

PROGRAM IMPLEMENTATION AGREEMENT

AMONG

THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA,

THE MILLENNIUM CHALLENGE ACCOUNT – TANZANIA

AND

THE MILLENNIUM CHALLENGE CORPORATION

Dated as of the 5th day of September, 2008

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PROGRAM IMPLEMENTATION AGREEMENT

PREAMBLE

This PROGRAM IMPLEMENTATION AGREEMENT (this “*Agreement*”), dated as of September 5, 2008, is made among the Government of the United Republic of Tanzania (the “*Government*”), acting through the Ministry of Finance and Economic Affairs, the Millennium Challenge Account - Tanzania, an independent autonomous office established under the laws of the United Republic of Tanzania through Government Notice No. 202 published in the official gazette on September 21, 2007 (“*MCA-Tanzania*”), and the Millennium Challenge Corporation, a United States Government corporation (“*MCC*,” collectively with the Government and MCA-Tanzania, the “*Parties*” and each, individually, a “*Party*”).

RECITALS

WHEREAS, the Millennium Challenge Compact between the Government of the United States of America, acting through MCC, and the Government, signed in Dar es Salaam on February 17, 2008 (the “*Compact*”), sets forth the general terms on which MCC will provide funding of up to US\$698,136,000 to the Government for a Millennium Challenge Account program to advance economic growth and reduce poverty in the United Republic of Tanzania (“*Tanzania*”);

WHEREAS, pursuant to Section 3.1 of the Compact, the Government and MCC will enter into a Program Implementation Agreement to address, among other matters, implementation arrangements, fiscal accountability, disbursement and use of MCC Funding, procurement and applicable tax exemptions;

WHEREAS, the Government wishes to designate MCA-Tanzania to carry out certain rights, responsibilities and duties of the Government under the Compact; and

WHEREAS, the Parties wish to specify further the terms for implementing the Compact and the Program;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE 1.

GENERAL RESPONSIBILITIES OF THE PARTIES

Section 1.1 Definitions.

Capitalized terms used in this Agreement and not defined in this Agreement have the meanings provided in the Compact. All other capitalized terms have the meanings provided in this Agreement.

Section 1.2 Role of the Government.

(a) Government Responsibilities. The Government will promptly take all necessary or appropriate actions to carry out the Government Responsibilities and to designate rights and responsibilities to entities, including MCA-Tanzania, adequate to enable them (each a “*Permitted Designee*”) to oversee and manage the implementation of the Program on behalf of the Government.

(b) Government Undertakings. The Government hereby affirms as follows:

(i) Power, Authorization, etc. The Government and MCA-Tanzania have the power and authority to execute, deliver and perform their obligations under the Compact, this Agreement, and under each other agreement, certificate, or instrument contemplated hereby or by the Compact, and any such actions do not and will not violate any obligation of the Government or any other Permitted Designee. MCA-Tanzania has the authority to bind the Government to the full extent of the Designated Rights and Responsibilities.

(ii) Binding Obligation. The Compact and this Agreement are valid, binding and legally enforceable obligations of the Government and of MCA-Tanzania.

(iii) No Conflict. Neither this Agreement nor the Compact conflicts with, or will conflict with, any international agreement or obligation binding on the Government, or any laws of Tanzania.

(iv) Autonomy. The Government will ensure that (1) no decision of MCA-Tanzania is modified, supplemented, unduly influenced or rescinded by any governmental authority, except by a final and non-appealable judicial decision, and (2) the authority of MCA-Tanzania will not be expanded, restricted or otherwise modified, except in accordance with this Agreement and the Compact.

(v) Impoundment; Liens or Encumbrances. The Government will ensure that (1) no Program Asset will be subject to any impoundment, rescission, sequestration or to any provision of law now or hereafter in effect in Tanzania that would have the effect of allowing any such impoundment, rescission or sequestration and (2) no Program Asset will be subject to any lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each a “*Lien*”), except with MCC’s prior written approval. In the event any Lien not so approved is imposed, the Government will promptly seek the release of such Lien and, if such Lien is required by a final and non-appealable court order, will pay any amounts due in order to obtain such release; *provided, however*, that the Government must apply national funds (and no Program Asset) to satisfy any such obligation.

(vi) Governance of MCA-Tanzania. The Government will ensure that MCA-Tanzania’s operations and management comply with the Governance Guidelines and the Governing Documents.

(vii) MCA-Tanzania Indemnity. If MCA-Tanzania is held liable under any indemnification or other similar provision of any agreement to which it is a party, then the Government will pay such indemnity in full on behalf of MCA-Tanzania and will do so with national funds (and not with any Program Asset).

(viii) MCC Indemnity. The Government will indemnify, defend and hold harmless MCC and any MCC director, officer, employee, affiliate, contractor, agent, advisor or representative (each of MCC and any such person, an “*MCC Indemnified Party*”) from and against, and will compensate, reimburse and pay such MCC Indemnified Party for, any liability or other damages which (1) are directly or indirectly suffered or incurred by such MCC Indemnified Party, or to which any MCC Indemnified Party may otherwise become subject, regardless of whether or not such damages relate to any third-party claim, and (2) arise from or as a result of the negligence or willful misconduct of the Government, any affiliate of the Government, MCA-Tanzania or any other delegate or agent acting at the direction of or on behalf of the Government, directly or indirectly connected with, any activities (including acts or omissions) undertaken in furtherance of the Compact; *provided, however*, the Government will apply national funds to satisfy its obligations under this Section 1.2(b)(viii) and no MCC Funding, accrued interest, or other Program Assets may be applied by the Government in satisfaction of its obligations under this Section 1.2(b)(viii).

(ix) Taxes. If a Tax has been levied and paid contrary to the requirements of Section 2.7 of the Compact, whether inadvertently, due to the impracticality of implementation of such exemptions with respect to certain types or amounts of taxes, or otherwise, the Government will refund promptly to an account designated by MCC the amount of such Tax in Dollars or the currency of Tanzania, within thirty (30) days (or such other period as may be agreed in writing by the Parties) after the Government is notified in writing of such levy and tax payment, in accordance with procedures agreed by the Parties, whether by MCC or otherwise; *provided, however*, that the Government will apply national funds to satisfy its obligations under this paragraph and no MCC Funding, accrued interest, or Program Assets may be applied by the Government in satisfaction of its obligations under this paragraph.

Section 1.3 Role of MCA-Tanzania.

(a) Designation of MCA-Tanzania.

(i) The Government hereby designates MCA-Tanzania to act as an agent of the Government to implement the Program and to perform the Designated Rights and Responsibilities. The Government will remain ultimately responsible for the performance of its obligations under or in relation to the Compact and this Agreement, and this designation will not relieve the Government of any of those obligations.

(ii) MCC hereby acknowledges and consents to that designation.

(iii) The Government will ensure that MCA-Tanzania is duly organized, sufficiently staffed and empowered, and will cause MCA-Tanzania to carry out fully and properly the Designated Rights and Responsibilities and its obligations under this Agreement and each other agreement, certificate, or instrument contemplated by this Agreement or by the Compact.

(iv) The “Accountable Entity” referenced in the Program Guidelines will be deemed to refer to MCA-Tanzania, and MCA-Tanzania accepts all obligations assigned in the Program Guidelines to the Accountable Entity as its obligations.

(b) MCA-Tanzania Undertakings. MCA-Tanzania hereby affirms to MCC as follows:

(i) Government Responsibilities. MCA-Tanzania will properly and fully carry out the Designated Rights and Responsibilities, and (except as provided in Section 1.4 and Section 2.10(a) of this Agreement) will not assign, delegate or otherwise transfer any of the Designated Rights and Responsibilities without the prior written consent of MCC.

