

**REQUEST FOR PROPOSALS**

**TECHNICAL ASSISTANCE FOR THE**

**ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) OF  
TANZANIA**

Submission Deadline: **4:00 p.m.**

**LOCAL TIME**

**November 28, 2008**

Submission Place: Secretary – Tender Board  
Energy and Water Utilities Regulatory Authority (EWURA)  
6th Floor, Harbour View Towers  
Samora Avenue/ Mission Street  
P.O. Box 72175  
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SEALED PROPOSALS SHALL BE CLEARLY MARKED AND RECEIVED PRIOR TO THE TIME AND DATE SPECIFIED ABOVE. PROPOSALS RECEIVED AFTER SAID TIME AND DATE WILL NOT BE ACCEPTED OR CONSIDERED.

## REQUEST FOR PROPOSALS

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## **Section 1: INTRODUCTION**

The U.S. Trade and Development Agency (USTDA) has provided a grant to the Grantee the Energy and Water Utilities Regulatory Authority (EWURA) of Tanzania. The grant agreement is attached at Annex 4 for reference. The Grantee is soliciting technical proposals from qualified U.S. firms to provide expert consulting services to carry out the Technical Assistance.

### **1.1 BACKGROUND SUMMARY**

EWURA is an independent, multi-sector regulatory authority, newly established under Chapter 414 of the Laws of Tanzania. It is mandated to undertake technical, safety and economic regulation of the electricity, water and sewerage, petroleum and natural gas sectors. The functions of EWURA include, among others, licensing, rate setting, and performance and compliance monitoring with regard to standards, availability and quality of services, health, safety and environment (HSE), levels of investments, efficiency of production, transmission and distribution facilities, and reasonable cost of services at all levels of supply chain of the regulated sectors.

The mission of EWURA is to enhance the welfare of Tanzanian society through:

- (a) promotion of effective competition and economic efficiency, and that ensure that there is no abuse from monopoly positions;
- (b) ensuring the interests of consumers are protected, and investors get a reasonable return on their investments;
- (c) promotion of the availability of the regulated services to all consumers, including the low income, rural and disadvantaged consumers;
- (d) enhancement of public knowledge, awareness and understanding the rights and obligations of consumers and the regulated suppliers, and the duties, functions and activities of the regulator; and
- (e) ensuring that when activities are carried out, the need to protect and preserve the environment are taken into account.

According to the Energy and Water Utilities Regulatory Authority Act, Chapter 414, EWURA's main functions are to:

- (a) issue, renew and cancel licenses;
- (b) establish standards for goods and services;
- (c) establish standards for terms and conditions of supply of goods and services;
- (d) regulate rates and charges; and

- (e) make rules as deemed appropriate for it to discharge its duties and functions.

EWURA's legal jurisdiction over the petroleum sector is further contained in the Petroleum (Conservation Act) 1981 which has specified that EWURA has regulatory powers in the petroleum sector. Furthermore, the Government has prepared a draft Petroleum Supply Act, which is in the process of being legislated. However, EWURA's powers so far are only within the downstream (processing, transmission, distribution and trading) petroleum sub-sector, the jurisdiction to regulate upstream (exploration and production) petroleum undertakings is reserved in the Ministry of Energy and Minerals.

EWURA, as a newly constituted organization, consists of:

- (a) Board of Directors: The Board of Directors consists of six non-executive members and one executive member, who is the Chief Executive Officer. All the members have to apply for the positions and are recommended by the Nomination Committee, which is established by law. The selection of the members of the Board is based on wide range experience and professions related to the sectors. The Chairman is appointed by the President of the United Republic of Tanzania, while the other members are appointed by the Minister for Water. The terms of the members of the Board vary from three to five years, renewable only once. The Board meets once a month, as well as extraordinarily "as and when required".
- (b) Management: The Management of EWURA is lead by the Director General who has a renewable tenure of four years. He runs the day to day business of EWURA, assisted by seven Executive Directors, who oversee the four technical sectors, provide legal services, and handle issues related to regulatory economics, and corporate affairs.
- (c) Manpower: EWURA is one year old with 55 employees, all stationed in Dar es Salaam. It is still growing, and expected to reach about 75 employees by July 2008, when EWURA will start operating from several branch zones as well as headquarters. At present, it receives the legal and economics advisory services of two resident consultants sourced from the Institute for Public-Private Partnerships, a private consultancy firm based in Washington, D.C.

A background Definitional Mission report is provided for reference in Annex 2.

## 1.2 OBJECTIVE

The purpose of this Technical Assistance (TA) is to build capacity for EWURA to implement its regulatory functions according to the proposed Electricity Petroleum and Natural Gas Sector legislations. Specifically, the Contractor shall help design regulations on various regulatory activities in the electricity, petroleum and natural gas sectors, wholesale tariff guidelines, licensing procedures, standard gas sales agreements; standard power purchase agreements and introduce a tariff calculation model to facilitate private investment in the electricity, petroleum and natural gas sectors.

Several sector legislative acts need to be revised, and new ones established, to prepare for the new regulatory regime. New laws for the Electricity, Petroleum and Gas sectors are expected to be enacted, possibly by 2008. EWURA needs to be prepared by mid 2008 to promulgate ordinances and standards as described above pursuant to the new laws in order to facilitate

transparent consideration of all new investments. This Technical Assistance is therefore designed to help EWURA prepare the necessary regulatory actions and to provide skills transfer that will allow the EWURA staff to effectively administer the new legislation in the near term.

Since skills transfer is a key element of the Technical Assistance, the Contractor shall plan on at least three missions in country, of at least one month duration each, in order to work closely day-to-day with the EWURA staff. The Contractor shall undertake all tasks with capacity building as a main goal. Therefore, the development of all regulatory tools shall be undertaken in a fully interactive process with the EWURA staff to ensure that maximum skills transfer occurs.

The Terms of Reference (TOR) for this Technical Assistance is attached as Annex 5.

### **1.3 PROPOSALS TO BE SUBMITTED**

Technical proposals are solicited from interested and qualified U.S. firms. The administrative and technical requirements as detailed throughout the Request for Proposals (RFP) will apply. Specific proposal format and content requirements are detailed in Section 3.

COST will not be a factor in the evaluation and therefore, cost proposals should not be submitted; upon detailed evaluation of technical proposals, one firm will be selected for contract negotiations. The amount for the negotiated contract has been established by a USTDA grant of U.S. \$623,580 dollars.

### **1.4 CONTRACT FUNDED BY USTDA**

The negotiated contract will be funded by USTDA in accordance with the terms and conditions of its grant to the Grantee. The contract must include certain USTDA mandatory clauses relating to nationality, taxes, payment, reporting, and other matters. The USTDA nationality requirements and the USTDA mandatory clauses are attached at Annexes 3 and 4 for reference.

## **Section 2: INSTRUCTIONS TO PROPOSERS**

### **2.1 PROJECT TITLE**

The project is called "Capacity Building for the Energy and Water Utilities Regulatory Authority."

### **2.2 DEFINITIONS**

Please note the following definitions of terms as used in this RFP.

The term "Request for Proposals" means this solicitation of a formal technical proposal including qualifications statement.

The term "Offeror" means the U.S. individual, or U.S. firm, including any and all subcontractors, which responds to the RFP and submits a formal proposal and which may or may not be successful in being awarded this procurement.

### **2.3 DEFINITIONAL MISSION REPORT**

USTDA sponsored a Definitional Mission to address technical, financial, sociopolitical, environmental and other aspects of the proposed project. A copy of the Report is attached at Annex 2 for background information only.

### **2.4 EXAMINATION OF DOCUMENTS**

Offerors should carefully examine this RFP. It will be assumed that Offerors have done such inspection and that through examinations, inquiries and investigation they have become familiarized with local conditions and the nature of problems to be solved during the execution of the Technical Assistance.

Offerors shall address all items as specified in this RFP. Failure to adhere to this format may disqualify an Offeror from further consideration.

Submission of a proposal shall constitute evidence that the Offeror has made all the above mentioned examinations and investigations, and is free of any uncertainty with respect to conditions which would affect the execution, and completion of the Technical Assistance.

### **2.5 PROJECT FUNDING SOURCE**

The Technical Assistance will be funded under a grant from USTDA. The total amount of the grant is not to exceed U.S. \$623,580 dollars.

### **2.6 RESPONSIBILITY FOR COSTS**

Offeror shall be fully responsible for all costs incurred in the development and submission of the proposal or any other cost incurred by Offeror prior to issuance of an agreement or contract. Neither USTDA nor the Grantee assumes any contractual obligation as a result of the issuance of this proposal request, the preparation or submission of a proposal by an Offeror, the evaluation of proposals, or final selection.

### **2.7 TAXES**

Offerors should submit proposals which note that in Annex 4, USTDA Mandatory Contract Provisions, USTDA funds are not to be used to pay taxes or duties under the laws of host country.

## **2.8 CONFIDENTIALITY**

The Grantee will use its best efforts to preserve the confidentiality of any business proprietary or confidential information submitted by the Offeror, which is clearly designated as such by the Offeror.

## **2.9 ECONOMY OF PROPOSALS**

Proposal documents should be prepared simply and economically, providing a comprehensive and concise description of the Offeror's capabilities to satisfy the requirements of the RFP. There is no necessity for expensive bindings, colored displays, or other promotional material unless such material is absolutely pertinent to the proposal. Emphasis should be placed on completeness and clarity of content.

## **2.10 SUBSTANTIVE PROPOSALS**

The Offeror shall certify (a) that its proposal is genuine and is not made in the interest of, or on the behalf of, any undisclosed person, firm, or corporation, and is not submitted in conformity with, and agreement of, any undisclosed group, association, organization, or corporation; (b) that it has not directly or indirectly induced or solicited any other Offeror to put in a false proposal; (c) that it has not solicited or induced any other person, firm, or corporation to refrain from submitting a proposal; and (d) that it has not sought by collusion to obtain for himself any advantage over any other Offeror or over the Grantee or USTDA or any employee thereof.

## **2.11 CONDITIONS REQUIRED FOR PARTICIPATION**

Only U.S. firms are eligible to participate in this tender. However, U.S. firms may utilize subcontractors from host country for up to 20 percent of the amount of the USTDA grant. USTDA nationality requirements are detailed in Annex 3.

## **2.12 LANGUAGE OF PROPOSAL**

All proposal documents shall be prepared and submitted in English, and only English.

## **2.13 PROPOSAL SUBMISSION REQUIREMENTS**

The **Cover Letter** in the proposal must be addressed to:

Secretary – Tender Board  
Energy and Water Utilities Regulatory Authority (EWURA)  
6th Floor, Harbour View Towers  
Samora Avenue/ Mission Street  
P.O. Box 72175  
Dar es Salaam, Tanzania

**An Original and eight (8) copies of your proposal must be received at the above address no later than 4:00 p.m. (local time) on November 28, 2008.**

Proposals may be either sent by mail, overnight courier, or hand-delivered. Whether the proposal is sent by mail, courier or hand-delivered, the Offeror shall be responsible for actual delivery of the proposal to the above address before the deadline. Any proposal received after the deadline will be returned unopened.

Upon timely receipt, all proposals become the property of the Grantee.

#### **2.14 PACKAGING**

Each proposal must be sealed to ensure confidentiality of the information. The proposals should be individually wrapped and sealed, and labeled for content including "original" or "copy number x"; the original and eight (8) copies should be collectively wrapped and sealed, and clearly marked for content.

Neither USTDA nor the Grantee will be responsible for premature opening of proposals not properly labeled.

#### **2.15 AUTHORIZED SIGNATURE**

The proposal must contain the signature of a duly authorized officer or agent of the Offeror empowered with the right to bind the Offeror.

#### **2.16 EFFECTIVE PERIOD OF PROPOSAL**

The proposal shall be binding upon the Offeror for sixty (60) days after the proposal due date, and Offeror may withdraw or modify this proposal at any time prior to the due date upon written request, signed in the same manner and by the same person who signed the original proposal.

#### **2.17 EXCEPTIONS**

Firms agree by their response to the RFP announcement to abide by the procedures set forth therein. Material modifications in the TOR or responsibilities of the parties will not be accepted.

Any exceptions in the proposal shall be clearly identified, and shall include the scope of such exception, and its impact, on the procurement. The Grantee shall make final determination as to the responsiveness of such exceptions and their acceptability.

## **2.18 OFFEROR QUALIFICATIONS**

As provided in Section 3, Offerors shall submit evidence that they have relevant past experience and have previously delivered advisory and Technical Assistance services similar to those required in the TOR.

## **2.19 RIGHT TO REJECT PROPOSALS**

The Grantee reserves the right to reject any and all proposals and to accept or reject any or all of the items in the proposal, and to award the contract in whole or in part if it is deemed in the best interest of the Grantee.

## **2.20 PRIME CONTRACTOR RESPONSIBILITY**

Offerors have the option of subcontracting parts of the services they propose. The Offeror's proposal must include a description of any anticipated subcontracting arrangements, including the name, address, and qualifications of consultants and subcontractors. USTDA nationality provisions are set forth in detail in Annex 3. The successful Offeror shall cause appropriate provisions of its contract, including all mandatory USTDA clauses, to be inserted in all subcontracts ensuing to ensure fulfillment of all contractual provisions by subcontractors.

## **2.21 AWARD**

An award resulting from this RFP shall be made to the best qualified Offeror, taking into consideration the evaluation factors set forth herein; however, the right is reserved to reject any and all proposals received and, in all cases, the Grantee will be the judge as to whether a proposal has or has not satisfactorily met the requirements of this RFP.

## **2.22 COMPLETE SERVICES**

The successful Offeror shall be required to (a) furnish all supplies, supervision, transportation, and other execution accessories, services, and facilities; (b) provide and perform all necessary labor; and (c) in accordance with good technical practice, with due diligence, and in accordance with the requirements, stipulations, provisions and conditions of this RFP and the resultant contract, execute and complete all specified work to the satisfaction of the Grantee.

## **2.23 INVOICING AND PAYMENT**

Deliverables under the contract shall be delivered on a schedule to be agreed upon in a contract with the Grantee. The Contractor may submit invoices to the designated Grantee Project Director in accordance with a schedule to be negotiated and included in the contract. Upon approval of each invoice, the Grantee will forward the invoice to USTDA which will process payment to the Contractor. All payments by USTDA under the Grant Agreement will be made in U.S. currency.

### **Section 3: PROPOSAL FORMAT AND CONTENT**

To expedite proposal review and evaluation, and to assure that each proposal receives the same orderly review, all proposals must follow the format described in this section.

Proposal sections and pages shall be appropriately numbered and the proposal shall include a Table of Contents. Offerors are encouraged to submit concise and clear responses to the RFP. Proposals shall contain all elements of information requested without exception. Instructions regarding the required scope and content are given in this section. The Grantee reserves the right to include any part of the selected proposal in the final contract.

The proposal shall consist of a technical proposal only. No cost proposal is required as the value of the USTDA grant is established at U.S. \$623,580.

Offerors shall submit one (1) original and eight (8) copies of the proposal. Proposals received by fax cannot be accepted.

The following sections and content are required for each proposal:

- Transmittal Letter,
- Cover/Title Page,
- Table of Contents,
- Introduction and Executive Summary,
- Company Information,
- Organizational Structure, Management Plan, and Key Personnel,
- Technical Approach and Work Plan,
- Experience and Qualifications, and
- Miscellaneous.

Detailed requirements and directions for the preparation of each section are presented below.

#### **3.1 SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY**

An Executive Summary should be prepared describing the major facts or features of the proposal, including any conclusions, assumptions, and generalized recommendations the Offeror desires to make. Offerors are requested to make every effort to limit the length of the Executive Summary to no more than five (5) pages.

#### **3.2 SECTION 2: COMPANY INFORMATION**

##### **3.2.1 Company Profile**

Provide the information listed below relative to the Offeror's firm. If the Offeror is proposing to subcontract some of the proposed work to another firm(s), similar information must be provided

for each subcontractor. Offerors are requested to limit the length of the Company Profile Information to one (1) page per firm.

1. Name of firm and business address, including telephone and fax numbers.
2. Year established (include former firm names and year established, if applicable).
3. Type of ownership and parent company, if any.
4. Project Manager's name, address, telephone and fax number, if different from (1).

### **3.2.2 Offeror's Authorized Negotiator**

Provide name, title, address, telephone and fax number of the Offeror's authorized negotiator. The person cited shall be empowered to make binding commitments for the Offeror and its subcontractors, if any.

### **3.2.3 Negotiation Prerequisites**

1. Discuss any impact of any current or anticipated commitments which may impact the ability of the Offeror or its subcontractors to complete the Technical Assistance as proposed and within the project schedule.
2. Identify any specific information which is needed from the Grantee before commencing contract negotiations.

## **3.3 SECTION 3: ORGANIZATIONAL STRUCTURE, MANAGEMENT, AND KEY PERSONNEL**

Describe the Offeror's proposed project organizational structure. Discuss how the project will be managed including the principal and key staff assignments for this Technical Assistance. Identify the Project Manager who will be the individual responsible for this project. The Project Manager must have the responsibility and authority to act on behalf of the Offeror in matters related to the proposed Technical Assistance.

Provide a listing of personnel (including subcontractors and consultants) to be engaged in the project, either U.S. or local with the following information for key staff: position in the project; pertinent experience, curriculum vitae; other relevant information. If subcontractors are to be used, the organizational relationship between the firms must be described.

A manpower schedule and the level of effort for the project period, by activities and tasks, as detailed under the Work Plan shall be submitted. A statement confirming the availability of the proposed project manager and key staff over the duration of the project must be included in the proposal.

### **3.4 SECTION 4: TECHNICAL APPROACH AND WORK PLAN**

Describe in detail the proposed technical approach and work plan. Discuss the project requirements as perceived by the Offeror. Include a brief narrative of tasks within each activity series. Begin with the information gathering phase and continue through delivery and approval of all required reports.

