an important catalyst for private sector development. The Energy Sector Project will result in households and businesses receiving more reliable and better quality electricity, and many currently un-served households and businesses will receive electricity for the first time.

Third, a shortage of access to potable water by both households and businesses is another constraint to Tanzanian economic growth addressed by the Program. Water is an important input to production in many industries, and expanding the supply of water will allow the expansion of economic

activity as well. In addition, lack of access to potable water results in a high incidence of water-related disease, burdensome healthcare costs, and decreased workforce productivity. By improving the water supply, incidence of disease and time spent collecting water will decrease, resulting in potential gains in labor productivity. Households, businesses and institutions relying on network water will benefit from improvements in water supply under the Water Sector Project.

Finally, the Compact development process itself has already contributed to encouraging the GoT to undertake important policy reforms in the transport, energy, and water sectors, the absence of which have constrained economic and private sector growth in Tanzania for years. Moreover, the various investments in physical infrastructure during the implementation of the Program will be tied to continued policy and sector reform.

D. Program Management

In September 2007, the GoT established MCA-Tanzania, the accountable entity for the Program, as a department within the Ministry of Finance with budgetary and operational independence. The early establishment of MCA-Tanzania allowed for commencement of preparatory activities funded under the pre-Compact 609(g) grant agreement, signed in October 2007, in order for timely and efficient

implementation of the Program once the Compact enters into force.

MCA-Tanzania consists of a governing board (Governing Board), and a secretariat (Secretariat). The Governing Board has final decision-making authority over the implementation of the Program, and consists of seven representatives from the GoT (including two representatives from Zanzibar) and four representatives from the private sector and the civil society. The Secretariat supports the Governing Board in the implementation of the Program. A chief executive officer manages the day-to-day activities of MCA-Tanzania, and is supported by senior directors together with other managers, officers, and administrative staff.

MCA-Tanzania is in the final stages of selecting, through competitive processes, a third party, non-government entity to provide procurement agent and oversight services for MCA-Tanzania, to include acting as procurement agent for MCA-T administrative procurements, the Zanzibar Rural Roads Activity, all Water Sector Project Activities, and two Energy Sector Project Activities. In its capacity as advisor, the firm will provide training and support services to three government procurement entities on certain procurements for the transport and energy projects. MCA-Tanzania will work with the various ministries, departments, and agencies of the GoT to implement the Projects with

one exception: Due to capacity limitations, the rehabilitation of the rural roads in Zanzibar will be implemented by a competitively procured project management firm.

The Office of the Accountant General in Tanzania's Ministry of Finance has established a Fiscal Agent Unit within the Office, staffed from existing office resources, for the Program. Under the direction of MCA-T's Director of Finance and Administration, this Unit will provide all financial reports under the Compact and relevant supplementary agreements; perform coordination efforts related to fiscal management including operating procedure development; provide information technology support including Web site development and maintenance; monitor and perform the necessary input interface with the U.S. Treasury International Treasury System ("ITS"); manage asset control and accountability; and respond to all MCA-T management requests.

E. Assessment

1. Economic Analysis

The estimated sector-level economic rates of return (ERRs)³ for the mainland are: (i) For the transport sector, 16%, (ii) for the water sector, 20%, and (iii) for the energy sector, 27%. The overall ERR for the activities in Zanzibar is 18%.

The estimated Project Activity-level ERRs for the Program are presented in the table below.

Project	Description	ERR (percent)
Transport Sector	Mainland Trunk Roads	
	Tanga-Horohoro	15
	Tunduma-Sumbawanga	20
	Mtwara Corridor	14
	Zanzibar Rural Roads	12
	Mafia Island Airport	17
Energy Sector	Zanzibar Interconnector	21
	Malagarasi Hydropower & Kigoma Distribution	20
	Distribution Systems Rehabilitation & Extension	
	Mwanza	31
	Tanga	42
	Morogoro	24
	Iringa	52
	Dodoma	16
	Mbeya	53
	Water Sector	Lower Ruvu Plant Expansion .....	27
Non-Revenue Water		21
Morogoro Water Supply		5

2. Consultative Process

The consultative process for the Program was anchored in the ongoing consultative process for Tanzania's

National Strategy for Growth and Reduction of Poverty (commonly referred to by its Swahili acronyms, MKUKUTA/MKUZA, for the mainland

and Zanzibar, respectively). The MKUKUTA/MKUZA process yielded broadly endorsed national sector strategies, and Projects were developed

³ These sector-level ERRs include administrative costs.

on the basis of these strategies. Building on the success of and lessons learned from the MKUKUTA/MKUZA consultative process, the GoT designed and followed a comprehensive outreach strategy.

Specifically, national outreach activities were conducted by the GoT's core team, including visits to all of the sites for the proposed Projects on the mainland and Zanzibar. Discussions were held with key stakeholders including representatives from regional, district, and local council government offices, members of parliament, the World Wildlife Fund, the Tanzania National Business Council, the Tanzanian Chamber of Commerce, Industry, and Agriculture, the Tanzania Association of NGOs, the Association of NGOs in Zanzibar, and women's groups such as the Tanzania Gender Networking Programme.

In addition, the GoT will utilize regional development committees in Project-affected areas to continue the consultative process throughout the implementation of the Program. These committees will include stakeholders from various non-governmental organizations, the private sector, and local and regional governments. These committees will not have decision-making authority, but will serve as a mechanism for ongoing consultations between the GoT and the public.

3. GoT Commitment and Effectiveness

The GoT's commitment is demonstrated in the allocation of significant human and financial resources to the Compact development process and in the GoT's receptiveness to substantive policy reforms. The GoT's core team has been led by a national coordinator with 30 years of experience in public service who has recruited an impressive team. The GoT also constituted a high-level steering committee to oversee the Compact development process, led by the Permanent Secretary of the Ministry of Finance. In addition to representation by the Permanent Secretaries from various relevant ministries, the steering committee included a number of leaders from the private and non-governmental sectors.

Additional commitment by the GoT has been demonstrated by a willingness to undertake various reforms that are critical to the sustainability of the Program. For instance, the GoT has shown openness and commitment in the transport sector by its agreement to adhere to the improvement of prioritized corridors through the upgrade of trunk roads identified in the TSIP. The energy sector also has shown

signs of movement toward commercialization, demonstrated by the restructuring of Tanzania Electric Supply Company Limited (TANESCO) and the emergence of an independent regulator for the energy and water sectors. Moreover, the GoT committed to passing a new act governing the electricity sector to bring up-to-date the current law (dating from 1931). Finally, the GoT contributed significant time and resources toward the preparation of environmental and social studies for many of the components of the Projects during the Compact development process. These contributions not only enhance the environmental sustainability of the Projects but also allow the improved designs and timely implementation of the Program.

4. Sustainability

The sustainability of the investments in roads on both the mainland and Zanzibar is dependent upon adequate road maintenance. A significant policy reform towards mainland roads sustainability was demonstrated in July 2007 when the GoT nearly doubled its funding of road maintenance, an increase adequate to meet the maintenance costs of the mainland's road network. To encourage the GoT to take additional steps for improvement of the sustainability of the roads in Zanzibar, MCC will condition its investment in the rural roads on a significant increase in the current fuel levy in Zanzibar. Moreover, since adequate funding for maintenance of roads does not by itself ensure sustainability of the investments in roads, MCC will provide technical assistance to enhance the GoT's road maintenance capacity.

The Energy Sector Project includes capacity building and technical support for both TANESCO and Zanzibar Electricity Corporation (ZECO). In addition, the implementation of the new Electricity Act, continued progress on tariff reform, and TANESCO Board reforms to increase its independence from the GoT, all required under the Compact, are significant safeguards that will contribute to sustainability.

Under the Water Sector Project, the GoT has agreed to pursue financial recovery measures for DAWASA, DAWASCO and MORUWASA, and to include the implementation of tariffs that will fully recover operations and maintenance costs, and demonstrate a sustainable trend to recover capital costs within the term of the Compact.

In addition, the Program includes provision of technical assistance to the National Environmental Management Council and the Zanzibar Department of

the Environment, development and implementation of a gender integration plan, and support for environmental and social oversight of the Program. These activities will safeguard Tanzania's natural resources and enhance the sustainability of the Program as a whole. They will also contribute to long-term sustainable development of Tanzania by building capacity and systems to improve environmental management associated with the planning, design and implementation of infrastructure projects.

5. Environment and Social Impacts

MCC will require that all Projects comply with the Tanzanian National Environmental Management Act and regulations, MCC's environmental guidelines and gender policy, and World Bank's Operational Policy on Involuntary Resettlement (OP 4.12).

None of the Projects is likely to generate significant adverse environmental, health, or safety impacts, and all expected impacts can be mitigated. Several activities under the Transport Sector Project ("Category A" according to MCC's environmental guidelines) have the potential for construction-related impacts such as erosion, drainage and run-off, and impacts to wildlife migration that will be mitigated through, among other measures, promotion of community-based natural resource management. Additional potential secondary and cumulative impacts such as increased deforestation due to logging and prolific charcoal manufacturing may have adverse environmental and social impacts and will be mitigated through sustainable community development initiatives. Similarly, potential negative environmental and social impacts of the Energy Sector Project ("Category A") and the Water Sector Project ("Category B") include health and safety risks, as well as construction-related impacts on communities including increased HIV/AIDS transmission and economic and physical resettlement. With proper planning and oversight by MCA-Tanzania and environmental and social oversight consultants, all negative impacts and risks identified through these assessments will be mitigated.

In addition, the Program is expected to yield the following positive environmental and social impacts: (i) Increased opportunities for community-based natural resource management in the proximity of the southern sections of the mainland's trunk roads, (ii) reduction in time spent accessing cultural and natural resources through the provisioning of renewable energies

and improved infrastructure, (iii) increased access and participation of civil society and women through public consultation and a Program-wide gender integration action strategy, (iv) reduction in the need to develop new water sources and reduce water resource wastage, and (v) improved environmental management capacity to support further sustainable development.

6. Donor Coordination

The mainland trunk roads activity under the Transport Sector Project was developed in consultation with the principal donors in the transport sector in Tanzania, including the European Union, World Bank, African Development Bank (AfDB), the Danish International Development Agency (DANIDA), and the governments of Norway and Japan. The plan to upgrade Zanzibar's rural roads was developed in consultation with other donors working in Zanzibar, primarily the World Bank, DANIDA, and the Government of Norway. The airport on Mafia Island represents one of eleven airports identified in the TSIP, and is included in the TAA's ongoing feasibility, environmental and social impact assessment, and detailed design study funded by the World Bank. Finally, a measure to support environmental sustainability of the upgrades to the various roads through the community-based natural resource management builds upon efforts of United States Agency for International Development (USAID), and will be implemented in collaboration with USAID.

Donors, including the governments of Sweden, Norway, and Japan, the World Bank, and the AfDB, among others, play an active role in improving Tanzania's energy sector through support for policy reform, technical assistance and infrastructure investments. The Energy Sector Project has benefited significantly from these donors' activities while MCC has provided important additional leverage for needed policy and regulatory reform including the passage of new legislation governing the electricity sector, tariff reform, and financial sustainability of TANESCO and ZECO. Moreover, the Malagarasi hydropower plant benefited from a pre-feasibility study financed by the AfDB and the World Bank. Finally, MCC's review of the proposal to upgrade the distribution systems in Mwanza, Tanga, Morogoro, Iringa, Dodoma and Mbeya benefited from active intervention and support by the Swedish International Development Cooperation Agency and the World Bank.

All components of the Water Sector Project are priority projects identified under the WSDP. The donors participating in the WSDP include the World Bank, the governments of Germany, the Netherlands, France, and Japan as well as the United Nations Development Programme, the United Nations Children's Fund, Food and Agriculture Organization, and the AfDB. MCC coordinated with these organizations throughout the review and development of the Water Sector Project, and continues to engage with them.

Millennium Challenge Compact Between the United States of America Acting Through the Millennium Challenge Corporation and the Government of the United Republic of Tanzania Acting Through the Ministry of Finance

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Millennium Challenge Compact

Preamble

This Millennium Challenge Compact (this "Compact") is between the United States of America, acting through the Millennium Challenge Corporation, a United States Government corporation ("MCC"), and the Government of the United Republic of Tanzania (the "Government"), acting through the Ministry of Finance (individually, each of the MCC and the Government, a "Party" and collectively, the "Parties").

Recalling that the Government consulted with the private sector and civil society of Tanzania to determine the priorities for the use of Millennium Challenge Account assistance and developed and submitted to the MCC a proposal for such assistance; and Recognizing that the MCC wishes to help Tanzania implement a program to achieve the goal and objectives described herein (the "Program");

The Parties hereby agree as follows:

Article 1. Goal and Objectives

Section 1.1 Compact Goal.