(ii) Government Representations. MCA-Tanzania will confirm each representation that it makes on behalf of the Government in any certificate delivered by MCA-Tanzania with all necessary Permitted Designees prior to providing such representation to MCC.

(iii) Funded Agreements. MCA-Tanzania will provide the Fiscal Agent (and MCC if it so requests) a copy of each agreement that is funded (directly or indirectly) with MCC Funding, regardless of whether MCC has approval rights with respect to such agreement.

(iv) Insurance; Performance Guaranties. MCA-Tanzania will, to MCC's satisfaction, cause all Program Assets to be insured and will arrange such other appropriate insurance to cover against risks or liabilities associated with the operations of the Program, including by requiring Providers to obtain adequate insurance and to post adequate performance bonds or other guaranties. MCA-Tanzania (or, as appropriate and with MCC's prior approval, another entity) will be named as the payee on any such insurance and the beneficiary of any such guaranty or bonds. If not already named as the insured party, MCA-Tanzania and, if it so requests, MCC will be named as additional insureds on any such insurance. The Government will ensure that any proceeds from claims paid under such insurance or guaranty will be used to replace or repair any lost or damaged Program Assets; *provided, however*, that, at MCC's election, such proceeds will be deposited in a Permitted Account as designated by MCA-Tanzania or as otherwise directed by MCC.

(v) Governance of MCA-Tanzania. MCA-Tanzania will conduct its operations and management in accordance with the Governance Guidelines and the Governing Documents as approved by MCC, and in accordance with applicable laws and regulations of the United Republic of Tanzania.

Section 1.4 Implementing Entities. Subject to the terms of this Agreement and the Compact, MCA-Tanzania may engage one or more entities of the Government to implement any Project or any activities in connection therewith to be carried out in furtherance of the Compact (each, an "**Implementing Entity**"). MCA-Tanzania will enter into an agreement with each Implementing Entity, in form and substance satisfactory to MCC, that sets forth, *inter alia*, the roles and responsibilities of such Implementing Entity and the Officer to whom such Implementing Entity will report (each, an "**Implementing Entity Agreement**").

ARTICLE 2.

IMPLEMENTATION FRAMEWORK

Section 2.1 Implementation Plan. The framework for implementation of the Program will be further elaborated in a set of documents, in form and substance approved by MCC, consisting of (a) a Work Plan, (b) a Detailed Financial Plan, (c) an Audit Plan and (d) a Procurement Plan (each, an "**Implementation Plan Document**" and collectively the "**Implementation Plan**"). MCA-Tanzania will submit its proposed Implementation Plan for review and approval by MCC before initial disbursement of MCC Funding (other than Compact Implementation Funding) and

at least on an annual basis thereafter. MCC will review the proposed Implementation Plan and may, as necessary, request MCA-Tanzania to submit clarifications or adjustments. MCA-Tanzania will submit an updated Implementation Plan or updated Implementation Plan Document during any quarter in which significant changes or modifications are made to a Project or to the Program (or in the case of the Detailed Financial Plan, each quarter), or when MCA-Tanzania determines that the expected results, targets and benchmarks for the specified year are not likely to be achieved. In such instances, MCA-Tanzania will submit a proposed revised Implementation Plan or updated Implementation Plan Document (as applicable) for MCC approval on the same date as the next Periodic Report. MCA-Tanzania will ensure that the implementation of the Program is conducted in accordance with the Implementation Plan.

(a) Work Plan. MCA-Tanzania will develop, adopt and implement a work plan (as approved by MCC) for the overall administration of the Program (the “**Work Plan**”). The Work Plan will set forth: (i) a detailed task list for each activity to be undertaken or funded by MCC Funding (in a level of detail acceptable to MCC), (ii) monitoring and evaluation (“**M&E**”) indicators and targets, (iii) conditions precedent to Disbursements (in addition to any set forth herein), (iv) procurement process steps and (v) where appropriate, the allocation of roles and responsibilities for specific activities, performance requirements, targets, and other programmatic guidelines and related expectations. MCA-Tanzania will develop a separate annual Work Plan for (x) each Project identified in the Compact, and (y) monitoring and evaluation.

(b) Detailed Financial Plan. The Multi-Year Financial Plan Summary for the Program, which is set forth in Annex II to the Compact, shows the estimated annual contribution of MCC Funding to administer, monitor and evaluate the Program and to implement each Project (the “**Multi-Year Financial Plan**”). Except as MCC otherwise agrees in writing, MCA-Tanzania will develop, adopt and implement for each quarter for the upcoming year and on an annual basis for each year of the remaining years of the Compact, a detailed financial plan (as approved by MCC) setting forth funding requirements for the Program (including administrative costs) and for each Project, broken down to the sub-activity level (or lower, where appropriate), and projected both on a commitment and cash requirement basis (each a “**Detailed Financial Plan**”).

(c) Audit Plan. MCA-Tanzania will develop, adopt and implement a plan, in accordance with the Audit Guidelines, for the audit of the expenditures of Covered Providers (the “**Audit Plan**”). The Audit Plan will be in form and substance satisfactory to MCC and will be adopted by MCA-Tanzania no later than sixty (60) days before the end of the first period to be audited.

(d) Procurement Plan. MCA-Tanzania will prepare periodic procurement plans for acquiring goods, works and consultant and non-consultant services needed to implement the Compact (each a “**Procurement Plan**”). Each Procurement Plan will be prepared in accordance with the MCC Program Procurement Guidelines, will contain the information required by such guidelines and will be updated in accordance with the schedule set forth in such guidelines.

Section 2.2 Monitoring and Evaluation Plan. MCA-Tanzania will develop, adopt and implement a plan that will be the basis for monitoring and evaluating the Program (the “**M&E Plan**”). The M&E Plan will be developed in accordance with the MCC Monitoring and Evaluation Guidelines, will include all of the components and content outlined in such guidelines, and will serve as the primary governing document for M&E activities over the

Compact Term. The M&E Plan will be in form and substance satisfactory to MCC and will be adopted by MCA-Tanzania no later than ninety (90) days after Entry into Force.

Section 2.3 Fiscal Accountability Plan. Except as MCC otherwise agrees, MCA-Tanzania will prepare, adopt and implement a manual (as approved by MCC) setting forth the principles, mechanisms and procedures (the “*Fiscal Accountability Plan*”) that MCA-Tanzania will use to ensure appropriate fiscal accountability for the use of MCC Funding, including the process to ensure that open, fair and competitive procedures will be used in a transparent manner in the administration of grants or cooperative agreements and in the procurement of goods, works and services. The Fiscal Accountability Plan will also include, among other things, requirements with respect to: (a) budgeting, (b) accounting, (c) cash management, (d) financial transactions (receipts and payments), (e) opening and managing permitted accounts, (f) personnel and payroll, (g) travel and vehicle use, (h) asset and inventory control, (i) audits and (j) reporting.

Section 2.4 Environmental Accountability.

(a) Unless MCC and the Government agree otherwise in writing, the Government will ensure that activities undertaken, funded or otherwise supported in whole or in part (directly or indirectly) by MCC Funding comply with the MCC Environmental Guidelines and, to the extent there is no conflict with such Guidelines, the relevant applicable laws of the United Republic of Tanzania.

(b) MCA-Tanzania will (i) undertake and complete any environmental impact assessments, environmental assessments, environmental management plans, environmental and social audits and resettlement action plans required under the laws of Tanzania, the MCC Environmental Guidelines, this Agreement, the Compact or any Supplemental Agreement or as otherwise required by MCC, each in form and substance satisfactory to MCC, and (ii) implement to MCC’s satisfaction any environmental and social mitigation measures identified in such assessments or plans.

