

MEMORANDUM OF UNDERSTANDING

Between

The Government of the United Republic of Tanzania

and

The Government of the United States of America

Regarding

Power Africa

This Memorandum of Understanding (“MOU”) is jointly signed this 3rd day of August, 2014, by the Government of the United Republic of Tanzania (“GOT”), acting through its Ministry of Energy and Minerals (“MEM”), and the Government of the United States of America (“USG”), acting through the United States Ambassador to Tanzania (hereinafter the “Participants”).

U.S. President Barack Obama launched the Power Africa Initiative (“Power Africa”) on June 30, 2013, during his visit to Africa. Power Africa draws on the tools of multiple USG agencies, including the Department of Commerce, the Department of State, the Department of the Treasury, the Department of Energy, the Export-Import Bank of the United States, the Millennium Challenge Corporation, the Overseas Private Investment Corporation, the U.S. African Development Foundation, the U.S. Agency for International Development, and the U.S. Trade and Development Agency, to partner with the private and public sectors to significantly increase the reliability, availability and sustainability of electricity in sub-Saharan Africa.

WHEREAS, Power Africa has set the goal of doubling the number of people in sub-Saharan Africa with access to electricity through a multi-stakeholder partnership among the Governments of Ethiopia, Ghana, Kenya, Liberia, Nigeria and Tanzania (the “Power Africa Focus Countries”), the USG, the private sector, the World Bank, and the African Development Bank, as well as other public and private partners;

WHEREAS, Power Africa aims to accelerate investment in the power sectors of sub-Saharan African countries through its partnerships over the next five years, with the goal of adding no less than 10,000 MW of electricity and expanding access to electricity to 20 million additional people in the Power Africa Focus Countries;

WHEREAS, the GOT seeks to increase its installed electricity generation capacity to 2,780 MW and provide electricity to 5 million more Tanzanians by the end of the 2015/2016 Financial Year;

WHEREAS, the GOT and the USG share a long history of partnership to foster economic development as formalized under the Economic and Technical Cooperation Agreement, effected by exchange of notes at Dar es Salaam on February 8, 1968;

WHEREAS, the Participants seek to continue and expand their development cooperation and recognize that the insufficient availability of power poses a binding constraint to broad-based economic growth in Tanzania;

WHEREAS, the Participants acknowledge the gender-based differences in the needs and uses of energy, due to women's and men's different domestic and economic responsibilities, and reaffirm their joint commitments to promote gender equality and decrease gender disparities through expanding the role of women in the power sector and through ensuring equitable access to the benefits derived from power sector development and reform;

WHEREAS, the Participants reaffirm joint commitments made under the Partnership for Growth Initiative ("PFG") to mutually address the need for increased investment in the power sector, as memorialized in a *Statement of Principles* affirming their intent to implement the PFG as identified in the Joint Country Action Plan signed in Dar es Salaam on July 13, 2012;

WHEREAS, the Participants reaffirm energy sector commitments related to the GOT's Big Results Now! Initiative ("BRN") with regard to GOT actions and USG support, as identified in a Letter of Intent signed in Dar es Salaam on June 27, 2013;

WHEREAS, the Participants aim to help other developing countries to achieve sustainable economic and social development through development cooperation;

NOW, THEREFORE, the Participants express the following intentions:

GOT Power Africa Intentions:

1. The GOT expresses its support for Power Africa, which aligns with the GOT's objectives of increasing the scale and quality of energy supply; improving operational efficiencies of the utilities; and expanding access to electricity.
2. The GOT has prioritized support for its energy sector goals through inclusion of the National Key Results Area for Energy in the first round of the BRN laboratories, designed to expedite action to achieve key national development objectives during the period 2013-2016.
3. The GOT reaffirms its intention to take, *inter alia*, key policy reforms and structural changes with respect to the energy sector, including to:
 - (a) Execute catalytic, sustainable, transparent and non-discriminatory economic reforms to spur rapid, broad-based and inclusive economic growth, to demonstrate transformational leadership, and to drive meaningful policy change and institutional reform;
 - (b) Allocate adequate resources to address known and emerging constraints throughout the power sector; and
 - (c) Implement legislative, policy and regulatory reforms to expand available electricity supply, including from renewable resources, and increase access, including through clean, off-grid energy solutions.
4. The GOT reaffirms its intention to achieve the objectives set through the BRN in three areas that will result in more than doubling the base generation capacity and energy delivered by the end of the Tanzania 2015/2016 Financial Year, as follows:

- (a) **Operations:** Achieving a 50 percent increase in both the amount of electric power delivered and in the revenues received by the Tanzania Electric Supply Company Ltd. (“TANESCO”), by revamping the operations of existing assets, delivering additional gas to underutilized plants, improving water management practices and dam operations, limiting the loss of power in transmission and distribution, launching demand management initiatives, and optimizing dispatching and fuel supply for Emergency Power Producers;
 - (b) **Transactions:** Expanding its power sector by resolving bottlenecks, identifying and utilizing alternative sources of funding, fast-tracking approvals, and delivering prioritized generation, transmission, and distribution expansion projects that will add 590,000 new connections and provide electricity to 5 million more Tanzanians; and
 - (c) **Strategy:** Redefining its power sector strategy, including a phased restructuring of TANESCO to improve the technical, commercial and operational viability to the entire system.
5. In addition, the GOT reaffirms its intention to undertake specific activities that include:
- (a) **Loss Reduction:** Continue implementation of ambitious loss reduction activities, including measures to define metrics, to clarify responsibility and accountability, and to ensure transparent lines of communication between the operations, management and Board of TANESCO around loss reduction targets.
Arrears: Implement a time-bound plan to ensure that TANESCO and the Tanzania Petroleum Development Corporation (“TPDC”) make regular, complete, and current payments to construction contractors, suppliers of fuel and generation, and other suppliers in the power sector.
 - (b) **Subsidy Policy:** Finalize and adopt a policy statement that limits and clarifies the appropriate use of public subsidies in the power sector, by describing the nature and levels of proposed subsidy and describing the process for providing any subsidy.
 - (c) **Gas Master Plan:** Finalize, approve, and promulgate a Gas Sector Master Plan that embodies international best practices, not later than March 2015, to include provisions for allocation and pricing and to clearly define the roles and responsibilities of MEM, TPDC, the Energy and Water Utilities Regulatory Authority (“EWURA”), and other entities involved in the gas sector.
 - (d) **Tariff Setting Process:** Support EWURA in further improvements to the tariff setting process, with the goal of increasing transparency and communications, improving the predictability of procedures, and achieving full cost-recovery tariff levels.
 - (e) **Rural Access:** Through the Rural Energy Agency (“REA”), to develop a National Electrification Strategy to better plan, prioritize, and support the implementation of planned expansion of the national grid and of off-grid options for rural areas so as to expand access to electricity.

USG Power Africa Intentions:

- 6. The USG, under the leadership of the U.S. Embassy in Tanzania and with support from the Power Africa Coordinator's Office, intends to consult across USG agencies to explore how a variety of USG resources can strengthen the USG contribution to Power Africa and seeks to continue to support GOT institutions responsible for the development and implementation of the above-stated GOT intentions. In addition to its ongoing development programs, and subject to the availability of funds, the USG plans to take the following steps under Power Africa in Tanzania:

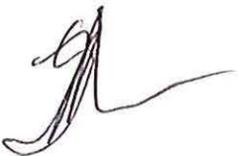
7. **Millennium Challenge Corporation (“MCC”).** The USG, through MCC, intends to enter into a second compact with the GOT, subject to the country’s continued eligibility for compact assistance, to address the inadequate supply of reliable power which has been identified as a binding constraint to the country’s long-term economic growth. MCC support to GOT under the compact may include, but is not limited to the following:
- (a) Technical assistance and grant financing to support project preparation, policy reform and related power sector investments to help transition the energy sector towards reliable natural gas based power generation IPPs financed by competitive selected private sector investors and operators;
 - (b) Technical assistance, policy advice and grant investments in power sector infrastructure aimed at improving operational efficiency, corporate governance and legal/institutional framework supporting TANESCO;
 - (c) Grant investment and related policy advice to support policy reforms and power sector infrastructure development to expand access to reliable electricity among businesses and households; and
 - (d) Technical assistance and policy reforms to help GOT improve the financial viability of public sector energy institutions, including efforts to help the institutions manage their liabilities and establish credibility as viable partners for the private sector.
8. **U.S. Agency for International Development (“USAID”).** The USG, through USAID, intends to provide technical assistance to assess challenges, recommend technical interventions, and increase institutional capacity throughout the power sector. This is expected to include resident and short-term technical assistance to the MEM, TANESCO, EWURA, REA and other GOT power-related agencies, as well as a direct grant to support the BRN Presidential Delivery Bureau. Illustrative USAID activities may include, but are not limited to providing assistance to the GOT to:
- (a) Improve the financial viability and efficiency of the key power off-taker, TANESCO, including to strengthen and extend loss reduction programs covering technical, commercial and collection losses;
 - (b) Reduce the backlog of payment arrears that TANESCO owes to various power sector fuel and power suppliers and establish systems to prevent their accumulation in future;
 - (c) Maintain and strengthen the energy sector regulatory process to ensure and communicate cost-reflective tariffs;
 - (d) Structure a reliable gas supply for power generation in support of the overall gas-to-power strategy designed to reduce the cost of generation;
 - (e) Support strengthened institutional and human capacity for more effective power sector planning;
 - (f) Promote policies that increase energy from renewable sources, expand energy access through clean, off-grid energy solutions, and support technical measures to ensure this maintains system stability and supplies cost-effective power; and
 - (g) Respond to the rising demand for electric power by bringing a number of high-impact power transactions to close and building capacity to attract private sector investment through more effective public-private partnerships.