The goal of this Compact is to advance economic growth and poverty reduction in Tanzania through strategic investments in transportation, energy, and water infrastructure (the "Compact Goal").

Section 1.2 Project Objectives.

The objectives of the Projects (each, a "Project Objective") are:

(a) To increase cash crop revenue and aggregate visitor spending through the Transport Sector Project;

(b) To increase value added of businesses through the Energy Sector Project; and

(c) To increase investment in human and physical capital and reduce the prevalence of water-related diseases through the Water Sector Project.

The Government shall take all necessary steps to achieve the Compact Goal and Project Objectives during the Compact Term.

Article 2. Funding and Resources

Section 2.1 MCC Funding.

The MCC hereby grants to the Government, under the terms of this Compact, an amount not to exceed Six Hundred Ninety-Eight Million One Hundred and Thirty-Six Thousand United States Dollars (US\$698,136,000) ("MCC Funding") for use by the Government in the implementation of

the Program, as more specifically described in Annex II to this Compact.

Section 2.2 Compact Implementation Funding.

(a) Of the total amount of MCC Funding, the MCC shall make up to Eleven Million Eight Hundred and Ninety-Six Thousand United States Dollars (US\$11,896,000) (“*Compact Implementation Funding*”) available to the Government under Section 609(g) of the Millennium Challenge Act of 2003 for:

(i) Administrative activities for MCA-Tanzania (as defined below), including start-up costs such as staff salaries, rent, cost of purchasing computers and other information technology or capital equipment and other similar expenses; and

(ii) Any other activities relating to the implementation of the Compact, approved by the MCC.

(b) The Parties shall provisionally apply this Section 2.2, and Sections 2.6, 2.7 and 3.5 below, after the MCC and the Government sign this Compact until this Compact enters into force under Section 7.3. Compact Implementation Funding also shall be subject to the requirements, restrictions and procedures set out in writing by the MCC.

Section 2.3 Disbursement

In accordance with this Compact and the Program Implementation Agreement (as defined below), the MCC shall disburse MCC Funding for expenditures incurred in connection with the implementation of the Program (each, a “*Disbursement*”). The proceeds of such Disbursements shall be made available to the Government either (a) by deposit to a bank account established by the Government and acceptable to the MCC (a “*Permitted Account*”) or (b) through direct payment to the relevant provider of goods, works or services in furtherance of this Compact, as appropriate. MCC Funding shall be expended solely to cover expenditures in connection with the implementation of the Program as provided in this Compact and the Program Implementation Agreement.

Section 2.4 Interest

The Government shall pay to the MCC any interest and other earnings that accrue on MCC Funding in accordance with the Program Implementation Agreement (whether by directing such payments to the bank account outside Tanzania designated by the MCC or otherwise).

Section 2.5 Government Resources; Budget

(a) The Government shall provide all funds and other resources, and shall take all actions, that are necessary to carry out the Government’s responsibilities and obligations under this Compact.

(b) The Government shall use its best efforts to ensure that all MCC Funding it receives, or is projected to receive, in each of its fiscal years is fully accounted for in its annual budget on a multi-year basis.

(c) The Government shall not reduce the normal and expected resources that it would otherwise receive, or budget, from sources other than the MCC for the activities contemplated under this Compact and the Program.

Section 2.6 Limitations on the Use of MCC Funding

The Government shall ensure that MCC Funding shall not be used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to the Government in writing by the MCC, or by posting at www.mcc.gov (“*MCC Web site*”), including but not limited to the following purposes:

(a) For assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) For any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) To undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard as further described in MCC environmental guidelines posted on the MCC Web site (“*MCC Environmental Guidelines*”); or

(d) To pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.7 Taxes

(a) The Government shall ensure that the assistance provided by the MCC to the Government under this Compact is exempt from any existing or future taxes, duties, levies, contributions or

other similar charges (“*Taxes*”) by the Government (including any such Taxes of a national, regional, local or other governmental or taxing authority) in accordance with the terms of the “*Agreement Providing For the Furnishing of Economic, Technical, and Related Assistance*” between the United States and the Government, entered into force on February 8, 1968.

(b) If any Tax has been levied and paid to the Government contrary to the requirements of Section 2.7(a) above, the Government shall refund promptly to the MCC the amount of such Tax out of its national funds, and no MCC Funding, proceeds thereof, or Program asset may be applied by the Government in satisfaction of its obligations under this Section 2.7(b).

Article 3. Implementation

Section 3.1 Program Implementation Agreement

The Government shall implement the Program in accordance with this Compact and as further specified in an agreement to be entered into by the MCC and the Government, which agreement will address, among other matters, implementation arrangements, fiscal accountability, disbursement and use of MCC Funding, procurement and applicable tax exemptions (the “*Program Implementation Agreement*” or “*PIA*”).

Section 3.2 Government Responsibilities

(a) The Government shall have the principal responsibility of overseeing and managing the implementation of the Program.

(b) The Government shall ensure that any assets or services funded in whole or in part (directly or indirectly) by MCC Funding will be used solely in furtherance of this Compact and the Program.

(c) The Government shall ensure that no law or regulation in Tanzania now or hereinafter in effect makes, or will make unlawful, or otherwise prevent or hinder the performance of any of its obligations under this Compact, the PIA or any other agreement related thereto or any transaction contemplated thereunder.

(d) The Government shall fund all costs in excess of those budgeted for the Program, as set forth in Annex II (as such may be modified in accordance with the terms thereof), in order to ensure the full and complete implementation of the Program.

Section 3.3 Policy Performance

In addition to the specific policy, legal and regulatory reform

commitments identified in Annex I to this Compact, the Government shall commit to maintain and improve its level of performance under the policy criteria (relating to just governance, economic freedom and investments in people) identified in Section 607 of the Millennium Challenge Act of 2003, and the selection criteria and methodology used by the MCC.

Section 3.4 Government Assurances

The Government assures the MCC that:

(a) As of the date this Compact is signed by the Government, the information provided to the MCC by or on behalf of the Government in the course of reaching agreement with the MCC on this Compact is, taken as a whole, true, correct and complete in all material respects;

(b) This Compact does not, and will not, conflict with any other international agreement or obligation of the Government or any of the laws of Tanzania; and

(c) The Government shall not invoke any of the provisions of its internal law to justify or excuse a failure to perform its duties or responsibilities under this Compact.

Section 3.5 Implementation Letters

From time to time, the MCC may provide guidance to the Government in writing on all matters relating to MCC Funding, this Compact or implementation of the Program (each, an "Implementation Letter"). The Government shall apply such guidance in implementing the Program.

Section 3.6 Procurement

Under the exception set forth in Section 4 of the Public Procurement Act No. 21 of 2004, the Government shall ensure that the procurement of all goods, works and services by the Government or any Provider in furtherance of this Compact will be consistent with and conducted in accordance with the procurement guidelines notified by the MCC to the Government in writing or by posting on the MCC Web site, or otherwise made publicly available ("MCC Program Procurement Guidelines"). The MCC Program Procurement Guidelines include, among others, the following requirements:

(a) Open, fair, and competitive procedures must be used in a transparent manner to solicit, award and administer contracts and to procure goods, works and services;

(b) Solicitations for goods, works, and services must be based upon a clear and

accurate description of the goods, works and services to be acquired;

(c) Contracts must be awarded only to qualified contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(d) No more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, will be paid to procure goods, works and services.

Section 3.7 Records; Accounting; Covered Providers; Access

(a) *Government Books and Records.* The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to this Compact adequate to show, to the MCC's satisfaction, the use of all MCC Funding ("Compact Records"). In addition, the Government shall furnish or cause to be furnished all Compact Records to the MCC when the MCC so requests.

(b) *Accounting.* The Government shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with accounting principles prescribed by the International Accounting Standards Committee. Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required to resolve any litigation, claims or audit findings or any statutory requirements.

(c) *Provider; Covered Provider.* Unless the Parties otherwise agree in writing, a "Provider" is (i) any entity of the Government that receives or uses MCC Funding or any other Program asset in carrying out activities in furtherance of this Compact or (ii) any third party that receives at least US\$50,000 in the aggregate of MCC Funding (other than as salary or compensation as an employee of an entity of the Government) during the Compact Term. A "Covered Provider" is (i) a non-United States Provider that receives (other than pursuant to a direct contract or agreement with the MCC) US\$300,000 or more of MCC Funding in any Government fiscal year or any other non-United States person or entity that receives, directly or indirectly, US\$300,000 or more of MCC Funding from any Provider in such fiscal year or (ii) any United States Provider that receives (other than pursuant to a direct contract or agreement with the MCC) US\$500,000 or more of MCC Funding in

any Government fiscal year or any other United States person or entity that receives, directly or indirectly, US\$500,000 or more of MCC Funding from any Provider in such fiscal year.

(d) *Access.* Upon the MCC's request, the Government, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of the MCC, an authorized United States inspector general, the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by the MCC or the Government to conduct any assessment, review or evaluation of the Program, the opportunity to audit, review, evaluate or inspect facilities and activities funded in whole or in part by MCC Funding.

Section 3.8 Audits; Reviews

(a) *Government Audits.* Except as the Parties may otherwise agree in writing, the Government shall, on at least a semi-annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding in accordance with this Section 3.8(a). The initial financial audit shall cover the period from signing of this Compact until the earlier of the following December 31 and June 30, and all subsequent financial audits shall cover each six-month period thereafter ending December 31 and June 30 through the end of the Compact Term, in each case in accordance with the terms of the PIA. Upon the MCC's request, to conduct such audits, the Government shall use, or cause to be used, an auditor approved by the MCC and named on the list of local auditors approved by the Inspector General of the Millennium Challenge Corporation (the "Inspector General") or a United States-based Certified Public Accounting firm selected in accordance with the "Guidelines for Financial Audits Contracted by MCA" (the "Audit Guidelines") issued and revised from time to time by the Inspector General. Each audit shall be performed in accordance with the Audit Guidelines and be subject to quality assurance oversight by the Inspector General. Each audit shall be completed and the audit report delivered to the MCC no later than 90 days after the first period to be audited and no later than 90 days after each June 30 and December 31 thereafter, unless the Parties otherwise agree in writing.

(b) *Audits of United States Entities.* The Government shall ensure that agreements between the Government or any Provider, on the one hand, and a United States nonprofit organization, on

the other hand, that are financed with MCC Funding state that the United States organization is subject to the applicable audit requirements contained in OMB Circular A-133. The Government shall ensure that agreements between the Government or any Provider, on the one hand, and a United States for-profit Covered Provider, on the other hand, that are financed with MCC Funding state that the United States for-profit Covered Provider is subject to audit by the cognizant United States Government agency, unless the Government and the MCC agree otherwise in writing.

(c) *Corrective Actions.* The Government shall use its best efforts to ensure that Covered Providers take, where necessary, appropriate and timely corrective actions in response to audits, consider whether a Covered Provider's audit necessitates adjustment of the Government's records, and require each such Covered Provider to permit independent auditors to have access to its records and financial statements as necessary.

(d) *Audit by the MCC.* The MCC shall have the right to arrange for and conduct audits of the Government's use of MCC Funding.

(e) *Cost of Audits, Reviews or Evaluations.* MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact, including as reflected on Annex II to this Compact.

Article 4. Communications

Section 4.1 Communications

Any document or communication required or submitted by either Party to the other under this Compact shall be in writing and, except as otherwise agreed between the Parties, in English. For this purpose, the address of each Party is set forth below.

To the MCC

Millennium Challenge Corporation, Attention: Vice President for Compact Implementation, (with a copy to the Vice President and General Counsel), 875 Fifteenth Street, NW., Washington, DC 20005, United States of America, Facsimile: (202) 521-3700, Telephone: (202) 521-3600, E-mail: VPIImplementation@mcc.gov (Vice President for Compact Implementation), VPGeneralCounsel@mcc.gov (Vice President and General Counsel).

To the Government

The Government of the United Republic of Tanzania, Attention: The Permanent Secretary, Ministry of Finance, Madaraka Avenue, P.O. Box

9111, Dar es Salaam, Tanzania, Facsimile: 255 22 2110326, Telephone: 255 22 2111174, E-mail: ps@mof.go.tz.

With a Copy to MCA-Tanzania

Millennium Challenge Account—Tanzania, Attention: Chief Executive Officer, Kivukoni Front/Ohio Street, P.O. Box 8327, Dar es Salaam, Tanzania, Facsimile: 255 22 2124644, Telephone: 255 22 2124634, E-mail: To be designated in writing to the MCC by MCA-Tanzania.