(c) MCA-Tanzania will ensure that (i) each contract related to construction under the Program include, as appropriate, requirements to develop and implement HIV/AIDS awareness programs and (ii) each such HIV/AIDS awareness program is timely implemented.

(d) The Government will fund all necessary costs of environmental mitigation (including costs of resettlement) not specifically provided for in the budget for any Project.

Section 2.5 MCC Program Procurement Guidelines. The Government will comply with the MCC Program Procurement Guidelines in the procurement (including solicitation) of goods, works and services and the award and administration of contracts in furtherance of the Compact. The Government will ensure that any bid challenges are conducted in accordance with the MCC Program Procurement Guidelines.

Section 2.6 Gender Policy. The Government will ensure that all stages of Compact implementation involve the meaningful participation of women and men and incorporate gender considerations as set forth in the gender policy delivered by MCC to the Government or posted on the MCC Website or otherwise publicly made available, as the policy may be amended from time to time (the “*MCC Gender Policy*”).

Section 2.7 Notice; Incorporation.

(a) The Government will notify all Providers of the requirements of Section 2.6 of the Compact and will include, or ensure the inclusion of, the requirements of Section 2.6 of the Compact in all agreements with a Provider if MCC is not a party to such agreements.

(b) The Government will include, or ensure the inclusion of, the requirements of:

(i) Sections 2.1(c) and 2.8(b) of this Agreement, Section 3.7 of the Compact and paragraphs (b), (c), and (d) of Section 3.8 of the Compact in all agreements financed with MCC Funding between the Government or any entity of the Government, on the one hand, and a Covered Provider that is not a non-profit organization domiciled in the United States, on the other hand;

(ii) Section 3.7 of the Compact and paragraphs (b) and (d) of Section 3.8 of the Compact in all agreements financed with MCC Funding between the Government or any entity of the Government, on the one hand, and a Provider that does not meet the definition of a Covered Provider; and

(iii) Section 3.7 of the Compact and paragraphs (b), (c), and (d) of Section 3.8 of the Compact in all agreements financed with MCC Funding between the Government or any entity of the Government, on the one hand, and a Covered Provider that is a non-profit organization domiciled in the United States.

Section 2.8 Reports; Notices.

(a) Unless otherwise instructed by MCC, MCA-Tanzania will periodically provide to MCC, in form and substance satisfactory to MCC, the reports and information required by the Reporting Guidelines (each, a “**Periodic Report**”). MCA-Tanzania will provide the Periodic Reports to MCC on the schedule specified in the Reporting Guidelines, and the Periodic Reports will be consistent with the Reporting Guidelines in all respects. As of the date hereof, the following Periodic Reports are required to be submitted under the Reporting Guidelines:

(i) On a quarterly basis, the following will be submitted by MCA-Tanzania to MCC:

(1) a narrative report setting forth the proposed use for the Disbursement in the upcoming quarter together with an explanation of the use of funds of the previous quarter and any adjustments to the Implementation Plan, substantially in the form of the “Narrative Report” posted on the MCC Website;

(2) a quarterly financial report setting forth a financial report of MCA-Tanzania’s financial activities during the preceding quarter and documentation supporting any proposed cash requirements for the upcoming quarter, substantially in the form of the “Form of Quarterly Financial Report” posted on the MCC Website (the “**Quarterly Financial Report**”);

(3) a Detailed Financial Plan as described in Section 2.1(b) above;

(4) a procurement performance report, setting forth a cumulative summary of executed procurement actions compared to the Procurement Plan approved by MCC

for the preceding quarter, substantially in the form of the “Procurement Performance Report” posted on the MCC Website;

(5) a conditions precedent report, describing progress toward meeting conditions precedent to Disbursements of MCC Funding in the upcoming quarter, substantially in the form of the “Conditions Precedent Report” posted on the MCC Website; and

(6) an indicator tracking table, setting forth the performance indicators contained in the M&E Plan and tracking MCA-Tanzania’s progress against said indicators, substantially in the form of the “Indicator Tracking Table” posted on the MCC Website.

(ii) On October 30 of each year of the Compact Term (or within thirty (30) days of any written request by MCC), an annual supplemental report containing the following information will be submitted by MCA-Tanzania to MCC:

(1) the progress made by the Government toward achieving the Compact Goal and Objectives;

(2) additional information on accomplishments not presented in the Periodic Reports;

(3) developments in Compact implementation related to the consultative process, donor coordination, and lessons learned;

(4) any report or document required to be delivered to MCC in connection with the Program under the MCC Environmental Guidelines, any Audit Plan, or any Implementation Plan Document; and

(5) any other report, document or information requested by MCC in connection with the Program or required by this Agreement, the Compact or any Supplemental Agreement between the Parties.

(b) MCA-Tanzania will furnish, or use its best efforts to furnish, to MCC an audit report in a form satisfactory to MCC for each audit required under the Compact, other than audits arranged for by MCC, no later than ninety (90) days after the end of the period under audit, or such other time as may be agreed by MCC from time to time.

(c) MCA-Tanzania will furnish to MCC an updated M&E Plan in a form and substance satisfactory to MCC on an annual basis.

(d) If at any time during the Compact Term, the Government materially reallocates or reduces the allocation in its national budget or any other governmental authority of Tanzania at a departmental, municipal, regional or other jurisdictional level materially reallocates or reduces the allocation in its respective budget of the normal and expected resources that the Government or such other governmental authority, as applicable, would have otherwise received or budgeted, from external or domestic sources, for the activities contemplated herein, the Government must notify MCC in writing within fifteen (15) days of such reallocation or reduction, such notification to contain information regarding the amount of the reallocation or reduction, the affected activities, and an explanation for the reallocation or reduction.

(e) In addition to the Periodic Reports, MCA-Tanzania will provide to MCC within thirty (30) days of a written request by MCC, or as otherwise agreed by MCC and MCA-Tanzania in writing, such other reports or documents as MCC may request from time to time as related to any component of the Implementation Plan, the Fiscal Accountability Plan or the Program Guidelines or in connection with any Disbursement.

(f) MCA-Tanzania will submit the Periodic Reports, and any other reports required hereunder, electronically through MCC's Business Intelligence Data Store ("**BIDS**"), a web-based reporting mechanism. If BIDS is unavailable or if MCC so directs in its Reporting Guidelines, MCA-Tanzania will submit the Periodic Reports to MCC in another electronic or paper reporting format as furnished by MCC.

Section 2.9 Transactions Subject to MCC Approval. Each of the following transactions, activities, agreements and documents requires MCC's prior written approval:

- (a) Disbursements;
- (b) the Implementation Plan and the M&E Plan (including each element or component thereof), and any modification of any of the foregoing;
- (c) agreements between the Government and MCA-Tanzania, and agreements in which any of the following are appointed, hired or otherwise engaged (each, a "**Material Agreement**"):
 - (i) Auditor or Reviewer;
 - (ii) Fiscal Agent;
 - (iii) Procurement Agent;
 - (iv) Bank;
 - (v) Implementing Entity; and
 - (vi) a member of the Governing Board (including any Observer), any Officer or any other key employee of MCA-Tanzania (including agreements regarding compensation for any such person);
- (d) any modification, termination or suspension of a Material Agreement, or any action that would have equivalent effect;
- (e) any agreement that is not at arm's length;
- (f) any decree, legislation, regulation, charter, contractual arrangement or other document establishing or governing (other than public laws of general application to all public institutions), or relating to the formation, organization or governance of, MCA-Tanzania (including the Bylaws and Staff Regulations), and all amendments thereof (each, a "**Governing Document**");
- (g) any pledge of any MCC Funding or any Program Assets, or any guarantee, directly or indirectly, of any indebtedness;

(h) any disposition, in whole or in part, liquidation, dissolution, winding up, reorganization or other change of MCA-Tanzania, including any revocation or modification of or supplement to any Governing Document related thereto;

(i) any change in character or location of any Permitted Account;

(j) (i) any change of any member of the Governing Board (including any Observer), of the member serving as the chairman or in the composition or size of the Governing Board, and the filling of any vacant seat of any member of the Governing Board (including any Observer), (ii) any change of any Officer or other key employee of MCA-Tanzania or in the composition or size of its management, and the filling of any vacant position of any Officer or other key employee of MCA-Tanzania, and (iii) any material change in the composition or size of any Advisory Council;

(k) any decision by MCA-Tanzania to engage, to accept or to manage any funds from any donor agencies or organizations in addition to MCC Funding during the Compact Term; and

(l) any decision to amend, supplement, replace, terminate or otherwise change any of the foregoing.

