

Approved on June 22, 2020

**[Approved by Mail] Tanzania: DPSP III Zanzibar Energy Sector Transformation (CTF) (IBRD)
(XCTFTZ790A) - Request to Change Approved Financing Instrument - Decision Approved**

Dear CTF Trust Fund Committee members,

We are writing regarding the request to change financing instrument for project entitled, *Tanzania: DPSP III: Zanzibar Energy Sector Transformation Project (ZEST)* (XCTFTZ790A), submitted by the International Bank for Reconstruction and Development (IBRD).

The time period provided for submission of comments and any objections to the decision has now expired. No objections were received. We are, therefore, pleased to inform you that the following decision is now approved.

The CTF Trust Fund Committee, having reviewed the request submitted by IBRD for a change in financial instrument from a first loss guarantee to a grant for USD 4 million in CTF funding for the project entitled, *Tanzania: DPSP III: Zanzibar Energy Sector Transformation Project (ZEST)*, approves such request.

Sincerely,

Mafalda Duarte

Manager

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June 5, 2020

[Approved by Mail] Tanzania: DPSP III Zanzibar Energy Sector Transformation (CTF) (IBRD) (XCTFTZ790A) - Request to Change Approved Financing Instrument – Proposed Decision

Dear CTF Trust Fund Committee members,

We are writing regarding the project entitled, *Tanzania: DPSP III: Zanzibar Energy Sector Transformation Project (ZEST)* (XCTFTZ790A), submitted by the Government of Tanzania and the International Bank for Reconstruction and Development (IBRD), and approved by the CTF Trust Fund Committee on March 12, 2020, for USD 28 million in CTF financing, USD 4.0 million of which is in the form of a first loss guarantee.

IBRD seeks the approval of the CTF Trust Fund Committee to change the financial instrument for USD 4 million CTF financing from a first loss guarantee to a grant.

IBRD has advised that: *“The Covid-19 crisis has severely affected Zanzibar. The tourism sector is a major source of revenue and foreign exchange for Zanzibar. The short-term impact on the power utility (ZECO) revenues is significant. [...] In this context, a grant to cover the liquidity and credit risk of the utility is deemed to be more relevant to support Zanzibar tackle the significant challenges arising from the Covid-19 crisis while providing critical comfort to private sector. Based on experiences in previously concluded similar transactions in Kenya, Ethiopia and Mozambique, the guarantee structure and documentation require financial resources and management attention. During the Covid-19 period, such efforts will divert already scarce public sector capacity and resources from the effort of recovering from the Covid-19 pandemic. A CTF grant-funded escrow account (for the same amount of US\$4 million) would be the most price-efficient, structurally sound and actionable option given the size of the project and government’s guidance on working with future IPPs.”*

The attached document provides further details on the rationale for the request to change the financial instrument.

The CTF Trust Fund Committee is requested to approve the following proposed decision:

The CTF Trust Fund Committee, having reviewed the request submitted by IBRD for a change in financial instrument from a first loss guarantee to a grant for USD 4 million in CTF funding for the project entitled, *Tanzania: DPSP III: Zanzibar Energy Sector Transformation Project (ZEST)*, approves such request.

To provide comments on this funding reallocation proposal please click [here](#).

If we do not receive an objection to the proposed decision by close of business on **Friday, June 19, 2020**, the decision will be approved.

Sincerely,

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