9. **U.S. Department of State** (“State”). In Tanzania, the USG, through the Bureau for Energy Resources’ Energy Governance and Capacity Initiative (“ENR/EGCI”), intends to support development of appropriate gas sector development laws and regulations to broaden effective engagement of private sector investment and to facilitate Sustainable Energy for All (“SE4ALL”).
- (a) Proposed areas of future engagement between ENR/EGCI and the GOT include:
1. Increase the capacity of government lawyers and gas sector professionals from MEM and TPDC in their understanding of basic gas contracting principles (in coordination with the Department of Commerce’s Commercial Law Development Program (“CLDP”));
 2. Assist high-level GOT officials in policy decision-making and facilitate contract negotiation (in coordination with CLDP); and
 3. Provide a gas sector advisor to work with the GOT, gas and power companies in Tanzania to help create the underlying business framework and regulation for the gas sector, particularly as they relate to the gas-to-power requirements necessary by 2015.
- (b) In Tanzania, the USG, through State and the Power Africa Coordinator’s Office, intends to facilitate SE4ALL engagement and projects with the GOT and multilateral partners including multilateral development banks to meet SE4ALL’s objectives by 2030. This includes supporting: (i) universal energy access to modern energy services; (ii) a doubling of the rate of improvement in energy efficiency; and (iii) a doubling of the share of renewable energy in Tanzania’s national energy mix. State intends to work with the GOT and the private sector to implement reforms that will reduce uncertainties in the power sector to enable increased public and private investments to enter the market.
10. **Department of the Treasury** (“Treasury”). The USG, through Treasury, intends to continue to support effective debt issuance and management practices to help lower the overall cost of borrowing, to mobilize private sector financing for power and other infrastructure development, and to better integrate Tanzania into EAC regional markets.
11. **U.S. African Development Foundation** (“USADF”). The USG, through USADF, intends to consider applications from Tanzania aimed at increasing electricity access to underserved communities under its Off-Grid Energy Challenge.
12. **USAID Development Credit Authority** (“DCA”). In Tanzania, the USG, through the USAID DCA, intends to promote lending from private local banks to support the development of renewable energy projects, through loan guarantees both to specific projects and to a loan portfolio directed to rural and renewable power projects.
13. **U.S. Trade and Development Agency** (“USTDA”). The USG, through USTDA, intends to provide support for carrying out feasibility, environmental and other project development activities for ongoing small-scale solar and hydro power projects. Further, USTDA intends to also actively search for renewable energy activities primarily through the joint U.S.-Africa Clean Energy Finance Initiative (“U.S.-ACEF”) with OPIC. Under the initiative, USTDA intends to leverage its project planning expertise to provide project preparation, feasibility and technical assistance grants to support clean energy activities eligible for and currently in OPIC’s pipeline for private-sector transactions.

USTDA further intends to identify and support opportunities for strengthening partnerships between the public and private sectors in Tanzania and the United States in the natural gas sector, as Tanzania harnesses its newly discovered gas resources, by leveraging U.S. private sector resources and experience through grant-based project planning assistance and reverse trade mission tools to support Tanzania's build out of critical gas infrastructure and to help mobilize capital for project implementation.

