

CONFORMED COPY

CREDIT NUMBER 3569 TA

Development Credit Agreement

(Songo Songo Gas Development and Power Generation Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 11, 2001

CREDIT NUMBER 3569 TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 11, 2001, between UNITED REPUBLIC OF TANZANIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The Association has received a letter dated August 9, 2001, from the Borrower describing a program of actions, objectives and policies designed to improve the operation of the Borrower's power and gas sub-sectors (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain from the European Investment Bank (EIB), a loan (the EIB Loan) in an amount of fifty million Euro to assist in financing Part A of the Project on the terms and conditions set forth in an agreement (the EIB Finance Contract) to be entered into among the Borrower, EIB and Songas Limited (Songas);

(D) CDC Financial Services (Mauritius) Limited (CDC), The AES Corporation (AES), EIB through the Tanganyika Development Finance Company Limited (TDFL), Tanzania Electric Supply Company Limited (TANESCO) and Tanzania Petroleum Development Corporation (TPDC) respectively, have agreed to invest the equivalent of approximately \$76,000,000 in the Project through the acquisition of shares in Songas;

(E) Part A of the Project will be carried out by Songas with the Borrower's assistance, and as part of such assistance, the Borrower will make available to Songas part of the proceeds of the Credit as hereinafter provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and Songas;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Escrow Agreement" means the agreement dated June 18, 1996, among the Borrower, TCPL Tanzania Inc., Ocelot Tanzania Inc., and Citibank Tanzania Limited providing for the establishment and management of the Escrow Account as such agreement may be amended from time to time;

(b) "Escrow Account" means the account opened by the Borrower, pursuant to the Escrow Agreement and Hard Currency Agreement (as hereinafter defined), to provide the Sponsor with protection on its equity exposure, during the development, construction and operational phases of Part A of the Project, in the event of a default by the Borrower as defined in the Project Contractual Agreements (as hereinafter defined);

(c) "ESMP" means the Environmental and Social Assessment and Management Plan, satisfactory to the Association, approved by the Borrower and Songas on June 20, 2001, for the resettlement and compensation of persons displaced on Songo Songo Island and along the pipeline route, as well as measures to mitigate adverse environmental and social effects under Part A of the Project, as a result of activities to be undertaken under Part A of the Project;

(d) "Gas Agreement" means the agreement of even date herewith among the Borrower, Songas, TPDC, and PanAfrican Energy Tanzania Limited (PanAfrican Energy) for the transfer to Songas and PanAfrican Energy of certain rights to develop, produce and process natural gas from the Songo Songo gas field;

(e) "Gas Processing and Transportation Agreement" means the agreement of even date herewith between Songas and PanAfrican Energy for the processing and transportation of natural gas;

(f) "Hard Currency Agreement" means the agreement dated June 18, 1996, as amended on April 30, 1999, among the Borrower, Citibank Tanzania Limited, Citibank N.A., TCPL Tanzania Inc., and Ocelot Tanzania Inc. providing for the deposit of Hard

Currency (as defined therein) to be transferred from the account with Citibank Tanzania Limited to the Hard Currency Account (as defined therein) with Citibank N.A. in New York City as such agreement may be further amended from time to time;

(g) "Implementation Agreement" means the agreement of even date herewith among the Borrower, Songas, AES, PanAfrican Energy Corporation Limited and PAE Mauritius Limited, detailing the implementation arrangements and obligations for carrying out Part A of the Project;

(h) "Liquidity Facility" means the facility to be established by the Borrower pursuant to the Liquidity Facility Agreement (as defined hereinafter), to provide short-term liquidity support for TANESCO's obligations to Songas pursuant to the Power Purchase Agreement (as defined hereinafter);

(i) "Liquidity Facility Agreement" means the agreement of even date herewith among the Borrower, Songas and Citibank Tanzania Limited, providing for the establishment of the Liquidity Facility;

(j) "MEM Project Implementation Plan" means the plan adopted by the Borrower on June 23, 2001, containing, inter alia, details on Project implementation for Parts B and C of the Project, including indicators for monitoring and evaluating the Project;

(k) "MEM" means the Borrower's Ministry responsible for Energy affairs;

(l) "Power Purchase Agreement" means the agreement, of even date herewith between TANESCO and Songas providing for the sale and purchase of power by TANESCO from Songas;