Section 4.2 Representatives

For all purposes of this Compact, the Government shall be represented by the individual holding the position of, or acting as, the Permanent Secretary to the Treasury, and the MCC shall be represented by the individual holding the position of, or acting as, Vice President for Compact Implementation (each, a "*Principal Representative*"), each of whom, by written notice to the other Party, may designate one or more additional representatives for all purposes other than signing amendments to this Compact. A Party may change its Principal Representative to a new representative that holds a position of equal or higher rank upon written notice to the other Party.

Section 4.3 Signatures

With respect to all documents other than this Compact or an amendment to this Compact, a signature delivered by facsimile or electronic mail shall be binding on the Party delivering such signature to the same extent as an original signature would be.

Article 5. Termination; Suspension; Refunds

Section 5.1 Termination; Suspension

(a) Either Party may terminate this Compact in its entirety by giving the other Party thirty (30) days' written notice.

(b) The MCC may, immediately upon written notice to the Government, suspend or terminate this Compact or MCC Funding under this Compact, in whole or in part, if the MCC determines that any circumstance identified by the MCC as a basis for suspension or termination (whether in writing to the Government or by posting on the MCC Web site) has occurred, which circumstances include but are not limited to the following:

(i) The Government fails to comply with its obligations under this Compact, the PIA or any other agreement or arrangement entered into by the Government in connection with this Compact or the Program;

(ii) An event has occurred that, in the MCC's determination, makes achievement of any Project Objective improbable during the term of this Compact or makes it improbable that the Government will be able to perform its obligations under this Compact;

(iii) Any use of MCC Funding or continued implementation of this Compact that would violate applicable law or United States Government policy, whether now or hereafter in effect;

(iv) The Government or any other person or entity receiving MCC Funding or using assets acquired in whole or in part with MCC Funding is engaged in activities that are contrary to the national security interests of the United States;

(v) An act has been committed or an omission or an event has occurred that would render Tanzania ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151, *et seq.*), by reason of the application of any provision of the Foreign Assistance Act of 1961 or any other provision of law;

(vi) The Government has engaged in a pattern of actions inconsistent with the criteria used to determine the eligibility of Tanzania for assistance under the Millennium Challenge Act of 2003; and

(vii) A person or entity receiving MCC Funding or using assets acquired in whole or in part with MCC Funding is found to have been convicted of a narcotics offense or to have been engaged in drug trafficking.

(c) All Disbursements shall cease upon the expiration, suspension, or termination of this Compact; *provided, however,* that MCC Funding may be used, in compliance with this Compact and the PIA, to pay for (i) reasonable expenditures for goods, works or services that are properly incurred under or in furtherance of this Compact before such expiration, suspension or termination of this Compact, and (ii) reasonable expenditures (including administrative expenses) that are properly incurred in connection with the winding up of the Program within 120 days after the expiration, suspension or termination of this Compact, so long as the request for payment of such expenditures is submitted within ninety (90) days after such expiration, suspension or termination.

(d) Subject to subsection (c) of this Section 5.1, upon the expiration, suspension or termination of this Compact, (i) any amounts of MCC Funding not disbursed by the MCC shall

be released from any obligation in connection with this Compact without any action from the Government or the MCC, and (ii) any amounts of MCC Funding disbursed by MCC but not expended under Section 2.3 before such expiration, suspension or termination, plus accrued interest thereon, shall be returned to the MCC within thirty (30) days after the Government receives the MCC's request for such return.

(e) The MCC may reinstate any suspended or terminated MCC Funding under this Compact if the MCC determines that the Government or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.2 Refunds; Violation

(a) If any MCC Funding, any interest or earnings thereon, or any asset acquired in whole or in part with MCC Funding is used for any purpose in violation of the terms of this Compact, the MCC shall have the right to require that the Government repay to the MCC, in United States Dollars, the value of such misused MCC Funding, interest, earnings, or asset, plus interest, within thirty (30) days after the Government's receipt of the MCC's request for repayment. The Government shall use national funds (and no MCC Funding or assets of the Program) to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, the MCC's right under this Section 5.2 for a refund shall continue during the term of this Compact and for a period of (i) five years thereafter or (ii) one year after the MCC receives actual knowledge of such violation, whichever is later.

Section 5.3 Survival

The Government's responsibilities under Sections 2.4, 2.6, 2.7, 3.7, 3.8, 5.1(c), 5.1(d), 5.2, 5.3 and 6.4 of this Compact shall survive the expiration, suspension or termination of this Compact.

Article 6. Compact Annexes; Amendments; Compact Status

Section 6.1 Annexes

Each annex attached hereto constitutes an integral part of this Compact.

Section 6.2 Inconsistencies

In the event of any conflict or inconsistency between:

(a) Any annex to this Compact and any of Articles 1 through 8, such Articles 1 through 8 shall prevail; or

(b) This Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.3 Amendments

The Parties may amend this Compact only by a written agreement signed by the Principal Representatives of both Parties and subject to the respective domestic approval requirements to which this Compact was subject.

Section 6.4 Compact Status

This Compact is an international agreement and, as such, will be governed by the principles of international law.

Section 6.5 Additional Instruments

Any reference to activities, obligations or rights undertaken or existing under or in furtherance of this Compact or similar language shall include activities, obligations and rights undertaken by, existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Web site

Any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Web site shall be deemed a reference to such document or information as updated or substituted on the MCC Web site from time to time.

Section 6.7 Exclusion Clause

This Compact and the other Compact Documents (as defined below) and the performance by the Government of any of its obligations under this Compact or the other Compact Documents shall not be made unlawful or otherwise prevented, hindered or adversely affected by any laws of Tanzania that come into effect after the MCC and the Government sign this Compact.

Section 6.8 References to Laws, Regulations, Policies and Guidelines

Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document will, unless expressly set forth herein or therein, be construed as a reference to such law, regulation, policy, guidelines or similar document as it may, from time to time, be amended, revised, replaced, or extended and will include any law, regulation, policy, guidelines or similar document issued under or otherwise applicable or

related to such law, regulation, policy, guidelines or similar document.

Article 7. Entry Into Force

Section 7.1 Domestic Requirements

The Government shall take all steps necessary to ensure that (a) this Compact and the PIA and all of the provisions of this Compact and the PIA are valid and binding and are in full force and effect in Tanzania, and (b) no laws of Tanzania (other than the constitution of Tanzania), whether now or hereafter in effect, will take precedence or prevail over the terms of this Compact or the PIA.

Section 7.2 Conditions Precedent

Before this Compact enters into force:

(a) The Government and the MCC shall execute the PIA;

(b) The Government shall deliver to the MCC:

(i) A certificate signed and dated by the Principal Representative of the Government (or such other duly authorized representative of the Government acceptable to the MCC) certifying that the Government has taken all steps required under Section 7.1;

(ii) An opinion from the Attorney General of Tanzania, in form and substance satisfactory to the MCC, that states, among other things, (1) each of the Compact, the PIA and any other agreement entered into in connection with this Compact to which the Government and the MCC are parties (the "Compact Documents") have been duly authorized, executed and delivered by the Government, (2) each Compact Document and all of the provisions of each Compact Document are valid and binding and are in full force and effect in Tanzania, (3) each Compact Document has the status, if stipulated in such agreement, of an international agreement, (4) each Compact Document (and the execution, delivery and performance by the Government of each) does not and will not conflict with any other international agreement or obligation of the Government or any of the laws of Tanzania, and (5) MCA-Tanzania has been duly established as an independent accountable entity, is validly existing as an office of the Government, and has the power and authority to perform the functions and carry out the obligations contemplated by the Compact Documents; and

(iii) Complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to its domestic requirements for this Compact to enter into force and the satisfaction of the requirements of Section 7.1,

which the MCC may post on the MCC Web site or otherwise make publicly available; and

(c) The MCC must determine that, after signature of this Compact, the Government has not engaged in any action or omission that is inconsistent with the eligibility criteria for MCC Funding.

Section 7.3 Date of Entry Into Force

This Compact shall enter into force on the later of (a) the date of the last letter in an exchange of letters between the Principal Representatives confirming that each Party has completed its domestic requirements for entry into force of this Compact and (b) the date that all conditions set forth in Section 7.2 have been satisfied.

Section 7.4 Compact Term

This Compact shall remain in force for five years after its entry into force, unless terminated earlier under Section 5.1 (the “Compact Term”).

Article 8. Consultations

Section 8.1 Consultation

Either Party may, at any time, request consultations relating to the interpretation or implementation of this Compact or any relevant supplemental agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations and the other Party shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within thirty (30) days from the commencement of the consultations, then each Party shall forward the consultation to the Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than sixty (60) days from date of commencement. If the matter is not resolved within such time period, either Party may terminate this Compact pursuant to Section 5.1(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner and by the principles of international law. Any dispute arising under or related to this Compact shall be determined exclusively through the consultation mechanism set forth in this Section 8.1.

In Witness Whereof, the undersigned, duly authorized by their respective governments, have signed this Compact this 17th day of February, 2008.

Done at Dar es Salaam, Tanzania.
For Millennium Challenge Corporation, on behalf of the United States of America, George W. Bush, President of the United States of America.

For the Government of the United Republic of Tanzania, Jakaya Mrisho Kikwete, President of the United Republic of Tanzania.

Annex I Program Description

A. Overview

This Annex I to this Compact describes the Program that MCC Funding will support in Tanzania during the Compact Term. The Program will include the Transport Sector Project, the Energy Sector Project and the Water Sector Project (each, a “Project”) and the activities related to the Projects (each, a “Project Activity”) as described in this Annex I.

1. Background

The United Republic of Tanzania (“Tanzania”), comprised of the mainland and Zanzibar, is surrounded by eight countries (consisting of Kenya, Uganda, Rwanda, Burundi, Democratic Republic of Congo, Zambia, Malawi, and Mozambique) and the Indian Ocean. Tanzania is a country of approximately 39 million people. Nearly 36 percent of the mainland population and 49 percent of the Zanzibar population live below the poverty line. An inadequate transportation network, an inadequate and unreliable supply of energy and a shortage of potable water are three key constraints to economic growth and private investment in Tanzania. The Program is designed specifically to address these constraints.

2. Program

The Program consists of the Transport Sector Project, the Energy Sector Project, and the Water Sector Project, as further described below.

The Parties may agree to modify or eliminate any Project or Project Activity, or to create a new project or project activity, in writing signed by the Principal Representative of each Party without amending this Compact; provided, however, that any such modification or elimination of a Project or Project Activity, or creation of a new project or project activity, shall not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1 of this Compact, cause the Government’s responsibilities or contribution of resources to be less than specified in this Compact, or extend the Compact Term.

3. Consultative Process

The consultative process for the Program was informed by, and anchored in, the consultative process conducted in connection with the Government’s National Strategy for Growth and Reduction of Poverty which was finalized in 2005 (commonly referred to by the Swahili acronyms “MKUKUTA” and “MKUZA,” for the mainland and Zanzibar, respectively). The Government organized national outreach activities and held various meetings relating to the Program proposal with key stakeholders, including representatives from local governments, members of parliament, and non-governmental organizations. The Government also engaged the media to inform the public about the proposal for Millennium Challenge Account assistance with a series of press releases, radio and television interviews, and press conferences.

4. Environmental and Social Sustainability

Tanzania enjoys a complex and rich environmental and social resource base. In order to achieve long-term sustainable growth and to achieve maximum Program impact, these natural resources (including abundant wildlife and ecological diversity, cultural resources, and coastal and marine life) will be safeguarded through the implementation of several programmatic and sectoral mitigation measures for the Compact Term, as follows:

(a) The Government shall comply with MCC Environmental Guidelines and the gender policy delivered by the MCC to the Government or posted on the MCC Web site or otherwise publicly made available (the “MCC Gender Policy”). The Government also shall adhere to Tanzanian environmental laws and regulations, including the Government of Tanzania National Environmental Policy of 1997, the 2004 Environmental Management Act, and the 2005 Environmental Impact Assessment and Audit Regulations. In addition, for projects on Zanzibar, the Government shall ensure that all implementing entities comply with the 1992 National Environmental Policy for Zanzibar and the Environmental Management for Sustainable Development Act (No. 2 of 1996).

