



**MILLENNIUM**  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

July 1, 2009

Bernard Mchomvu  
Chief Executive Officer  
Millennium Challenge Account-Tanzania  
Kivukoni Front/Ohio Street  
P.O. Box 8327  
Dar es Salaam  
United Republic of Tanzania

**Re: MCC Second Compact Disbursement Request and Quarterly Reports for Compact Quarter 4, July 1-September 30, 2009**

Dear Mr. Mchomvu:


This letter is in response to the MCC Compact Disbursement Request and quarterly reports submitted by Millennium Challenge Account-Tanzania ("**MCA-T**") on June 10, 2009, pursuant to the Program Implementation Agreement, dated September 5, 2008, among MCC, MCA-T, and the Government of Tanzania. Capitalized terms that are not defined in this letter have the meanings given to such terms in the Program Implementation Agreement.

1. MCC Disbursement. MCA-T has requested MCC approval of the authority to request disbursements of up to \$6,362,820. MCC has approved this disbursement authority of up to \$6,362,820.
2. Approval of Reports. MCC approves the quarterly and periodic reports submitted by MCA-T, including the:
  - a. quarterly financial report and Detailed Financial Plan;
  - b. procurement performance report dated March 25, 2009 that shows procurement performance since June 10, 2009; and
  - c. conditions precedent report submitted June 10, 2009.
3. Conditions Precedent. Pursuant to Section 3.1(b) of the Program Implementation Agreement, MCC agrees to defer the following conditions precedent on the terms set forth below:
  - a. Transport Project Mainland Trunk Toads Activity Condition 1: Prior to initial disbursement for construction, execution of all construction and supervision contracts for the applicable trunk road on/before the first anniversary of EIF, *deferred until Compact Q6 (January-March 2010), as first construction contract will not be signed until Q4 of CY2009.*

- b. Transport Project Zanzibar Rural Roads Activity Condition 1: Prior to each disbursement for Zanzibar Rural Roads covering the quarter beginning on October 1 of each year, the Government of Zanzibar's expenditures budgeted for road maintenance shall show an increase from such expenditures from the prior fiscal year, *deferred until Compact Q5 (October-December 2009) on the grounds that evidence is soon forthcoming.*
- c. Transport Project Zanzibar Rural Roads Activity Condition 3: Prior to each disbursement for Zanzibar Rural Roads covering the quarter beginning on January 1 of each year, the amount budgeted by the Ministry of Communication and Transport of the Government of Zanzibar for road maintenance for the previous year has been expended for the intended purpose, *deferred until Compact Q5 (October-December 2009) on the grounds that evidence is soon forthcoming.*
- d. Energy Project Activity Level Condition 6: Prior to disbursement for the Energy Project covering the quarter beginning July 1, 2009, TANESCO submission to EWURA of a rate case that recovers full cost, *deferred until Compact Q6 (January-March 2010) on the grounds that Rate Case B can only be prepared and submitted after completion of the Mainland Cost of Service Study anticipated during Q4 of CY2009.*

Sincerely,

MILLENNIUM CHALLENGE CORPORATION

By:  7/1/09  
Jonathan Bloom  
Deputy Vice President  
Department of Compact Implementation

Cc: Ramadhani Khijjah, Permanent Secretary, Ministry of Finance and Economic Affairs  
Karl Fickenscher, Resident Country Director