



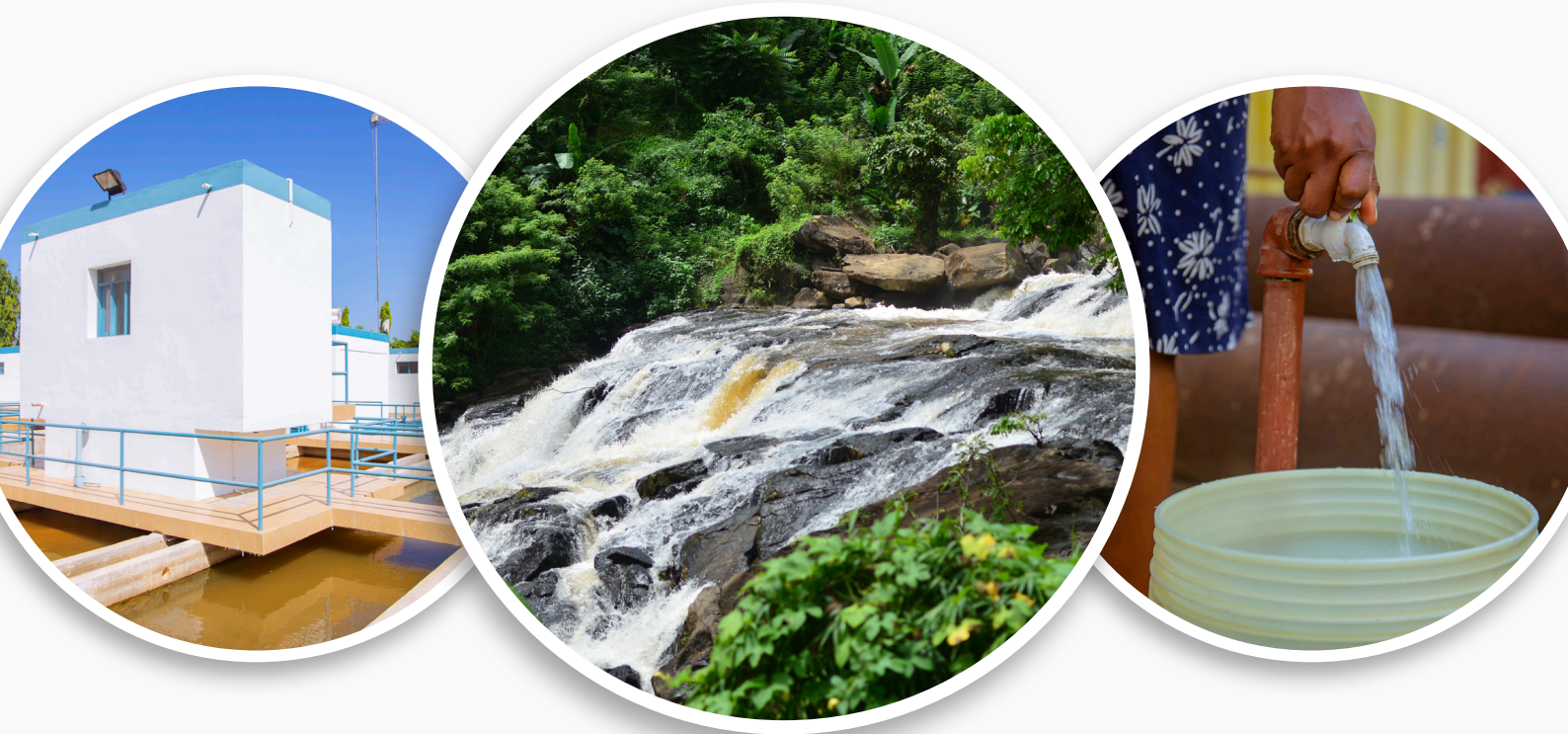
**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF WATER
TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY**



TANGA

WATER GREEN BOND

"Every Drop Counts"



INFORMATION MEMORANDUM

**TZS 53,120,000,000 13.50% WATER INFRASTRUCTURE GREEN REVENUE BOND ISSUE DUE
APRIL 2034**

22ND DAY OF FEBRUARY 2024



CAUTIONARY STATEMENT

This Information Memorandum has been prepared in compliance with the Capital Markets and Securities Act, Cap 79, the Water Supply and Sanitation Act No 5 of 2019 of the laws of United Republic of Tanzania, Capital Markets and Securities (Guideline for the issuance of Corporate Bonds, Municipal Bonds and Commercial Papers), 2019 and the Dar es Salaam Stock Exchange PLC. Rules, 2022.