Section 2.10 Role of Certain Entities in Implementation.

(a) Outside Project Manager. MCA-Tanzania will have the authority to engage qualified persons or entities to serve as outside project managers (each, an “***Outside Project Manager***”) in the event that it is advisable to do so for the proper and efficient day-to-day management of a Project; *provided, however*, that the appointment or engagement of any Outside Project Manager will be made using a competitive selection process and will be subject to approval by the Governing Board and by MCC prior to such appointment or engagement. Upon such approval, MCA-Tanzania may delegate, assign, or contract to the Outside Project Managers such duties and responsibilities as it deems appropriate with respect to the management of the Implementing Entities and the implementation of the specific Projects; and *provided, further*, that MCA-Tanzania will remain accountable for those duties and responsibilities and all reports delivered by the Outside Project Manager notwithstanding any such delegation, assignment or contract and the Outside Project Manager will be subject to the oversight of the Fiscal Agent and Procurement Agent. The Governing Board may determine that it is advisable to engage one or more Outside Project Managers and instruct MCA-Tanzania and, where appropriate, the Procurement Agent to commence and conduct the competitive selection process for such Outside Project Manager.

(b) Fiscal Agent. MCA-Tanzania will engage the Fiscal Agent in accordance with the Compact, who will be responsible for, among other things, (i) ensuring and certifying that Disbursements are properly authorized and documented in accordance with established control procedures set forth in the Fiscal Agent Agreement and the Bank Agreement, (ii) instructing the Bank to make Disbursements from a Permitted Account or requesting Disbursements be made directly to a provider as payment for goods, works or services in accordance with the Common Payment System or any alternate payment system approved by MCC, as the case may be, and in each case following applicable certification by the Fiscal Agent, (iii) providing applicable certifications for Disbursement Requests, (iv) maintaining proper accounting of all MCC Funding financial transactions, and (v) producing reports on Disbursements in accordance with established procedures set forth in the Fiscal Agent Agreement or the Bank Agreement. MCA-

Tanzania will enter into a Fiscal Agent Agreement with the Fiscal Agent, in form and substance acceptable to MCC, that sets forth the roles and responsibilities of the Fiscal Agent and other appropriate terms and conditions.

(c) Auditors and Reviewers. MCA-Tanzania will engage one or more auditors as contemplated in the Audit Guidelines (each, an “**Auditor**”). As requested by MCC in writing from time to time, MCA-Tanzania will also engage an independent (i) reviewer to conduct reviews of performance and compliance under the Compact, which reviewer will have the capacity to (1) conduct general reviews of performance or compliance, (2) conduct environmental and social audits, and (3) conduct data quality assessments in accordance with the M&E Plan, as described more fully in Annex III to the Compact, and/or (ii) evaluator to assess performance as required under the M&E Plan (each, a “**Reviewer**”). MCA-Tanzania will select the Auditor(s) and/or Reviewers in accordance with the Audit Guidelines and the M&E Plan, as applicable. MCA-Tanzania will enter into an agreement with each Auditor or Reviewer, in form and substance acceptable to MCC, that sets forth the roles and responsibilities of the Auditor or Reviewer with respect to the audit, review or evaluation, including access rights, required form and content of the applicable audit, review or evaluation and other appropriate terms and conditions (the “**Auditor / Reviewer Agreement**”).

(d) Procurement Agent. MCA-Tanzania will engage a procurement agent (the “**Procurement Agent**”) to carry out and/or certify specified procurement activities in furtherance of the Compact and this Agreement. The roles and responsibilities of the Procurement Agent and the criteria for selection of the Procurement Agent will be as set forth in the MCC Program Procurement Guidelines. MCA-Tanzania will enter into an agreement with the Procurement Agent, in form and substance acceptable to MCC, that sets forth the roles and responsibilities of the Procurement Agent with respect to the conduct, monitoring and review of procurements and other appropriate terms and conditions (the “**Procurement Agent Agreement**”).

Section 2.11 Publicity.

(a) MCA-Tanzania will give appropriate publicity to the Compact as a program to which the United States, through MCC, has contributed, including by posting the Compact, this Agreement, each Disbursement Request and such other materials as MCC may request, in English, on the website operated by MCA-Tanzania (the “**MCA-Tanzania Website**”), identifying Program activity sites, and marking Program Assets, all in accordance with the MCC’s Standards for Global Marketing of which MCC has informed the Government in writing or posted on the MCC Website or otherwise publicly made available, as such standards may be amended from time to time; *provided, however*, that any press release or announcement regarding MCC or the fact that MCC is funding the Program or any other publicity materials referencing MCC will be subject to MCC’s prior approval and must be consistent with any instructions provided by MCC in relevant Implementation Letters.

(b) Upon the termination or expiration of the Compact, the Government must, upon MCC’s request, cause the removal of any such markings and any references to MCC in any publicity materials or on the MCA-Tanzania Website. MCC may post the Compact, and any amendments thereto, on the MCC Website. MCC may freely use any information it receives in any report or document provided to it in any way that MCC sees fit, provided that such use of information does not materially adversely affect the Government’s interests, agent or any delegate.

ARTICLE 3.

DISBURSEMENT OF MCC FUNDING

Section 3.1 Disbursement Process.

(a) Disbursement Requests. MCA-Tanzania may request Disbursements to be made under the Compact by submitting a written request substantially in the form of the “Form of Disbursement Request” posted on the MCC Website (each a “*Disbursement Request*”), duly completed, to MCC not later than twenty (20) days (or such other period of time as may be agreed by MCC) prior to the commencement of each Disbursement Period. Unless otherwise agreed by MCC, MCA-Tanzania may only submit one Disbursement Request for each quarter (such quarter, or any other period of time as agreed by MCC, the “*Disbursement Period*”). Each Disbursement Request submitted must be accompanied by the Periodic Reports covering such Disbursement Period.

(b) Approval of Disbursement Requests; Release of Proceeds.

(i) Upon receipt of a Disbursement Request, MCC will determine the appropriate amount of the Disbursement for application during the subsequent related Disbursement Period based on, among other things, (1) the progress achieved under the Implementation Plan, (2) the amount of funds required to complete the activities described in the accompanying Periodic Reports during such Disbursement Period and (3) the satisfaction, waiver or deferral of applicable conditions to such Disbursement. MCC reserves the right to reduce the amount of any Disbursement in accordance with Section 3.5 of this Agreement.

(ii) Upon approval by MCC of a Disbursement Request, the proceeds of the approved Disbursement may be transferred, at MCC’s sole election, (1) to a Permitted Account or (2) directly to a provider as payment for goods, works or services in accordance with the Common Payment System or any alternate payment system approved by MCC; *provided, however,* that expenditures of such proceeds (including amounts transferred directly to a provider) are authorized by MCA-Tanzania and certified by the Fiscal Agent that the payment complies with standards and procedures set forth in the Fiscal Agent Agreement and the Fiscal Accountability Plan.