Prepare a detailed schedule of performance that describes all activities and tasks within the Technical Work Plan, including periodic reporting or review points, incremental delivery dates, and other project milestones.

Based on the Technical Work Plan, and previous project experience, explain when and where Offeror will require support from the Grantee. Detail the amount of staff time required by the Grantee or participating agencies and any work space or facilities needed to complete the Technical Assistance.

### **3.5 SECTION 5: EXPERIENCE AND QUALIFICATIONS**

Provide a discussion of the Offeror's experience and qualifications which are relevant to the objectives and TOR for the Technical Assistance. If a subcontractor(s) is being used, similar information must be provided for the prime and each subcontractor firm proposed for the project. Relevant experience and qualifications of key staff proposed shall be provided including letters of commitment from the individuals proposed concerning their availability for contract performance.

As many as possible but not more than six (6) relevant and verifiable project references must be provided, including the following information:

- Project name,
- Name and address of client (indicate if joint venture),
- Client contact person (name/ position/ current phone and fax numbers),
- Period of Contract,
- Description of services provided,
- Dollar amount of Contract, and
- Status and comments.

Offerors are strongly encouraged to include in their experience summary primarily those projects that are similar to or larger in scope than the Technical Assistance as described in this RFP.

### **Section 4: AWARD CRITERIA**

Individual proposals will be initially evaluated by a Procurement Selection Committee of representatives from the Grantee. The Committee will then conduct a final evaluation and completion of ranking of qualified Offerors, and the Grantee shall promptly negotiate a contract with the best qualified Offeror. If a satisfactory contract cannot be negotiated with the best

qualified Offeror, negotiations will be formally terminated. Negotiations shall then be undertaken with the second most qualified Offeror and so forth.

The selection of the Contractor will be based on the following criteria:

- (i) Technical approach and work plan, 15%
- (ii) Experience in preparing energy sector regulations for developing countries, 25%
- (iii) Experience developing economic models for calculation of energy tariffs, 25%
- (iv) Experience in providing skills transfer and capacity building to utility regulators in developing countries, 25%
- (v) Experience in Tanzania and sub-Saharan Africa, 10%

Proposals which do not include all requested information may be considered non-responsive.

Price will not be a factor in contractor selection.

## ANNEX 1

Energy and Water Utilities Regulatory Authority; 6<sup>th</sup> Floor, Harbour View Towers,  
Samora Avenue/ Mission Street; P.O. Box 72175; Dar es Salaam, Tanzania

B- Tanzania: Capacity Building for the Energy and Water Utilities Regulatory Authority

POC Evangela Kunene, USTDA, 1000 Wilson Boulevard, Suite 1600, Arlington, VA 22209-3901, Tel: (703) 875-4357, Fax: (703) 875-4009. The Energy and Water Utilities Regulatory Authority (EWURA) (“Grantee”) invites submission of qualifications and proposal data (collectively referred to as the "Proposal") from interested U.S. firms which are qualified on the basis of experience and capability to conduct technical assistance to improve the Grantee’s capacity to regulate the energy sector.

EWURA is an independent, multi-sector regulatory authority, established under Chapter 414 of the Laws of Tanzania in 2001. It is mandated to undertake technical, safety and economic regulation of the electricity, water and sewerage, petroleum and natural gas sectors. The functions of EWURA include, among others, licensing, rate setting, and performance and compliance monitoring with regard to standards, availability and quality of services, health, safety and environment (HSE), levels of investments, efficiency of production, transmission and distribution facilities, and reasonable cost of services at all levels of supply chain of the regulated sectors.

EWURA’s main functions are to:

- (a) issue, renew and cancel licenses;
- (b) establish standards for goods and services;
- (c) establish standards for terms and conditions of supply of goods and services;
- (d) regulate rates and charges; and
- (e) make rules as deemed appropriate for it to discharge its duties and functions.

EWURA, with the support of the Tanzanian Ministry of Energy and Minerals, has requested technical assistance in order to establish operational protocols based on international best practices so that the agency may carry out its duties as specified by Tanzanian law. The assistance seeks to address specific requirements needed to enhance the rules, standard modes of operation, and professional capabilities of EWURA’s staff, particularly in the areas of regulating downstream power projects.

Technical Assistance Components

- Task 1: Conduct Background Research and Kick-Off Meeting
- Task 2: Prepare Electricity Wholesale Tariff Guidelines
- Task 3: Prepare Economic Model for Wholesale Electricity Tariff Calculations
- Task 4: Prepare Guidelines on Power Grid Access
- Task 5: Prepare Standard Power Purchase Agreement

- Task 6: Prepare Petroleum/ Natural Gas Pipeline Transportation Tariff Guidelines
- Task 7: Prepare Economic Model for Petroleum/ Natural Gas Pipeline Transportation Tariffs
- Task 8: Prepare Standard Natural Gas Pipeline Interconnection Guidelines
- Task 9: Prepare Service Standards for Natural Gas Pipelines
- Task 10: Prepare Rules/ Regulation Governing Economic Regulation in the Retail Petroleum Market
- Task 11: Provide Capacity Building Assistance to Management and Staff for New Guidelines/ Standards
- Task 12: Determine Developmental Impacts of the Assistance
- Task 13: Perform Preliminary Socio-Economic and Environmental Impact Analysis
- Task 14: Prepare Final Report

Please note that the full Terms of Reference (TOR) is provided in Annex 5 of the Request for Proposals (RFP).

The U.S. firm selected will be paid in U.S. dollars from a \$623,580 grant to the Grantee from the U.S. Trade and Development Agency (USTDA).

A detailed Request for Proposals (RFP), which includes requirements for the Proposal, the TOR, and a background definitional mission report is provided in Annex 2 of the RFP. To request the RFP in PDF format, please go to: <https://www.ustda.gov/USTDA/FedBizOpps/RFP/rfpform.asp>. Requests for a mailed hardcopy version of the RFP may also be faxed to the IRC, USTDA at 703-875-4009. In the fax, please include your firm's name, contact person, address, and telephone number. Some firms have found that RFP materials sent by U.S. mail do not reach them in time for preparation of an adequate response. Firms that want USTDA to use an overnight delivery service should include the name of the delivery service and your firm's account number in the request for the RFP. Firms that want to send a courier to USTDA to retrieve the RFP should allow one hour after faxing the request to USTDA before scheduling a pick-up. Please note that no telephone requests for the RFP will be honored. Please check your internal fax verification receipt. Because of the large number of RFP requests, USTDA cannot respond to requests for fax verification. Requests for RFPs received before 4:00 PM will be mailed the same day. Requests received after 4:00 PM will be mailed the following day. Please check with your courier and/or mail room before calling USTDA.

Only U.S. firms and individuals may bid on this USTDA financed activity. Interested firms, their subcontractors and employees of all participants must qualify under USTDA's nationality requirements as of the due date for submission of qualifications and proposals and, if selected to carry out the USTDA-financed activity, must continue to meet such requirements throughout the duration of the USTDA-financed activity. All goods and services to be provided by the selected firm shall have their nationality, source and origin in the U.S. or host country. The U.S. firm may use subcontractors from the host country for up to 20 percent of the USTDA grant amount. Details of USTDA's nationality requirements and mandatory contract clauses are also included in the RFP.

Interested U.S. firms should submit their Proposal in English directly to the Grantee by 4:00 p.m. (local time), November 28, 2008 at the above address. Evaluation criteria for the Proposal are included in the RFP. Price will not be a factor in contractor selection, and therefore, cost proposals should NOT be submitted. The Grantee reserves the right to reject any and/or all Proposals. The Grantee also reserves the right to contract with the selected firm for subsequent work related to the project. The Grantee is not bound to pay for any costs associated with the preparation and submission of Proposals.

## ANNEX 2



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

### 11. PROJECTS RECOMMENDED FOR USTDA FUNDING

#### Project #1: Technical Assistance to the Energy and Water Utilities Regulatory Authority (EWURA) for Setting up Regulatory Tools in the Energy Sector

##### A. Project Description - EWURA

Project Summary Information	
Host Country	Tanzania
Project Name	Technical Assistance: Capacity Building for EWURA to Facilitate Private Investment in the Energy Sector
Sector	Energy
Region	East Africa
Project Location	Dar es Salaam
Total Capital Requirement	N/A
Potential US Exports	indirectly US\$900 million
Grant Amount	US\$ 623,580
Grantee	Energy and Water Utilities Regulatory Authority

#### 1. Introduction

The Energy and Water Utilities Regulatory Authority (EWURA) has through the Government of the United Republic of Tanzania requested USTDA assistance to fund Technical Assistance

Consultant services to build capacity for EWURA to implement the pending new Electricity, Petroleum and Natural Gas legislation. Specifically, the selected consultant would help design standards and codes, regulations, tariff review guidelines, and licensing procedures to facilitate effective competition and encourage private investment in the electricity, petroleum and gas sectors.

EWURA was established in year 2001 through the Energy and Water Utilities Act, Chapter 414 of the laws of Tanzania, to oversee the electricity, water and sewerage, petroleum, and natural gas, sectors. Finally, new legislation for the electricity, petroleum and natural gas sectors is expected to be enacted possibly during 2008. Due to the severity of the energy supply crisis in Tanzania during the period of year 2003 through 2006, the Government opted to fast-track a number of project investments for natural gas and power development. To date, some few private energy sector transactions are considered to have been negotiated without a standard framework, mainly due to the then prevailing state of emergency and the lack of appropriate legislation to govern the procurement of such projects. The Government has started to develop a framework for procurement of privately owned small projects (from new and renewable sources) of up to 10 MW. EWURA needs to be prepared by mid-2008 to promulgate codes and standards in order to facilitate transparent consideration of



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

all new investments. The Technical Assistance is therefore requested to help EWURA prepare the necessary regulatory actions and to provide skills transfer that will allow the EWURA staff to effectively administer the new regulation in the near term.

### 2. Energy Regulatory Background

#### Power Sector

Regulation and the structure of the power sector in Tanzania are in transition. Although EWURA was operational in mid 2006, only by subsequent passage of new legislation for the electricity, petroleum, natural gas and water sectors, EWURA will assume full authority for their oversight. Laws governing the electricity, petroleum and natural gas sectors are currently being drafted and are expected to be passed by the Parliament probably within the next eight months.

Tanzania Electric Supply Company (TANESCO) is wholly owned by the state and the sole vertically integrated utility supplying electricity in Tanzania. Until recently, TANESCO enjoyed monopoly status with regard to generation, transmission and distribution of electricity, but this was abrogated, by the Tanzania National Energy Policy of 1992, thus paving the way for private sector involvement at the electric power generation level. The Government has made attempts to restructure TANESCO, in stages, first by unbundling of the major business units, both vertically and horizontally. A plan encompassing several power generating companies, one

transmission company and two distribution companies was the model that was to be implemented. Initially separation of accounts was to be undertaken, followed by incorporation of the business units into separate companies trading electricity under market rules that were to be established. The privatization process was halted in November 2005, and TANESCO was removed from the list of public enterprises that the Presidential Parastatal Sector Reform Commission (PSRC) was in the process of privatizing. One of the main reasons for this was that the power market in Tanzania was finally considered by the Government to be relatively too small to attract potential investors. Generation has nonetheless been opened to competition with TANESCO remaining the single buyer. However, there is a process in progress to have an independent power producer privately run an isolated grid in the southern part of Tanzania. Ultimately both transmission and distribution are supposed to be open to third party access.

From 2002, on the generation segment of the business, independent power producers have been playing a greater role. The following thermal plants are owned and operated by private companies.

- (a) IPTL – 100 MW (2002)
- (b) Songas – 182 MW (2004)
- (c) Aggreko – 40 MW (2006)
- (d) Dowans – 22 MW (2006)
- (e) Alstom Rentals – 40 MW (2007)
- (f) Kiwira Power – 200 MW (2008)

The three power plants operated by Aggreko, Alstom Rentals and Dowans



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are short-term emergency supply contracts ranging from one to two years.

The following major power generation developments are envisioned to be built-owned and operated as private investments.

- (a) Ruhudji Hydro Project – 358 MW (2010-2012)
- (b) Mchuchuma Coal Project – 400 MW (2012-2020)

TANESCO's recent power generation experience has been dominated by the drought related hydro shortfalls in generating capacity. This has led to the use of higher priced natural gas and heavy fuel oil to generate electricity. The Aggreko, Dowans and Alstom Rentals generating additions came about because of the shortfalls in hydro generating capacity. In addition TANESCO is finalizing the addition of another 100 MW (2007) and 45MW (2008) gas fired generating power plants at Ubungo and Tegeta respectively to improve the hydro-thermal mix (both plants are Wartsila gas engines).

The shortfalls in hydro capacity caused severe financial hardship for TANESCO. The existing tariffs did not allow sufficient cost recovery of the increased fuel expense due to operating the high priced diesel generation. Recent rains have restored hydro capacity but because of the capacity charges associated with the new private power facilities TANESCO is still running financial deficits.

TANESCO is in the process of developing revised electric tariffs which

will raise rates approximately 20% if approved. These tariffs will be submitted to the newly formed multi-sector regulatory authority, EWURA, for tariff determination.

The Government of the United Republic of Tanzania acting through TANESCO contracted with SNC-Lavalin (Canada) to update the Power System Master Plan (PSMP). PSMP identifies the "least cost" power system expansion plan for Tanzania. The most recent PSMP was updated in year 2003. PSMP sets the priority for generation, transmission and distribution capital investments.

### Petroleum and Gas Sectors

In contrast, the Petroleum Sector was liberalized from January 2000, when the intent to close the Tanzania-Italian Petroleum Refinery (TIPER) was announced, the Government stopped setting pump prices, the Tanzania Petroleum Development Corporation (TPDC) was deterred from petroleum fuel importation activities, and privately owned oil marketing companies were allowed to heavily involve themselves in importation, handling bulky storage and trading of white products.

To date about sixty one oil marketing companies are operating in Tanzania, eleven of which are actively importing white products. The market forces seem not to work perfectly, petroleum products adulteration is significantly reported, and recently, neither consumers nor the Government appreciates much value added by competition. EWURA is working on modalities to correct the behavior before the market fails.



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Recently, the Government of the United Republic of Tanzania developed the Natural Gas Sector, (earlier considered to be part of Petroleum Sector) and allowed the operations to be dominated by foreign private firms. Songas(UK), PanAfrican Energy(Canada), Artumas Group & Partners(Canada), Maurel & Prom(France) and TPDC are actively operating in Tanzania. The daily natural gas demand is approximately, 60 MMcfd, of which 80% fuels electric power generation plants. Natural gas competes with imported alternative fuel (Jet-A1, HFO, IDO, and coal) and the market is far from the source. Developing natural gas infrastructure, achieving a robust market and fair pricing are three major challenges at this moment. EWURA and the Government are devising appropriate regulatory tools to address the mentioned challenges.

The natural gas and petroleum resources in Tanzania continue to grow. In 2007 alone, natural gas discoveries have been announced at Mkuranga District with the drilling of a test well and the release of six blocks for oil exploration stretching across the interior of the country.

### Government Objectives

The Government wishes to increase access to electricity from the current 10% of the population to stimulate sustainable economic growth. This will require increased investments in generation, transmission, distribution and supply areas. With the development of natural gas reserves, in addition to potentials in hydro and coal, more generation projects can be lined-up.

As the Government plans to bring new power stations on-line and boost the entire economy through public-private partnership, it needs to institutionalize the manner in which it deals with both public and private investments in the electricity, petroleum and gas sectors. While many factors have combined to result in protracted development periods, one key matter of contention is the lack of guidelines and experience of EWURA to handle first natural gas issues, then review the electricity tariff applications, and finally to consent to draft power purchase agreements. Without any clear regulatory tools, EWURA has very little influence in preparing power purchase agreements and gas agreements. In the previous projects the process has been arduous; the Government and TANESCO teams were not well prepared and acted without any clear guidelines or framework. In the case of the recent emergency power plants, negotiations were much in favor of the IPP companies as result of the energy shortage.

As Tanzania seeks to hasten the pace of future development of the natural gas, petroleum and electricity sectors, the Government is keen to avoid repeating past mistakes and get value for money in the projects. EWURA must be well equipped with a clearly defined framework, to facilitate granting of licenses and concessions, determine cost reflective tariffs, and commercially balanced (fair treatment for buyer and seller) power purchase agreements.

### 4. Energy Sector Developments

The Ministry of Energy and Minerals, which oversees the National Energy



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Policy in Tanzania, is actively promoting energy sector investments. With several potential sources of energy including hydro, natural gas, coal and other renewable sources, a new PSMP is being developed to enable development of the sector be carried out economically and efficiently.

The PSMP will shortlist the potential power generating projects, ranging from large hydropower projects like Stiegler Gorge, Ruhudji, Rumakali, and Mpanga to other power generation projects largely dependent on indigenous natural gas and coal potentials. Also there will be included timing for the implementation of the network infrastructure to enable transfer of power from generating stations to the large consuming centers. Plans to interconnect with Zambia and Kenya electric power grids are at advanced stages. Under various regional initiatives there are plans to jointly develop hydro-potentials in the lake region, as well as the Nile Basin.

All of these projects will be affected by EWURA's decisions and rulings regarding licenses, tariffs, investment rules, and other related issues. By assisting EWURA at this stage, USTDA's assistance is likely to have a direct positive impact on the development of regulatory tools and other future energy projects development in Tanzania.

### **B. About the Grantee (EWURA)**

1. EWURA is an independent multi-sector regulatory authority, newly established under Cap 414 of the Laws of Tanzania. It is mandated to undertake

technical, safety and economic regulation of the electricity, water and sewerage, petroleum and natural gas sectors. The functions of EWURA include, among others, licensing, rate setting, performance and compliance monitoring with regard to standards, availability and quality of services, health, safety and environment (HSE), levels of investments, efficiency of production, transmission and distribution facilities, and reasonable cost of services at all levels of supply chain of the regulated sectors.