A copy of this Information Memorandum has been delivered to the Capital Markets and Securities Authority (CMSA) for approval and to the Treasury Registrar. Approval of this Information Memorandum by the CMSA should not be taken as an indication of the merits of Tanga UWASA or its application. The securities offered in this Information Memorandum have not been approved or disapproved by the CMSA.

Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" under section 6 of this Information Memorandum. If you are in doubt about the contents of this Information Memorandum, you should consult your Investment Advisor, Stockbroker, Lawyer, Banker or any other Financial Consultant.

IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to itself and the Bond to be issued by it which is material in the context of the Bond. The Issuer further confirms that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the intentions and opinions expressed in this Information Memorandum are held, and that there are no other facts, the omission of which, would make any such information or the expression of any such opinions or intentions misleading in any material respect. The Issuer and all its directors accept responsibility accordingly.

The Advisors, the Issue and Paying Agent, the collecting agents and the Sponsoring Broker have relied on the information provided by the Issuer and the Issuer's professional advisors. Accordingly, the Advisors, the Agent and the Sponsoring Broker do not vouch for the accuracy or completeness of the information contained in this Information Memorandum and therefore do not accept any liability or responsibility in relation to information contained in this Information Memorandum.

The Issuer has given an undertaking to the effect that, so long as any Bond remains outstanding, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Information Memorandum, it will prepare and send full particulars of such change to the Registrar (as defined in the Terms and Conditions of the Bonds) who shall communicate the same to the Bondholders. Neither this Information Memorandum nor any other information supplied in connection with the Bonds is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Advisors, the Agent and the Sponsoring Broker that any recipient of this Information Memorandum or any other information supplied in connection with the Bond should purchase any Bonds. Each investor contemplating purchasing any Bonds should make their own independent investigation of the financial condition and affairs, and their own appraisal of the creditworthiness of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Bond constitutes an offer or invitation to any person by or on behalf of the Advisors, the Agent and the Sponsoring Broker to subscribe for or to purchase any Bonds.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing the same.

Application has been made to the CMSA for approval of this Information Memorandum and listing of the securities on the DSE and the CMSA has granted the approval. As a matter of policy, the CMSA does not assume responsibility

for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum.

The DSE has no objection to the Issuer listing the Bonds on the DSE. The DSE assumes no responsibility for the accuracy of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission by the DSE of the Bonds should therefore not be taken as an indication of the merits of the Issuer or of the Bonds. No person has been authorized to give any information or make any representation other than that contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorized by or on behalf of the Issuer, Advisors, the Agent or the Sponsoring Broker.

Persons who are in possession of this Information Memorandum are cautioned to inform themselves and observe any such restriction.

Applications for participation may be processed through the Collecting Agent, details of which are provided in this Information Memorandum. The Bonds may not be offered or sold, directly or indirectly, and neither this document nor any other Information Memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Bonds may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all Applicable Laws, orders, rules and regulations of Tanzania (as defined below).

This document is important and requires your attention. If you are in any doubt as to the meaning of any information contained in this Information Memorandum or what action to take, please forthwith consult your banker, stockbroker, advocate, accountant, licensed investment adviser or other professionals.

The distribution of this Information Memorandum and the offering or sale of the Bonds in certain jurisdictions may be restricted by law. The Bonds have not been and shall not be registered under any other securities legislation whether in Tanzania or any other country.

Persons into whose possession this Information Memorandum comes are required by the Issuer, Advisors, the Agent and the Sponsoring Broker to inform themselves about and to observe any such restrictions.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Collecting Agent to subscribe for, or purchase any Bonds.

FORWARD-LOOKING STATEMENTS

This Information Memorandum includes 'forward-looking statements'. These statements contain words such as "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Issuer's products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Issuer to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future.

These forward-looking statements speak only as at the date of this Information Memorandum. Without prejudice to any requirements under Applicable Laws and regulations, the Issuer expressly disclaims any obligations or undertaking to disseminate after the date of this Information Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

ROUNDING


Some numerical figures included in this Information Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain figures may not be an arithmetic aggregation of the figures that preceded them.