(b) On-Going Consultation. To ensure the environmental and social sustainability of the Program, MCA-Tanzania shall develop and implement plans for comprehensive public consultations in which various stakeholders in the Program (including

women and other underrepresented groups) are afforded meaningful consultation and opportunities to provide their inputs to the design and implementation of the Program, which public consultations will primarily be conducted by the special consultative committees described in Section 2(c) of part E of this Annex I. In compliance with the MCC Environmental Guidelines, all environmental and social impact assessments ("ESIAs") and all other relevant environmental and social assessment documentation will be posted on the MCA-Tanzania Web site.

(c) Gender Integration Action Plan. To maximize the positive social impacts of the Program, MCA-Tanzania shall develop and implement a gender integration plan (for both the mainland and Zanzibar) that includes, among other things, approaches for meaningful and inclusive consultations with women and other underrepresented groups, a gender analysis for each Project Activity, as appropriate, and strategies for incorporating findings of the gender analysis into the design of each such Project Activity (the "*Gender Integration Action Plan*"). The Gender Integration Action Plan will be posted on the MCA-Tanzania Web site.

(d) HIV/AIDS Awareness. MCA-Tanzania shall develop and implement an action plan for incorporating targeted HIV/AIDS awareness programs into all phases of implementation of the Program. Such action plan specifically shall ensure (i) the incorporation of the HIV/AIDS awareness programs into the terms of reference (and the bidding documents) for the relevant contractors (including design or supervisory firms, construction firms, independent technical auditing firms and any project management advisors) and (ii) independent monitoring of each such contractor's compliance with these awareness programs throughout the Compact Term.

(e) Capacity Building; Resource Management. MCC Funding may be used:

(i) To provide capacity building to the National Environmental Management Council ("*NEMC*") and the Zanzibar Department of Environment ("*ZDOE*") in order (1) to enhance both NEMC's and ZDOE's abilities to address issues arising in connection with the implementation of the Program and (2) to support MCA-Tanzania's hiring of an environmental and social oversight consultant to assist MCA-Tanzania in ensuring their compliance with various environmental and social requirements under the Compact; and

(ii) To support community-based natural resource and wildlife

management programs being undertaken by other donors, particularly where deforestation, wildlife migration and trafficking risks have been identified as possible in connection with the implementation of certain Project Activities.

(f) Mitigation Measures. MCC Funding will be used to implement all environmental and social mitigation measures identified in the relevant environmental assessments (or as otherwise may be appropriate) of the Program, including (i) up to a maximum amount specified by the MCC, compensation for physical and economic displacement of individuals, residences and businesses affected by the rehabilitation, consistent with the World Bank's Operational Policy 4.12, (ii) implementation of HIV/AIDS awareness plans, and (iii) continuing advocacy, training and support for community-based resource management.

5. Proposals

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Projects. MCA-Tanzania will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MCA-Tanzania also may consider, using a process developed by MCA-Tanzania and approved by the MCC, any unsolicited proposals it receives.

B. Transport Sector Project

1. Background

Transportation infrastructure in Tanzania is inadequate to meet the needs of the country's widely dispersed population; less than seven percent of Tanzania's roads are bitumen surfaced, with the remainder gravel or earth. The Transport Sector Project addresses this constraint to growth by reducing transport costs and travel times, which will facilitate access to social services and markets and will increase tourism potential. Additionally, in areas where the roads are currently impassable for certain parts of the year, road rehabilitation will provide year-round access to markets, thus facilitating increased agricultural activity.

Similarly, access to Mafia Island is limited by the poor condition of its airport and lack of feasible alternative transportation options. Resurfacing the airport's runway and improving other airport facilities will allow for easier, more efficient, and safer access to the island, resulting in increased tourist and business travel to and from the

mainland and additional jobs on the island.

2. Project

The Transport Sector Project consists of the following Project Activities:

(a) *Mainland Trunk Roads Activity.*

MCC Funding will be used to make improvements to three trunk roads on the mainland. Improvement of any such trunk roads will only be undertaken under this Compact and funded with MCC Funding if all necessary construction and construction supervision contracts for such trunk road are executed and in effect prior to the first anniversary of the entry into force of this Compact. Specifically, MCC Funding will support:

(i) Rehabilitation of the following three trunk roads:

(1) *Tanga—Horohoro Road.*

Upgrading from gravel to asphalt concrete of the 68 km stretch of highway located in northeast Tanzania connecting the seaport of Tanga with Horohoro at the Kenyan border;

(2) *Tunduma—Sumbawanga Road.*

Upgrading from gravel to double bituminous surfacing of the southernmost 224 km stretch of the T9 trunk road (known as the western corridor), with the exception of the approximately two km stretch in Tunduma and the approximately eight km stretch in Sumbawanga, both of which will be paved with asphalt concrete; and

(3) *Mtwara Corridor.* Upgrading from earth to double bituminous surfacing two sections of the Mtwara Corridor (known as the southern corridor) consisting of (A) the 61 km stretch between Namtumbo and Songea and (B) 78 km stretch from Peramiho Junction (that is about 20 km west of Songea) to Mbinga.

(ii) Construction supervision of all rehabilitated roads under the Mainland Trunk Roads Activity.

(iii) Additional environmental assessments, together with any resulting resettlement action plans ("*RAPs*") (consistent with World Bank Operational Policy 4.12) and environmental management plans ("*EMPs*"), each as satisfactory to the MCC, and wildlife migration studies and aforementioned community-based natural resource and wildlife management programs, as needed.

(iv) Capacity building for the Tanzania National Road Agency ("*TANROADS*") related to new staff and equipment required to manage the Mainland Trunk Roads Activity.

(v) Assistance to TANROADS in preparation of design documentation and bid packages.

TANROADS will be the Implementing Entity (as defined below) for the Mainland Trunk Roads Activity.

(b) *Zanzibar Rural Roads Activity.*

MCC Funding will be used to make improvements to selected rural roads on the Zanzibar island of Pemba.

Specifically, MCC Funding will support:

(i) Feasibility studies, final design, and any additional environmental and social assessments, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC, of the following five roads (each identified together with its approximate length): (1) Mzambarauni Takao—Finya Road (8.3 km), (2) Mzambarauni Karimu—Mapofu Road (8.3 km), (3) Bahanasa—Daya-Mtambwe Road (13.1 km), (4) Chwale—Kojani Road (two km) and (5) Kipangani—Kangagani Road (three km).

(ii) Rehabilitation and posting of signage and incorporation of other safety improvements of the roads selected from the five roads described in Section 2(b)(i) above based on, among others, technical construction plans capable of being completed during the Compact Term, reasonable conformity to the priorities of Zanzibar's transportation master plan, and an economic rate of return methodology acceptable to the MCC (agreed upon between the Parties prior to the commencement of any feasibility study described in Section 2(b)(i) above).

(iii) Project management and construction supervision of all rehabilitated roads under the Zanzibar Rural Roads Activity.

An engineering firm will be hired, following an international competitive procurement and selection process, to implement this Project Activity. The Government will ensure that the Ministry of Communications and Transport of Zanzibar cooperates with MCA-Tanzania to oversee this selected firm.

(c) *Road Maintenance Activity.*

MCC Funding will be used to enhance Tanzania's capacity to maintain its road network. Specifically, MCC Funding will support priority institutional and capacity limitations, as identified and agreed to by the MCC and the Government prior to the second anniversary of the entry into force of this Compact. Such support may be provided, among other ways, in improvements of strategic maintenance planning, and management of routine and periodic maintenance contracts of TANROADS and the Ministry of Communication and Transport of Zanzibar.

(d) *Mafia Island Airport Activity.*

MCC Funding will be used to rehabilitate and upgrade the airport on Mafia Island. MCC Funding will support:

(i) Refurbishment of the runway, apron and taxiway, establishment of boundary security, refurbishment of the fire station, refurbishment of the terminal building and its water supply, and installation of communication equipment, the scale and scope of which will be contingent on the findings of a strategic environmental assessment.

(ii) Project coordination and construction supervision for the activities described in Section 2(d)(i) above.

(iii) Additional environmental assessments, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC.

(iv) Capacity building at the Tanzania Airports Authority ("TAA") related to improvements in strategic maintenance planning and management of routine and periodic maintenance contracts.

TAA will be the Implementing Entity for the Mafia Island Airport Activity.

3. Beneficiaries

The upgrading of mainland and Zanzibar roads will benefit users of the roads directly by reducing transportation costs and travel times. In addition, individuals living near the roads will indirectly benefit from increased access to social services and markets. The improvements to the Mafia Island airport will directly benefit approximately 12,000 passengers traveling to the island each year, while indirectly benefiting the population of the island, particularly those engaged in the service sector.

4. Donor Coordination; Role of Private Sector and Civil Society

The MCC, together with the Government, will continue to pursue opportunities to coordinate with the "Joint Technical Committee," the principal development partner for projects in the transportation sector in Tanzania, consisting of representatives from the European Union, World Bank, African Development Bank ("AfDB") and the governments of Norway, Denmark and Japan. The mainland roads included in the Transport Sector Project originated in the Government's ten-year "Transport Sector Investment Program" (also known as "TSIP"), which has been reviewed, discussed and approved by the Joint Technical Committee and other stakeholders.

The implementation of the Mafia Island Airport Activity will be coordinated with the feasibility study, the ESIA and design for Tanzanian airport upgrades (including airside pavements and other facilities) currently being funded by the World Bank.

Private sector firms are expected to participate in the bids, and perform, studies, design, construction, and construction supervision associated with the Transport Sector Project.

5. United States Agency for International Development ("USAID")

While the USAID currently does not focus specifically on Tanzania's transportation sector, the MCC and the USAID, with the cooperation of the Government, will work to identify potential opportunities for coordination on the Transport Sector Project, including opportunities for community-based natural resource and wildlife management programs within those regions affected by roads rehabilitated under the Transport Sector Project.

6. Sustainability

In order to provide continued institutional support for the Transport Sector Project, the Government will undertake certain commitments described in Section 7 below. The Road Maintenance Activity will enhance the Transport Sector Project's sustainability by improving the Government's capability to perform maintenance (both on the mainland and on Zanzibar). The Government is expected to commit additional resources to maintain the roads rehabilitated under the Transport Sector Project. While it is unlikely that the Transport Sector Project will result in any significant negative environmental and social impacts, the potential direct, indirect, induced, and cumulative environmental impacts of the Transport Sector Project will be examined through the execution of appropriate environmental assessments to be conducted during the final design phase of the Project Activities of the Transport Sector Project, and appropriate mitigation measures will be implemented. The Mafia Island Airport Activity will be subject to the results of a strategic environmental assessment. This assessment will help ensure that all MCC investments in the airport result in improved conditions for tourism and private sector growth and are implemented in the context of sustainable long-term development with a focus on natural resource and wildlife management.

7. Policy, Legal and Regulatory Reforms

The implementation by the Government, to the satisfaction of the MCC in its discretion, of the policy, legal and regulatory reforms described below shall be conditions precedent to the specified Disbursements.

(a) Prior to the initial disbursement of MCC Funding for the Mainland Roads Activity, the National Road Act (as submitted to the President for Signature in July 2007) shall have been enacted, and is in full force and effect, and the National Road Safety Policy and Strategy (in form and substance as prepared by the Ministry of Infrastructure Development in May 2007) shall have been adopted by the Government.

(b) In the interest of long-term sustainability of the mainland roads network, the Government's expenditures for road maintenance shall be increased each Tanzanian fiscal year during the Compact Term, which increase will take into account inflation and maintenance needs of existing, improved and newly constructed roads.

(c) In the interest of long-term sustainability of the Zanzibar roads network, the Government of Zanzibar's expenditures for road maintenance shall be increased each Tanzanian fiscal year during the Compact Term, which increase will take into account inflation and maintenance needs of existing, improved and newly constructed roads.

(d) Prior to the initial disbursement of MCC Funding for construction on the Mainland Roads Activity, the Government shall finalize the TSIP or any shorter-term plan based on the TSIP acceptable to the Joint Technical Committee that provides funding priority to those projects identified in the TSIP.

(e) Prior to the initial disbursement of MCC Funding for construction on the Mainland Roads Activity, the Government shall prepare and begin implementation of a plan, in consultation with the Joint Technical Committee, for future legislative reform in the transportation sector, including the increased autonomy of TANROADS.

C. Energy Sector Project

1. Background

Tanzania has one of the lowest electrification rates in the world, with only about ten percent of the population benefiting from electric power service. Where electricity is available, the quality of supply is poor and blackouts and service interruptions are common. Consequently, businesses, individuals, and service providers suffer from the lack of access to reliable, affordable and

modern energy services. The Energy Sector Project aims to improve the quality and increase the quantity of electricity to businesses and households, thereby increasing investment potential. The Energy Sector Project will add new supply and transmission capacity to improve reliability and quality of energy and new distribution capacity to extend access to electricity to communities and businesses not currently served with electricity.