(m) "Production Sharing Agreement" means the agreement of even date herewith among the Borrower, TPDC, and PanAfrican Energy for the exploration, production and delivery of gas from the Songo Songo gas field;

(n) "Project Agreement" means the agreement between the Association and Songas, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(o) "Project Contractual Agreements" means collectively the agreements for the implementation of Part A of the Project, namely the Shareholders', Implementation, Power Purchase, Gas, Production Sharing, Gas Processing and Transportation, Operatorship, Liquidity Facility, Ubungo Complex Transfer (as hereinafter defined) and Songo Songo Facilities Transfer (as hereinafter defined) Agreements and the Debenture;

(p) "Project Implementation Plans" mean collectively, the plans adopted by the Borrower and Songas respectively, as defined in paragraphs (j) and (t) hereof;

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to letters, dated December 14, 1992, November 8, 1993, and July 1, 1996, respectively, from the Association and confirmed by the Borrower on December 31, 1992, December 8, 1993, and September 17, 1996, respectively;

(r) "Shareholders' Agreement" means the agreement of even date herewith among the Borrower, Songas, AES Tanzania Limited, Ocelot International Tanzania, Limited, TPDC, TANESCO, TDFL and CDC, relating, inter alia, to the capital and voting rights of the shareholders in Songas;

(s) "Sinking Fund" means the fund established pursuant to the Sinking Fund Agreement to be entered into in accordance with the Power Purchase Agreement, to fund the further development of the Songo Songo gas field to supply Protected Gas (as defined therein);

(t) "Songas Project Implementation Plan" means the plan, acceptable to the Borrower and the Association, and adopted by Songas on August 15, 2001, containing, inter alia, details on Project implementation for Part A of the Project, including indicators for monitoring and evaluating the Project;

(u) "Songas" means Songas Limited, a company registered and operating under the laws of the Borrower to carry out Part A of the Project;

(v) "Songo Songo Facilities Transfer Agreement" means the agreement, of even date herewith between TPDC and Songas relating to the transfer of TPDC's facilities on

and around Songo Songo Island to Songas;

(w) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(x) "Sponsor" means The AES Corporation registered and operating under the laws of the State of Delaware, United States of America, which shall invest in Songas through its wholly owned subsidiaries AES Tanzania Limited and Ocelot International Limited;

(y) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Songas pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Loan Agreement;

(z) "TANESCO" means the Tanzania Electric Supply Company Limited, a company registered and operating under the laws of the Borrower;

(aa) "Tegeta Power Plant" means the 100 MW power plant situated at Tegeta, Dar es Salaam;

(bb) "TPDC" means the Tanzania Petroleum Development Corporation, a public corporation established pursuant to the Borrower's Public Corporations Act of 1969, as amended;

(cc) "TPDC Gas Account" means the account opened by TPDC, through which TPDC receives revenues pursuant to the Gas and Production Sharing Agreements;

(dd) "Tsh" means the Tanzania Shilling, the currency of the Borrower;

(ee) "Ubungo Complex Transfer Agreement" means the agreement of even date herewith between TANESCO and Songas relating to the transfer of certain of TANESCO's facilities at Ubungo to Songas; and

(ff) "WVES" mean the Wayleave Village Electrification Scheme.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred forty-five million seven hundred thousand Special Drawing Rights (SDR 145,700,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of Part A of the Project and Parts B and C of the Project, respectively, open and maintain in dollars two separate special deposit accounts in a commercial bank or banks on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be March 31, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of

one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing October 15, 2011 and ending April 15, 2041. Each installment to and including the installment payable on April 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. Songas is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions with respect to Categories (1) and (2) (a) of the table in paragraph 1 of Schedule 1 to this Agreement.

### ARTICLE III

## Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall carry out Parts B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and energy sector practices, and in accordance with sound environmental and social practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause Songas to perform in accordance with the provisions of the Project Agreement all the obligations of Songas therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Songas to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Credit allocated from time to time to Categories (1) and (2) (a) of the table in paragraph 1 of Schedule 1 to this Agreement to Songas under a subsidiary loan agreement to be entered into between the Borrower and Songas under terms and conditions which shall have been approved by the Association and which shall include: (i) interest payable by Songas of at least 7.1% per annum; (ii) repayment by Songas of principal in 20 years including a grace period of three and one half years; and (iii) the principal amount of the Subsidiary Loan repayable by Songas being the equivalent in dollars of the currency or currencies withdrawn from the Credit Account in respect of the above-mentioned Categories, such equivalent to be determined as of the date or respective dates of repayment.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Parts B and C of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Parts B and C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the sustainability of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by Songas pursuant to Section 2.03 of the Project Agreement.