DIRECTORS' DECLARATION

The Directors of Tanga UWASA, whose particulars appear in section 3.7.1 in this Information Memorandum, are Government appointees and they collectively and individually accept responsibility for the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain that this is true.

As at the date of the Information Memorandum and for a period of at least 2 years prior to that date, no Director:

- (i) or any partnership in which the said Director was a partner or any company of which he was an executive officer, is or has been the subject of a filing of a petition under any bankruptcy law; or
- (ii) had been convicted in a criminal proceeding or been a named subject of a ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibited him from acting as an investment advisor or as a director or employee of a broker or dealer, director or employee of any financial institution or engaging in any type of business practice or activity.



Eng. Geoffrey G. Hilly
SECRETARY
07/11/2023

DATE

Dr. Fungo A. Fungo
CHAIRMAN



MANAGING DIRECTOR'S STATEMENT

ENG. GEOFFREY G. HILLY

Rapid population growth and migration of people from rural settlements to Tanga City coupled with the increasing trend of investment in industrial and commercial sectors have increased the demand for water and sewerage services in recent years. While that is the case, and eventually causing the demand for water to surge, the capacity of Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) to provide water and sewerage services has not been improving amid inability to increase new infrastructure investments while addressing the highly dilapidated state of a significant component of the existing infrastructure. By 30th June, 2023, the recorded demand-supply gap for potable water supply services show that it has widened to 30% (estimated demand of 50,824m³/day vs estimated supply of 35,557m³/day).

As of end 2022, Tanga UWASA provides water supply to 93.5% of the population of 458,395 from 37 wards of Tanga City (27), Muheza Town (6) and Pangani Town (4). Regarding sanitation services, only 6.2% of the population of Tanga City is served by a central sewer system for collection and disposal of wastewater while the remaining of the service area is served through coordinated approach of wastewater collection trucks (cesspit emptier trucks) owned by different individuals, Tanga UWASA and the Tanga City Council.

In order to foster its strategic development and the provision of improved and sustainable water supply and sanitation services, the Board of Directors of Tanga UWASA has allowed the implementation of a medium scale project to improve water supply and sewerage infrastructures to be funded through the issuance of a Bond, as described in this Information Memorandum.

The funds from the Bond will supplement Tanga UWASA's ongoing efforts aimed at improving the water supply and sewerage infrastructure, including water treatment, transmission and distribution, water storage and restoration of various sewerage infrastructures inefficiencies to improve service provision.

The Issue in compliance with ICMA's Green Bond Principles and is the first non-bank green bond in the country, an achievement for the Tanzanian capital market and a testimony to Tanga UWASA and its partners' commitment to delivering a sustainable public service. The Issue will be the result of the comprehensive groundwork collaboratively done by Tanga UWASA and other stakeholders including the Treasury Registrar's Office, the Ministry of Water, the Ministry of Finance, the United Nations Capital Development Fund (UNCDF), the CMSA, the DSE and the consortium comprising of Anjarwalla & Khanna Tanzania, National Bank of Commerce (NBC Bank PLC), FIMCO Limited, Global Sovereign Advisory, Innovex Auditors and Vertex International Securities Limited.

Endowed corporate governance, managerial and project implementation capabilities coupled with high level of professionalism and experience of many years, positions Tanga UWASA for a successful achievement of the proposed project's objectives. It is expected that by June 2030, the utility will have increased its revenue based on the treatment and distribution of 60,000m³ of water/day, allowing for progress on Tanga UWASA's core Sustainable Development Goals (SDG).

Tanga UWASA invites the general public to subscribe to the Tanga Water Green Revenue Bond, the first of its kind to be issued in Tanzania by a public corporate body. Tanga UWASA will endeavour that subscriptions will translate into a landmark case study of how the public water supply and sanitation service efficiency has been improved by the issuance of a corporate bond as an alternative approach for financing of public sector infrastructures.

You are all welcome!

Eng. Geoffrey G. Hilly
Managing Director

THE ROLE OF UNITED NATIONS CAPITAL DEVELOPMENT FUND PROMOTING SUSTAINABLE FINANCE AND DOMESTIC CAPITAL MARKETS

UN Capital Development Fund (UNCDF) in partnership with the government of United Republic of Tanzania supported the development of domestic municipal and sub-national bond market as part of government's strategic Alternative Project Financing (APF) initiative to finance national development activities.

