

# ADDENDUM NO. 1

to

## AGREEMENT

between

**THE GOVERNMENT OF THE KINGDOM OF NORWAY**

and

**THE GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA**

regarding

**implementation of Phase IV of the electricity transmission and distribution project at Zanzibar**

WHEREAS the Government of the Kingdom of Norway and the Government of the United Republic of Tanzania have entered into an agreement dated 5 November 2003 on development cooperation concerning implementation of Phase IV of the electricity transmission and distribution project at Zanzibar (the Agreement),

WHEREAS the Ministry of Foreign Affairs of Norway (Norway) and the Ministry of Finance and Economic Affairs of the Zanzibar Revolutionary Government (Tanzania) have agreed on amending the Agreement,

NOW THEREFORE Norway and Tanzania have reached the following understanding which shall constitute Addendum No. 1 to, and an integral part of, the Agreement:

### Article I

1. Norway shall, subject to Parliamentary appropriations and the terms and procedures of the Agreement and this Addendum, provide an addition to the Grant not exceeding NOK 45.000.000 (Norwegian Kroner fortyfive million) in the planned period 2006-2008. Disbursements shall be made upon written requests as stipulated in the Agreement.



2. The addition to the Grant shall be used exclusively to finance the Project in accordance with the revised Annex 1 as to this Addendum.
3. The following provision shall replace Article II, Clause 2, first paragraph of the Agreement: "In matters pertaining to the implementation of this Agreement, the Norwegian Embassy in Dar es Salaam shall be competent to represent Norway and shall hereunder be authorized to decide on components/ activities to be included in the Project in accordance with Clause 3 below. (...)."
4. Any reference to the State Fuel and Power Corporation (SFPC) in the Agreement shall be considered a reference to the Zanzibar Electricity Corporation (ZECO).

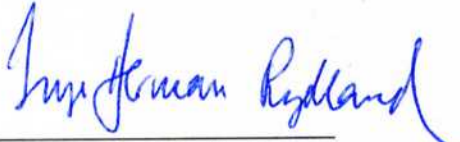
## Article II

1. This Addendum shall enter into force on the date of its signature, and shall remain in force until both Parties have fulfilled all obligations arising from it. Whether these obligations shall be regarded as fulfilled shall be determined in consultation between the Parties.

IN WITNESS WHEREOF this present Addendum has been signed in two originals in the English language.

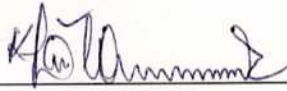
Done in Zanzibar the 21 day of August of 2006.

For the Ministry  
of Foreign Affairs of Norway



Inge Herman Rydland  
Chargé d'Affaires a.i.

For the Ministry of Finance and  
Economic Affairs of Zanzibar



Khamis M. Omar  
Principal Secretary



**1. Identification of the Programme**

- Extension of Phase IV of the electricity transmission and distribution project at Zanzibar
- Implementing institution: Ministry of Water, Construction, Energy and Lands through the Rural Electrification Project Unit under Zanzibar Electricity Corporation (ZECO)

**2. Description of the Programme**

**2.1 Goal**

Support the Zanzibar Poverty Reduction Plan in achieving economic growth through income generating activities, improve education, health and environment in Zanzibar.

**2.2 Purpose**

- making electricity available at the customer level to selected villages, social institutions and private sectors
- connecting service lines to the villagers who are willing to pay the services via soft loan
- expanding ZECO transmission and distribution system in all villages
- enabling ZECO to implement the project technically through institutional development and training support
- improving the corporation's financial and technical capability
- continuing giving awareness of HIV/AIDS matters and safety precaution to ZECO and project staff

**2.3 Outputs**

- Electricity access for 32 villages at Unguja and 31 villages at Pemba with a total of approximately 25,000 households
- Improved water supply made available in the newly electrified villages
- Synergy created between the Rural Electrification Project and institutional development of ZECO

**2.4 Inputs**

- Equipment, logistical support and facilities as stated in the Project Document (February 2006) limited to NOK 45 million
- Technical assistance to ZECO for project management

*jen*

*KAI*

## 2.5 Main indicators

- Number of villages with access to electricity
- Improved financial status of ZECO

## 2.6 Major risk factors (internal and external)

- Political stability
- Financial situation of ZECO
- Improved income generation in order to improve payment for electricity
- Supply situation at both Pemba and Unguja
- Low connection rate due to lack of meters and other connection accessories

## 3. Overall budget (indicative figures)

*Cost estimates at exchange rate USD 1 = NOK 6,25*

Procurement, transport , insurances etc;	USD 4.700 mill	NOK 29.375 mill
Compensation to farmers	USD 0.300 mill	NOK 1.875 mill
Office, fuel, salaries audit etc.	USD 0.156 mill	NOK 0.975 mill
Training	USD 0.058 mill	NOK 0.360 mill
Management	USD 0.490 mill	NOK 3.005 mill
HIV/AIDS Program	USD 0.010 mill	NOK 0.063 mill
Miscellaneous	USD 0.317 mill	NOK 1.980 mill
Auditor	USD 0.024 mill	NOK 0.150 mill
Labour	USD 0.543 mill	NOK 3.390 mill
PTY	USD 0.012 mill	NOK 0.075 mill
<b>TOTAL</b>	<b><u>USD 6,600 mill</u></b>	<b><u>NOK 41.295 mill</u></b>

Annual breakdown:	2006	2007	2008
	NOK 5 mill	NOK 30 mill	NOK 10 mill

Jh

KM,