2. Project

The Energy Sector Project consists of the three Project Activities described below. Tanzania Electric Supply Company Limited ("TANESCO") will be the Implementing Entity for each Project Activity of the Energy Sector Project. For the Zanzibar Interconnector Activity, TANESCO will coordinate and consult with Zanzibar Electricity Corporation ("ZECO").

(a) Zanzibar Interconnector Activity.

MCC Funding will be used to increase the electric power supply to Zanzibar's Unguja Island by laying a submarine transmission cable, to make associated investments to increase the capacity of certain overhead transmission lines and to rehabilitate the main substation near Zanzibar Town. Specifically, MCC Funding will support:

(i) Final design, and an environmental assessment, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC, and occupational health and safety standards.

(ii) Construction and installation of an approximately 40 km-long, 132kV, 100MW capacity submarine electric transmission cable (including telecom fiber optic shield wire) from Ras Kiromoni on the mainland to Ras Fumba on Unguja Island.

(iii) Installation of a 132kV switchgear at Ubungo substation and laying of an approximately 20 km-long, supplementary 132kV overhead line along an existing transmission line from Ubungo to Ras Kiromoni.

(iv) Laying of an approximately 22 km-long, supplementary 132kV overhead line along an existing transmission line from Ras Fumba to Mtoni substation.

(v) Adding 120MVA of 132/33kV transformation capacity to the Mtoni substation on Unguja Island.

(vi) Capacity building and technical support for TANESCO and ZECO, including assistance with preparation of engineering design and bidding documents, tender review, supervision

of construction, project management, and quality control.

(vii) Project coordination and construction supervision of all improvements and upgrades under the Zanzibar Interconnector Activity.

(b) Malagarasi Hydropower and Kigoma Distribution Activity.

MCC Funding will be used to construct a small (up to eight MW) run-of-river hydropower plant on the Malagarasi River at Igamba Falls, and to construct a transmission and distribution network along the Kigoma, Uvinza and Kasulu corridor to serve approximately 21,000 customers. Specifically, MCC Funding will support:

(i) Final design, and supplemental environmental and social assessments consistent with the sustainability issues identified below, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC, and occupational health and safety standards.

(ii) Engineering and construction of (1) civil works including an approximately 24 km access road, a 300 m long concrete faced rockfill dam (of which about 200 m will be eight m high), and an approximately 650 m long headrace canal, (2) electro-mechanical works including the powerhouse consisting of turbines, eight MW of power generators and a voltage step-up substation, and (3) hydro-mechanical works including intake gates, bottom outlets, and two steel penstocks (estimated to be 110 m long).

(iii) Engineering and construction of (1) transmission and distribution line extensions including up to 392 km of 33kV distribution lines, ten km of 11kV lines, and 171 km of low voltage lines to distribute power generated at the hydropower plant described in this Section 2(b) to Kigoma, Uvinza, Kasulu and small settlements along the corridor, and (2) associated upgrades including step-down substations, electrical protection and related minor civil works.

(iv) Capacity building and technical support for TANESCO, including assistance with preparation of the engineering design and bidding documents, tender review, supervision of construction, project management, and quality control.

(v) Project coordination and construction supervision of all improvements and upgrades under the Malagarasi Hydropower and Kigoma Distribution Activity.

(vi) Assessment and design of a public-private partnership for the independent operation of the mini-grid

system in Kigoma which includes the hydropower plant, transmission and distribution network, and service delivery, and competitive procurement of an operator concessionaire.

(c) *Distribution Systems*

Rehabilitation and Extension Activity.

MCC Funding will be used to rehabilitate existing power distribution assets and to extend the distribution network in six regions (consisting of Mwanza, Iringa, Mbeya, Dodoma, Tanga and Morogoro) to serve approximately 215,000 customers. Specifically, MCC Funding will support:

(i) Final design, and environmental and social assessment frameworks, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC, and occupational health and safety standards.

(ii) Construction of up to 247 distribution line extensions consisting of new 33kV, 11kV, and low voltage lines and customer connections in the six regions.

(iii) Reinforcement and rehabilitation of up to 22 substations in the six regions, including new and replacement transformers and switchgear.

(iv) Capacity building and technical support for TANESCO, including assistance with preparation of the engineering design and bidding documents, tender review, supervision of construction, project management, and quality control.

(v) Project coordination and construction supervision of all improvements and upgrades under the Distribution Systems Rehabilitation and Extension Activity.

3. Beneficiaries

The total number of beneficiaries of the Energy Sector Project by 2020 is estimated to be 252,000 households and businesses receiving better quality and availability of electricity, as well as approximately 88,000 previously unserved households and businesses receiving electricity for the first time.

The Malagarasi Hydropower and Kigoma Distribution Activity is expected to directly benefit approximately 13,000 newly served households and businesses by 2020 through new connections to the electricity grid; an additional 7,000 households, businesses and institutions (such as port operations, fish and agricultural processing facilities, tourism facilities, and a hospital) are likely to benefit from power that is more available and reliable, less costly, and of better quality. In addition, the Distribution Systems Rehabilitation and

Extension Activity is expected to reach approximately 47,000 beneficiaries through newly served households and businesses by 2020 and 187,000 beneficiaries through existing households and businesses. Agricultural processing, small-scale retail and the service industry (such as commercial retailers and restaurants) are among the main sectors that will benefit from the availability of increased, more reliable, and better quality power supply. The Zanzibar Interconnector Activity is expected to provide significant benefits to energy consumers in Unguja and to assist growth in its vital tourism sector.

4. Donor Coordination; Role of Private Sector and Civil Society

Donors, including the governments of Sweden, Norway, Japan, the World Bank and the AfDB, among others, play an active role in improving Tanzania's energy sector through technical assistance and infrastructure projects. The Energy Sector Project has benefited significantly from these donors' activities. For example, the Malagarasi hydropower plant project benefited from a pre-feasibility study financed by the AfDB. The MCC's due diligence review of the Distribution Systems Rehabilitation and Extension Activity benefited from active support of the Swedish International Development Cooperation Agency and the World Bank.

The Government has been engaged in an extensive consultative process that allowed civil society, along with the business community, to discuss local needs and priorities relating to the Energy Sector Project. Such consultation is expected to continue during the implementation of the Energy Sector Project.

5. USAID

The USAID currently does not have activities specifically in Tanzania's energy sector. However, as appropriate, the MCC and the USAID, with the cooperation of the Government, will work to identify potential opportunities for coordination on the Energy Sector Project, especially in connection with community-based natural resource and wildlife management programs in proximity to the Project Activities of the Energy Sector Project.

6. Sustainability

To enhance institutional sustainability of the Energy Sector Project, the Government will undertake certain reforms described in Section 7 below. Hiring of qualified engineering, design, construction and supervisory firms to implement the Energy Sector

Project, and provision of necessary technical assistance to TANESCO is expected to contribute to the sustainability of the Energy Sector Project as well.

While it is unlikely that the Energy Sector Project will result in any significant negative environmental impacts, the potential direct, indirect, induced, and cumulative environmental impacts of the Energy Sector Project will be examined through the execution of appropriate environmental assessments to be conducted during the final design phase of the Energy Sector Project, and will be addressed through implementation of appropriate mitigation measures. Specifically, potentially significant resettlement issues associated with the current transmission line design under the Zanzibar Interconnector Activity will be mitigated through rerouting of the cable through open or less densely populated areas. In addition, under the Malagarasi Hydropower and Kigoma Distribution Activity, detailed studies will be required to assess the impact of reduced water flows and determine minimum ecological flows, to assess needs for fish migration to spawning grounds, and to study water quality impacts and potential impacts of water-related diseases. Detailed access road alignments and distribution line alignments will be completed and assessed, and land acquisition needs confirmed to allow for the preparation of a RAP. Further study on the Malagarasi hydropower plant's relationship with other proposed hydropower and irrigation activities on the Malagarasi River and potential cumulative effects, if any, will be required, in addition to considerations of both upstream and downstream usage. The environmental assessment to be undertaken in connection with the Distribution Systems Rehabilitation and Extension Activity will include special attention to the Iringa site, in which some of the distribution lines will cross within the boundaries of the Ruaha National Park.

7. Policy, Legal and Regulatory Reforms

The implementation by the Government, to the satisfaction of the MCC in its discretion, of the policy, legal and regulatory reforms described below shall be conditions precedent to the specified Disbursements.

(a) An Electricity Act, agreeable to stakeholders including the MCC, is enacted and in full force and effect prior to the initial disbursement of MCC Funding for the Energy Sector Project.

(b) The Government shall support TANESCO's corporate objective of

moving towards financial self-sufficiency through, at a minimum, tariff reform that reflects full cost recovery, prior to the initial disbursement of MCC Funding for the Energy Sector Project.

(c) The Government shall ensure that the composition of TANESCO's board of directors is such that a majority of board members are independent and professional members, with private sector representation, prior to the initial disbursement of MCC Funding for the Energy Sector Project.

D. Water Sector Project

1. Background

Tanzania faces a serious shortage of access to potable water, resulting in a high incidence of water-related diseases, decreased workforce productivity, and constrained business growth. The Water Sector Project includes investments in bulk water supply for two urban areas, Dar es Salaam and Morogoro, which investments will increase the quantity and reliability of potable water for domestic and commercial use. By increasing the volume of water supply, the Water Sector Project is expected to reduce the incidence of water-related disease, increase time available for productive activities including education, promote greater investments in physical capital, and, ultimately, lead to an increase in income.

2. Project

The Water Sector Project consists of the three Project Activities described below. These Project Activities are expected, individually and jointly, to improve significantly the water supply to Dar es Salaam and Morogoro as described below.

(a) Lower Ruvu Plant Expansion Activity.

MCC Funding will be used to expand the capacity of the Lower Ruvu water treatment plant serving the Dar es Salaam area, from about 180 million liters per day to approximately 270 million liters per day. Specifically, MCC Funding will support:

(i) Feasibility studies, final design and an environmental and social assessment, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC, and occupational health and safety standards.

(ii) Raw water system (e.g., grit chamber and pumps), treatment system (e.g., flow diversion chamber, crossflow clarifier, declining rate filters, and chemical feed facilities), treated water system (e.g., high service pump station

and clearwell), power and controls system, and solid handling facility (e.g., sludge lagoon system).

(iii) Capacity building and technical support for Dar es Salaam Water and Sewerage Authority ("DAWASA").

(iv) Project coordination and construction supervision of all improvements and upgrades under the Lower Ruvu Plant Expansion Activity.

DAWASA will be the Implementing Entity for the Lower Ruvu Plant Expansion Activity.

(b) Non-Revenue Water Activity.

MCC Funding will be used to improve the system efficiencies of DAWASA through reduction of non-revenue water via reduction in physical leaks and commercial losses. Specifically, MCC Funding will support:

(i) A comprehensive assessment of both (1) the locations and volumes of physical leaks and (2) billing and collection deficiencies and losses.

(ii) An environmental assessment, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC.

(iii) Preparation of a performance-based contract with, and a procurement of, a private operator that will implement the non-revenue water reduction program based on specific benchmarks established in the assessment described in Section 2(b)(i) above.

(iv) Capacity building and technical support for Dar es Salaam Water and Sewerage Company ("DAWASCO") and DAWASA pertaining to the performance-based contract described in Section 2(b)(iii) above and system-wide planning and operations.

(v) Project coordination and construction supervision of all improvements and upgrades under the Non-Revenue Water Activity.

DAWASA is expected to be the Implementing Entity for the Non-Revenue Water Activity.

(c) Morogoro Water Supply Activity.

MCC Funding will be used to improve water supply in Morogoro and to help Morogoro Water and Sewerage Authority ("MORUWASA") move towards achieving financial sustainability. Specifically, MCC Funding will support:

(i) Revised master plan, feasibility studies, final design and an additional environmental assessment, together with any resulting RAPs (consistent with World Bank Operational Policy 4.12) and EMPs, each as needed and as satisfactory to the MCC.

(ii) Rehabilitation of Mambogo water intake and water treatment plant,

including a water treatment plant with approximate capacity of 6,000,000 million liters per day, and associated works.

(iii) Improvements of water transfer in the existing distribution network, including rehabilitation of Mafiga water treatment plant facilities, about 1.9 km of pressure main, and associated works.

(iv) Capacity building and technical support for MORUWASA.

(v) Project coordination and construction supervision of all improvements and upgrades under the Morogoro Water Supply Activity.

MORUWASA will be the Implementing Entity for the Morogoro Water Supply Activity.