The Mission of EWURA is to strive to enhance the welfare of Tanzania society through:

- (a) promotion of effective competition and economic efficiency, and that ensure that there is no abuse from monopoly positions;
- (b) ensuring the interests of consumers are protected, and investors get a reasonable return on their investments;
- (c) promotion of the availability of the regulated services to all consumers including the low income, rural and disadvantaged consumers;
- (d) enhancement of public knowledge, awareness and understanding the rights and obligations of consumers and the regulated suppliers, and the duties, functions and activities of the regulator; and
- (e) ensuring that when activities are carried out the need to protect and preserve the environment are taken into account.



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According to the Energy and Water Utilities Regulatory Authority Act, Cap. 414, EWURA's main functions include to:

- (a) issue, renew and cancel licenses;
- (b) establish standards for goods and services;
- (c) establish standards for terms and conditions of supply of goods and services;
- (d) regulate rates and charges; and
- (e) make rules as deemed appropriate for it to discharge its duties and functions.

EWURA's legal jurisdiction over the petroleum sector is further contained in the Petroleum (Conservation Act) 1981 which has specified that EWURA has regulatory powers in the petroleum sector. Furthermore, the Government has prepared a draft Petroleum Supply Act, which is in the process of being legislated. However, EWURA's powers so far are only within the downstream (processing, transmission, distribution and trading) petroleum sub-sector, the jurisdiction to regulate upstream (exploration and production) petroleum undertakings is reserved in the Ministry of Energy and Minerals.

EWURA as an organization and being newly constituted consists of:

- (a) Board of Directors: The Board of Directors consists of six non-executive members and one executive member, who is the Chief Executive Officer. All the members have to apply for the positions and

are recommended by the Nomination Committee, which is established by law. The selection of the members of the Board is based on wide range experience and professions related to the sectors. The Chairman is appointed by the President of the United Republic of Tanzania, while the other members are appointed by the Minister for Water. The terms of the members of the Board vary from three to five years renewable only once. The Board meets once a month, as well as extraordinarily "as and when required".

- (b) Management: The Management of EWURA is lead by the Director General who has a renewable tenure of four years. He runs the day to day business of EWURA, assisted by seven Executive Directors, who oversee the four technical sectors, provide legal services, and handle issues related to regulatory economics, and corporate affairs.
- (c) Manpower: EWURA is one year old with 55 employees, all stationed in Dar es Salaam. It is still growing to reach about 75 employees by July 2008, when EWURA will start operating from several branch zones as well as headquarters. At present, it receives legal and economics advisory services of two resident consultants sourced from the Institute for Public-Private Partnerships, a private consultancy firm based in Washington, D.C.



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### C. Development Impact

The proposed project, when fully implemented, would have a significant development impact on the energy sector in Tanzania by providing important regulatory infrastructure and skills transfer at a crucial moment in the evolution of the electricity and gas sub-sectors.

Further, the project is intended to provide a strong human capacity development component, by providing the EWURA with the tools and skills needed to execute its role as a truly independent regulator of the energy sector. The project will help to provide an even playing field for both public and private energy sector investments. In short, the project is expected to have the following Development Impacts:

- (a) **Market-Oriented Reforms** – This project will help EWURA establish itself as a truly independent regulator of the energy sector with transparent policies and procedures. The project will also facilitate underlying ordinances and best practices in energy sector regulation.
- (b) **Human Capacity Building.** The project will help transfer skills to the EWURA staff in regulatory development and administration and in financial analyses of energy tariffs. This is a direct effect of the proposed Technical Assistance. . Indirectly the Technical Assistance will aid in the development of a robust natural gas delivery

infrastructure business which will require construction workers to build the pipelines, operating personnel to maintain the equipment and support daily operations, and office staff to support customer service and billing. Also affected will be the businesses that will grow as a result of having access to competitively priced natural gas.

### D. Project Sponsor Commitment

The Commissioner for Energy Petroleum Affairs, of the Ministry of Energy and Minerals in Tanzania met with the Definitional Mission in Dar es Salaam and personally issued the request for Technical Assistance in the Energy Sector. The Director of Electricity and Director of Natural Gas of EWURA met with the Definitional Mission to discuss the request by the Commissioner and develop project concepts. Both directors have been instrumental in development of these Terms of Reference. EWURA management has fully agreed to the proposed Terms of Reference herein.

### E. Implementation Financing

Because this is a Technical Assistance project, no implementation financing will be required. EWURA is already formed by the Government of the United Republic of Tanzania and is currently fully functional in power regulation. USTDA's assistance will help build EWURA's capacity to create and deploy a regulatory environment that will encourage private sector participation in



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the power industry, while regulating that industry consistently and fairly.

### F. US Export Potential

Because this is a Technical Assistance project, there is no specific, direct U.S. export potential linked to the project. However, in general, an improved regulatory environment should help Tanzania attract future U.S. investment and business surrounding energy sector developments. Moreover there are some very specific project investments which will be enabled by the Technical Assistance for which an indirect impact on US Export Potential may be considered to derive.

Tanzania is on the verge of moving forward on three large electricity sector projects. These projects will provide an opportunity for the export of U.S. goods and services to Tanzania. Each is described briefly below:

- (i) The Ruhudji Hydro Project is a 358 MW facility with an estimated capital cost of US\$600 million. It is scheduled to enter operation in the 2010-2012 timeframe. We may consider that on hydropower projects implemented in Africa, 30% of the capital costs are in areas for which US suppliers are competitive such as turbines, generators, switchgear, transformers, and controls. Thus the indirect US export potential from Ruhudji which may be assigned to this Technical Assistance project is \$ US180 million.
- (ii) The Mchuchuma Coal Field Power Project is a 400 MW, phased project developed in concert with opening a new coal mine and extending the transmission grid in the 2012-2020 timeframe once all phases are complete. The project cost is estimated at US\$470 Million. We may consider that on coal fired power plant projects implemented in Africa, 40% of the capital costs are in areas for which US suppliers are competitive such as turbines, generators, boilers, fans, pumps, pollution control equipment, switchgear, transformers, and controls. Thus the indirect US export potential from Mchuchuma which may be assigned to this Technical Assistance project is \$US 188 million
- (iii) The Government acting through TANESCO has developed a Power System Master Plan which identifies US\$1.0 to 1.3 billion of transmission upgrades over the next 20 years. We may consider that on power transmission projects implemented in Africa, 50% of the capital costs are in areas for which US suppliers are competitive such as poles, conductors, transformers, switchgear, relays, and controls. Thus the indirect US export potential from the TANESCO projects which may be assigned to this Technical Assistance project is \$US 500 million.
- (iv) Preliminary estimates for developing the Mnazi Bay gas field are characterized by the National Development Corporation at \$US65



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million. We may consider that on gas drilling and processing plants 50% of the capital costs are in areas for which US suppliers are competitive such as exploration, drilling, gas storage, gas processing, and pumping. Thus the indirect US export potential from the natural gas projects which may be assigned to this Technical Assistance project is \$US 32.5 million.

Therefore the total indirect US Export Potential may be considered to be as high as \$US 900 million.

With improved regulatory environment as a result of a stronger EWURA, Tanzania may become more attractive for foreign investors and exporters for both equipment and services in the power sector. Already Tanzania has begun to attract such interest, as shown by the Songo Songo, Mnazi Bay, Kiwira Coal & Power, Mkuranga, Deep Sea, Ruhudji and Mchuchuma projects.

Three very large gas utilization projects were discussed at length with TPDC.

- Mnazi Bay Gas Fired Power Plant
- Mnazi Bay Fertilizer Plant
- Mnazi Bay CNG Export Facility

Section 6 contains the project descriptions. All of these projects are at a very early stage of development. Based upon the preliminary information provided and GreenMax's judgment the total investment could easily exceed \$1.5 Billion. U.S. export potential could approach \$650 Million. As was stated in Section 3.A.3.iv, it is GreenMax's opinion that the correct economic usage of natural gas cannot be obtained without

clear rules and pricing for the natural gas itself. The purpose of the TOR for EWURA is to put in place such rules so that the natural gas resource can be effectively utilized. The TOR ultimately will help facilitate the evaluation and implementation of the three proposed projects mentioned above or other large projects yet to be developed.

The natural gas and petroleum resources in Tanzania continue to grow. In 2007 alone, natural gas discoveries have been announced at Mkuranga District with the drilling of a test well and the release of six blocks for oil exploration stretching across the interior of the country. These fields will also benefit from the TOR proposed for EWURA leading to potentially more large natural gas infrastructure projects with U.S. export potential.

The U.S. export potential for the three projects reviewed with TPDC is summarized in the following tables. As was stated earlier the total export potential is approximately \$650 million.



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**Table 1 Estimated US Export Potential for Development of Gas Fired Power Plant in Tanzania**

Cost Category	Estimated Cost 1000s \$	U.S. Supply Portion 1000s \$
Combustion Turbine	90000	90000
Steam Turbine	30000	30000
HRSG	15000	15000
Controls	6000	6000
Switchgear	15000	15000
Materials	75000	0
Construction	54000	0
Engineering Project Mgmt	15000	15000
<b>Total</b>	<b>300000</b>	<b>171000</b>

**Table 3 Estimated US Export Potential for Development of Compressed Natural Gas Project in Tanzania**

Cost Category	Estimated Cost 1000s \$	U.S. Supply Portion 1000s \$
Compressors	20000	20000
Ship Load Out	8000	8000
Pipe Valves	20000	20000
Wire/Cable	4000	4000
Pumps	2000	2000
Controls	2000	2000
Switchgear	8000	8000
Materials	200000	0
Construction	400000	0
Engineering Project Mgmt	16000	16000
<b>Total</b>	<b>200000</b>	<b>80000</b>

**Table 2 Estimated US Export Potential for Development of Gas Supplied Fertilizer Plant in Tanzania**

Cost Category	Estimated Cost 1000s \$	U.S. Supply Portion 1000s \$
Catalytic Reformer	150000	150000
Pipe Valves	100000	100000
Wire/Cable	20000	20000
Pumps	10000	10000
Controls	10000	10000
Switchgear	30000	30000
Materials	200000	0
Construction	400000	0
Engineering Project Mgmt	80000	80000
<b>Total</b>	<b>1000000</b>	<b>400000</b>

Potential U.S suppliers are identified in the following table.



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**Table 4 Potential US Suppliers of Goods and Services for Development of Potential Natural Gas Utilization Projects in Tanzania**

<b>Petroleum Chemical Technology Companies</b>	<p>Fluor 6700 Las Colinas Blvd. Irving, TX 75039 469-398-7000 <a href="http://www.fluor.com">www.fluor.com</a></p> <p>Kellogg, Brown, &amp; Root 601 Jefferson St. Houston TX 713-753-3011</p> <p>Shaw Group 4171 Essen Lane Baton Rouge, LA 70809 225-932-2500 <a href="http://www.shawgrp.com">www.shawgrp.com</a></p>	<b>Combustion Turbines</b>	<p>Siemens Westinghouse 4400 Alafaya Trail Orlando, FL 32826 407-736-2000 <a href="http://www.swpc.siemens.com">www.swpc.siemens.com</a></p> <p>General Electric One River Rd. Schenectady, NY 12345 518-385-4593 <a href="http://www.gepower.com">www.gepower.com</a></p> <p>Pratt &amp; Whitney 80 Lambertson Rd. Windsor, CT 06095 860-557-0809 <a href="http://www.pw.utc.com">www.pw.utc.com</a></p>
<b>Steam Turbines</b>	<p>Siemens Westinghouse 4400 Alafaya Trail Orlando, FL 32826 407-736-2000 <a href="http://www.swpc.siemens.com">www.swpc.siemens.com</a></p> <p>General Electric One River Rd. Schenectady, NY 12345 518-385-4593 <a href="http://www.gepower.com">www.gepower.com</a></p>	<b>Heat Recovery Steam Generators</b>	<p>Deltak LLC 2905 Northwest Blvd. Suite 150 Plymouth, MN 55441 763-557-7440 <a href="http://www.deltak.com">www.deltak.com</a></p> <p>Nooter/Erickson 1509 Ocello Dr. Fenton, MO 63026 636-651-1000 <a href="http://www.ne.com">www.ne.com</a></p>
<b>Evaporators</b>	<p>Progressive Recovery, Inc. 618-286-5000 <a href="http://www.progressive-recovery.com/">http://www.progressive-recovery.com/</a></p> <p>Pfaunder 585-235-1000 <a href="http://www.pfaunder.com/">http://www.pfaunder.com/</a></p>	<b>Controls</b>	<p>Emerson Process Mgmt <a href="http://www.emersonprocess.com">http://www.emersonprocess.com</a> 847-956-8020</p> <p>Honeywell <a href="http://www.honeywell.com/">http://www.honeywell.com/</a> 973-455-2000</p> <p>Foxboro <a href="http://www.foxboro.com">http://www.foxboro.com</a> 866-746-6477</p>



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Process Tanks & Vessels	<p>MPC Containment Systems LLC 773-927-4120 <a href="http://www.mpccontainment.com/">http://www.mpccontainment.com/</a></p> <p>Canamer Services Inc 608-687-9800 <a href="http://www.canamerservices.com/">http://www.canamerservices.com/</a></p> <p>BMT 281-252-9809 <a href="http://www.bmt-tank.com/">http://www.bmt-tank.com/</a></p>	Switchgear	<p>EMSCO <a href="http://www.emscomn.com">http://www.emscomn.com</a> 800-328-1842</p> <p>General Electric <a href="http://www.ge.com">http://www.ge.com</a> 713-803-0446</p> <p>Enercon <a href="http://www.enercon.com/">http://www.enercon.com/</a> 918-665-7693</p>
Centrifuges	<p>optek-Danulat, Inc 800-371-4288 <a href="http://www.optek.com/">http://www.optek.com/</a></p> <p>Chromalox 412-967-3828 <a href="http://www.chromalox.com/">http://www.chromalox.com/</a></p>	Engineering & Services	<p>Black &amp; Veatch <a href="http://www.bv.com/">http://www.bv.com/</a> 913-458-2000</p> <p>MWH Global <a href="http://www.mwhglobal.com/">http://www.mwhglobal.com/</a> 303-533-1900</p> <p>Fluor <a href="http://www.fluor.com/">http://www.fluor.com/</a> 469-398-7000</p> <p>Bechtel <a href="http://www.bechtel.com/">http://www.bechtel.com/</a> 415-768-1234</p> <p>Foster Wheeler <a href="http://www.fwc.com">http://www.fwc.com</a> 908-730-4000</p>
Pipes & Valves	<p>Berg Pipe <a href="http://www.bergpipe.com/">http://www.bergpipe.com/</a> 713-465-1600</p> <p>Ameron International <a href="http://www.ameron.com">http://www.ameron.com</a> 626-683-4000</p> <p>B.F. Shaw <a href="http://www.shawgrp.com">http://www.shawgrp.com</a> 864-682-4000</p>	Dryers	<p>Progressive Recovery, Inc. 618-286-5000 <a href="http://www.progressive-recovery.com/">http://www.progressive-recovery.com/</a></p> <p>Heyl &amp; Patterson Inc. 412-788-9810 <a href="http://www.heylpatterson.com/">http://www.heylpatterson.com/</a></p> <p>Epcon Industrial Systems, LP 936-273-3300 <a href="http://www.epconlp.com/">http://www.epconlp.com/</a></p> <p>FEECO International, Inc. 920-468-1000 <a href="http://www.feeco.com/">http://www.feeco.com/</a></p>



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<b>Pumps</b>	<p>Gould Crane ITT Industries <a href="http://www.goulds.com/">http://www.goulds.com/</a> 315-568-7123</p> <p>Electric Machinery <a href="http://www.electricmachinery.com/">http://www.electricmachinery.com/</a> 612-378-8000</p> <p>Caterpillar <a href="http://www.cat.com">http://www.cat.com</a> 309-675-1000</p> <p>Rockwell Automation <a href="http://www.rockwellautomation.com/">http://www.rockwellautomation.com/</a> 414-382-2000</p> <p>Dresser <a href="http://www.dresser.com">http://www.dresser.com</a> 972-391-9800</p>	<b>Thermal Oxidizers</b>	<p>Anguil Environmental Systems, Inc. 414-365-6400 <a href="http://www.anguil.com">http://www.anguil.com</a></p> <p>Epcon Industrial Systems, LP 936-273-3300 <a href="http://www.epconlp.com/">http://www.epconlp.com/</a></p>
<b>Feedstock Handling</b>	<p>FEECO International, Inc. 920-468-1000 <a href="http://www.feeco.com/">http://www.feeco.com/</a></p> <p>Cardinal Scale Mfg. Co. 800-441-4237 <a href="http://www.cardinalscale.com">http://www.cardinalscale.com</a></p>	<b>Wire Cable</b> &	<p>Rockwell Automation <a href="http://www.rockwellautomation.com/">http://www.rockwellautomation.com/</a> 414-382-2000</p> <p>Amer Cable <a href="http://www.amercable.com/">http://www.amercable.com/</a> 800-643-1516</p> <p>Northwire <a href="http://www.northwire.com/">http://www.northwire.com/</a> 800-468-1516</p>



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### G. Foreign Competition

Foreign competition for material and equipment supply to the current power projects under development will be strong. For hydropower projects, foreign competition can be expected from Austria, Norway, Switzerland, Sweden, Canada and Germany, for example. For other projects, foreign competition can be expected mainly from equipment suppliers Europe (Germany, Austria, Sweden, Finland), but also from Indian and Chinese suppliers, both of which have a market presence in the region.

The Ruhudji Project is being executed by a Scandinavian developer. Because these power projects are just under planning and development stages, it is unclear where the equipment will ultimately be purchased from, however the United States is competitive in the supply of equipment and services related to all types of energy developments. We expect USTDA's assistance to introduce these opportunities to US companies in order for them to enter the market at these early stages.

USTDA's assistance with the regulatory developments in Tanzania's power sector at large will also help create an environment that will help attract all foreign investment in this sector, and will lower the cost of doing business for U.S. companies interested in doing business in the power sector in Tanzania mainly by mitigating regulatory risks and making business more transparent.