Section 3.05. The Borrower shall, until the completion of the Project, seek the Association's approval, such approval to be communicated within a reasonable time, prior to any amendment or waiver of any provision of the Project Contractual Agreements to which it is a party which, in the opinion of the Association, would materially and adversely affect the implementation of the Project.

Section 3.06. The Borrower shall: (a) fund the Liquidity Facility to the agreed levels in accordance with the agreed time table; and (b) maintain the funding level to conform to the Project Contractual Agreements.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B and C of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors including the management letter, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower and TANESCO: (a) shall assess the impact of the capacity costs of the Tegeta Power Plant on TANESCO's average retail tariff; and (b) one month prior to the commissioning of the Tegeta Power Plant, take all such action as is necessary to ensure full payment of the capacity charges either through tariff increases or through budgetary support.

Section 4.03. The Borrower shall cause TANESCO to: (a) submit to the Association by March 31 of each year a detailed analysis proposing any change to the average retail tariff which would ensure that in the following year, TANESCO will generate sufficient revenues to cover its expenditures (excluding depreciation), debt service and changes in working capital, in a format acceptable to the Association; and (b) adopt the proposed changes following the Association's review.

Section 4.04. The Borrower shall cause TANESCO to submit to the Association, by December 31, 2001, the first phase of its plan to rebalance tariffs, in order to bring

the average tariff in each category in line with that category's long run marginal cost of supply.

Section 4.05. The Borrower shall cause TANESCO to: (a) not incur any further debt unless its projected internal cash generation is at least 1.3 times the estimated debt service requirement on all debt; (b) not make any investment in excess of US\$5 million without the Association's prior review and no objection; and (c) not enter into any new power purchase obligations without prior consultation and agreement with the Association.

Section 4.06. The Borrower shall cause: (a) TANESCO to employ qualified, independent auditors, acceptable to the Association and to furnish to the Association a certified copy of its audited financial statements and management letter, including those for the Sinking Fund (if by then in existence) no later than six months after the end of each fiscal year; and (b) TPDC to employ qualified independent auditors, acceptable to the Association and furnish to the Association a certified copy of the audit reports for the TPDC Gas Account, no later than six months after the end of each fiscal year.

Section 4.07. The Borrower shall, in coordination with its regulatory authority, as part of the program of unbundling and divestiture of TANESCO, review and amend, if necessary, the financial covenants set out in this Article.

Section 4.08. The Borrower shall comply with all of its financial and other obligations under the Project Contractual Agreements.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Songas shall have failed materially to perform any of its obligations under the Project Agreement;

(b) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Songas will be able to perform its obligations under the Subsidiary Loan Agreement;

(c) Songas shall have applied for or consented to the appointment of a receiver, trustee, or liquidator of Songas or of all or a substantial part of its assets, been adjudicated a bankrupt, or filed a voluntary bankruptcy, except as provided for under the Project Contractual Agreements;

(d) Any of the agreements included in the Project Contractual Agreements have been amended or their terms waived so as to affect materially or adversely the ability of TANESCO, its successors or Songas to perform any of their obligations under the Project or such agreements;

(e) The EIB Finance Contract shall have failed to become effective by December 31, 2001, or such later date as the Association may agree; provided however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available from other sources, on terms and conditions consistent with the obligations of the Borrower under this Agreement;

(f) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project (including the EIB Loan) shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Paragraph (i) above shall not apply if the Borrower establishes to the satisfaction of the Association that:



- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
- (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (c), (d), (e), and (f) of Section 5.01 of this Agreement shall occur, subject in the case of the event specified in paragraph (f) (i) to the proviso of paragraph (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Songas; and

(b) all conditions precedent to the effectiveness of the Project Contractual Agreements, other than those related to the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by Songas, and is legally binding upon Songas in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Songas and is legally binding upon the Borrower and Songas in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
P. O. Box 9111  
Dar es Salaam  
United Republic of Tanzania

Cable address:

Telex:

TREASURY

41329

For the Association:



(3)	Goods and equipment	200,000	100% of foreign expenditures and 85% of local expenditures
(4)	Consultants' services and training	8,000,000	100%
(5)	Refunding of Project Preparation Advance	1,200,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6)	Unallocated	8,000,000	
	TOTAL	145,700,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 5,550,000 may be made in respect of Category (2) (a) on account of payments made for expenditures before that date but after May 31, 1996; (b) payments made for expenditures under Categories (2) (b), (3) and (4) until the Borrower has appointed the Project Manager and the Accountant referred to in paragraph 2 of Schedule 4 to this Agreement; and (c) on account of payments made for expenditures under Category (2) (b) until the Borrower has submitted: (i) a limited environmental impact assessment and social assessment framework resettlement and compensation plan for the installation of gas pipeline and a business plan for the gas based generation system satisfactory to the Association; and (ii) a business plan for the solar home system, satisfactory to the Association.

4. It is understood that the percentages of expenditures to be financed under the table set forth in paragraph 1 of this Schedule have been calculated on the basis that the Sponsor has undertaken to finance any taxes or customs duties levied in the territory of the Borrower on works, goods and services for Part A of the Project. If any change is made, the percentages referred to above shall be decreased in accordance with the provisions of Section 5.08 of the General Conditions.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts not exceeding \$1,000,000 equivalent, for consultants' contracts not exceeding \$50,000 equivalent for firms and \$25,000 equivalent for individuals, under such terms and conditions as the Association shall specify by notice to the Borrower.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (i) develop the Borrower's natural gas reserves to produce least-cost power generation for domestic and industrial use in an environmentally sustainable and efficient manner; (ii) promote private sector ownership and management of the gas and power sectors; and (iii) encourage increased access of the poor to electricity supply by developing financially and institutionally sustainable rural power schemes to presently unserved areas along the corridor of the gas pipeline.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Songas

1. Gas Platforms and Flowlines

Construction and equipping of three (3) offshore marine platforms 6.5 kilometers of nominal pipe size 6 inch inter-field marine flow lines to collect gas from the three existing offshore production gas wells and two onshore production wells to transport gas to the gas processing plant.

2. Gas Processing Plant

Construction and equipping of a dual train gas processing plant with continuous capacity of about 70 million standard cubic feet per day and related utilities, including staff housing, offices, power generation facilities, fresh water production facilities, a waste water system and a sewage treatment system.

3. Marine Pipeline

Construction of a 25 kilometer, 12 inch marine pipeline from Songo Songo Island to the mainland at Somanga Funga.

4. Songo Songo Island Infrastructure

Construction on Songo Songo Island of a pipe receiving area, camp and plant infrastructure, refurbishment and extension of the jetty and the acquisition of boats.

5. Songo Songo Island Airstrip

Extension of the Songo Songo airstrip by about 150 meters, resurfacing of the airstrip and the acquisition of strobe lights, reflectors and other navigational aids.

6. Land Pipeline

Construction of a 207 kilometer, 12 inch land pipeline from Somanga Funga landfall to the Ubungo Power Plant in Dar es Salaam, with a 16 kilometer, 8 inch lateral pipeline from Ubungo to the Twiga cement plant.

7. Communications

Installation of an integrated communications systems, including mobile voice, fixed telephone, fax and data communications services to link the gas processing plant, pipeline, Ubungo, administrative office and the Twiga cement plant.

8. Ubungo Power Plant

(a) Retrofitting and upgrading of the ABB gas turbines to enable them to operate on natural gas.

(b) Conversion and upgrading of the GE turbines to gas fuel operation.

(c) Restoration of gas turbines to "as-new condition" through an overall inspection, turbines overhaul and replacement of deteriorated turbine components.

(d) Construction of administrative and warehousing facilities, acquisition of auxiliary mechanical and electrical systems, decommissioning of about four existing storage tanks and corrosion protection for about three day tanks and associated fuel handling facilities.

(e) Installation of electric meters, upgrading of high voltage interconnection gear of the existing distribution control system and installation of equipment to monitor gas supply to the Ubungo Power Plant and the Twiga cement plant.

(f) Carrying out maintenance and inspection work on the Ubungo power plant.

9. Project Engineering

Carrying out up-front project design and package interface, through the provision of technical advisory services.

10. Project Management

Preparation of equipment procurement contract documentation, evaluation of bids and the management of works at the site, monitoring of progress and management of contractor interfaces during the construction period.

11. Acquisition of vehicles, boats, forklifts, special tools and computers for the Songo Songo Island and pipeline operations and the Songas operations center.