3. Beneficiaries

The Water Sector Project is expected to benefit approximately 616,000 households in Dar es Salaam and approximately 51,000 households in Morogoro by providing better quality and more reliable water supply. Businesses relying on network water will also benefit from these service improvements. Benefits from the Project Activities under the Water Sector Project include reductions in water-related disease, increased time available for productive activities such as labor and education, and increased investments in physical and human capital.

4. Donor Coordination; Role of Private Sector and Civil Society

All the components of the Water Sector Project are priority projects identified under the Water Sector Development Program 2006–2025 ("WSDP"). The WSDP was designed under the sector wide approach to planning with the objectives of equity of water access, water management capacity, and proper maintenance of water and sanitation systems, use of environmentally sound technologies and effective water tariffs, billing and revenue collection mechanism. The donors participating in the WSDP include the governments of Germany, the Netherlands, France, and Japan as well as the United Nations Development Programme, the United Nations Children's Fund, Food and Agriculture Organization and the AfDB (collectively referred to as the "Development Partners Group—Water"). The MCC has been coordinating with the Development Partners Group—Water, and will continue to explore opportunities to use various features of the WSDP, to the maximum extent possible, in order to reduce transaction costs and avoid building parallel structures.

Private sector firms are expected to participate in the bids, and perform, studies, design, construction, and construction supervision associated with the Water Sector Project.

5. USAID

Various USAID projects in Tanzania include components related to the water sector, although no current USAID program is exclusively focused on the water sector. The USAID is actively engaged in water policy matters in Tanzania, including through the USAID's participation in the Development Partners Group—Water. The MCC expects to work with the USAID to identify potential opportunities for coordination with respect to the Water Sector Project.

6. Sustainability

By strengthening and enhancing operations of the water and sewerage authorities in two major urban locations, the Water Sector Project seeks to enhance the sustainable operation of Tanzania's water sector. The water and sewerage authorities will be required to submit rate cases aimed at achieving operational and maintenance financial sustainability within the Compact Term and a sustainable trend for recovery of asset depreciation. While it is unlikely that the Water Sector Project will result in any significant negative environmental impacts, the potential direct, indirect, induced, and cumulative environmental impacts of the Water Sector Project will be examined through the execution of appropriate environmental assessments to be conducted during the final design phase of the Water Sector Project, and appropriate mitigation measures will be implemented. For those Project Activities of the Water Sector Project that relate to water supply, MCA-Tanzania will ensure that feasibility studies include efforts to identify the most appropriate and environmentally sustainable water sources to meet future demand and are available to the poor. In addition, MCA-Tanzania will ensure that EMPs are developed, implemented and monitored for all Project Activities of the Water Sector Project, each in accordance with the provisions of this Compact and any relevant supplemental agreements. MCA-Tanzania also will pay particular attention to gender issues to support the sustainability and enhance the design of each Project Activity of the Water Sector Project through the Gender Integration Action Plan and final design.

E. Implementation

The implementation framework and the plan for ensuring adequate governance, oversight, management, monitoring and evaluation and fiscal accountability for the use of MCC Funding is summarized below. The MCC and the Government shall enter into the PIA, and any other agreements in furtherance of this Compact, all of which, together with this Compact, shall set out certain rights, responsibilities, duties and other terms relating to the implementation of the Program.

1. MCC

The MCC shall take all appropriate actions to carry out each of its responsibilities in connection with this Compact and the PIA, including the exercise of its approval rights in connection with the implementation of this Compact and the Program.

2. Government; MCA-Tanzania; Consultative Committees

(a) The Government shall form an entity empowered to carry out the Government's obligations and to implement the Program under this Compact and the PIA ("*MCA-Tanzania*," which, as an institution of the Government, is, for the avoidance of doubt, included in the defined term "*Government*"), and shall ensure that MCA-Tanzania takes all appropriate actions to implement the Program, including the performance of the rights and responsibilities designated to it by the Government pursuant to this Compact and the PIA.

(i) Governing Board. MCA-Tanzania shall be governed by a governing board ("*Governing Board*") that will have final decision-making authority over the implementation of the Program. The Governing Board shall consist of: seven representatives from the Government, including at least one representative of Zanzibar, and four representatives from the private sector and the civil society, at least one of whom shall represent an environmental non-governmental organization and at least one of whom shall be from Zanzibar. The private sector and civil society representatives shall be selected as the result of a transparent selection process approved by the MCC. The Governing Board composition shall be determined taking to account the need for gender balance among the Governing Board members.

(ii) Secretariat. A secretariat ("*Secretariat*") shall support the Governing Board in the implementation of the Program. A Chief Executive Officer will manage the day-to-day activities of MCA-Tanzania and will be

supported by: (1) Deputy Chief Executive Officer (Tanzania mainland); (2) Deputy Chief Executive Officer (Zanzibar); (3) Director of Finance and Administration; (4) Director of the Transport Sector Project; (5) Director of the Energy Sector Project; (6) Director of Water Sector Project; (7) Director of Procurement; (8) Director of Environmental and Social Impact; (9) Director of Monitoring and Evaluation; (10) General Counsel; and (11) Internal Auditor; together with such other managers and officers as may be agreed upon by the Government and the MCC. The senior staff shall be supported by appropriate administrative personnel.

(b) With prior written consent of the MCC, the Government may designate an entity to implement some or all of the Government's obligations or to exercise any rights of the Government under this Compact or the PIA. The Government's designation to an entity (whether MCA-Tanzania or otherwise) will not relieve the Government of any designated obligations and rights, for which the Government will retain full responsibility. For the avoidance of doubt, upon any such designation, any reference in this Compact, the PIA or any related agreement to an action or requirement of the Government or to an agreement to which the Government is a party shall be a reference to the Government and each such designated entity.

(c) The Government shall establish special consultative committees that will continue the consultative process throughout the Compact Term. These special consultative committees shall be established satisfactory to the MCC and consistent with the MCC's Guidelines for Accountable Entities and Implementation Structures delivered by the MCC to the Government or posted on the MCC Web site or otherwise made publicly available. The members of each special consultative committee shall include non-governmental organizations, the private sector, civil society, and local and regional governments from the applicable region. The membership of these special consultative committees shall be determined taking to account the need for gender balance among the special consultative committee members and shall be agreed to between MCA-Tanzania and the MCC. Each special consultative committee shall provide advice and input to the Governing Board and the Secretariat regarding issues related to the implementation of the Program, shall meet regularly (in a format and on a schedule to be agreed to between the MCC and the Government) and shall receive regular

Program updates from MCA-Tanzania. These special consultative committees will not have decision-making authority, but will serve as a mechanism for ongoing consultations between the Government and the public.

(d) MCA-Tanzania may provide MCC Funding to one or more pre-determined ministries, bureaus or agencies of the Government (“*Implementing Entity*”) based on their expertise to implement any Project, Project Activity or any of its components under an agreement that sets forth the responsibilities of such Implementing Entity and any other appropriate terms and conditions (“*Implementing Entity Agreement*”).

3. Banking Services, Fiscal Management and Procurement

(a) The Government shall ensure that a bank (“*Bank*”) is appointed, and the Permitted Accounts are established and banking services provided, in accordance with the terms of this Compact and the PIA who will provide a broad range of banking services required by MCA-Tanzania to implement the Program. The Government shall take all appropriate actions to ensure that the Bank perform these services in accordance with the terms of this Compact, the PIA and any other agreements to which the Bank is a party. The Government shall set out the roles and responsibilities of the Bank in one or more agreements with the Bank to be entered into between MCA-Tanzania and the Bank (“*Bank Agreement*”).

(b) The Government shall ensure that a fiscal agent (“*Fiscal Agent*”) is appointed in accordance with the terms of this Compact and the PIA who will provide a broad range of financial

management services required by MCA-Tanzania to implement the Program. The Government shall take all appropriate actions to ensure that the Fiscal Agent perform these services in accordance with the terms of this Compact, the PIA and any other agreements to which the Fiscal Agent is a party and in accordance with internationally accepted standards of accounting and financial management. The Government shall set out the roles and responsibilities of the Fiscal Agent in one or more agreements with the Fiscal Agent to be entered into between MCA-Tanzania and the Fiscal Agent (“*Fiscal Agent Agreement*”).

(c) The Government shall ensure that one or more procurement agents (each, a “*Procurement Agent*”) are appointed in accordance with the terms of this Compact and the PIA who will provide specified procurement activities required by MCA-Tanzania to implement the Program. The Government shall take all appropriate actions to ensure that each Procurement Agent perform these services in accordance with the terms of this Compact, the PIA and any other agreements to which the Procurement Agent is a party and in accordance with the MCC Program Procurement Guidelines. The Government shall set out the roles and responsibilities of each Procurement Agent in one or more agreements with such Procurement Agent to be entered into between MCA-Tanzania and the Procurement Agent (“*Procurement Agent Agreement*”).

Annex II Program Budget

1. General

The Multi-Year Financial Plan Summary below sets forth the estimated

annual contribution of MCC Funding for Program administration, Program monitoring and evaluation, and implementing each Project. The Government’s contribution of resources will consist of “in-kind” and other contributions or amounts required effectively to satisfy the requirements of Section 2.5(a) of this Compact. In accordance with the PIA, the Government will develop and adopt on a quarterly basis a detailed financial plan (as approved by the MCC) setting forth annual and quarterly funding requirements for the Program (including administrative costs) and for each project, projected both on a commitment and cash requirement basis.

2. Modifications

To preserve administrative flexibility, the Parties may by written agreement (or as otherwise provided in the PIA), without amending this Compact, change the designations and allocations of funds among the Projects, the Project Activities, or any activity under Program administration or monitoring and evaluation, or between a Project identified as of entry into force of the Compact and a new project; *provided, however,* that any such change (a) is consistent with the Project Objectives and the PIA, (b) does not materially adversely affect the applicable Project or any activity under Program administration or monitoring and evaluation, (c) does not cause the amount of MCC Funding to exceed the aggregate amount specified in Section 2.1 of this Compact, and (d) does not cause the Government’s obligations or responsibilities or overall contribution of resources to be less than specified in Section 2.5(a) of this Compact.

MULTI-YEAR FINANCIAL PLAN SUMMARY ⁴
[US\$ '000]

Project	Year 1 + CIF	Year 2	Year 3	Year 4	Year 5	Total
1. Transport						
A. Mainland Trunk Roads Activity .....	.....	.....	.....	.....	.....	.....
B. Zanzibar Rural Roads Activity .....	.....	.....	.....	.....	.....	.....
C. Road Maintenance Activity .....	.....	.....	.....	.....	.....	.....
D. Mafia Island Airport Activity .....	.....	.....	.....	.....	.....	.....
Sub-Total	21,552	84,406	147,131	82,606	37,081	372,776
2. Energy						
A. Zanzibar Interconnector Activity .....	.....	.....	.....	.....	.....	.....
B. Malagarasi Hydropower & Kigoma Distribution Activity ..	.....	.....	.....	.....	.....	.....
C. Distribution Systems Rehabilitation and Extension Activ- ity .....	.....	.....	.....	.....	.....	.....
Sub-Total	16,646	45,501	53,435	59,083	31,806	206,471
3. Water						
A. Lower Ruvu Plant Expansion Activity .....	.....	.....	.....	.....	.....	.....
B. Non-Revenue Water Activity .....	.....	.....	.....	.....	.....	.....
C. Morogoro Water Supply Activity .....	.....	.....	.....	.....	.....	.....
Sub-Total	5,845	16,959	17,786	16,838	8,908	66,336
4. Monitoring and Evaluation						

MULTI-YEAR FINANCIAL PLAN SUMMARY ⁴—Continued
[US\$ '000]

Project	Year 1 + CIF	Year 2	Year 3	Year 4	Year 5	Total
Sub-Total	2,500	1,000	1,000	1,000	4,500	10,000
5. Program Administration and Audits						
A. Program Admin. (MCA-Tanzania)						
B. Fiscal Agent Support						
C. Procurement Agent Services						
D. Audit						
E. Capacity Building and Technical Assistance						
Sub-Total	11,202	7,615	7,900	7,868	7,968	42,553
Total Estimated MCC Contribution	57,745	155,481	227,252	167,395	90,263	698,136

⁴ Costs indicated in the table above for all Project Activities under the relevant Projects include, as appropriate: engineering and environmental studies; implementation of EMPs and RAPs; technical assistance; coordination; contingencies; project management; and construction supervision.

Annex III Summary of Monitoring and Evaluation Plan

This Annex III to this Compact (the “*M&E Annex*”) generally describes the components of the monitoring and evaluation plan (the “*M&E Plan*”) for the Program. Each capitalized term in this Annex III shall have the same meaning given such term elsewhere in this Compact.