### H. Social and Environmental Impact

Because this project is a Technical Assistance project at the regulatory level, it will have no direct negative impact on the environment or any negative social impact. As the goal of the Technical Assistance is to expand the use of natural gas within the country of Tanzania environmental impacts will occur.

Responsibility for environmental protection in Tanzania rests with the Division of the Environment reporting to the Vice President's Office. They are responsible for implementing the National Environmental Policy of 1997.

Without knowing in advance what type of projects will be developed it is difficult to predict what types of environmental impacts will take place. Certainly the substitution of cleaner burning natural gas for heavy fuel oil, diesel fuel oil, and in the case of home use charcoal will all have a positive benefit on the environment. The proposed Technical Assistance will address these points in a general manner, which is all that is possible without having actual projects identified, and also examine the current environmental review procedures in Tanzania to ensure they provide for appropriate oversight of gas utilization projects.

### I. Impact on US Labor

This project will have no negative impact on U.S. labor. Instead, we expect that the project will have a positive impact on



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U.S. labor due to the assistance provided in the regulatory environment, which could increase the potential for export for U.S. equipment and services to Tanzania.

Implementation of the underlying Project will in no way create:

- (a) financial incentive to any business enterprise currently located in the United States for the purpose of inducing such an enterprise to relocate outside the United States if such incentive or inducement is likely to reduce the number of employees of such business enterprise in the United States because United States production in being replaced by such enterprise outside the United States;
- (b) assistance for the purpose of establishing or developing in a foreign country any export processing zone or designated area in which the tax, tariff, labor, environment, and safety laws of that country do not apply, in part or in whole, to activities carried out within that zone or area;
- (c) assistance for any project or activity that contributes to the violation of internationally recognized workers rights; and
- (d) direct assistance for establishing or expanding production of any commodity for export by any country other than the United States, if the commodity is likely to be in surplus on world markets at the time the resulting productive

capacity is expected to become operative and if the assistance will cause substantial injury to United States producers of the same, similar, or competing commodity.

### J. Qualifications Required from the Technical Advisor (Contractor)

It is critical that the selected firm organizes a team that brings appropriate experience to the development of broad regulatory practice for the electricity, petroleum and natural gas sectors in Tanzania.

The Contractor's team should consist of a small group of energy regulatory professionals. The Contractor's team should be comprised of individuals with the skills set described below, understanding that specific skills may be found in different of the individual staff presented by the Contractor, than what is described below. The critical factor in evaluation will be that all skills are properly addressed. All the members should demonstrate high communication skills.

**Project Manager** – A senior level energy regulatory professional with broad experience in all aspects of electricity, petroleum and natural gas sectors regulation; should have recent experience in Sub-Saharan Africa. The Project Manager should have experience in developing regulation in the areas of granting licensing and concessions, developing tariffs, preparing financial models for tariff review, grid interconnection, and Third Party Access procedures, standardized gas sales



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

agreements and standardized power purchase agreements. The Project Manager should demonstrate a track record in working with national regulatory bodies to introduce sound energy sector regulatory practices.

**Tariff Analyst** – A mid-level tariff analyst with strong background in the financial modeling of energy tariffs, statistics and regulatory economics.

**Electrical Engineer** – A senior electrical engineer with proven experience preparing technical requirements for electric grid interconnection by independent power producers in developing economies.

**Natural Gas/Petroleum Engineer** – A senior natural gas/petroleum engineer with proven experience preparing technical requirements for gas pipeline interconnection standards, operating codes, and service codes and benchmarking.

**Economist** – A seasoned economist or financial analyst with vast experience in economic regulation of energy and other utility including the electricity, petroleum and natural gas sector.

### **Socio/Environmental Specialist**

It is recommended that the S/E Specialist have a minimum of 5 years of experience carrying out environmental impact analyses for large-scale infrastructure development projects in developing countries. This specialist must have strong experience in socio-economic impact analyses in this context as well. Experience in Africa would be helpful.

**Regulatory Attorney** – A senior level attorney with extensive experience analyzing the legal aspects of energy sector regulation of developing countries under World Bank/IMF supervision.

To qualify for selection for this consultancy, the Offeror should demonstrate the following qualifications, with references provided to specific hydropower facilities currently in operation:

- (i) Experience in preparing energy sector regulation for developing countries, 30%
- (ii) Experience developing economic models for calculation of energy tariffs, 30%
- (iii) Experience in providing skills transfer and capacity building to utility regulators in developing countries, 30%
- (iv) Experience in Sub Saharan Africa, 10%

### **J. Justification**

EWURA is mandated to oversee regulatory functions in the electricity, petroleum and natural gas sectors. At this juncture, EWURA needs to prepare the regulations, rules, standards and codes, guidelines, procedures and analytic tools necessary to carry out this role. The timing is especially important as several new power generation and gas distribution projects are likely to be ready for consideration starting second half of 2008. USTDA's assistance will provide



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

capacity building at this important moment.

We expect USTDA's assistance to EWURA to have both a strong development impact, including on market reform and human capacity building, and an impact on U.S. export potential, by assisting in improving the overall investment environment in Tanzania and introducing U.S. companies to the opportunities in this sector.

### **K. Terms of Reference**

#### **Objectives**

The purpose of this Technical Assistance ("TOR") is to build capacity for the Energy and Water Utilities Regulatory Authority ("EWURA" or "Grantee") to implement its regulatory functions according to the proposed Electricity Petroleum and Natural Gas Sector legislations. Specifically, the Contractor shall help design regulations on various regulatory activities in the electricity, petroleum and natural gas sectors, wholesale tariff guidelines, licensing procedures, standard gas sales agreements; standard power purchase agreements and introduce a tariff calculation model to facilitate private investment in the electricity, petroleum and natural gas sectors.

Several sector legislative acts need to be revised and new ones established to prepare for the new regulatory regime. Finally, new laws for the Electricity, Petroleum and Gas sectors are expected to be enacted by the first quarter of 2008. EWURA needs to be prepared by mid

2008 to promulgate ordinances and standards as described above pursuant to the new laws in order to facilitate transparent consideration of all new investments. This Technical Assistance is therefore designed to help EWURA prepare the necessary regulatory actions and to provide skills transfer that will allow the EWURA staff to effectively administer the new legislation in the near term.

Since skills transfer is a key element of the Technical Assistance, the Contractor shall plan on at least three missions in country of at least one month duration each in order to work closely day-to-day with the EWURA staff. The Contractor shall undertake all tasks from the perspective of capacity building as a main goal. Therefore, the development of all regulatory tools shall be undertaken in a fully interactive process with the EWURA staff to ensure that maximum skills transfer occurs.

#### **Tasks**

##### **Task 1: Background Research and Kick-Off Meeting**

To begin the assignment, the Contractor shall travel to Dar es Salaam (Mission 1) to meet with the Grantee, the Ministry of Energy and Minerals, Rural Energy Agency, the World Bank Country Office, TPDC and TANESCO, and to be introduced to key decision-makers in the Government and its institutions. The Contractor shall discuss with the EWURA their goals for the Technical Assistance and what has been done to date towards preparing the regulatory



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

matters which are the subject of the Technical Assistance.

Prior to the Kick-Off Meeting, the Grantee shall have provided to the Contractor: i) all necessary laws, ordinances and regulation relevant to EWURA and to the energy sector generally (both enacted and under consideration) ; ii) all tariffs and licenses for the electricity and gas sectors currently in force; iii) model power purchase agreements in place; iv) all preliminary and detailed feasibility studies for electricity and gas sector projects in Tanzania still under consideration to be implemented; v) all financial models currently utilized by EWURA for project economic viability and tariff analysis; vi) all materials from past training, skills transfer and capacity building activities in which EWURA staff have participated; and vii) all samples of relevant energy sector regulation, ordinances, guidelines, procedures etc. from other countries which EWURA has collected and reviewed for guidance. The Contractor shall review all background information in advance of the Kick-Off Meeting so that the mission may be productively utilized.

The deliverable from this Task 1 shall be an Inception Memorandum providing a discussion of the tasks to be accomplished, necessary amendments to the work-plan and schedule, information requests, and a list of possible obstacles to execution of further tasks for discussion with the Grantee. Mission 1 shall be extended beyond the Kick-Off Meeting to encompass work on other tasks listed below and shall be the first of

**GREENMAX CAPITAL ADVISORS**

three missions of at least thirty (30) days duration each. In addition, the complete findings of Task 1 shall be included in the Final Report.

### **Task 2: Prepare Electricity Wholesale Tariff Guidelines**

The goal of this task is to develop clear guidelines and procedures for the setting of wholesale electricity tariffs. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Regulations/Rules:

(A) Review the proposed framework for simplified tariff models and standardised PPAs for electricity sold from small scale generating facilities. Recommend any modifications to the proposed approaches for implementation of the framework in Tanzania.

Such solution may be very effective as a promotional scheme to encourage small private power development in the current power shortage crisis. However some problems arise with distribution of the extra costs that result. The Contractor shall evaluate this option and assist EWURA and Tanzanian policymakers to decide if these extra costs should be covered by all taxpayers, by all electricity consumers equally or disproportionately by certain customer segments.

(B) Introduction of different fixed price levels of electricity depending on such factors as:

(i) type of fuel or primary energy



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

- (ii) type of technology
- (iii) region of the country
- (iv) number of years an energy facility is in operation

Such diversification of methods will allow policy makers to identify which fuel or technology should receive priority for development. It will also allow for extra support to be targeted to specific regions and for support to be restricted for facilities utilizing obsolete technologies.

The deliverable for this Task 2 shall be the draft of a Wholesale Electricity Tariff Rule/Regulation. In addition, the complete findings of this Task 2 shall be included in the Final Report.

### **Task 3: Prepare Economic Model for Wholesale Electricity Tariff Calculation**

The purpose of this task is to provide an economic and financial model that will calculate wholesale electricity tariffs in accordance with the guidelines and regulations developed by the Contractor pursuant to Task 3.

The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques. The deliverable for this Task 3 shall be an economic and financial model prepared in Excel format designed with the intention to be used by the Grantee to calculate wholesale electric tariffs in the future. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take

place during one of the 3 month long missions. The intent is to provide a "User Guide Document" which will explain the inner workings of the model plus a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). In addition, the complete findings of this Task 3 shall be included in the Final Report.

### **Task 4: Prepare Guidelines on Power Grid Access**

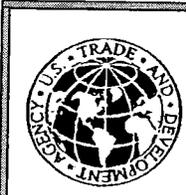
The goal of this task is to develop clear guidelines and procedures for access and interconnection by Independent Power Producers to the power grid. In preparing the guidelines the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Guidelines:

#### **(A) Introduction of "Obligation to Buy"**

The Contractor shall evaluate the extent to which there should be a firm "Obligation to Buy" all power produced by new power sources as an incentive to investment or whether such obligation might be valid only for certain generation technologies (i.e. "renewable energy" or "mini hydro") or power sources in certain regions or of certain sizes (i.e. below 10 or 20 MW capacity).

#### **(B) Introduction of preferences for feed in by some producers**

The Contractor shall examine whether preferences, designed to achieve same objectives as the Obligation to Buy provisions above, should be established



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

for certain new generators based on technology or size.

### (C) Introduction of “Third Party Access” Principle

The Contractor shall examine the consequences of introducing the “Third Party Access” principle in the power sector for all new generation facilities. The minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts, shall be reviewed within the Tanzanian context.

### (D) Non-discriminatory grid connection

The Contractor shall review the reasonable technical requirements for making grid connections non-discriminatory for all new producers.

The deliverable for this Task 4 shall be the draft of an Ordinance on Power Grid Access and Interconnection. In addition, the complete findings of Task 4 shall be included in the Final Report.

### **Task 5: Prepare Standard Power Purchase Agreement**

The goal of this task is to develop a Standard Power Purchase Agreement for Independent Power Producers (“PPAs”) in Tanzania, for projects of capacity greater than 10 MW. The Contractor shall use models of standardized PPAs from around the world to allow adaptation from these samples to Tanzanian conditions, rather than

development of an entirely new document.

The deliverable for this Task 5 shall be the draft Standard PPA. In addition, the complete findings of Task 5 shall be included in the Final Report.

### **Task 6: Prepare Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines**

The purpose of this task is to provide EWURA with a transparent regulatory tool governing setting of pipeline transportation tariff.

Without prejudice of the existing legislation and contractual arrangements in place, the Contractor shall examine and point out weaknesses and strengths, propose alternative methods, and prepare simplified Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines based on best international practices easily applicable in Tanzania.

The deliverable for this Task 6 shall be the draft of a Petroleum/Natural Gas Pipeline Transportation Tariff Rule/Regulation. In addition, the complete findings of Task 6 shall be included in the Final Report.

### **Task 7: Prepare Economic Model for Petroleum/Natural Gas Pipeline Transportation Tariffs**

The purpose of this task is to provide an economic and financial model that will calculate revenue requirements and user tariffs in accordance with the guidelines and regulations developed by the Contractor pursuant to Task 6.



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques.

The deliverable for this Task 7 shall be an economic and financial model prepared in Excel format designed with the intention to be used by the Grantee to calculate wholesale electric and natural gas tariffs in the future. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take place during one of the 3 month long missions. The intent is to provide a "User Guide Document" which will explain the inner workings of the model plus a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). In addition, the complete findings of this Task 7 shall be included in the Final Report.

### **Task 8: Prepare Standard Natural Gas Pipeline Interconnection Guidelines**

The purpose of this task is to provide EWURA with clear guidelines and procedures for access and interconnection by other Gas Producers to the existing gas transmission pipeline. In preparing the guidelines the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Guidelines:

#### (A) Introduction of "Take or Pay" Principle

The Contractor shall evaluate the extent to which there should be a firm "Take to Pay" for booked capacity as an incentive

to attract investment or whether such obligation might be valid only for certain infrastructures or certain period or natural gas sources in certain regions or of certain sizes.

#### (B) Introduction of "Third Party Access" Principle

The Contractor shall examine the consequences of introducing the "Third Party Access" principle in the petroleum and natural gas sector for existing and new gas facilities. The minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts, shall be reviewed within the Tanzanian context.

#### (C) Non-discriminatory pipeline interconnection

The Contractor shall review the reasonable technical requirements for making pipeline interconnections non-discriminatory for all new gas producers.

The deliverable for this Task 8 shall be the draft of an Ordinance on Gas Transmission Access and Interconnection. In addition, the complete findings of Task 8 shall be included in the Final Report.

### **Task 9: Prepare Service Standards for Natural Gas Pipelines**

The purpose of this task is to provide EWURA with clear guidelines and procedures for preparation of service standards by service providers.

The Contractor shall examine the existing arrangements and introduce the key principles based on the best international practices. Standard service charters



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

developed by the service providers shall form an important service provider's performance evaluation tool to be reviewed and endorsed by EWURA before it is put into practice.

The deliverable for this Task 9 shall be the draft of an Ordinance on Service Standards for Natural Gas Pipelines. In addition, the complete findings of Task 9 shall be included in the Final Report.

### **Task 10: Prepare Rules/Regulation governing Economic Regulation in the retail petroleum market.**

The purpose of this task is to provide EWURA with insight and economic regulatory knowledge applicable to the retail petroleum sector in Tanzania.

To date about sixty one oil marketing companies are operating in Tanzania, eleven of which are actively importing white products. The market forces seem not to work perfectly, petroleum products adulteration is significantly reported, and recently, neither consumers nor the Government appreciates much value added by competition.

As long as the market continues to fail due to lack of adequate competition, the Government and EWURA is looking into mechanisms to correct misbehaviors impeding perfect competition.

The Contractor shall study the market history and the intent of both regulatory and sector legislations, the prevailing practice, and recommend the best way to regulate the Petroleum Sector without necessarily imposing overly restrictive rules. In addition, the complete findings

of Task 10 shall be included in the Final Report.

### **Task 11: General Capacity Building**

In addition to the specific regulatory and modeling tasks described in Tasks 2-10 above, the Contractor, during the term of the Contract and when the Contractor is located in-country at EWURA, shall provide such additional assistance to EWURA management and staff as will be necessary for EWURA to:

- (a) Introduce and explain the purpose, content and administration of the new Electricity, Petroleum and Natural Gas legislation and the subsequently proposed regulations developed pursuant to this Terms of Reference, to all relevant stakeholders in Tanzania (as determined by the Grantee), including government bodies, NGOs, private investors, bilateral and multilateral donors and international financial institutions, through briefing sessions to be organized by the Grantee in Dar es Salaam and through direct phone and email contact with parties outside of Tanzania.
- (b) Negotiate all reasonable changes to the proposed regulations, guidelines, codes and standards to include stakeholder suggestions and recommendations.
- (c) Develop a strategy for securing formal administrative issuance or legislative passage of the new regulations, guidelines, rules, codes and standards.



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

- (d) Initiate sound administrative practices inside EWURA for the implementation of the new Electricity, Petroleum and Natural Gas legislations and subsequent regulations.
- (e) Undertake initial negotiations with independent power and natural gas producers under the guidance of the new Electricity and Natural Gas legislations and subsequent regulations for those negotiations that occur during the time period allocated for this Task 11.
- (f) Gain the other skills prescribed in this Terms of Reference, Tasks 1-10.

The deliverable for this Task 11 shall be a report detailing all of the assistance provided pursuant to this task and resulting outcomes. In addition, the complete findings of this Task 11 shall be included in the Final Report.