12. Gas Wells Servicing

Carrying out of a gas well service program on the three offshore and two onshore wells at Songo Songo Island.

Part B: Environmental, Social and Project Monitoring

1. Wayleave Village Electrification Scheme

(a) Provision of electricity to about 30 villages along the route of the pipeline and provision of electricity and water on Songo Songo Island; and

(b) Carrying out of Community development programs aimed at improving the provision of water, education and health services.

2. Resettlement Infrastructure

(a) At Kinyerezi, the construction of about one kilometer extension to the existing 4.5 kilometer gravel road link, construction of internal roads (about 6.3 kilometers), about 7 culverts and a drainage system, construction and installation of water distribution mains and about 29 standpipes and a distribution storage tank, and provision of electricity to three points, including about 4.7 kilometers of 33 kv high tension line, a step-down transformer, substation and yard.

(b) At Salasala, the upgrading of about 2.7 kilometer of link road from the Bagamoyo road to the settlement, construction of two internal roads (2.8 kilometers), two culverts and storm water drainage systems, construction and installation of a water supply main and distribution mains and about 17 standpipes, a booster pump station and distribution storage tank, and the provision of electricity to a central point in Sala Sala, including about 3.4 kilometers of 11 kv high tension line, about two kilometers of 415 V low tension line, the relocation of 770 meters of installed 11 kv high-tension line, a step-down transformer, substation and yard.

3. ESMP Compliance and Monitoring

Establishment and execution of an appropriate compliance and monitoring program with regard to the ESMP for Part A of the Project, including the establishment of a database and filing system and provision of training for the Borrower's staff.

4. Songas Contract Compliance

Monitoring of compliance by all parties with the terms of the Project Contractual Agreements, including the establishment of a database and filing system related to Project costs, through the provision of technical advisory services.

5. Resettlement Assessment and Socio-Economic Baseline Survey

Carrying out of: (a) a resettlement and compensation assessment to determine whether the persons affected by the implementation of Part A of the Project have been compensated in accordance with the Borrower's laws and policies and in compliance with the Association's guidelines and standards; and (b) a socio-economic baseline survey.

Part C: MEM Capacity Building

1. Gas Institutional and Regulatory Study

Carrying out of a study to identify, assess and recommend appropriate institutional and regulatory options with regard to policy formulation, revenue assurance for the Borrower, regulation and investment for the natural gas sector, through the provision of technical advisory services and a study tour.

2. Establishment of an energy management information system, through the provision of technical advisory services.

3. Independent Power Project (IPP) Advisory Services

Preparation and design of bidding documents and draft contractual agreements for the Borrower's next IPP project, through the provision of legal, technical and financial advisory services.

4. Project Management

(a) Strengthening of MEM's project management capacity; (b) acquisition of vehicles, computers and office equipment; and (c) carrying out of a management development and training program for MEM staff.

5. Private Power Generation and Power Sector Restructuring Advisory Services

Updating of the power sector master plan, including an analysis of the options to convert the Tegeta Power Plant to gas firing, an electricity tariff study, power sector unbundling and reform, through the provision of technical and legal advisory services.

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The Project is expected to be completed by October 31, 2005.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works for Parts B and C of the Project shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); (b) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works for Parts B and C of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify for each contract estimated to cost \$2,000,000 equivalent or more, or bid for each contract estimated to cost \$100,000 or more, shall be advertised in accordance with the procedures applicable to large contracts under paragraphs 2.7 and 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods and works estimated to cost up to an aggregate amount not to exceed \$350,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$30,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Goods estimated to cost less than \$30,000 equivalent per contract up to an aggregate amount not to exceed \$50,000, may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more and for works estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Services which meet the provisions of paragraphs 3.8 to 3.11 of the Guidelines, may, with the Association's prior agreement, be procured on a single source basis.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Commissioner for Energy and Petroleum Affairs of MEM shall be responsible for the carrying out of Parts B and C of the Project.

2. The Borrower shall appoint a Project Manager and an Accountant with qualifications and under terms of reference, acceptable to the Association and in accordance with the procedures set forth in Section II of Schedule 3 to this Agreement, to coordinate and supervise all Project activities under Parts B and C of the Project.