(c) Permitted Accounts.

(i) Prior to the initial Disbursement, MCA-Tanzania will establish the following accounts (together with such other accounts as may be agreed by the Parties in writing from time to time, the “*Permitted Accounts*”): (1) a single, completely separate U.S. Dollar account at a bank acceptable to MCC (the “*Special Account*”); and (2) if necessary as determined by MCC, an account in the local currency of Tanzania (the “*Local Account*”) at a bank acceptable to MCC; *provided,* MCC Funding held in a Permitted Account may accrue interest or other earnings as may be agreed by the Parties in writing.

(ii) Unless otherwise authorized by MCC, no other funds will be commingled in a Permitted Account other than MCC Funding. MCC will have the right, among other things, to view any Permitted Account statements and activity directly on-line, and where such viewing is not feasible, the Government will provide copies of such statements to MCC upon its request. Prior to any MCC Funding being deposited into a Permitted Account, MCA-Tanzania will enter

into an agreement, in form and substance satisfactory to MCC, with the bank approved to hold such Permitted Account (the “**Bank**”) that sets forth the signatory authority, access rights, anti-money laundering and anti-terrorist financing provisions, and other terms related to such Permitted Account (the “**Bank Agreement**”).

(iii) MCA-Tanzania will provide in writing to MCC and the Fiscal Agent the account name, designated account number and wire transfer instructions for transfers to Permitted Accounts (the “**Account and Wire Transfer Information**”) no later than ten (10) business days prior to the initial Disbursement. In the event that any Permitted Account or the related Account and Wire Transfer Information changes during the term of the Compact, MCA-Tanzania will provide to MCC and the Fiscal Agent the new information as soon as practicable, but in no event later than ten (10) business days prior to the requested date for the next Disbursement.

(iv) Unless otherwise instructed by MCC, MCA-Tanzania will ensure that all MCC Funding that is held in any Special Account is denominated in the currency of the United States of America prior to its expenditure or transfer to a Local Account. To the extent that any amount of MCC Funding held in U.S. Dollars in the Special Account must be converted into the currency of Tanzania for any purpose, MCA-Tanzania will ensure that such amount is converted consistent with the requirements of the Bank Agreement or any other applicable Supplemental Agreement.

Section 3.2 Working Capital. Each Disbursement Request will authorize five hundred thousand U.S. dollars (US\$500,000) of Compact funds to serve as a contingent funding reserve (“**Working Capital**”) to be used exclusively for expenses included in the then current MCC-approved Detailed Financial Plan as set out, or as otherwise agreed to, in the Fiscal Accountability Plan.

Section 3.3 Conditions Precedent to the Initial Disbursement. The following conditions in this Section 3.3 and the conditions set forth in Section 3.4 must have been met to MCC’s satisfaction prior to the initial Disbursement:

(a) Entry into Force. The Compact has entered into force as provided in Article 7 of the Compact;

(b) Evidence of Tax Exemption. Evidence confirming that MCA-Tanzania, all MCC Funding, and all assets and interests related to the Program will be exempt from Taxes in Tanzania for the term of the Compact, has been delivered by the Government to MCC, together with any and all instruments necessary or appropriate to give effect to such exemption;

(c) Permitted Accounts. The Permitted Accounts have been duly established at the Bank in accordance with the Bank Agreement, the Fiscal Agent Agreement and the Fiscal Accountability Plan; and

(d) Legal Opinion. An opinion of counsel to MCA-Tanzania addressed to MCC and satisfactory to MCC has been delivered to MCC.

(e) Bid Challenge System. A bid challenge system that provides suppliers and contractors (including consultants) the ability to seek review of procurement actions and decisions, satisfactory to MCC, has been established by MCA-Tanzania.

Section 3.4 Conditions Precedent to Each Disbursement. The following conditions must have been met to MCC's satisfaction prior to each Disbursement:

(a) Deliveries. MCA-Tanzania must deliver to MCC the following documents, in form and substance satisfactory to MCC:

(i) a completed Disbursement Request, together with the Periodic Reports covering the related Disbursement Period;

(ii) any proposed waiver or deferral (together with a justification) of any condition to such Disbursement;

(iii) the reports then due from any technical (including environmental) auditors engaged by MCA-Tanzania for any Project activity;

(iv) a certificate of MCA-Tanzania, dated as of the date of such Disbursement Request, in form and substance satisfactory to MCC (the "*MCA Disbursement Certificate*");

(v) a certificate of the Fiscal Agent, in form and substance satisfactory to MCC (the "*Fiscal Agent Disbursement Certificate*"); and

(vi) a certificate of each Procurement Agent, in form and substance satisfactory to MCC (the "*Procurement Agent Disbursement Certificate*").

(b) Other Conditions Precedent. MCA-Tanzania must satisfy, as MCC determines in its sole discretion, each of the following conditions:

(i) all applicable conditions precedent set forth in Schedule 2 have been duly satisfied, deferred or waived as provided in this Agreement;

(ii) no material default or breach of any covenant, obligation or responsibility by the Government, MCA-Tanzania or any Government entity has occurred and is continuing under this Agreement, the Compact or any Supplemental Agreement;

(iii) activities to be funded with MCC Funding being requested by such Disbursement Request will not violate any applicable law or regulation;

(iv) the Implementation Plan Documents submitted to MCC are current and updated and are in form and substance satisfactory to MCC, and there has been satisfactory progress on the components of the Implementation Plan for any relevant Projects or Project activities related to such Disbursement;

(v) there has been satisfactory progress on the M&E Plan for the Program, relevant Project or Project activity and compliance with the requirements of the M&E Plan (including achievement of targets as specified therein);

(vi) there has been no material negative finding in any financial audit report delivered in accordance with the Compact and Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require);

(vii) any Taxes paid with MCC Funding through the date 90 days prior to the start of the applicable Disbursement Period have been reimbursed by the Government in full in accordance with Section 1.2(b)(ix) of this Agreement;

(viii) the Government has satisfied all of its payment obligations, including any insurance, indemnification, tax payments or other obligations, and contributed all resources required from it, under the Compact, this Agreement and any Supplemental Agreement;

(ix) MCC does not have grounds for concluding that any matter certified to it in the related MCA Disbursement Certificate, the Fiscal Agent Disbursement Certificate or the Procurement Agent Certificate is not as certified;

(x) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, MCC Funding in accordance with Section 5.1 of the Compact; and

(xi) Each of the Key Officers remains engaged, and approved by MCC, or if a position is vacant MCA-Tanzania is actively recruiting for such position to the satisfaction of MCC.

(xii) All permits, licenses, consents, approvals, registrations, consultations or filings with, or any other authorizations or other actions by, any governmental authority that are necessary or appropriate in connection with the performance by MCA-Tanzania of its obligations under the Compact, any Supplemental Agreement or any Implementation Plan during the Disbursement Period covered by the relevant Disbursement Request are on file in the offices of MCA-Tanzania, and have been validly issued, non-appealable and in full force and effect.

Section 3.5 Failure to Satisfy Conditions Precedent to Disbursement. MCC may, in its sole discretion, disapprove any Disbursement completely or reduce the amount of any Disbursement by an amount equal to the amount requested for any Project activity for which the relevant condition precedents have not been satisfied, waived or deferred.

Section 3.6 Authorized Expenditures. Except as MCC otherwise agrees, a Disbursement, or financial commitment involving MCC Funding may be made, and a Disbursement Request may be submitted, only if the related expense is provided for in the Detailed Financial Plan and sufficient uncommitted funds exist in the Detailed Financial Plan for the relevant period.