1. Overview

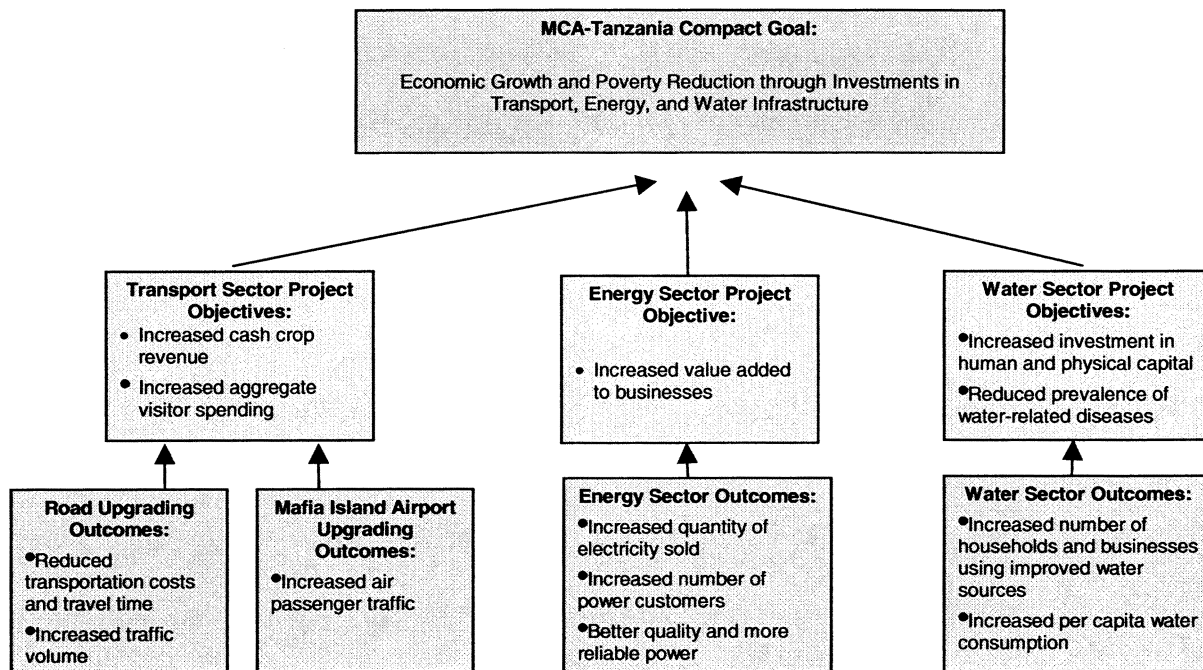
The MCC and the Government (or a mutually acceptable Government affiliate or permitted designee) shall

formulate, agree to and the Government shall implement, or cause to be implemented, an M&E Plan that specifies (a) how progress toward the Compact Goal and the Project Objectives will be monitored, (“*Monitoring Component*”), (b) process and timeline for the monitoring of planned, ongoing, or completed Project Activities to determine their efficiency and effectiveness, and (c) a methodology for assessment and rigorous evaluation of the outcomes and impact of the program (“*Evaluation Component*”). Information regarding the Program’s performance,

including the M&E Plan, and any amendments or modifications thereto, as well as progress and other reports, will be made publicly available on the MCA-Tanzania Web site and elsewhere.

2. Program Logic

The Tanzania program monitoring and evaluation plan shall be built on the program logic model below, which is a graphical representation of the program showing the sequence of results and the causal links between outcomes, objectives, and ultimately the Compact Goal.



The Program’s focus on infrastructure is an essential part of addressing Tanzania’s development challenges in accordance with the MKUKUTA/

MKUZA. The Transport Sector Project is based on the logic that improvements in the road network and airports can reduce transport costs to regional,

national and international markets, thereby catalyzing growth in sectors that rely on good transportation links, such as agriculture and tourism. The Energy

Sector Project will provide reliable electricity to households and businesses, allowing for an increase in the scale and scope of productive activities and increased value added for businesses in project areas. The logic behind the Water Sector Project is that by increasing the supply of potable water for households, mortality and morbidity from water-related diseases will decrease, leading to increased investment human and physical capital. In addition, increasing the reliability of potable water should lead to increased investments in productive assets by business.

3. Monitoring Component

(a) *Indicators.* The M&E Plan shall measure the results of the Program using quantitative, objective and reliable data (“*Indicators*”). Each Indicator will have one or more expected results that specify the expected value and the

expected time by which that result will be achieved (“*Target*”). The M&E Plan will measure and report four types of Indicators. First, the Compact Goal Indicators (each, a “*Goal Indicator*”) will measure the impact of the Program on the incomes of Tanzanians who participate or are covered by the Program (collectively, “*Beneficiaries*”). Second, Objective Indicators (each, an “*Objective Indicator*”) will measure the final results of the Projects in order to monitor their success in meeting the Project Objectives. Third, Outcome Indicators (each, an “*Outcome Indicator*”) will measure the intermediate results of goods and services delivered under each Project in order to provide an early measure of the likely impact of the Projects on the Project Objectives. Fourth, Project Activity Indicators (each, an “*Activity Indicator*”) (each of Goal Indicator, Objective Indicator, Outcome Indicator

and Activity Indicator, an “*Indicator*”) will measure the delivery of key goods and services in order to monitor the pace of Project Activity execution. For each Outcome Indicator, Objective Indicator, and Goal Indicator, the M&E Plan will define a strategy for obtaining and verifying the value of such Indicator prior to undertaking any activity that affects the value of such Indicator (such value, a “*Baseline*”). All Indicators will be disaggregated by gender, income level and age, to the extent practicable. Subject to prior written approval from the MCC, MCA-Tanzania may add Indicators or refine the Targets of existing Indicators.

(i) *Goal Indicators.* The M&E Plan shall contain the Goal Indicators listed in the table below, with their definitions, unit of measurement, baseline, and Year 5 with and without Projects.

Goal level indicators							
Result	Indicator	Definition	Unit	Baseline	Year 5 without project	Year 5 with project	
Economic Growth	Regional GDP	Regional GDP increase due to Transport Sector Project: Mbeya and Rukwa regions (Tunduma Sumbawanga road).	US\$ millions	1275.9	1635.3	1645.3	
		Tanga region (Tanga Horohoro road).	.....	699.0	895.9	898.3	
		Ruvuma region (Namtumbo-Songea and Peramiho Mbinga roads).	.....	494.2	633.4	639.4	
		Zanzibar .....	.....	366.8	470.1	471.2	
		Pwani region (Mafia airport)	.....	235.3	301.5	302.3	
	Regional GDP	Regional GDP increase due to Energy Sector Project:	Kigoma	US\$ millions	366.4	441.4	441.5
			Tanga .....	.....	657.0	842.0	842.9
			Dodoma .....	.....	342.1	438.4	438.8
			Morogoro .....	.....	615.1	788.3	789.1
			Iringa .....	.....	618.1	792.2	793.0
	Regional GDP	Regional GDP increase due to Water Sector Project:	Mwanza .....	.....	959.8	1230.2	1231.4
			Mbeya .....	.....	809.2	1037.0	1038.1
			Zanzibar .....	.....	366.8	470.1	470.3
			Dar es Salaam	US\$ millions	1821.1	2483.3	2505.1
			Morogoro .....	.....	75.3	102.7	103.1

(ii) Objective and Outcome Indicators. The M&E Plan shall contain the following objective and outcome

indicators to measure results at the Project level.

Transport Sector Project Objective and Outcome Level Indicators					
Result	Indicator	Definition	Unit	Baseline	Year 5
Objective Level Indicators					
Increased cash crop revenue.	Cash-crop revenue	Tons of crops sold (in price per ton in zone of influence of road):			

Transport Sector Project
Objective and Outcome Level Indicators

Result	Indicator	Definition	Unit	Baseline	Year 5
Increased aggregate spending by visitors to Mafia Island.	Aggregate visitor spending ⁵ .	Tunduma Sumbawanga ..	US\$ millions	58.2	67.8
		Tanga Horohoro .....	.....	1.35	1.48
		Namtumbo-Songea and Peramiho Mbinga.	.....	41.0	50.7
		Zanzibar/Pemba .....	.....	8.0	8.5
		Sum of spending by all visitors to Mafia Island.	US\$ millions	3.2	4.2

Outcome Level Indicators

Reduced vehicle operating costs and travel times.	International roughness index (IRI).	Measurement of pavement roughness on targeted roads: Tunduma Sumbawanga ..	m/km	14.3	2.5
		Tanga Horohoro .....	.....	14.5	2.5
		Namtumbo-Songea and Peramiho Mbinga.	.....	16.0	2.5
		Zanzibar/Pemba .....	.....	15.0	4.0
Increased traffic volume.	Average annual daily traffic (AADT)	Number of vehicles by type on MCC-upgraded roads: Tunduma Sumbawanga	vehicles	470	810
		Tanga Horohoro		530	915
		Namtumbo-Songea		230	390
		Peramiho Mbinga		110	180
		Zanzibar/Pemba		26	49
Increased air passenger traffic to Mafia Island.	Passenger arrivals ⁶	Number of passenger arrivals at Mafia Island airport.	passengers	12,000	16,000

Energy Sector Project Objective and Outcome Level Indicators

Objective Level Indicator

Increased value added to businesses in Kigoma, T&D target areas and Unguja Island.	Value added	Profits plus wages of enterprises, disaggregated by Kigoma, T&D target regions and Unguja Island ⁷ .	US\$	TBD	TBD
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Outcome Level Indicators

Increased quantity of electricity sold.	Electricity (kWh) sold.	Incremental amount of electricity sold, to be disaggregated by target region and customer types ⁸ .	MWh/year	TBD ⁹	TBD
Increased number of power customers.	New power customers.	Number of new connections resulting from MCC investment, disaggregated by target regions and customer types: Malagarasi Hydropower and Kigoma Distribution Activity.	number	0	2,500
		Distribution Rehabilitation and Extension Activity.	.....	0	35,000
		Zanzibar Interconnector Activity.	.....	0	TBD
Better quality power	Power quality	Frequency and magnitude of voltage fluctuations (% deviation from standard voltage level each hour) at primary substations feeding target regions/cities: Malagarasi Hydropower and Kigoma Distribution Activity.	number and magnitude of voltage deviations/day.	TBD ⁶	2% improvement over baseline.
		Distribution Rehabilitation and Extension Activity.	.....	.....

Transport Sector Project
Objective and Outcome Level Indicators

Result	Indicator	Definition	Unit	Baseline	Year 5
More reliable power	Power reliability	Zanzibar Interconnector Activity. Amount of energy (MWh) not served to target regions and customer types, as a result of T&D failure (for all target regions) and generation failure (for Kigoma region): Malagarasi Hydropower and Kigoma Distribution Activity.	MWh	TBD ⁶	15% fewer than baseline per year.
	Power outage duration.	Distribution Rehabilitation and Extension Activity. Zanzibar Interconnector Activity. Duration of power outages disaggregated by target regions and customer types: Malagarasi Hydropower and Kigoma Distribution Activity: Distribution Rehabilitation and Extension Activity. Zanzibar Interconnector Activity.	hours/month	TBD ⁶	15% fewer than baseline per year.

Water Sector Project
Objective and Outcome Level Indicators

Objective Level Indicators

Investment in physical capital.	Value of household assets.	Total value of household assets.	US\$	TBD ¹⁰	TBD
Investment in human capital.	Average years of education completed.	Average years of education completed.	years	TBD	TBD
Reduced prevalence of water-related diseases ¹¹ .	Prevalence of diarrhea ⁹ .	Total number of diarrhea cases: Dar es Salaam	diarrhea cases	TBD	TBD
	Prevalence of cholera.	Total number of cholera cases: Dar es Salaam Morogoro	cholera cases	TBD	TBD

Outcome Level Indicators

Increased number of households using improved water source.	Number of households using improved source for drinking water.	Improved source for drinking water is defined as (a) type of source = household connection (in-home or in-yard), public standpipe, (b) <30 minutes (go, wait, collect and return), (c) <400 meters, and (d) supplied by provider acting within the regulatory framework (incorporates issues of water quality and tariffs/affordability): Dar es Salaam Morogoro	households	TBD	TBD
Increased number of businesses using improved water source.	Number of businesses using improved water source.	Improved source comprises (a) business connection, (b) 24-hours/day of supply and (c) supplied by provider acting within the regulatory framework (incorporates issues of water quality and tariffs/affordability):	businesses	TBD	TBD

Transport Sector Project
Objective and Outcome Level Indicators

Result	Indicator	Definition	Unit	Baseline	Year 5
Increased per capita water consumption.	Volume of individual water consumption.	Dar es Salaam Morogoro Daily per capita water consumption by type of primary water source: in-home, in-yard, neighbor's yard, public tap, other: Dar es Salaam	liters/capita/day	in-home: 70	in-home: 150
		Morogoro		in-home: 100	in-home: 150
				in-yard: 40	in-yard: 87
				neighbor's yard: 40	neighbor's yard: 87
				public tap: 25	public tap: 87
				other: 10	other: 54
				in-home: 70	in-home: 145
				neighbor's yard: 40	neighbor's yard: 83
				public tap: 40	public tap: 83
				other: 25	other: 25

⁵ Reporting will be disaggregated by length of stay and visitor category: business, leisure and holiday (package and non-package), visiting friends and relative, government and other.