3. Except as the Association shall otherwise agree, the Borrower shall, in carrying out Parts B and C of the Project, apply the guidelines and procedures specified in the MEM Project Implementation Plan and shall not amend the MEM Project Implementation Plan or waive any provision thereof, which, in the opinion of the Association, will materially or adversely affect the implementation of the Project.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators described in Schedule 6 to this Agreement the carrying out of Parts B and C of the Project and the achievement of the objectives thereof; and

(b) prepare, and review with the Association, under terms of reference satisfactory to the Association, and furnish to the Association, in each quarter commencing April 1, 2002, reports integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.



5. The Borrower: (a) shall submit to the Association by October 31 of each year, its proposed training program for the following year and implement the training program approved by the Association; and (b) by March 31 of each year, furnish to the Association a report on the training undertaken during the preceding year.

6. The Borrower shall transfer the assets under Part B.1 of the Project to WVES, upon receipt of an engineer's certificate.

7. (a) The Borrower shall, not later than November 30, 2002, carry out, jointly with the Association, Songas and TANESCO, a midterm review of the Project. The review shall cover, inter alia: (i) the extent to which the development and other objectives of the Project have been achieved, (ii) compliance with the financial, audit and other obligations of the Borrower, (iii) the provision of funds for the Project by the Borrower, (iv) environmental, social and resettlement aspects of the Project, and (v) the status of the implementation of the Project;

(b) the Borrower shall furnish to the Association, at least thirty days prior to such review, a report, in scope and detail, satisfactory to the Association, describing the status of the progress regarding the items listed in paragraph (a) above and of Project implementation generally; and

(c) based on such review, the Borrower shall promptly prepare an action plan, acceptable to the Association, for the further implementation of the Project, and shall thereafter implement such action plan.

8. The Borrower shall: (a) carry out Part A of the Project in accordance with the ESMP; (b) complete the resettlement assessment and the socio-economic baseline survey by February 28, 2002; and (c) promptly thereafter discuss and agree with the Association on the implementation of its recommendations.

9. The Borrower shall cause TANESCO to submit quarterly statistics on: (a) energy sent out (in GWh and Tsh); (b) energy billed (in GWh and Tsh); (c) energy collected (in GWh and Tsh) through bank deposits; and (d) any other such relevant financial data.

#### SCHEDULE 5

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part A of the Project and Categories (2) (b), (2) (c), (3) and (4) set forth in said table in respect of Parts B and C of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$100,000 in respect of the Special Account for Part A of the Project and an amount equivalent to \$500,000 in respect of the Special Account for Parts B and C thereof, to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 in respect of the Special Account for Parts B and C of the Project until in respect of the Special Account for Parts B and C of the Project, the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B and C of the Project shall be equal to or exceed the equivalent of SDR 5 million.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the corresponding Part of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall

otherwise agree, no further deposit by the Association into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## SCHEDULE 6

### Performance Indicators

#### Ministry of Energy and Minerals Component

#### Social, Environment and Project Monitoring and Compliance Component

- Village Electrification Scheme  
Physical Indicators  
1,600 installed solar home systems connecting customers  
10 health stations equipped with solar medicine refrigerators  
3,300 customers connected to gas-based electricity  
30 water boreholes drilled  
  
Baseline Socio-Economic Survey Comparators on:  
Improved income earning capacity and improved living standards  
Increased economic activity (describe); increased employment  
Reduced incidence of disease, increase in girls attending school
- Resettlement Infrastructure  
Physical Indicators  
3.7 km of road links to Kinyerezi and Salasala resettlement areas  
46 standpipes operational  
Electricity service provided to 4 points within sites  
Number of new houses constructed following infrastructure improvements  
  
Baseline Socio-Economic Survey Comparators on:  
Improved income earning capacity and improved living standards  
Increased economic activity; increased employment  
Reduced incidence of disease, increase in girls attending school

#### Capacity Building Component

- Functioning Project Monitoring Unit established with the requisite monitoring data bases defined and operational
- Government policy statement on its role in the gas sector, including determination of public role in investment
- Production of Quarterly Reports on energy statistics

#### Macro/Sectoral Performance Indicators

- Net revenues to the Government from gas sales increasing from \$4,800,000 in 2003 to \$8,500,000 in 2006
- Foreign exchange savings from domestic fuel substitution for power generation and industry increasing from \$25,000,000 in 2003 to \$44,000,000 in 2006
- Annual level of local and foreign private investment in energy and gas infrastructure increasing annually by \$5,000,000 from 2004
- Annual Level of local and foreign private investment in industry using gas as a fuel increasing by \$5,000,000 from 2004