Section 3.7 Compact Implementation Funding. The Parties acknowledge and agree that the provisions of this Article 3 do not apply to disbursements of Compact Implementation Funding described in Section 2.2 of the Compact, and that such disbursements will be governed by the CIF Letter Agreement or any other agreement or document as may be entered into between the Government and MCC for the purposes of setting out the terms and conditions to govern Compact Implementation Funding.

ARTICLE 4.
EFFECTIVENESS

Section 4.1 Effectiveness of this Agreement. This Agreement will become effective upon the execution of this Agreement by all the Parties.

ARTICLE 5.
GENERAL PROVISIONS

Section 5.1 Representatives.

(a) For all purposes relevant to this Agreement, the Government will be represented by the individual holding the position of, or acting as, the Permanent Secretary to the Treasury (the “**Government Principal Representative**”), MCC will be represented by the individual holding the position of, or acting as, its Vice President of Compact Implementation (the “**MCC Principal Representative**”), and MCA-Tanzania will be represented by the individual holding the position of, or acting as, its Chief Executive Officer (the “**MCA-Tanzania Principal Representative**”). Each of the Government Principal Representative, the MCC Principal Representative and the MCA-Tanzania Principal Representative (each, as defined in the Compact, a Principal Representative) may, by written notice, designate one or more additional representatives (each, an “**Additional Representative**”) for all purposes other than signing amendments to this Agreement.

(b) The names of each Party’s Principal Representative and its respective Additional Representatives will be provided, with specimen signatures, to each other Party, and each Party may accept as duly authorized any instrument signed by such Principal Representative or Additional Representative relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority.

(c) A Party may replace its Principal Representative with a new representative that holds a position of equal or higher rank upon written notice to the other Parties, which notice will include the specimen signature of the new Principal Representative.

Section 5.2 Communications. Any document or communication required or submitted by any Party to another under this Agreement must be in writing and, except as otherwise agreed with MCC, in English. For this purpose, the address of each Party is set forth below.

To the Government:

The Government of the United Republic of Tanzania
Attention: The Permanent Secretary to the Treasury
Address: Ministry of Finance and Economic Affairs
Madaraka Avenue
P.O. Box 9111
Dar es Salaam, Tanzania
Tel: 255 22 2111174
Fax: 255 22 2110326
E-mail:ps@mof.go.tz

To MCA-Tanzania:

Millennium Challenge Account – Tanzania
Attention: Chief Executive Officer
Address: Kivukoni Front/Ohio Street
P.O. Box 8327
Dar Es Salaam, Tanzania
Tel: 255 22 2124634
Fax: 255 22 2124644
E-mail:benmchomvu@yahoo.com

To MCC:

Millennium Challenge Corporation
Attention: Vice President for Compact Implementation
875 Fifteenth Street, N.W.
Washington, D.C. 20005
United States of America
Tel: +1 (202) 521-3600
Fax: +1 (202) 521-3702
E-mail:VPImplementation@mcc.gov;

With a copy to:

Millennium Challenge Corporation
Attention: Vice President and General Counsel
875 Fifteenth Street, N.W.
Washington, D.C. 20005
United States of America
Tel: +1 (202) 521-3600
Fax: +1 (202) 521-3701
E-mail: VPGeneralCounsel@mcc.gov

Section 5.3 Assignments.

(a) Assignment by MCC. MCC may assign, delegate or contract its rights and obligations, in whole or in part, under this Agreement to any affiliate, agent, or representative of

MCC without the prior consent of the other Parties. MCC will provide written notice to the other Parties upon the effectiveness of any such assignment, delegation or contract.

(b) Assignment by the Government or MCA-Tanzania. Neither the Government nor MCA-Tanzania may assign, delegate or contract its rights or obligations under this Agreement without MCC's prior written consent.

Section 5.4 Amendment; Waivers. The Parties may amend this Agreement only by a written agreement signed by the Principal Representative of each Party. Any waiver of a right or obligation arising under this Agreement will be effective only if provided in writing.

Section 5.5 Attachments. Each exhibit, schedule and annex attached to this Agreement constitutes an integral part of this Agreement.

Section 5.6 Inconsistencies. In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact will prevail. In the event of any conflict or inconsistency between this Agreement and any Supplemental Agreement or any Implementation Plan Document the terms of this Agreement will prevail.

Section 5.7 Business Days. Any reference to "business days" will mean any day other than a Saturday, Sunday, commercial banking holiday in Dar es Salaam, Tanzania, or Washington, D.C., United States, or a federal holiday in Tanzania or the United States; and any reference to "day" will mean a calendar day. Whenever under the terms hereof the time for giving a notice or performing an act falls on a day that is not a business day, such time will be extended to the next day that is a business day.

Section 5.8 Termination or Suspension of the Compact.

(a) Subject to Section 5.1(c) of the Compact, all Disbursements and expenditures of Disbursement proceeds will cease upon expiration, suspension, or termination of the Compact. Other than payments permitted pursuant to Section 5.1(c) of the Compact, in the event of the suspension or termination of the Compact or any Supplemental Agreement, in whole or in part, the Government will, except as MCC otherwise consents, ensure the suspension or, as applicable, termination of any obligation or sub-obligation of any Party to provide financial or other resources under the Program. In the event of such suspension or termination, the Government will use its best efforts to ensure the suspension or, as applicable, termination of all related commitments of MCC Funding. Any portion of the Compact or any Supplemental Agreement that is not suspended or terminated will remain in full force and effect.

(b) Upon the full or partial suspension or termination of the Compact or any MCC Funding, MCC may, at its expense, direct that title to any Program Assets it may specify be transferred to MCC if such Program Assets are in a deliverable state; *provided, however*, that, for any Program Asset not in a deliverable state and any Program Asset partially purchased or funded with MCC Funding, the Government will reimburse MCC in United States Dollars the cash equivalent of such portion of the value of such Program Asset, such value as determined by MCC.

(c) Prior to expiration, or upon termination, of the Compact, the Parties will consult in good faith with a view to reaching an agreement in writing on (i) the post-Compact Term treatment of MCA-Tanzania, (ii) the process for ensuring the refunds of Disbursements that have

not yet been released from a Permitted Account or committed in accordance with Section 5.1(c) of the Compact, and (iii) any other matter related to the winding up of the Program and the Compact.

Section 5.9 Termination of this Agreement.

(a) MCC, the Government or MCA-Tanzania acting on behalf of the Government, may terminate this Agreement in its entirety by giving the other Parties thirty (30) days' written notice.

(b) Unless terminated earlier in accordance with the terms hereof or the Compact, this Agreement will terminate on the date that is 120 days following the expiration or termination of the Compact; *provided, however*, that, if MCC determines that Disbursements related to obligations incurred prior to the expiration or termination of the Compact remain to be paid, then the term of this Agreement may be further extended by MCC's notice to the Government and MCA-Tanzania until such date as such obligations are satisfied.

(c) MCC may immediately terminate this Agreement, in whole or in part, by written notice to MCA-Tanzania and the Government, if MCC determines that any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.1 of the Compact has occurred, including those circumstances enumerated at the MCC Website.

Section 5.10 MCC Status. MCC is a United States Government corporation acting on behalf of the United States Government in the implementation of this Agreement. As such, MCC has no liability under this Agreement, is immune from any action or proceeding arising under or relating to this Agreement and the Government and MCA-Tanzania hereby waive and release all claims related to any such liability. In matters arising under or relating to this Agreement, MCC will not be subject to the jurisdiction of the courts or any other body of Tanzania.