### **Task 12: Development Impacts**

The Contractor shall report on the potential development impact of the Technical Assistance. The Contractor shall focus on what the economic development outcomes will result from the deliverables of the Technical Assistance. The Contractor shall include, where appropriate, spin-off and demonstration effects. The Contractor's analysis of potential benefits should be as concrete and detailed as possible. The development impact factors are intended to provide the Grantee's decision-makers and interested parties with a broader view of the Technical Assistance's potential

effects on the Host Country. The Contractor shall provide estimates of the Technical Assistance's potential benefits in the following areas:

- (a) Infrastructure/Industry. The Contractor shall provide a statement on the infrastructure and industry impacts giving a brief synopsis.
- (b) Market-Oriented Reforms. The Contractor shall provide a description of any regulation, law or institutional changes that are recommended and the effect they would have if implemented.
- (c) Human Capacity Building. The Contractor shall address the number and type of positions that would be needed to construct and operate the proposed Projects as well as the number of people who will receive training and a brief description of the training program.
- (d) Technology Transfer and Productivity Enhancement. The Contractor shall provide a description of any advanced technologies that will be implemented as a result of the Projects. A quantitative description shall be provided of any efficiency that will be gained.
- (e) Others. The Contractor shall identify any other development benefits of the Projects, including any spin-off or demonstration effects.



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

The complete findings of this Task 12 shall be included in the Final Report.

### **Task 13: Preliminary Socio-Economic and Environmental Impact Analysis**

The Contractor shall prepare a preliminary review of the Project's environmental impact with reference to local requirements and those of the World Bank. This review shall identify potential negative impacts, discuss the extent to which they can be mitigated.

The intent of the TOR is to put in place rules and regulations which will expand the use of natural gas within Tanzania. No specific projects are identified directly as part of this work. The environmental review will focus on the issues associated with additional gas exploration activities, high pressure pipeline expansions, and low pressure distribution lateral extensions. Additionally, the review should address the positive environmental benefits of substituting clean burning natural gas for heavy fuel oil, charcoal, etc.

Among others, this review will include the impacts from possible discharges, on agriculture and other land uses, wetlands and other areas of sensitive biodiversity, historical sites, and availability of land for the project sites, and soil erosion. The Contractor shall also conduct a socio-economic impact analysis of the Project, including (but not limited to), employment creation,; and an extensive analysis of the Project's impacts on the most vulnerable members of society including the poor, the women and children. The Contractor shall provide recommendations on the means and cost

of mitigation of identified significant adverse impacts.

### **Task 14: Final Report**

The Contractor shall ensure that the Final Report is submitted in accordance with Clause I of Annex II of the Grant Agreement. The Final Report shall be a substantive and comprehensive report of work performed to carry out all of the tasks set forth in the Terms of Reference and shall include, among other things, an Executive Summary and all deliverables. Each task of the Terms of Reference shall form a separate chapter of the Final Report. The Final Report shall also include a comprehensive list of U.S. suppliers, including potential sources of U.S. equipment and services, relevant to the implementation of each component of the Projects as outlined in the TA. The Contractor shall submit the Final Report in English language. The Contractor shall provide five (5) hard copies and one (1) electronic version of both the confidential and public versions of the Final Report to the Grantee and shall provide copies to USTDA in accordance with Clause I of Annex II of the Grant Agreement.

#### Notes:

1. The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of these Terms of Reference.
2. The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

3. The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work products that are developed under these Terms of Reference.

### **Tasks to be performed by the Grantee**

The Grantee shall provide the following services:

1. Set-up and coordination of meetings with all governmental ministries and representatives;
2. Provision of work space for the Technical Assistance team when on-site, including internet and telephone access;
3. Access to all laws, ordinances, agreements, feasibility studies as detailed pursuant to Task 1 herein;
4. An assigned Project Manager on the staff of EWURA for the Technical Assistance period.

### **Period of Performance**

The Period of Performance for performing this Technical Assistance is TWELVE (12) months.

### **Budget**

The total cost for conducting the proposed Technical Assistance, in accordance with the Terms of Reference presented herein is US\$ 623,580



# DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

## L. Feasibility Study Budget and Schedule

### PROJECT STUDY PRICING TANZANIA EWURA

#### DIRECT LABOR

PRIMARY CONTRACTOR TASK NAME	Proj. Mgr.	Tariff Analyst	Intl. Attorney	Elec. Eng.	NG/Pet. Engr.	Env. Specialist	Economist	Days in Ctry	# of Trips
1 Background Research and Kick Off Meeting	10	5	1	5	5	0	0	12	4
2 Prepare Electricity Wholesale Tariff Guidelines	15	10	3	5	0	0	10	20	0
3 Prepare Economic Model for Wholesale Electricity Tariff Calculation	5	30	0	0	0	0	20	20	2
4 Prepare Guidelines on Power Grid Access	15	0	3	20	0	0	0	10	1
5 Prepare Standard Power Purchase Agreement	20	0	5	0	0	0	0	20	1
6 Prepare Pet/NG Pipeline Tariffs	10	20	3	0	5	0	10	20	1
7 Prepare Economic Model for Pet/NG Tariff Calculation	5	25	0	0	0	0	20	20	2
8 Prepare NG Pipeline Interconnection Agreement	10		3		20	0		25	
9 Prepare Service Standards for NG Pipelines	2	0	0	0	10	0	0	0	
10 Prepare Rules for Econ. Regulation of Petroleum Markets	10	15	0	0	0	0	5	10.	
11 General Capacity Building	5	5	0	5	5	0	5	0	1
12 Development Impacts	2	0	0	0	0	0	5	0	0
13 Prepare Socia-Economic Env Impact	10	5	1	3	3	30	3	5	1
14 Final Report									
<b>TOTAL LABOR EFFORT</b>	<b>119</b>	<b>115</b>	<b>19</b>	<b>38</b>	<b>48</b>	<b>30</b>	<b>78</b>	<b>162</b>	<b>13</b>

LOADED DAILY RATE

TOTAL INDIVIDUAL COST

**TOTAL DIRECT LABOR COSTS**

\$1,300	\$850	\$2,700	\$1,200	\$1,200	\$900	\$1,200
\$154,700	\$97,750	\$51,300	\$45,600	\$57,600	\$27,000	\$93,600
<b>\$527,550</b>						



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

### OTHER COSTS

US personnel only--Flights-US-Dar Es Salaam  
 Per Diem - Dar Es Salaam(US State Dept. Rates)  
 In country transportation(car+driver)

### TOTAL TRAVEL COSTS

	# Trips/days*	Unit cost	Total Cost
	13	\$3,000	\$39,000
	162	\$285	\$46,170
	162	\$30	\$4,860
<b>TOTAL TRAVEL COSTS</b>			<b>\$90,030</b>

Report publication and distribution  
 Tel., Fax, Courier

\$2,500  
 \$3,500

### TOTAL OTHER COSTS

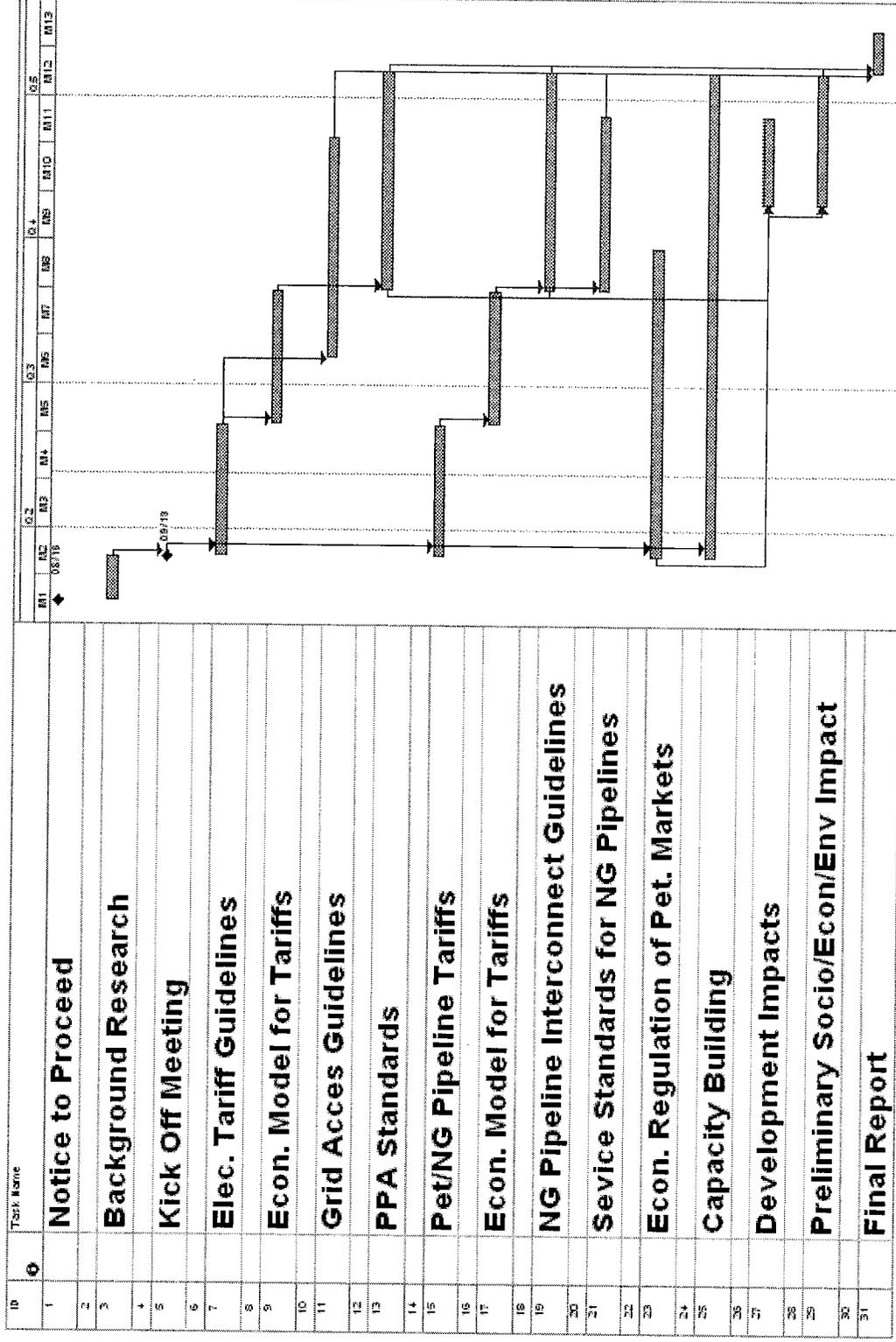
\$6,000

### TOTAL PROJECT COSTS

\$623,580



## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda





## DEFINITIONAL MISSION for Energy Sector Projects in Tanzania and Uganda

### G. Recommendation

GreenMax is recommending that USTDA approve a technical assistance grant to support Capacity Building for the Energy and Water Utilities Regulatory Authority (EWURA) to Facilitate Private Investment in the Energy Sector. The Grantee for this project would be EWURA. The total study cost is: \$623,580.

## ANNEX 3



**U.S. TRADE AND DEVELOPMENT AGENCY  
Arlington, VA 22209-2131**

**NATIONALITY, SOURCE, AND ORIGIN REQUIREMENTS**

The purpose of USTDA's nationality, source, and origin requirements is to assure the maximum practicable participation of American contractors, technology, equipment and materials in the prefeasibility, feasibility, and implementation stages of a project.

**USTDA STANDARD RULE (GRANT AGREEMENT STANDARD LANGUAGE):**

Except as USTDA may otherwise agree, each of the following provisions shall apply to the delivery of goods and services funded by USTDA under this Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from host country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for implementation of the Study and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Study support (e.g., local lodging, food, and transportation) in host country are not subject to the above restrictions. USTDA will make available further details concerning these standards of eligibility upon request.

**NATIONALITY:**

1) Rule

Except as USTDA may otherwise agree, the Contractor for USTDA funded activities must be either a U.S. firm or a U.S. individual. Prime contractors may utilize U.S.

subcontractors without limitation, but the use of host country subcontractors is limited to 20% of the USTDA grant amount.

## 2) Application

Accordingly, only a U.S. firm or U.S. individual may submit proposals on USTDA funded activities. Although those proposals may include subcontracting arrangements with host country firms or individuals for up to 20% of the USTDA grant amount, they may not include subcontracts with third country entities. U.S. firms submitting proposals must ensure that the professional services funded by the USTDA grant, to the extent not subcontracted to host country entities, are supplied by employees of the firm or employees of U.S. subcontractor firms who are U.S. individuals.

Interested U.S. firms and consultants who submit proposals must meet USTDA nationality requirements as of the due date for the submission of proposals and, if selected, must continue to meet such requirements throughout the duration of the USTDA-financed activity. These nationality provisions apply to whatever portion of the Terms of Reference is funded with the USTDA grant.

## 3) Definitions

A "U.S. individual" is (a) a U.S. citizen, or (b) a non-U.S. citizen lawfully admitted for permanent residence in the U.S. (a green card holder).

A "U.S. firm" is a privately owned firm which is incorporated in the U.S., with its principal place of business in the U.S., and which is either (a) more than 50% owned by U.S. individuals, or (b) has been incorporated in the U.S. for more than three (3) years prior to the issuance date of the request for proposals; has performed similar services in the U.S. for that three (3) year period; employs U.S. citizens in more than half of its permanent full-time positions in the U.S.; and has the existing capability in the U.S. to perform the work in question.

A partnership, organized in the U.S. with its principal place of business in the U.S., may also qualify as a "U.S. firm" as would a joint venture organized or incorporated in the United States consisting entirely of U.S. firms and/or U.S. individuals.

A nonprofit organization, such as an educational institution, foundation, or association may also qualify as a "U.S. firm" if it is incorporated in the United States and managed by a governing body, a majority of whose members are U.S. individuals.

## **SOURCE AND ORIGIN:**

### 1) Rule

In addition to the nationality requirement stated above, any goods (e.g., equipment and materials) and services related to their shipment (e.g., international transportation and insurance) funded under the USTDA Grant Agreement must have their source and origin in the United States, unless USTDA otherwise agrees. However, necessary purchases of goods and project support services which are unavailable from a U.S. source (e.g., local food, housing and transportation) are eligible without specific USTDA approval.

### 2) Application

Accordingly, the prime contractor must be able to demonstrate that all goods and services purchased in the host country to carry out the Terms of Reference for a USTDA Grant Agreement that were not of U.S. source and origin were unavailable in the United States.

### 3) Definitions

“Source” means the country from which shipment is made.

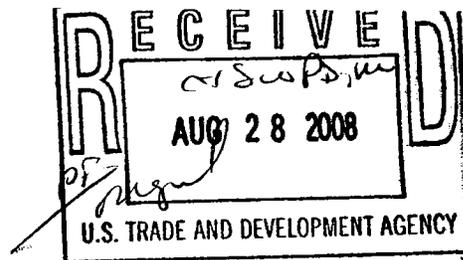
“Origin” means the place of production, through manufacturing, assembly or otherwise.

*Questions regarding these nationality, source and origin requirements may be addressed to the USTDA Office of General Counsel.*

## ANNEX 4

USTDA # 08-11021A

## GRANT AGREEMENT



This Grant Agreement is entered into between the Government of the United States of America, acting through the U.S. Trade and Development Agency ("USTDA"), and the Government of the United Republic of Tanzania, acting through the Energy and Water Utilities Regulatory Authority (EWURA) ("Grantee"). USTDA agrees to provide the Grantee under the terms of this Agreement US\$623,580 ("USTDA Grant") to fund the cost of goods and services required for technical assistance ("Technical Assistance") on the Capacity Building for the Energy and Water Utilities Regulatory Authority Project ("Project") in Tanzania ("Host Country").

### 1. USTDA Funding

The funding to be provided under this Grant Agreement shall be used to fund the costs of a contract between the Grantee and the U.S. firm selected by the Grantee ("Contractor") under which the Contractor will perform the Technical Assistance ("Contract"). Payment to the Contractor will be made directly by USTDA on behalf of the Grantee with the USTDA Grant funds provided under this Grant Agreement.

### 2. Terms of Reference

The Terms of Reference for the Technical Assistance ("Terms of Reference") are attached as Annex I and are hereby made a part of this Grant Agreement. The Technical Assistance will examine the technical, financial, environmental, and other critical aspects of the proposed Project. The Terms of Reference for the Technical Assistance shall also be included in the Contract.

### 3. Standards of Conduct

USTDA and the Grantee recognize the existence of standards of conduct for public officials, and commercial entities, in their respective countries. The parties to this Grant Agreement and the Contractor shall observe these standards, which include not accepting payment of money or anything of value, directly or indirectly, from any person for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance.

### 4. Grantee Responsibilities

The Grantee shall undertake its best efforts to provide reasonable support for the Contractor, such as local transportation, office space, and secretarial support.

## **5. USTDA as Financier**

### **(A) USTDA Approval of Competitive Selection Procedures**

Selection of the U.S. Contractor shall be carried out by the Grantee according to its established procedures for the competitive selection of contractors with advance notice of the procurement published online through *Federal Business Opportunities* ([www.fedbizopps.gov](http://www.fedbizopps.gov)). Upon request, the Grantee will submit these contracting procedures and related documents to USTDA for information and/or approval.

### **(B) USTDA Approval of Contractor Selection**

The Grantee shall notify USTDA at the address of record set forth in Article 17 below upon selection of the Contractor to perform the Technical Assistance. Upon approval of this selection by USTDA, the Grantee and the Contractor shall then enter into a contract for performance of the Technical Assistance. The Grantee shall notify in writing the U.S. firms that submitted unsuccessful proposals to perform the Technical Assistance that they were not selected.

### **(C) USTDA Approval of Contract Between Grantee and Contractor**

The Grantee and the Contractor shall enter into a contract for performance of the Technical Assistance. This contract, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing. To expedite this approval, the Grantee (or the Contractor on the Grantee's behalf) shall transmit to USTDA, at the address set forth in Article 17 below, a photocopy of an English language version of the signed contract or a final negotiated draft version of the contract.

### **(D) USTDA Not a Party to the Contract**

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of the contract and any amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of funding the Technical Assistance and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Grantee or USTDA from asserting any right

they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Grantee or USTDA.

**(E) Grant Agreement Controlling**

Regardless of USTDA approval, the rights and obligations of any party to the contract or subcontract thereunder must be consistent with this Grant Agreement. In the event of any inconsistency between the Grant Agreement and any contract or subcontract funded by the Grant Agreement, the Grant Agreement shall be controlling.