⁶ Reporting will be disaggregated by visitor category: business, leisure and holiday (package and non-package), visiting friends and relatives, government and other. Baseline and target are annual totals but data will be reported quarterly.

⁷ Target regions include: (1) Kigoma region (which includes towns of Kigoma, Kasulu and Uvinza); (ii) Mwanza, Tanga, Morogoro, Dodoma, Iringa and Mbeya for the Distrubiotn Rehabilitation and Extension Activity; and (iii) Unguja Island.

⁸ Target customer types include T1, T2, T3, T4 and T5 (different tariff categories).

⁹ Baseline figures will be estimated during Year 1 of Compact by TANESCO and ZECO. After Year 1 baseline is determined, TANESCO and ZECO will report annually on these indicators.

¹⁰ Baselines and targets will be established no later than the last quarter before construction begins.

¹¹ Reporting will be disaggregated by age group and data will be collected montly. Monthly baselines will be established using 2007 administrative health data.

(iii) *Activity Indicators.* Prior to any Disbursement for any Project Activity, the Implementing Entity of such Project Activity shall propose a set of Activity Indicators that is approved in writing by MCA-Tanzania and the MCC. The M&E Plan shall be amended to reflect the addition of such Indicators. The table below shows a notional list of Activity Indicators that the M&E Plan may contain.

Result	Indicator	Definition	Unit	Baseline	Year 5
Transport Sector Project—Activity Level Indicators					
Mainland and Pemba roads rehabilitated.	Kilometers of road up-graded.	Kilometers of road upgraded from gravel or earth to bitumen pavement:			
		Tunduma Sumbawanga	km	0	224.9
		Tanga Horohoro .....	.....	0	65.7
		Namtumbo-Songea and Peramiho Mbinga.	.....	0	139.0
Roads maintained	Road maintenance expenditures.	Pemba Island	percent	0	34.7
		Amount spent on maintenance the previous fiscal year/Amount budgeted for maintenance for the previous fiscal year.	.....	TBD	TBD
Mafia Island runway up-graded.	Percentage of upgrade completed.	Percent of the Mafia Island airport runway upgrading completed.	percent	0	100

Energy Sector Project—Activity Level Indicators

Additional MWh/day of energy generated.	Energy generation	Daily energy generated at the power plant and transmitted to the grid (Kigoma).	MWh/day	0	49
Increased kVA of transmission capacity.	Transmission capacity ..	Additional transmission capacity (kVA)	.....	.....	.....
		Malagarasi Hydropower and Kigoma Distribution Activity	MVa	0	20
		Distribution Rehabilitation and Extension Activity	.....	0	146
Improved collection efficiency.	Collection efficiency	Zanzibar Interconnector Activity	.....	0	120
		Monthly cash collection/Monthly invoices.	percent	¹² TBD	.....
		Malagarasi Hydropower and Kigoma Distribution Activity	.....	.....	95

Result	Indicator	Definition	Unit	Baseline	Year 5
Decreased technical and non-technical losses.	Technical and non-technical losses.	Distribution Rehabilitation and Extension Activity	.....	.....	95
		Zanzibar Interconnector Activity	.....	.....	95
		(kWh received by substation—kWh billed)/(kWh received by substation).	percent	¹⁰ TBD	
		Malagarasi Hydropower and Kigoma Distribution Activity	.....	.....	15
		Distribution Rehabilitation and Extension Activity	.....	.....	15
		Zanzibar Interconnector Activity	.....	.....	15

Water Sector Project—Activity Level Indicators

Increased water supplied.	Volume of water produced.	Daily volume of water produced by treatment facility.	.....	.....
Decreased non-revenue water.	Volume of non-revenue water.	Dar es Salaam	m ³ /day	235,294	325,294
		Morogoro	.....	18,000	300,000
Improved operations and maintenance cost recovery ratio.	Operations and Maintenance Cost Recovery Ratio.	Volume of non-revenue water (disaggregated by commercial and physical losses)/Volume of water produced.	.....	.....
		Dar es Salaam	percent	68	56
		Morogoro	.....	40	32
		(Total revenue—Routine and periodic operations and maintenance expenses)/Routine and periodic operations and maintenance expenses.	percent	TBD	0

¹² Baseline figures and annual targets will be developed during Year 1 of Compact by TANESCO and ZECO. After Year 1 baseline and annual targets are determined, TANESCO and ZECO will report annually on these indicators.

(b) *Data Collection and Reporting.* The M&E Plan shall establish guidelines for data collection and a reporting framework, including a schedule of reporting requirements and responsible parties. The M&E Plan will use both qualitative and quantitative methods for data collection. The M&E Plan shall outline various data collection methodologies, assessments, and surveys necessary to report the results of all Indicators included in the M&E Plan. It will also draw quantitative information from the National Bureau of Statistics and other large household surveys.

(c) *Data Quality Reviews.* From time to time, as determined in the M&E Plan or as otherwise requested by the MCC, the quality of the data gathered through the M&E Plan shall be reviewed by an independent third party to ensure that data reported are as valid, reliable, and timely as resources will allow. The objective of any data quality review will be to verify the quality and the consistency of performance data, across different implementation units and

reporting institutions. Such data quality reviews also will serve to identify where those levels of quality are not possible, given the realities of data collection.

(d) *Management Information System.* The M&E Plan shall describe the information system that will be used to collect data, store, process and deliver information to relevant stakeholders in such a way that the Program information is at all times accessible and useful to those who wish to use it. The system development will take into consideration the requirement and data needs of the components of the Program, and will be aligned with the MCC’s existing systems, other service providers, and government ministries.

4. Evaluation Component

The Evaluation Component of the M&E Plan shall detail the methodology, process, and timeline for analyzing the Program efficiency, effectiveness, impact, and sustainability. At a minimum, this component shall include at least two types of evaluations, an Impact Evaluation and a Final

Evaluation. With the agreement of the MCC, the Evaluation Component also may include ad hoc evaluations and special studies. The cost of an independent evaluation or special study may be paid from MCC Funding.

(a) *Impact Evaluation.* The MCC will engage an independent evaluator to conduct an impact evaluation of specific Project Activities that lend themselves to rigorous evaluation (“*Impact Evaluation*”). The Impact Evaluation will be designed using rigorous methods to address selection bias and attribution issues. It will also take into consideration the anticipated time lag for each Project to realize expected benefits. It is anticipated that the Impact Evaluation may extend beyond the Compact Term and flexibility of design should be a priority. The following table outlines the methodologies currently under consideration, which may be modified to accommodate changes in Program design. In all cases, the most rigorous method possible will be implemented.

Project/activity	Proposed methodology	Comparison group(s)	Variables of interest
Pemba Rural Road Upgrading.	Difference-in-difference using Propensity Score Matching.	Households located in communities affected by NORAD road upgrades compared to households located in MCC-affected communities.	Transport prices. Input and output prices for agricultural goods. Capital investment and employment figures.

Project/activity	Proposed methodology	Comparison group(s)	Variables of interest
Mainland Trunk Road Upgrading.	Difference-in-difference using Propensity Score Matching, or simple difference-in-difference.	Households living in communities without anticipated road upgrades during the Compact period compared to households located in MCC-affected communities.	Migration patterns. Household health and income. School enrollment (especially for girls).
		Individuals living along recently upgraded trunk roads compared to those living along MCC-upgraded roads.	Transport prices. Input and output prices for agricultural goods. Capital investment and employment figures.
Expansion of Energy Distribution Networks (Malagarasi Hydro and T&D Activities).	Regression discontinuity ...	Individuals living at least 2 kilometers from any trunk road compared to those living along MCC-upgraded roads.	Migration patterns. Household health and income HIV/AIDS rates.
		Communities who receive electricity early compared to those who receive electricity late in the Compact.	Improvements in health.
		Households who live at the end of the distribution line compared to those who live just beyond the end of the distribution line.	Child schooling attainment (or at least intensity of study). Small-scale businesses using electricity.

(b) *Final Evaluation.* MCA-Tanzania, with the prior written approval of the MCC, will engage an independent evaluator to conduct an evaluation at the expiration or termination of this Compact Term (“*Final Evaluation*”) or at the MCC’s election, the MCC will engage such an independent evaluator. The Final Evaluation must at a minimum evaluate the efficiency and effectiveness of the Program and provide lessons learned that may be applied to similar projects.

(c) *Ad Hoc Evaluations and Special Studies.* The M&E Plan shall identify and make provision for special studies, ad-hoc evaluations, and research that may be needed as part of the monitoring and evaluating of this Compact. Either the MCC or MCA-Tanzania may request special studies or ad-hoc evaluations of Projects, Project Activities, or the Program as a whole prior to the expiration of this Compact Term. If MCA-Tanzania engages an evaluator, the evaluator will be an externally contracted independent source selected by MCA-Tanzania, subject to the prior written approval of the MCC, following a tender in accordance with the MCC Program Procurement Guidelines, and otherwise in accordance with any relevant Implementation Letter or supplemental agreement.

5. *Other Components of the M&E Plan*

In addition to the Monitoring and Evaluation Components, the M&E Plan shall include the following components for the Program, Projects and Project Activities, including, where appropriate, roles and responsibilities of the relevant parties and Providers:

(a) *Coordination of data collection.* Efforts to synchronize data collection with relevant national initiatives including the WSDP performance monitoring framework, MKUKUTA monitoring plan and the MKUZA monitoring plan.

(b) *M&E Budget.* A detailed cost estimate for all components of the M&E Plan.

(c) *Assumptions and Risks.* Any assumptions and risks external to the Program that underlie the accomplishment of the Project Objectives and Project Activity Outcomes; provided, *however*, that such assumptions and risks shall not excuse performance of the Parties, unless otherwise expressly agreed to in writing by the Parties.

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BILLING CODE 9211-03-P

**NATIONAL SCIENCE FOUNDATION
U.S. Chief Financial Officer Council;
Grants Policy Committee**

ACTION: Notice of open stakeholder webcast meeting.

SUMMARY: This notice announces an open stakeholder webcast meeting sponsored by the Grants Policy Committee (GPC) of the U.S. Chief Financial Officers Council.

DATES: The GPC will hold a webcast meeting on Tuesday, March 18, 2008 from 2-3:30 p.m., Eastern Time. The webcast will be broadcast live.

ADDRESSES: The GPC March 18 webcast meeting will be broadcast from and held in Room B-180 of the U.S. Department

of Housing and Urban Development (HUD), 451 7th Street, SW., Washington, DC 20410. Seating is limited—the first 50 people to respond, and receive confirmation of the response, can be part of the live audience. Both federal and non-federal employees must R.S.V.P. to reserve your seat by contacting Charisse Carney-Nunes at: GPCWebcast@nsf.gov. All who have reserved seating must arrive at the HUD building fifteen minutes prior to broadcast (arrive on the North side of the building). You must have a photo ID to gain access and will have to go through the security screening. The GPC encourages non-federal organizations staffs and members to attend the nesting in person or via webcast.

Overview: This webcast will serve several purposes: (1) To update the public on the status of the pilot that will be conducted in furtherance of the Federal Financial Accountability and Transparency Act (FFATA) to collect federal grantee subaward data; (2) to allow the public an opportunity to discuss the Performance Progress Report (PPR) Form, and ask any remaining questions about its status and proposed use; and (3) to update the public on the GPC’s strategic planning process, and share broad milestones for the development of GPC potential future products. GPC leadership will be available for a question & answer period after the presentations.

Further Information About the GPC Webcast: Questions on the webcast should be directed to Charisse Carney-Nunes, National Science Foundation, 4201 Wilson Boulevard, Arlington, VA 22230; e-mail, GPCWebcast@nsf.gov. Information and materials that pertain