Section 5.11 Rights of MCC. In any agreement entered into by MCA-Tanzania with a third party relating to the Compact or the Program that provide or reserve rights in favor of MCC, MCA-Tanzania will include the following language:

“*[Insert name of contract counter-party]* acknowledges and agrees to all of the rights provided to or reserved for MCC throughout this Agreement. Further, in the event any of MCC's rights under this Agreement are not enforceable by MCC in any jurisdiction or are otherwise invalid for any reason, *[insert name of contract counter-party]* agrees to the fullest extent permitted by law that such rights are hereby granted to MCA-Tanzania and hereby each further agrees and consents to the fullest extent permitted by law to the assignment of those rights by MCA-Tanzania to MCC.”

Section 5.12 Survival. Notwithstanding any expiration, suspension or termination of this Agreement, the following provisions of this Agreement will survive: Sections 1.2(b)(v), 1.2(b)(viii) and 1.2(b)(ix), 1.3(a)(i), 1.3(b)(iii), 1.3(b)(iv) (for one year), 2.8, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.8, 5.9, 5.10, 5.14 and 5.15.

Section 5.13 Information. MCC may use any information provided to it in any Disbursement Request, report or document for the purpose of satisfying MCC's own reporting requirements or in any other manner.

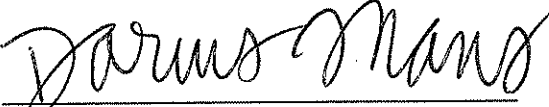
Section 5.14 English Language. This Agreement is prepared and executed in English, and, in the event of any ambiguity or conflict between this official English version and any translation made for the convenience of the Parties, this official English version will prevail.

Section 5.15 Governing Law. The Parties acknowledge and agree that this Agreement is an international agreement entered into for the purpose of implementing the Compact and as such will be interpreted in a manner consistent with the Compact and will be governed by the principles of international law.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, each of the Parties has caused this Program Implementation Agreement to be executed by a duly authorized representative as of the 5th day of September, 2008.

MILLENNIUM CHALLENGE CORPORATION

By: 
Name: Darius Mans
Title: Vice President for Compact Implementation

THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA
Represented by the **MINISTRY OF FINANCE AND ECONOMIC AFFAIRS**

By: _____
Name: Gray S. Mgonja
Title: Permanent Secretary to the Treasury

THE MILLENNIUM CHALLENGE ACCOUNT-TANZANIA

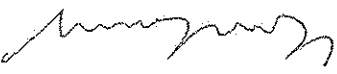
By: _____
Name: Bernard S. Mchomvu
Title: Chief Executive Officer

IN WITNESS WHEREOF, each of the Parties has caused this Program Implementation Agreement to be executed by a duly authorized representative as of the 5th day of September, 2008.

MILLENNIUM CHALLENGE CORPORATION

By: _____
Name: Darius Mans
Title: Vice President for Compact Implementation

THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA
Represented by the **MINISTRY OF FINANCE AND ECONOMIC AFFAIRS**

By: 
Name: Gray S. Mgonja
Title: Permanent Secretary to the Treasury

THE MILLENNIUM CHALLENGE ACCOUNT-TANZANIA

By: 
Name: Bernard S. Mchomvu
Title: Chief Executive Officer

SCHEDULE 1

DEFINITIONS

Account and Wire Transfer Information has the meaning provided in Section 3.1(c)(iii).

Additional Representative has the meaning provided in Section 5.1(a).

Advisory Council has the meaning provided in the Governance Guidelines.

Agreement has the meaning provided in the Preamble.

Audit Plan has the meaning provided in Section 2.1(c).

Auditor has the meaning provided in Section 2.10 (c).

Auditor / Reviewer Agreement has the meaning provided in Section 2.10(c).

Bank has the meaning provided in Section 3.1(c)(ii).

Bank Agreement has the meaning provided in Section 3.1(c)(ii).

BIDS has the meaning provided in Section 2.8(f).

Bylaws means the bylaws of MCA-Tanzania as approved by the Governing Board on December 5, 2007.

CIF Letter Agreement means the letter agreement between MCC and the Government effective as of March 25, 2008, that sets forth the requirements for, and limitations on the use of, the Compact Implementation Funding provided by the Compact, as such may be amended from time to time.

Common Payment System means the system pursuant to which payments of MCC Funding are made directly to vendors as further described in the Fiscal Accountability Plan.

Compact has the meaning provided in the Recitals.

Compact Term means the term of the Compact as provided in Section 7.4 of the Compact.

Designated Rights and Responsibilities means the Government's right and responsibility to oversee, manage and implement the Program, including without limitation, managing the implementation of Projects and their activities, allocating resources and managing procurements.

Detailed Financial Plan has the meaning provided in Section 2.1(b).

Disbursement Period has the meaning provided in Section 3.1(a).

Disbursement Request has the meaning provided in Section 3.1(a).

Entry into Force means the entry into force of the Compact as provided in Article 7 of the Compact.

Fiscal Accountability Plan has the meaning provided in Section 2.3.

Fiscal Agent has the meaning provided in Annex I of the Compact, Section E.3 (b).

Fiscal Agent Agreement has the meaning provided in Annex I of the Compact, Section E.3 (b).

Fiscal Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(v).

Governance Guidelines means the Guidelines for Accountable Entities and Implementation Structures provided on the MCC Website.

Governing Board means the board of directors of MCA-Tanzania.

Governing Document has the meaning provided in Section 2.9(f).

Government means the Government of the United Republic of Tanzania, including each of its ministries, bureaus, departments, agencies, government corporations and any other entities chartered or established by the Government, including MCA-Tanzania.

Government Principal Representative has the meaning provided in Section 5.1(a).

Government Responsibilities means all of the Government's obligations (including those of MCA-Tanzania) under this Agreement, the Compact, any Supplemental Agreement and the Implementation Plan, and any post-Compact Term activities, audits or other responsibilities.

Implementation Plan has the meaning provided in Section 2.1.

Implementation Plan Document has the meaning provided in Section 2.1.

Implementing Entity has the meaning provided in Section 1.4.

Implementing Entity Agreement has the meaning provided in Section 1.4.

Key Officers means the officers identified in Section E.2(a)(ii) of Annex I of the Compact.

Lien has the meaning provided in Section 1.2(b)(v).

Local Account has the meaning provided in Section 3.1(c)(i).

M&E has the meaning provided in Section 2.1(a).

M&E Plan has the meaning provided in Section 2.2.

Material Agreement has the meaning provided in Section 2.9(c).

MCA Disbursement Certificate has the meaning provided in Section 3.4(a)(iv).

MCA-Tanzania has the meaning provided in the Preamble.

MCA-Tanzania Principal Representative has the meaning provided in Section 5.1(a).

MCA-Tanzania Website has the meaning provided in Section 2.11(a).

MCC has the meaning provided in the Preamble.

MCC Gender Policy has the meaning provided in Section 2.6.

MCC Monitoring and Evaluation Guidelines means the monitoring and evaluation guidelines posted on the MCC Website or otherwise publicly made available, as the guidelines may be amended from time to time.

MCC Indemnified Party has the meaning provided in Section 1.2(b)(viii).

MCC Principal Representatives has the meaning provided in Section 5.1(a).

MCC Website means the MCC website at www.mcc.gov.

Multi-Year Financial Plan has the meaning provided in Section 2.1(b).

Observer has the meaning provided in the Governance Guidelines.

Officer has the meaning provided in the Governance Guidelines.

Outside Project Manager has the meaning provided in Section 2.10(a).

Party or **Parties** has the meanings provided in the Preamble.

Periodic Report has the meaning provided in Section 2.8(a).

Permitted Account has the meaning provided in Section 3.1(c)(i).

Permitted Designee has the meaning provided in Section 1.2(a).

Procurement Agent has the meaning provided in Section 2.10(d).

Procurement Agent Agreement has the meaning provided in Section 2.10(d).