**6. Disbursement Procedures**

**(A) USTDA Approval of Contract Required**

USTDA will make disbursements of Grant funds directly to the Contractor only after USTDA approves the Grantee's contract with the Contractor.

**(B) Contractor Invoice Requirements**

The Grantee should request disbursement of funds by USTDA to the Contractor for performance of the Technical Assistance by submitting invoices in accordance with the procedures set forth in the USTDA Mandatory Clauses in Annex II.

**7. Effective Date**

The effective date of this Grant Agreement ("Effective Date") shall be the date of signature by both parties or, if the parties sign on different dates, the date of the last signature.

**8. Technical Assistance Schedule**

**(A) Technical Assistance Completion Date**

The completion date for the Technical Assistance, which is February 1, 2010, is the date by which the parties estimate that the Technical Assistance will have been completed.

**(B) Time Limitation on Disbursement of USTDA Grant Funds**

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this Grant Agreement for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

## **9. USTDA Mandatory Clauses**

All contracts funded under this Grant Agreement shall include the USTDA mandatory clauses set forth in Annex II to this Grant Agreement. All subcontracts funded or partially funded with USTDA Grant funds shall include the USTDA mandatory clauses, except for clauses B(1), G, H, I, and J.

## **10. Use of U.S. Carriers**

### **(A) Air**

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

### **(B) Marine**

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

## **11. Nationality, Source and Origin**

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

## **12. Taxes**

USTDA funds provided under this Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Grantee nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

### **13. Cooperation Between Parties and Follow-Up**

The parties will cooperate to assure that the purposes of the Grant Agreement are accomplished. For five (5) years following receipt by USTDA of the Final Report (as defined in Clause I of Annex II), the Grantee agrees to respond to any reasonable inquiries from USTDA about the status of the Project.

### **14. Implementation Letters**

To assist the Grantee in the implementation of the Technical Assistance, USTDA may, from time to time, issue implementation letters that will provide additional information about matters covered by the Grant Agreement. The parties may also use jointly agreed upon implementation letters to confirm and record their mutual understanding of matters covered by the Grant Agreement.

### **15. Recordkeeping and Audit**

The Grantee agrees to maintain books, records, and other documents relating to the Technical Assistance and the Grant Agreement adequate to demonstrate implementation of its responsibilities under the Grant Agreement, including the selection of contractors, receipt and approval of contract deliverables, and approval or disapproval of contractor invoices for payment by USTDA. Such books, records, and other documents shall be separately maintained for three (3) years after the date of the final disbursement by USTDA. The Grantee shall afford USTDA or its authorized representatives the opportunity at reasonable times to review books, records, and other documents relating to the Technical Assistance and the Grant Agreement.

### **16. Representation of Parties**

For all purposes relevant to the Grant Agreement, the Government of the United States of America will be represented by the U. S. Ambassador to Host Country or USTDA and Grantee will be represented by the EWURA Director of Electricity. The parties hereto may, by written notice, designate additional representatives for all purposes under the Grant Agreement.

### **17. Addresses of Record for Parties**

Any notice, request, document, or other communication submitted by either party to the other under the Grant Agreement shall be in writing or through a wire or electronic medium which produces a tangible record of the transmission, such as a telegram, cable or facsimile, and will be deemed duly given or sent when delivered to such party at the following:

To: Energy and Water Utilities Regulatory Authority  
6<sup>th</sup> Floor, Harbour View Towers, Samora Avenue  
P.O Box 72175  
Dar es Salaam, Tanzania

Phone: +255 (0) 22 212 3850 /3 /4 /6 Ext: 128  
Fax: +255 (0) 22 213 180

To: U.S. Trade and Development Agency  
1000 Wilson Boulevard, Suite 1600  
Arlington, Virginia 22209-3901  
USA

Phone: (703) 875-4357  
Fax: (703) 875-4009

All such communications shall be in English, unless the parties otherwise agree in writing. In addition, the Grantee shall provide the Commercial Section of the U.S. Embassy in Host Country with a copy of each communication sent to USTDA.

Any communication relating to this Grant Agreement shall include the following fiscal data:

Appropriation No.: 118/91001  
Activity No.: 2008-11021A  
Reservation No.: 2008110037  
Grant No.: GH2008110008

### **18. Termination Clause**

Either party may terminate the Grant Agreement by giving the other party thirty (30) days advance written notice. The termination of the Grant Agreement will end any obligations of the parties to provide financial or other resources for the Technical Assistance, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the written notice of termination.

### **19. Non-waiver of Rights and Remedies**

No delay in exercising any right or remedy accruing to either party in connection with the Grant Agreement shall be construed as a waiver of such right or remedy.

### **20. U.S. Technology and Equipment**

By funding this Technical Assistance, USTDA seeks to promote the project objectives of the Host Country through the use of U.S. technology, goods, and services. In recognition

of this purpose, the Grantee agrees that it will allow U.S. suppliers to compete in the procurement of technology, goods and services needed for Project implementation.

**[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

**IN WITNESS WHEREOF, the Government of the United States of America and the Government of the United Republic of Tanzania, each acting through its duly authorized representative, have caused this Agreement to be signed in the English language in their names and delivered as of the day and year written below. In the event that this Grant Agreement is signed in more than one language, the English language version shall govern.**

**For the Government of the  
United States of America**

By: 

Date: 8/28/08

**For the Government of the  
United Republic of Tanzania**

By: 

Date: 28/08/2008

**Annex I -- Terms of Reference**

**Annex II -- USTDA Mandatory Clauses**

## Annex I

### **Terms of Reference**

The purpose of this Technical Assistance is to build capacity for the Energy and Water Utilities Regulatory Authority of Tanzania ("EWURA" or "Grantee") to implement its regulatory functions according to the proposed Electricity Petroleum and Natural Gas Sector legislations. Specifically, the Contractor shall help design regulations for various regulatory activities in the electricity, petroleum and natural gas sectors; wholesale tariff guidelines; licensing procedures; standard gas sales agreements, and; standard power purchase agreements, as well as introduce a tariff calculation model to facilitate private investment in the electricity, petroleum and natural gas sectors.

Several sector legislative acts need to be revised, and new ones established, to prepare for the new regulatory regime. In April 2008, the Petroleum and Electricity laws were passed by Tanzania's Parliament. The Natural Gas Bill is due to be submitted before the end of the year 2008. EWURA needs to be prepared to promulgate rules and standards as described above pursuant to the new laws in order to facilitate transparent consideration of all new investments. This Technical Assistance is therefore designed to help EWURA prepare the necessary regulatory actions and to provide skills transfer that will allow EWURA staff to effectively administer the new legislation in the near term.

Since skills transfer is a key element of the Technical Assistance, the Contractor shall conduct at least three missions in Tanzania, of at least one month duration each, in order to work closely day-to-day with the EWURA staff. The Contractor shall undertake all tasks with capacity building as a main goal. Therefore, the development of all regulatory tools shall be undertaken in a fully interactive process with the EWURA staff to ensure that maximum skills transfer occurs.

#### **Task 1: Background Research and Kick-Off Meeting**

To begin the assignment, the Contractor shall travel to Dar es Salaam (Mission 1) to meet with the Grantee, the Ministry of Energy and Minerals, Rural Energy Agency, the World Bank Country Office, Tanzania Petroleum Development Corporation (TPDC) and Tanzania Electric Supply Company (TANESCO), and to be introduced to key decision-makers in the government and its institutions. The Contractor shall discuss with the EWURA their goals for the Technical Assistance and what has been done to date towards preparing the regulatory matters which are the subject of the Technical Assistance.

Prior to the Kick-Off Meeting, the Grantee shall have provided to the Contractor:

- i) all necessary laws, ordinances and regulation relevant to EWURA and to the energy sector generally (both enacted and under consideration) ;
- ii) all tariffs and licenses for the electricity and gas sectors currently in force;
- iii) model power purchase agreements in place;

- iv) all preliminary and detailed feasibility studies for electricity and gas sector projects in Tanzania still under consideration to be implemented;
- v) all financial models currently utilized by EWURA for project economic viability and tariff analysis;
- vi) all materials from past training, skills transfer and capacity building activities in which EWURA staff have participated; and
- vii) all samples of relevant energy sector regulation, ordinances, guidelines, procedures etc. from other countries which EWURA has collected and reviewed for guidance.

The Contractor shall review all background information in advance of the Kick-Off Meeting so that the mission may be productively utilized.

Task 1 Deliverable: The Contractor's deliverable from Task 1 shall be an Inception Memorandum providing a discussion of the tasks to be accomplished, necessary adjustments to the work-plan and schedule, information requests, and a list of possible issues related to the execution of further tasks for discussion with the Grantee. Mission 1 shall extend beyond the Kick-Off Meeting to encompass work on other tasks listed below and shall be the first of three missions of at least thirty (30) days duration each. In addition, the Contractor's complete findings and recommendations pursuant to Task 1 shall be included in the Final Report.

## **Task 2: Prepare Electricity Wholesale Tariff Guidelines**

The goal of this task is to develop clear guidelines and procedures for the setting of wholesale electricity tariffs. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider simplified tariff models and standardized power purchase agreements (PPAs) for electricity sold from small scale generating facilities. Such models may be very effective as a promotional scheme to encourage small private power development. The Contractor shall evaluate these models and assist EWURA and Tanzanian policymakers to decide if the costs of power purchases from Independent Power Producers should be covered by all taxpayers, by all electricity consumers equally or disproportionately by certain customer segments. When making recommendations, the Contractor shall consider factors such as:

1. type of fuel or primary energy;
2. type of technology;
3. region of the country; and
4. number of years an energy facility is in operation.

The Contractor's shall identify which regions, fuels, or technologies should receive priority for development.

Task 2 Deliverable: The Contractor's deliverable for Task 2 shall be the draft of a "Wholesale Electricity Tariff Regulations." In addition, the Contractor shall include the complete findings and recommendations pursuant to Task 2 in the Final Report.

### **Task 3: Prepare Economic Model for Wholesale Electricity Tariff Calculation**

The purpose of this task is for the Contractor to produce an economic and financial model that shall calculate wholesale electricity tariffs in accordance with the Guidelines developed by the Contractor pursuant to Task 2. The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take place during one of the 3 month-long missions.

Task 3 Deliverable: The Contractor's deliverable for Task 3 shall be an economic and financial model, prepared in Excel format, designed with the intention to be used by the Grantee to calculate wholesale electric tariffs in the future. The Contractor shall provide a "User Guide Document" which will explain the inner workings of the model, plus training in a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). The Contractor shall also include all other training materials developed for this task in the Task 3 Deliverable. In addition, the Contractor's complete findings and recommendations pursuant to Task 3 shall be included in the Final Report.

### **Task 4: Prepare Guidelines on Power Grid Access**

The goal of this task is for the Contractor to develop clear guidelines and procedures for access and interconnection by independent power producers to the power grid. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Guidelines on Power Grid Access and Interconnection:

#### **(A) Introduction of "Obligation to Buy"**

The Contractor shall evaluate and recommend the extent to which there should be a firm "Obligation to Buy" all power produced by new power generation sources as an incentive for investment, or whether such an obligation might be valid only for certain generation technologies (i.e. "renewable energy" or "mini hydro"), or power sources in certain regions, or of certain sizes (i.e. below 10 or 20 MW capacity).

#### **(B) Introduction of preferences for feed in by some producers**

The Contractor shall examine and recommend whether preferences, designed to achieve same objectives as the Obligation to Buy provisions above, should be established for new generators based on use of certain technologies or size.

#### **(C) Introduction of "Third Party Access" Principle**

The Contractor shall examine the consequences of introducing the “Third Party Access” principle in the power sector for all new generation facilities. The Contractor shall review, within the Tanzanian context, the minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts.

(D) Non-discriminatory grid connection

The Contractor shall review the reasonable technical requirements for making grid connections non-discriminatory for all new producers.

Task 4 Deliverable: The deliverable for Task 4 shall be the draft of "Rules on Power Grid Access and Interconnection." In addition, the Contractor shall include the complete findings and recommendations pursuant to Task 4 in the Final Report.

**Task 5: Prepare Standard Power Purchase Agreement**

The Contractor shall develop a Standard Power Purchase Agreement (PPA) for Independent Power Producers in Tanzania, for projects of capacity greater than 10 MW. In developing the PPA, the Contractor shall use models of standardized PPAs from around the world that follow best practices and that may be adapted for use in Tanzania.

Task 5 Deliverable: The Contractor’s deliverable for Task 5 shall be the draft Standard PPA. In addition, the Contractor’s complete findings and recommendations pursuant to Task 5 shall be included in the Final Report.

**Task 6: Prepare Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines**

The purpose of this task is for the Contractor to provide EWURA with a transparent regulatory tool governing the establishment of pipeline transportation tariffs.

Without prejudice of the existing legislation and contractual arrangements in place, the Contractor shall examine and point out weaknesses and strengths, propose alternative methods, and prepare Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines based on best international practices applicable in Tanzania.

Task 6 Deliverable: The Contractor’s deliverable for Task 6 shall be the draft of "Petroleum/Natural Gas Pipeline Transportation Tariff Regulations." In addition, the Contractor’s complete findings and regulations pursuant to Task 6 shall be included in the Final Report.

### **Task 7: Prepare Economic Model for Petroleum/Natural Gas Pipeline Transportation Tariffs**

The Contractor shall produce an economic and financial model that will calculate revenue requirements and user tariffs in accordance with the guidelines and regulations developed by the Contractor pursuant to Task 6. The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take place during one of the 3 month long missions.

Task 7 Deliverable: The Contractor's deliverable for Task 7 shall be an economic and financial model, prepared in Excel format, designed to be used by the Grantee to calculate wholesale petroleum and natural gas tariffs in the future. The Contractor shall provide a "User Guide Document" which shall explain the inner workings of the model, plus training in a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). The Contractor shall also include all other training materials developed for this task in the Task 7 Deliverable. In addition, the complete findings and recommendations pursuant to Task 7 shall be included in the Final Report.

### **Task 8: Prepare Standard Natural Gas Pipeline Interconnection Guidelines**

The purpose of this task is for the Contractor to provide EWURA with clear guidelines and procedures for access and interconnection, by other gas producers, to the existing gas transmission pipeline. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Natural Gas Pipeline Interconnection Guidelines:

#### **(A) Introduction of "Take or Pay" Principle**

The Contractor shall evaluate the extent to which there should be a firm "Take or Pay" for booked capacity as an incentive to attract investment, or whether such obligation might be valid only for certain infrastructures, certain periods, or natural gas sources in certain regions or of certain sizes.

#### **(B) Introduction of "Third Party Access" Principle**

The Contractor shall examine the consequences of introducing the "Third Party Access" principle in the petroleum and natural gas sector for existing and new gas facilities. The Contractor shall review, within the Tanzanian context, the minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts.

(C) Non-discriminatory pipeline interconnection

The Contractor shall review the reasonable technical requirements for making pipeline interconnections non-discriminatory for all new gas producers.

Task 8 Deliverable: The Contractor's deliverable for Task 8 shall be the draft of "Rules on Gas Transmission Access and Interconnection." In addition, the Contractor's complete findings and recommendations pursuant to Task 8 shall be included in the Final Report.

**Task 9: Prepare Service Standards for Natural Gas Pipelines**

The Contractor shall provide EWURA with clear guidelines and procedures for preparation of service standards for use by service providers.

The Contractor shall examine the existing arrangements in Tanzania and, after such review, shall introduce, into its guidelines, the key principles and any necessary improvements based on the best international practices. Service standards shall form an important performance evaluation tool for service providers. Service standards shall be reviewed and endorsed by EWURA before being put into practice.

Task 9 Deliverable: The Contractor's deliverable for Task 9 shall be the draft of an "Ordinance on Service Standards for Natural Gas Pipelines." In addition, the complete findings and recommendations pursuant to Task 9 shall be included in the Final Report.

**Task 10: Prepare Guidelines Governing Economic Regulation in the Retail Petroleum Market.**

The purpose of this task is for the Contractor to provide EWURA with insight and economic regulatory knowledge applicable to the retail petroleum sector in Tanzania.

The Contractor should note that, to date, about sixty one oil marketing companies are operating in Tanzania, eleven of which are actively importing "white products". The market forces seem not to work perfectly, significant adulteration of petroleum products is reported and, recently, neither consumers nor the Government have realized the benefits of a competitive market. As long as the market continues to fail due to lack of adequate competition, the government and EWURA are seeking mechanisms to correct behaviors that impede fair competition.

The Contractor shall study the market history and the intent of both regulatory and sector legislations, the prevailing practice, and recommend the best way to regulate the Petroleum Sector without necessarily imposing overly restrictive rules.

Task 10 Deliverable: The Contractor's deliverable for Task 10 shall be the draft of recommended regulations governing the retail of petroleum products. In addition, the Contractor's complete findings and recommendations pursuant to Task 10 shall be included in the Final Report.

### **Task 11: General Capacity Building**

In addition to the specific regulatory and modeling tasks described in Tasks 2-10 above, the Contractor, during the term of the Contract and when the Contractor is located in-country at EWURA, shall provide additional capacity building assistance to EWURA management and staff that will help prepare EWURA to independently:

- (a) Introduce and explain the purpose, content and administration of the new proposed Electricity, Petroleum and Natural Gas legislation and the subsequently proposed regulations developed pursuant to this Terms of Reference, to all relevant stakeholders in Tanzania (as determined by the Grantee), including government bodies, NGOs, private investors, bilateral and multilateral donors and international financial institutions, through briefing sessions to be organized by the Grantee in Dar es Salaam, and through direct phone and email contact with parties outside of Tanzania.
- (b) Negotiate all reasonable changes to the proposed regulations, guidelines, codes and standards to include stakeholder suggestions and recommendations.
- (c) Develop a strategy for securing formal administrative issuance or legislative passage of the new regulations, guidelines, rules, codes and standards.
- (d) Initiate sound administrative practices inside EWURA for the implementation of the new Electricity, Petroleum and Natural Gas legislations and subsequent regulations.
- (e) Undertake initial negotiations with independent power and natural gas producers under the guidance of the new Electricity, Petroleum and Natural Gas legislations and subsequent regulations for those negotiations that occur during the time period allocated for Task 11.
- (f) Gain the other skills prescribed in this Terms of Reference, Tasks 1-10.