14. **Overseas Private Investment Corporation ("OPIC").** The USG, through OPIC, intends to explore opportunities to provide financing and insurance to qualified investment projects for gas, solar and wind power generation projects, including through the U.S.-ACEF in collaboration with USTDA.
15. **Export-Import Bank of the United States ("Ex-Im").** The USG, through Ex-Im, intends to explore opportunities to support U.S. exports for the development of power projects in Tanzania.
16. **Department of Commerce ("DOC").** The USG, through DOC's U.S. and Foreign Commercial Service intends to facilitate and promote commercial opportunities for U.S. companies as such opportunities are developed by Power Africa teams on the ground. DOC activities may include the following:
 - (a) Establishment of a resident Foreign Commercial Service Office at the U.S. Embassy Dar es Salaam in 2014 which is expected to: (i) utilize a network of 100 offices in U.S. cities to communicate opportunities being created by Power Africa in Tanzania to potential U.S. exporters; (ii) bring deep trade experience to transactions being developed by Power Africa, engaging U.S. companies to encourage participation in commercial opportunities; (iii) leverage strong ties with USG financing agencies to assist U.S. exporters to access U.S. financing to package with U.S. exports; and (iv) help promote partnerships between U.S. firms and the Tanzanian private sector to foster local capacity growth and development.
 - (b) Utilize the legal expertise and technical assistance available through the CLDP to improve the legal and regulatory environment for power projects in Tanzania through long-term training and consultative partnerships, including through workshops and training on model power purchase agreement provisions as a negotiation and capacity building tool.
17. **USG contributions to Multilateral Finance Institutions.** The USG, through Treasury, State, and USAID, intend to coordinate funding to: (i) the African Development Bank's Sustainable Energy Fund for Africa to provide policy and technical support to develop renewable energy strategies and underwrite additional costs and risks associated with renewable energy investments and its African Legal Support Facility to provide legal services and capacity building to advance Power Africa transactions; and (ii) the World Bank in support to TANESCO for developing the competitive tender for a new combined cycle gas power plant.



Bilateral Management Structure

18. **Power Africa Annual Work Plans.** The Participants affirm their intent to coordinate and collaborate on an ongoing basis using the joint annual work planning process initiated under the PFG, to be henceforth referred to as the Power Africa work planning process. Roles and responsibilities of the Participants with regards to Power Africa Work Plans are as follows:
- (a) GOT participation is expected to be led by MEM, which intends to engage all relevant energy sector actors, including, EWURA, REA, TANESCO, TPDC, and intends to ensure coordination with the Prime Minister's Office, Ministry of Finance and the Presidential Delivery Bureau of BRN.
 - (b) USG participation is expected to be led by the U.S. Ambassador to Tanzania, who intends to engage all relevant USG agencies.
19. **Power Africa Bilateral Meetings.** Bilateral, interagency meetings should be held as follows:
- (a) Quarterly meetings to review progress, share information and plan for joint activities should be convened by MEM. The Participants should ensure participation of all relevant interagency actors.
 - (b) An annual meeting, co-chaired by the MEM Minister and U.S. Ambassador to Tanzania, should be convened to provide overall direction, oversee and evaluate progress, and approve annual work plans.
20. **External Coordination.** Activities under this MOU should be coordinated with all other relevant actors. This should be done with and through Tanzania's Development Cooperation Framework and its structures including the Joint Energy Sector Working Group. As part of the collaborative process, the Participants should continue to promote engagement of the private sector, civil society organizations and other non-state actors.
21. **Evidence-Based Approach.** In the spirit of BRN and in pursuit of the ambitious targets set forth in the energy sector, the Participants intend to apply and promote an evidence-based approach under this MOU. This includes efforts to:
- (a) Identify key performance indicators and expected development impacts, and corresponding benchmarks and targets;
 - (b) Collect, analyze, and apply data to inform and guide efforts;
 - (c) Publish and share information on progress with the public; and
 - (d) Strengthen the capacity of Tanzanian organizations to employ evidence-based approaches.

General Intentions and Conditions:

22. The Participants intend to give appropriate publicity to any cooperation they provide.
23. This MOU is intended to become operational as of the date of signature by both Participants and is intended to remain operational through December 31, 2018, unless:
- (a) either Participant provides written notice to the other Participant of its intention to discontinue the MOU at an earlier time, which it should endeavor to provide at least 30 days in advance; or
 - (b) the MOU is extended by written consent of the Participants. The terms of this MOU may be modified through the mutual written consent of both Participants.

24. All potential actions of the Participants under this MOU are subject to the availability of funds. This MOU is non-binding and does not impose, nor is it intended to impose, any legal rights or obligations on the Participants under domestic or international law.
25. Should any dispute arise between the Participants with regard to this MOU, the Participants intend to resolve such dispute through amicable negotiation in good faith.
26. Nothing in this MOU is intended to supersede or interfere in any way with any agreements or contracts entered into by either Participant, either prior to or subsequent to the signing of this MOU.

Signed in Washington, D.C. United States of America

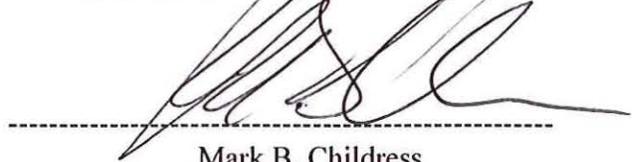
**FOR THE GOVERNMENT OF THE
UNITED REPUBLIC OF TANZANIA:**



Honorable Sospeter M. Mulhongo (MP)
Minister of Energy and Minerals

Date: 03 AUGUST 2014

**FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:**



Mark B. Childress
U.S. Ambassador to Tanzania

Date: August 5, 2014