Procurement Agent Disbursement Certificate has the meaning provided in Section 3.4(a)(vi).

Procurement Plan has the meaning provided in Section 2.1(d).

Program Assets include MCC Funding, interest accrued thereon, and any assets, goods, or property (real, tangible, or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

Program Guidelines means collectively the Audit Guidelines, the MCC Environmental Guidelines, the Governance Guidelines, the MCC Program Procurement Guidelines, the Reporting Guidelines and the MCC Monitoring and Evaluation Guidelines.

Quarterly Financial Report has the meaning provided in Section 2.8(a)(i)(2).

Reporting Guidelines means the Guidance on Quarterly MCA Disbursement Request and Reporting Package posted on the MCC Website or otherwise publicly made available, as the guidelines may be amended from time to time.

Reviewer has the meaning provided in Section 2.10(c).

Special Account has the meaning provided in Section 3.1(c)(i).

Staff Regulations means the Staff Regulations of MCA-Tanzania approved by the Governing Board on December 5, 2007.

Supplemental Agreement means any agreement executed in connection with the Compact.

Tanzania has the meaning provided in the Recitals.

Work Plan has the meaning provided in Section 2.1(a).

Working Capital has the meaning provided in Section 3.2.

SCHEDULE 2
PROJECT-RELATED CONDITIONS PRECEDENT

A. TRANSPORT SECTOR PROJECT

1. Project Level Condition.

(a) Prior to initial Disbursement for construction for any Project Activity under the *Transport Sector Project*, any required feasibility and design study, EIA, environmental assessment, and RAP, shall be completed to MCC satisfaction, and the implementation of any required RAP (including full payment of resettlement compensation in compliance with the World Bank Policy on Involuntary Resettlement (OP 4.12)) shall be completed.

2. Project Activity Level Conditions.

(a) MCA-Tanzania shall execute all necessary construction and construction supervision contracts for the applicable trunk road on or before the first anniversary of the entry into force of the Compact in order to receive any Disbursement for construction of such trunk road under the *Mainland Trunk Roads Activity*.

(b) Prior to initial Disbursement for the *Mainland Trunk Roads Activity*, 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.

(c) Prior to initial Disbursement for construction for the *Mainland Trunk 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 reforms to increase the autonomy of TANROADS.

(d) Prior to each Disbursement for the *Mainland Trunk Roads Activity*, an Implementing Entity Agreement, approved by MCC, between MCA-Tanzania and TANROADS shall have been entered into, and remain in full force and effect.

(e) Prior to each Disbursement for the *Mainland Trunk Roads Activity* covering the quarter beginning on October 1 of each year, the Government's expenditures budgeted for road maintenance shall show an increase from such expenditures during the prior fiscal year, taking into account inflation and maintenance needs of existing, improved and newly constructed roads.

(f) Prior to each Disbursement for the *Mainland Trunk Roads Activity* covering the quarter beginning on October 1 of each year, TANROADS shall develop an annual maintenance plan, to the satisfaction of the Joint Technical Committee, and demonstrate that the annual budget includes adequate funding for routine and periodic maintenance of the road network.

(g) Prior to each Disbursement for the *Mainland Trunk Roads Activity* covering the quarter beginning on January 1 of each year, TANROADS shall implement its annual maintenance plan while providing evidence that the amount budgeted for maintenance for the previous fiscal year has been expended for the intended purpose.

(h) Prior to each Disbursement for the *Zanzibar Rural Roads Activity* covering the quarter beginning on October 1 of each year, the Government of Zanzibar's expenditures

budgeted for road maintenance shall show an increased from such expenditures from the prior fiscal year, taking into account inflation and maintenance needs of existing, improved and newly constructed roads.

(i) Prior to initial Disbursement for the *Zanzibar Rural Roads Activity*, the Government of Zanzibar shall increase the fuel levy.

(j) Prior to each Disbursement for the *Zanzibar Rural Roads Activity* covering the quarter beginning on January 1 of each year, the amount budgeted by the Ministry of Communications and Transport of the Government of Zanzibar for maintenance of its existing, improved and newly constructed roads for the previous fiscal year has been expended for the intended purpose.

(k) Prior to each Disbursement for the *Zanzibar Rural Roads Activity* covering the quarter beginning on January 1 of each year, the Government of Zanzibar shall deliver an annual audit report of the Zanzibar Road Fund (including, among others, a response by the management of such fund (or the Government of Zanzibar) to any findings in the report), completed by an independent auditor and satisfactory to MCC.

(l) Prior to initial Disbursement for construction of the airport improvements under the *Mafia Island Airport Activity*, TANROADS shall commit to fund the upgrade of the main road from the airport (Kilindoni) to the Marine Park lodges in Chole.

B. ENERGY SECTOR PROJECT

1. Project Level Conditions.

(a) Prior to initial Disbursement for the *Energy Sector Project*, an Electricity Act, agreeable to stakeholders including MCC, shall be enacted and in full force and effect.

(b) Prior to initial Disbursement for the *Energy Sector Project*, the Government shall support TANESCO's corporate objective of moving towards financial self-sufficiency through, at the minimum, tariff reform that reflects full cost recovery.

(c) Prior to initial Disbursement for the *Energy Sector Project*, the Government shall ensure that independent and professional members constitute a majority on the board of directors of TANESCO, which shall include private sector representation.

(d) Prior to initial Disbursement for the *Energy Sector Project*, the TANESCO shall submit EWURA a rate case that recovers full operating cost (*i.e.*, at least the sum of cost of sales, operating expenses and debt service).

(e) Prior to initial Disbursement for construction for any Project Activity under the *Energy Sector Project*, any required feasibility and design study, EIA, environmental assessment, and RAP, shall be completed to MCC satisfaction, and the implementation of any required RAP (including full payment of resettlement compensation in compliance with the World Bank Policy on Involuntary Resettlement (OP 4.12)) shall be completed.

(f) Prior to the Disbursement for the *Energy Sector Project* covering the quarter beginning July 1, 2009, TANESCO shall submit to EWURA a rate case that recovers full cost

(i.e., at least the sum of cost of sales, operating expenses, debt service and capital expenditures (which shall at least equal asset depreciation expense)).

2. Project Activity Level Conditions.

(a) Prior to the initial Disbursement for the *Zanzibar Interconnector Activity*, an Implementing Entity Agreement, approved by MCC, between MCA-Tanzania and TANESCO shall be entered into, and in full force and effect.

(b) Prior to initial Disbursement for construction for the *Zanzibar Interconnector Activity*, ZECO shall implement a new tariff that recovers full operating cost (i.e., at least the sum of cost of sales, operating expenses and debt service).

(c) Prior to initial Disbursement for construction for the *Zanzibar Interconnector Activity*, TANESCO and ZECO shall sign a power purchase agreement that (i) meets the commercial objectives of both the parties (including ZECO's need for better power quality and supply reliability) and (ii) addresses operation and maintenance of transmission and distribution assets identified therein by the parties.

(d) Prior to the Disbursement for the *Zanzibar Interconnector Activity* covering the quarter beginning January 1, 2012, ZECO shall implement a tariff revision that recovers full cost (i.e., at least the sum of cost of sales, operating expenses, debt service and capital expenditures (which shall at least equal asset depreciation expense)).

C. WATER SECTOR PROJECT

1. Project Level Condition.

(a) Prior to initial Disbursement for construction for any Project Activity under the *Water Sector Project*, any required feasibility and design study, EIA, environmental assessment, and RAP, shall be completed to MCC satisfaction, and the implementation of any required RAP (including full payment of resettlement compensation in compliance with the World Bank Policy on Involuntary Resettlement (OP 4.12)) shall be completed.