Task 11 Deliverable: The Contractor's deliverable for Task 11 shall be a report detailing all of the assistance provided pursuant to this task and resulting outcomes. In addition, the Contractor's complete findings and recommendations pursuant to Task 11 shall be included in the Final Report.

### **Task 12: Development Impacts**

The Contractor shall report on the potential development impact of the Technical Assistance. The Contractor shall focus on the economic development outcomes that will result from the deliverables of the Technical Assistance. The Contractor shall include, where appropriate, spin-off and demonstration effects. The Contractor's analysis of

potential benefits should be as concrete and detailed as possible. The development impact factors are intended to provide the Grantee's decision-makers and interested parties with a broader view of the Technical Assistance's potential effects on the Host Country. The Contractor shall provide estimates of the Technical Assistance's potential benefits in the following areas:

- (a) *Infrastructure/Industry.* The Contractor shall provide a statement on the infrastructure and industry impacts giving a brief synopsis.
- (b) *Market-Oriented Reforms.* The Contractor shall provide a description of any regulation, law or institutional changes that are recommended and the effect they would have if implemented.
- (c) *Human Capacity Building.* The Contractor shall address the number and type of positions that would be needed to construct and operate the proposed Projects as well as the number of people who will receive training and a brief description of the training program.
- (d) *Technology Transfer and Productivity Enhancement.* The Contractor shall provide a description of any advanced technologies that will be implemented as a result of the Projects. A quantitative description shall be provided of any efficiency that will be gained.
- (e) *Others.* The Contractor shall identify any other development benefits of the Projects, including any spin-off or demonstration effects.

The Contractor's complete findings and recommendations pursuant to Task 12 shall be included in the Final Report.

### **Task 13: Preliminary Socio-Economic and Environmental Impact Analysis**

The Contractor shall prepare a preliminary review of the Project's environmental impact with reference to local requirements and those of the World Bank. This review shall identify potential negative impacts, and discuss the extent to which they can be mitigated.

The intent of the TOR is to put in place rules and regulations which will expand the use of natural gas within Tanzania. No specific projects are identified directly as part of this work. The Contractor's preliminary environmental review shall focus on the issues associated with additional gas exploration activities, high pressure pipeline expansions, and low pressure distribution lateral extensions. Additionally, the Contractor's review should address the positive environmental benefits of substituting clean burning natural gas for heavy fuel oil, charcoal, etc.

Among others, the Contractor's review shall include the impacts from possible discharges, on agriculture and other land uses, wetlands and other areas of sensitive

biodiversity, historical sites, and availability of land for the project sites, and soil erosion. The Contractor shall also conduct a socio-economic impact analysis of the Project, including (but not limited to), employment creation, and an extensive analysis of the Project's impacts on the most vulnerable members of society including the poor, women and children. The Contractor shall provide recommendations on the means and cost of mitigation of identified significant adverse impacts.

The Contractor's complete findings and recommendations pursuant to Task 13 shall be included in the Final Report.

#### **Task 14: Final Report**

The Contractor shall ensure that the Final Report is submitted in accordance with Clause I of Annex II of the Grant Agreement. The Final Report shall be a substantive and comprehensive report of work performed to carry out all of the tasks set forth in the Terms of Reference and shall include, among other things, an Executive Summary and all deliverables, including training materials. The report shall be organized according to Tasks 1-13 above, and each task of the Terms of Reference shall form a separate chapter of the Final Report. The Final Report shall also include a comprehensive list of U.S. suppliers, including potential sources of U.S. equipment and services, relevant to the implementation of each component of the Projects as outlined in the Technical Assistance. The Contractor shall submit the Final Report in English language. The Contractor shall also develop a list, including complete contact information, of potential U.S. stakeholders who may benefit from the implementation of the new regulations and legislation in Tanzania. Stakeholders shall include power developers, equipment suppliers, providers of services, investors, etc.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.

## Annex II

### USTDA Mandatory Contract Clauses

#### A. USTDA Mandatory Clauses Controlling

The parties to this contract acknowledge that this contract is funded in whole or in part by the U.S. Trade and Development Agency ("USTDA") under the Grant Agreement between the Government of the United States of America, acting through USTDA, and the Government of the United Republic of Tanzania, acting through the Energy and Water Utilities Regulatory Authority (EWURA) ("Client"), dated \_\_\_\_\_ ("Grant Agreement"). The Client has selected \_\_\_\_\_ ("Contractor") to perform technical assistance ("Technical Assistance") on the Capacity Building for the Energy and Water Regulatory Authority Project ("Project") in Tanzania ("Host Country"). Notwithstanding any other provisions of this contract, the following USTDA mandatory contract clauses shall govern. All subcontracts entered into by Contractor funded or partially funded with USTDA Grant funds shall include these USTDA mandatory contract clauses, except for clauses B(1), G, H, I, and J. In addition, in the event of any inconsistency between the Grant Agreement and any contract or subcontract thereunder, the Grant Agreement shall be controlling.

#### B. USTDA as Financier

##### (1) USTDA Approval of Contract

All contracts funded under the Grant Agreement, and any amendments thereto, including assignments and changes in the Terms of Reference, must be approved by USTDA in writing in order to be effective with respect to the expenditure of USTDA Grant funds. USTDA will not authorize the disbursement of USTDA Grant funds until the contract has been formally approved by USTDA or until the contract conforms to modifications required by USTDA during the contract review process.

##### (2) USTDA Not a Party to the Contract

It is understood by the parties that USTDA has reserved certain rights such as, but not limited to, the right to approve the terms of this contract and amendments thereto, including assignments, the selection of all contractors, the Terms of Reference, the Final Report, and any and all documents related to any contract funded under the Grant Agreement. The parties hereto further understand and agree that USTDA, in reserving any or all of the foregoing approval rights, has acted solely as a financing entity to assure the proper use of United States Government funds, and that any decision by USTDA to exercise or refrain from exercising these approval rights shall be made as a financier in the course of financing the Technical Assistance and shall not be construed as making USTDA a party to the contract. The parties hereto understand and agree that USTDA may, from time to time, exercise the foregoing approval rights, or discuss matters related to these rights and the Project with the

parties to the contract or any subcontract, jointly or separately, without thereby incurring any responsibility or liability to such parties. Any approval or failure to approve by USTDA shall not bar the Client or USTDA from asserting any right they might have against the Contractor, or relieve the Contractor of any liability which the Contractor might otherwise have to the Client or USTDA.

### **C. Nationality, Source and Origin**

Except as USTDA may otherwise agree, the following provisions shall govern the delivery of goods and services funded by USTDA under the Grant Agreement: (a) for professional services, the Contractor must be either a U.S. firm or U.S. individual; (b) the Contractor may use U.S. subcontractors without limitation, but the use of subcontractors from Host Country may not exceed twenty percent (20%) of the USTDA Grant amount and may only be used for specific services from the Terms of Reference identified in the subcontract; (c) employees of U.S. Contractor or U.S. subcontractor firms responsible for professional services shall be U.S. citizens or non-U.S. citizens lawfully admitted for permanent residence in the U.S.; (d) goods purchased for performance of the Technical Assistance and associated delivery services (e.g., international transportation and insurance) must have their nationality, source and origin in the United States; and (e) goods and services incidental to Technical Assistance support (e.g., local lodging, food, and transportation) in Host Country are not subject to the above restrictions. USTDA will make available further details concerning these provisions upon request.

### **D. Recordkeeping and Audit**

The Contractor and subcontractors funded under the Grant Agreement shall maintain, in accordance with generally accepted accounting procedures, books, records, and other documents, sufficient to reflect properly all transactions under or in connection with the contract. These books, records, and other documents shall clearly identify and track the use and expenditure of USTDA funds, separately from other funding sources. Such books, records, and documents shall be maintained during the contract term and for a period of three (3) years after final disbursement by USTDA. The Contractor and subcontractors shall afford USTDA, or its authorized representatives, the opportunity at reasonable times for inspection and audit of such books, records, and other documentation.

### **E. U.S. Carriers**

#### **(1) Air**

Transportation by air of persons or property funded under the Grant Agreement shall be on U.S. flag carriers in accordance with the Fly America Act, 49 U.S.C. 40118, to the extent service by such carriers is available, as provided under applicable U.S. Government regulations.

**(2) Marine**

Transportation by sea of property funded under the Grant Agreement shall be on U.S. carriers in accordance with U.S. cargo preference law.

**F. Workman's Compensation Insurance**

The Contractor shall provide adequate Workman's Compensation Insurance coverage for work performed under this Contract.

**G. Reporting Requirements**

The Contractor shall advise USTDA by letter as to the status of the Project on March 1st annually for a period of two (2) years after completion of the Technical Assistance. In addition, if at any time the Contractor receives follow-on work from the Client, the Contractor shall so notify USTDA and designate the Contractor's contact point including name, telephone, and fax number. Since this information may be made publicly available by USTDA, any information which is confidential shall be designated as such by the Contractor and provided separately to USTDA. USTDA will maintain the confidentiality of such information in accordance with applicable law.

**H. Disbursement Procedures**

**(1) USTDA Approval of Contract**

Disbursement of Grant funds will be made only after USTDA approval of this contract. To make this review in a timely fashion, USTDA must receive from either the Client or the Contractor a photocopy of an English language version of a signed contract or a final negotiated draft version to the attention of the General Counsel's office at USTDA's address listed in Clause M below.

**(2) Payment Schedule Requirements**

A payment schedule for disbursement of Grant funds to the Contractor shall be included in this Contract. Such payment schedule must conform to the following USTDA requirements: (1) up to twenty percent (20%) of the total USTDA Grant amount may be used as a mobilization payment; (2) all other payments, with the exception of the final payment, shall be based upon contract performance milestones; and (3) the final payment may be no less than fifteen percent (15%) of the total USTDA Grant amount, payable upon receipt by USTDA of an approved Final Report in accordance with the specifications and quantities set forth in Clause I below. Invoicing procedures for all payments are described below.

### **(3) Contractor Invoice Requirements**

USTDA will make all disbursements of USTDA Grant funds directly to the Contractor. The Contractor must provide USTDA with an ACH Vendor Enrollment Form (available from USTDA) with the first invoice. The Client shall request disbursement of funds by USTDA to the Contractor for performance of the contract by submitting the following to USTDA:

#### **(a) Contractor's Invoice**

The Contractor's invoice shall include reference to an item listed in the Contract payment schedule, the requested payment amount, and an appropriate certification by the Contractor, as follows:

##### **(i) For a mobilization payment (if any):**

"As a condition for this mobilization payment, the Contractor certifies that it will perform all work in accordance with the terms of its Contract with the Client. To the extent that the Contractor does not comply with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA. "

##### **(ii) For contract performance milestone payments:**

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

##### **(iii) For final payment:**

"The Contractor has performed the work described in this invoice in accordance with the terms of its contract with the Client and is entitled to payment thereunder. Specifically, the Contractor has submitted the Final Report to the Client, as required by the Contract, and received the Client's approval of the Final Report. To the extent the Contractor has not complied with the terms and conditions of the Contract, including the USTDA mandatory provisions contained therein, it will, upon USTDA's request, make an appropriate refund to USTDA."

#### **(b) Client's Approval of the Contractor's Invoice**

(i) The invoice for a mobilization payment must be approved in writing by the Client.

(ii) For contract performance milestone payments, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and the terms and conditions of the USTDA Grant Agreement."

(iii) For final payment, the following certification by the Client must be provided on the invoice or separately:

"The services for which disbursement is requested by the Contractor have been performed satisfactorily, in accordance with applicable Contract provisions and terms and conditions of the USTDA Grant Agreement. The Final Report submitted by the Contractor has been reviewed and approved by the Client. "

**(c) USTDA Address for Disbursement Requests**

Requests for disbursement shall be submitted by courier or mail to the attention of the Finance Department at USTDA's address listed in Clause M below.

**(4) Termination**

In the event that the Contract is terminated prior to completion, the Contractor will be eligible, subject to USTDA approval, for reasonable and documented costs which have been incurred in performing the Terms of Reference prior to termination, as well as reasonable wind down expenses. Reimbursement for such costs shall not exceed the total amount of undisbursed Grant funds. Likewise, in the event of such termination, USTDA is entitled to receive from the Contractor all USTDA Grant funds previously disbursed to the Contractor (including but not limited to mobilization payments) which exceed the reasonable and documented costs incurred in performing the Terms of Reference prior to termination.

**I. USTDA Final Report**

**(1) Definition**

"Final Report" shall mean the Final Report described in the attached Annex I Terms of Reference or, if no such "Final Report" is described therein, "Final Report" shall mean a substantive and comprehensive report of work performed in accordance with the attached Annex I Terms of Reference, including any documents delivered to the Client.

**(2) Final Report Submission Requirements**

The Contractor shall provide the following to USTDA:

(a) One (1) complete version of the Final Report for USTDA's records. This version shall have been approved by the Client in writing and must be in the English language. It is the responsibility of the Contractor to ensure that confidential information, if any, contained in this version be clearly marked. USTDA will maintain the confidentiality of such information in accordance with applicable law.

and

(b) One (1) copy of the Final Report suitable for public distribution ("Public Version"). The Public Version shall have been approved by the Client in writing and must be in the English language. As this version will be available for public distribution, it must not contain any confidential information. If the report in (a) above contains no confidential information, it may be used as the Public Version. In any event, the Public Version must be informative and contain sufficient Project detail to be useful to prospective equipment and service providers.

and

(c) Two (2) CD-ROMs, each containing a complete copy of the Public Version of the Final Report. The electronic files on the CD-ROMs shall be submitted in a commonly accessible read-only format. As these CD-ROMs will be available for public distribution, they must not contain any confidential information. It is the responsibility of the Contractor to ensure that no confidential information is contained on the CD-ROMs.

The Contractor shall also provide one (1) copy of the Public Version of the Final Report to the Foreign Commercial Service Officer or the Economic Section of the U.S. Embassy in Host Country for informational purposes.

### **(3) Final Report Presentation**

All Final Reports submitted to USTDA must be paginated and include the following:

(a) The front cover of every Final Report shall contain the name of the Client, the name of the Contractor who prepared the report, a report title, USTDA's logo, USTDA's mailing and delivery addresses. If the complete version of the Final Report contains confidential information, the Contractor shall be responsible for labeling the front cover of that version of the Final Report with the term "Confidential Version." The Contractor shall be responsible for labeling the front cover of the Public Version of the Final Report with the term "Public Version." The front cover of every Final Report shall also contain the following disclaimer:

"This report was funded by the U.S. Trade and Development Agency (USTDA), an agency of the U. S. Government. The opinions, findings, conclusions or recommendations expressed in this document are those of the

author(s) and do not necessarily represent the official position or policies of USTDA. USTDA makes no representation about, nor does it accept responsibility for, the accuracy or completeness of the information contained in this report."

(b) The inside front cover of every Final Report shall contain USTDA's logo, USTDA's mailing and delivery addresses, and USTDA's mission statement. Camera-ready copy of USTDA Final Report specifications will be available from USTDA upon request.

(c) The Contractor shall affix to the front of the CD-ROM a label identifying the Host Country, USTDA Activity Number, the name of the Client, the name of the Contractor who prepared the report, a report title, and the following language:

"The Contractor certifies that this CD-ROM contains the Public Version of the Final Report and that all contents are suitable for public distribution."

(d) The Contractor and any subcontractors that perform work pursuant to the Grant Agreement must be clearly identified in the Final Report. Business name, point of contact, address, telephone and fax numbers shall be included for Contractor and each subcontractor.

(e) The Final Report, while aiming at optimum specifications and characteristics for the Project, shall identify the availability of prospective U.S. sources of supply. Business name, point of contact, address, telephone and fax numbers shall be included for each commercial source.

(f) The Final Report shall be accompanied by a letter or other notation by the Client which states that the Client approves the Final Report. A certification by the Client to this effect provided on or with the invoice for final payment will meet this requirement.

## **J. Modifications**

All changes, modifications, assignments or amendments to this contract, including the appendices, shall be made only by written agreement by the parties hereto, subject to written USTDA approval.

## **K. Technical Assistance Schedule**

### **(1) Technical Assistance Completion Date**

The completion date for the Technical Assistance, which is February 1, 2010, is the date by which the parties estimate that the Technical Assistance will have been completed.

## **(2) Time Limitation on Disbursement of USTDA Grant Funds**

Except as USTDA may otherwise agree, (a) no USTDA funds may be disbursed under this contract for goods and services which are provided prior to the Effective Date of the Grant Agreement; and (b) all funds made available under the Grant Agreement must be disbursed within four (4) years from the Effective Date of the Grant Agreement.

### **L. Business Practices**

The Contractor agrees not to pay, promise to pay, or authorize the payment of any money or anything of value, directly or indirectly, to any person (whether a governmental official or private individual) for the purpose of illegally or improperly inducing anyone to take any action favorable to any party in connection with the Technical Assistance. The Client agrees not to receive any such payment. The Contractor and the Client agree that each will require that any agent or representative hired to represent them in connection with the Technical Assistance will comply with this paragraph and all laws which apply to activities and obligations of each party under this Contract, including but not limited to those laws and obligations dealing with improper payments as described above.

### **M. USTDA Address and Fiscal Data**

Any communication with USTDA regarding this Contract shall be sent to the following address and include the fiscal data listed below:

U.S. Trade and Development Agency  
1000 Wilson Boulevard, Suite 1600  
Arlington, Virginia 22209-3901  
USA

Phone: (703) 875-4357  
Fax: (703) 875-4009

#### Fiscal Data:

Appropriation No.: 118/91001  
Activity No.: 2008-11021A  
Reservation No.: 2008110037  
Grant No.: GH2008110008

### **N. Definitions**

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Grant Agreement.

## **O. Taxes**

USTDA funds provided under the Grant Agreement shall not be used to pay any taxes, tariffs, duties, fees or other levies imposed under laws in effect in Host Country. Neither the Client nor the Contractor will seek reimbursement from USTDA for such taxes, tariffs, duties, fees or other levies.

## ANNEX 5

## Annex I

### **Terms of Reference**

The purpose of this Technical Assistance is to build capacity for the Energy and Water Utilities Regulatory Authority of Tanzania ("EWURA" or "Grantee") to implement its regulatory functions according to the proposed Electricity Petroleum and Natural Gas Sector legislations. Specifically, the Contractor shall help design regulations for various regulatory activities in the electricity, petroleum and natural gas sectors; wholesale tariff guidelines; licensing procedures; standard gas sales agreements, and; standard power purchase agreements, as well as introduce a tariff calculation model to facilitate private investment in the electricity, petroleum and natural gas sectors.

Several sector legislative acts need to be revised, and new ones established, to prepare for the new regulatory regime. In April 2008, the Petroleum and Electricity laws were passed by Tanzania's Parliament. The Natural Gas Bill is due to be submitted before the end of the year 2008. EWURA needs to be prepared to promulgate rules and standards as described above pursuant to the new laws in order to facilitate transparent consideration of all new investments. This Technical Assistance is therefore designed to help EWURA prepare the necessary regulatory actions and to provide skills transfer that will allow EWURA staff to effectively administer the new legislation in the near term.

Since skills transfer is a key element of the Technical Assistance, the Contractor shall conduct at least three missions in Tanzania, of at least one month duration each, in order to work closely day-to-day with the EWURA staff. The Contractor shall undertake all tasks with capacity building as a main goal. Therefore, the development of all regulatory tools shall be undertaken in a fully interactive process with the EWURA staff to ensure that maximum skills transfer occurs.

#### **Task 1: Background Research and Kick-Off Meeting**

To begin the assignment, the Contractor shall travel to Dar es Salaam (Mission 1) to meet with the Grantee, the Ministry of Energy and Minerals, Rural Energy Agency, the World Bank Country Office, Tanzania Petroleum Development Corporation (TPDC) and Tanzania Electric Supply Company (TANESCO), and to be introduced to key decision-makers in the government and its institutions. The Contractor shall discuss with the EWURA their goals for the Technical Assistance and what has been done to date towards preparing the regulatory matters which are the subject of the Technical Assistance.

Prior to the Kick-Off Meeting, the Grantee shall have provided to the Contractor:

- i) all necessary laws, ordinances and regulation relevant to EWURA and to the energy sector generally (both enacted and under consideration) ;
- ii) all tariffs and licenses for the electricity and gas sectors currently in force;
- iii) model power purchase agreements in place;

- iv) all preliminary and detailed feasibility studies for electricity and gas sector projects in Tanzania still under consideration to be implemented;
- v) all financial models currently utilized by EWURA for project economic viability and tariff analysis;
- vi) all materials from past training, skills transfer and capacity building activities in which EWURA staff have participated; and
- vii) all samples of relevant energy sector regulation, ordinances, guidelines, procedures etc. from other countries which EWURA has collected and reviewed for guidance.

The Contractor shall review all background information in advance of the Kick-Off Meeting so that the mission may be productively utilized.

Task 1 Deliverable: The Contractor's deliverable from Task 1 shall be an Inception Memorandum providing a discussion of the tasks to be accomplished, necessary adjustments to the work-plan and schedule, information requests, and a list of possible issues related to the execution of further tasks for discussion with the Grantee. Mission 1 shall extend beyond the Kick-Off Meeting to encompass work on other tasks listed below and shall be the first of three missions of at least thirty (30) days duration each. In addition, the Contractor's complete findings and recommendations pursuant to Task 1 shall be included in the Final Report.

## **Task 2: Prepare Electricity Wholesale Tariff Guidelines**

The goal of this task is to develop clear guidelines and procedures for the setting of wholesale electricity tariffs. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider simplified tariff models and standardized power purchase agreements (PPAs) for electricity sold from small scale generating facilities. Such models may be very effective as a promotional scheme to encourage small private power development. The Contractor shall evaluate these models and assist EWURA and Tanzanian policymakers to decide if the costs of power purchases from Independent Power Producers should be covered by all taxpayers, by all electricity consumers equally or disproportionately by certain customer segments. When making recommendations, the Contractor shall consider factors such as:

1. type of fuel or primary energy;
2. type of technology;
3. region of the country; and
4. number of years an energy facility is in operation.

The Contractor's shall identify which regions, fuels, or technologies should receive priority for development.

Task 2 Deliverable: The Contractor's deliverable for Task 2 shall be the draft of a "Wholesale Electricity Tariff Regulations." In addition, the Contractor shall include the complete findings and recommendations pursuant to Task 2 in the Final Report.

### **Task 3: Prepare Economic Model for Wholesale Electricity Tariff Calculation**

The purpose of this task is for the Contractor to produce an economic and financial model that shall calculate wholesale electricity tariffs in accordance with the Guidelines developed by the Contractor pursuant to Task 2. The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take place during one of the 3 month-long missions.

Task 3 Deliverable: The Contractor's deliverable for Task 3 shall be an economic and financial model, prepared in Excel format, designed with the intention to be used by the Grantee to calculate wholesale electric tariffs in the future. The Contractor shall provide a "User Guide Document" which will explain the inner workings of the model, plus training in a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). The Contractor shall also include all other training materials developed for this task in the Task 3 Deliverable. In addition, the Contractor's complete findings and recommendations pursuant to Task 3 shall be included in the Final Report.

### **Task 4: Prepare Guidelines on Power Grid Access**

The goal of this task is for the Contractor to develop clear guidelines and procedures for access and interconnection by independent power producers to the power grid. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Guidelines on Power Grid Access and Interconnection:

#### **(A) Introduction of "Obligation to Buy"**

The Contractor shall evaluate and recommend the extent to which there should be a firm "Obligation to Buy" all power produced by new power generation sources as an incentive for investment, or whether such an obligation might be valid only for certain generation technologies (i.e. "renewable energy" or "mini hydro"), or power sources in certain regions, or of certain sizes (i.e. below 10 or 20 MW capacity).

#### **(B) Introduction of preferences for feed in by some producers**

The Contractor shall examine and recommend whether preferences, designed to achieve same objectives as the Obligation to Buy provisions above, should be established for new generators based on use of certain technologies or size.

#### **(C) Introduction of "Third Party Access" Principle**

The Contractor shall examine the consequences of introducing the “Third Party Access” principle in the power sector for all new generation facilities. The Contractor shall review, within the Tanzanian context, the minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts.

(D) Non-discriminatory grid connection

The Contractor shall review the reasonable technical requirements for making grid connections non-discriminatory for all new producers.

Task 4 Deliverable: The deliverable for Task 4 shall be the draft of "Rules on Power Grid Access and Interconnection." In addition, the Contractor shall include the complete findings and recommendations pursuant to Task 4 in the Final Report.

**Task 5: Prepare Standard Power Purchase Agreement**

The Contractor shall develop a Standard Power Purchase Agreement (PPA) for Independent Power Producers in Tanzania, for projects of capacity greater than 10 MW. In developing the PPA, the Contractor shall use models of standardized PPAs from around the world that follow best practices and that may be adapted for use in Tanzania.

Task 5 Deliverable: The Contractor’s deliverable for Task 5 shall be the draft Standard PPA. In addition, the Contractor’s complete findings and recommendations pursuant to Task 5 shall be included in the Final Report.

**Task 6: Prepare Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines**

The purpose of this task is for the Contractor to provide EWURA with a transparent regulatory tool governing the establishment of pipeline transportation tariffs.

Without prejudice of the existing legislation and contractual arrangements in place, the Contractor shall examine and point out weaknesses and strengths, propose alternative methods, and prepare Petroleum/Natural Gas Pipeline Transportation Tariff Guidelines based on best international practices applicable in Tanzania.

Task 6 Deliverable: The Contractor’s deliverable for Task 6 shall be the draft of "Petroleum/Natural Gas Pipeline Transportation Tariff Regulations." In addition, the Contractor’s complete findings and regulations pursuant to Task 6 shall be included in the Final Report.

### **Task 7: Prepare Economic Model for Petroleum/Natural Gas Pipeline Transportation Tariffs**

The Contractor shall produce an economic and financial model that will calculate revenue requirements and user tariffs in accordance with the guidelines and regulations developed by the Contractor pursuant to Task 6. The Contractor shall develop the model in close consultation with EWURA staff in order to facilitate skills transfer in tariff modeling techniques. The Contractor shall provide training to the EWURA staff in the use of the model so that they can work with it independently. The training shall take place during one of the 3 month long missions.

Task 7 Deliverable: The Contractor's deliverable for Task 7 shall be an economic and financial model, prepared in Excel format, designed to be used by the Grantee to calculate wholesale petroleum and natural gas tariffs in the future. The Contractor shall provide a "User Guide Document" which shall explain the inner workings of the model, plus training in a "hands on" classroom setting for 2-3 days for the EWURA staff members who will actually use the model (3-5 people). The Contractor shall also include all other training materials developed for this task in the Task 7 Deliverable. In addition, the complete findings and recommendations pursuant to Task 7 shall be included in the Final Report.

### **Task 8: Prepare Standard Natural Gas Pipeline Interconnection Guidelines**

The purpose of this task is for the Contractor to provide EWURA with clear guidelines and procedures for access and interconnection, by other gas producers, to the existing gas transmission pipeline. In preparing the guidelines, the Contractor shall work together with EWURA staff to review and consider at least the following general approaches before finalizing the Natural Gas Pipeline Interconnection Guidelines:

#### **(A) Introduction of "Take or Pay" Principle**

The Contractor shall evaluate the extent to which there should be a firm "Take or Pay" for booked capacity as an incentive to attract investment, or whether such obligation might be valid only for certain infrastructures, certain periods, or natural gas sources in certain regions or of certain sizes.

#### **(B) Introduction of "Third Party Access" Principle**

The Contractor shall examine the consequences of introducing the "Third Party Access" principle in the petroleum and natural gas sector for existing and new gas facilities. The Contractor shall review, within the Tanzanian context, the minimum preconditions of introducing such a system, such as regulations on grid connections and sales contracts.

(C) Non-discriminatory pipeline interconnection

The Contractor shall review the reasonable technical requirements for making pipeline interconnections non-discriminatory for all new gas producers.

Task 8 Deliverable: The Contractor's deliverable for Task 8 shall be the draft of "Rules on Gas Transmission Access and Interconnection." In addition, the Contractor's complete findings and recommendations pursuant to Task 8 shall be included in the Final Report.

**Task 9: Prepare Service Standards for Natural Gas Pipelines**

The Contractor shall provide EWURA with clear guidelines and procedures for preparation of service standards for use by service providers.

The Contractor shall examine the existing arrangements in Tanzania and, after such review, shall introduce, into its guidelines, the key principles and any necessary improvements based on the best international practices. Service standards shall form an important performance evaluation tool for service providers. Service standards shall be reviewed and endorsed by EWURA before being put into practice.

Task 9 Deliverable: The Contractor's deliverable for Task 9 shall be the draft of an "Ordinance on Service Standards for Natural Gas Pipelines." In addition, the complete findings and recommendations pursuant to Task 9 shall be included in the Final Report.

**Task 10: Prepare Guidelines Governing Economic Regulation in the Retail Petroleum Market.**

The purpose of this task is for the Contractor to provide EWURA with insight and economic regulatory knowledge applicable to the retail petroleum sector in Tanzania.

The Contractor should note that, to date, about sixty one oil marketing companies are operating in Tanzania, eleven of which are actively importing "white products". The market forces seem not to work perfectly, significant adulteration of petroleum products is reported and, recently, neither consumers nor the Government have realized the benefits of a competitive market. As long as the market continues to fail due to lack of adequate competition, the government and EWURA are seeking mechanisms to correct behaviors that impede fair competition.

The Contractor shall study the market history and the intent of both regulatory and sector legislations, the prevailing practice, and recommend the best way to regulate the Petroleum Sector without necessarily imposing overly restrictive rules.

Task 10 Deliverable: The Contractor's deliverable for Task 10 shall be the draft of recommended regulations governing the retail of petroleum products. In addition, the Contractor's complete findings and recommendations pursuant to Task 10 shall be included in the Final Report.

### **Task 11: General Capacity Building**

In addition to the specific regulatory and modeling tasks described in Tasks 2-10 above, the Contractor, during the term of the Contract and when the Contractor is located in-country at EWURA, shall provide additional capacity building assistance to EWURA management and staff that will help prepare EWURA to independently:

- (a) Introduce and explain the purpose, content and administration of the new proposed Electricity, Petroleum and Natural Gas legislation and the subsequently proposed regulations developed pursuant to this Terms of Reference, to all relevant stakeholders in Tanzania (as determined by the Grantee), including government bodies, NGOs, private investors, bilateral and multilateral donors and international financial institutions, through briefing sessions to be organized by the Grantee in Dar es Salaam, and through direct phone and email contact with parties outside of Tanzania.
- (b) Negotiate all reasonable changes to the proposed regulations, guidelines, codes and standards to include stakeholder suggestions and recommendations.
- (c) Develop a strategy for securing formal administrative issuance or legislative passage of the new regulations, guidelines, rules, codes and standards.
- (d) Initiate sound administrative practices inside EWURA for the implementation of the new Electricity, Petroleum and Natural Gas legislations and subsequent regulations.
- (e) Undertake initial negotiations with independent power and natural gas producers under the guidance of the new Electricity, Petroleum and Natural Gas legislations and subsequent regulations for those negotiations that occur during the time period allocated for Task 11.
- (f) Gain the other skills prescribed in this Terms of Reference, Tasks 1-10.

Task 11 Deliverable: The Contractor's deliverable for Task 11 shall be a report detailing all of the assistance provided pursuant to this task and resulting outcomes. In addition, the Contractor's complete findings and recommendations pursuant to Task 11 shall be included in the Final Report.

### **Task 12: Development Impacts**

The Contractor shall report on the potential development impact of the Technical Assistance. The Contractor shall focus on the economic development outcomes that will result from the deliverables of the Technical Assistance. The Contractor shall include, where appropriate, spin-off and demonstration effects. The Contractor's analysis of

potential benefits should be as concrete and detailed as possible. The development impact factors are intended to provide the Grantee's decision-makers and interested parties with a broader view of the Technical Assistance's potential effects on the Host Country. The Contractor shall provide estimates of the Technical Assistance's potential benefits in the following areas:

- (a) *Infrastructure/Industry.* The Contractor shall provide a statement on the infrastructure and industry impacts giving a brief synopsis.
- (b) *Market-Oriented Reforms.* The Contractor shall provide a description of any regulation, law or institutional changes that are recommended and the effect they would have if implemented.
- (c) *Human Capacity Building.* The Contractor shall address the number and type of positions that would be needed to construct and operate the proposed Projects as well as the number of people who will receive training and a brief description of the training program.
- (d) *Technology Transfer and Productivity Enhancement.* The Contractor shall provide a description of any advanced technologies that will be implemented as a result of the Projects. A quantitative description shall be provided of any efficiency that will be gained.
- (e) *Others.* The Contractor shall identify any other development benefits of the Projects, including any spin-off or demonstration effects.

The Contractor's complete findings and recommendations pursuant to Task 12 shall be included in the Final Report.

### **Task 13: Preliminary Socio-Economic and Environmental Impact Analysis**

The Contractor shall prepare a preliminary review of the Project's environmental impact with reference to local requirements and those of the World Bank. This review shall identify potential negative impacts, and discuss the extent to which they can be mitigated.

The intent of the TOR is to put in place rules and regulations which will expand the use of natural gas within Tanzania. No specific projects are identified directly as part of this work. The Contractor's preliminary environmental review shall focus on the issues associated with additional gas exploration activities, high pressure pipeline expansions, and low pressure distribution lateral extensions. Additionally, the Contractor's review should address the positive environmental benefits of substituting clean burning natural gas for heavy fuel oil, charcoal, etc.

Among others, the Contractor's review shall include the impacts from possible discharges, on agriculture and other land uses, wetlands and other areas of sensitive

biodiversity, historical sites, and availability of land for the project sites, and soil erosion. The Contractor shall also conduct a socio-economic impact analysis of the Project, including (but not limited to), employment creation, and an extensive analysis of the Project's impacts on the most vulnerable members of society including the poor, women and children. The Contractor shall provide recommendations on the means and cost of mitigation of identified significant adverse impacts.

The Contractor's complete findings and recommendations pursuant to Task 13 shall be included in the Final Report.

#### **Task 14: Final Report**

The Contractor shall ensure that the Final Report is submitted in accordance with Clause I of Annex II of the Grant Agreement. The Final Report shall be a substantive and comprehensive report of work performed to carry out all of the tasks set forth in the Terms of Reference and shall include, among other things, an Executive Summary and all deliverables, including training materials. The report shall be organized according to Tasks 1-13 above, and each task of the Terms of Reference shall form a separate chapter of the Final Report. The Final Report shall also include a comprehensive list of U.S. suppliers, including potential sources of U.S. equipment and services, relevant to the implementation of each component of the Projects as outlined in the Technical Assistance. The Contractor shall submit the Final Report in English language. The Contractor shall also develop a list, including complete contact information, of potential U.S. stakeholders who may benefit from the implementation of the new regulations and legislation in Tanzania. Stakeholders shall include power developers, equipment suppliers, providers of services, investors, etc.

Notes:

- (1) The Contractor is responsible for compliance with U.S. export licensing requirements, if applicable, in the performance of the Terms of Reference.
- (2) The Contractor and the Grantee shall be careful to ensure that the public version of the Final Report contains no security or confidential information.
- (3) The Grantee and USTDA shall have an irrevocable, worldwide, royalty-free, non-exclusive right to use and distribute the Final Report and all work product that is developed under these Terms of Reference.