This is in line with the objectives of the Government of Tanzania's Five-Year Development Plan (FYDP-III) ending 2026 to broaden its revenue base including domestic resource mobilization. The implementation of the national and global development agendas hinges on Tanzania ability to mobilize sufficient, predictable, and timely financial resources.

The current levels of traditional financing alone cannot deliver the necessary volume of local investments needed to meet growing populations and associated high demand for infrastructure and public services. The needs reinforce the importance of using domestic capital markets to accelerate economic growth, build local capacities, and mobilize additional public and private resources for sustainable development.

Tanga Water Infrastructure Green Revenue Bond is a historic capital market transaction in Tanzania and other parts of sub-Saharan Africa. UNCDF as the lead development finance advisor and technical partner, has supported Tanga Water Supply and Sanitation Authority (Tanga-UWASA) to prepare to access local currency project financing through Dar es Salaam Stock Exchange. Specifically, UNCDF support included project development and financing roadmap, advisory fees, and risk mitigation options. The proceeds of the ten years bond will go towards Tanga city and its localities to increase clean water production, treatment, and distribution capacity. Bond will abide to financing environmentally sound and sustainable projects that protect the environment.

Tanga water bond is backed by a portfolio of bankable project and is poised to demonstrate that the Tanzania's domestic capital market is an established source of sustainable development finance. Its financing approach use appropriate governance structures that ensure smooth project implementation; monitoring; ring fencing of revenue to cover cost of operations and to meet bond holders' commitments; and to deliver the intended services and impact to the people of Tanga.

The UNCDF team headed by Mr. Peter Malika, Head of UNCDF Tanzania and his technical investment team comprised of Stella Lyatuu, Imanuel Muro, Abraham Byamungu and Fidelis Luteganya coordinated the National Municipal and Subnational Bond Stakeholders Taskforce responsible for successful launch of this first national pilot, raising national awareness, supporting a framework for building national capacities, improvement of relevant policies and enabling environment related to access to capital markets to finance development. The national taskforce is co-chaired by the Ministry of Finance and the Ministry responsible for local government (i.e., President's office Regional Administration & Local Government) with members from the key national institutions such as the Capital Markets and Securities Authority (CMSA), Bank of Tanzania, Office of the Treasury Registrar, Dar es Salaam Stock Exchange, and Ministry of Water.

Glossary of Abbreviations and Technical Terms

Subject	Definition
Advisors	Means the Lead Transaction Advisors, Financial Advisors and the Legal Advisors;
Announcement Date	Means the date whereby the results of allocation of Bond to Bond Holders is announced;
Agents	Means together the Issue and Paying Agent, the Authorised Collecting Agents;
Applicable Laws	<p>Means:</p> <ul style="list-style-type: none"> (i). Capital Markets and Securities Act, Chapter 79 R.E. 2002 (the CMS Act); (ii). The Capital Markets (Guidelines for the Issuance of Corporate Bonds, Municipal Bonds and Commercial Papers), 2019 (the Guidelines for Issuance of Bonds); (iii). The Dar Es Salaam Stock Exchange Rules, 2022; (iv). The Treasury Registrar (Powers & Functions Act), Cap 370 R.E. 2002; (v). The Public Corporation Act, Cap 257 R.E. 2010; (vi). Environmental Management Act No. 20 of 2004 (EMA, 2004); (vii). Water Supply and Sanitation Act, No. 5 of 2019; (viii). Water Resources Management Act, No. 11 of 2009; (ix). Energy Water Utilities Regulatory Authority Act, Cap 414 R.E 2006; and <p>Means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Issue and the Bond issued thereunder in accordance with which the same are to be construed;</p>
Authorised Collecting Agents	Means the Authorised Collecting Agents listed in Appendix 9 of this Information Memorandum.
BoT	Means the Bank of Tanzania.
Bond Holders	Means the persons shown as holders of Bonds in the records of the Registrar/Fiscal Agent.
Bond Proceeds	Means the amount received by Bond Trustee after the subscription of the bond by the Bond holders.
Business Day	Means any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Dar es Salaam.
CAGR	Means Compound Annual Growth Rate.
Category A WSSA	Means water utilities with water service coverage of more than 75% and meet all operation, maintenance and depreciation costs.
Category AA WSSA	Means water utilities with water service coverage of more than 85% and meet all operation and maintenance costs, depreciation and return on investment.
Category B WSSA	Means water utilities with water service coverage of more than 65% and meet all operation and maintenance costs.
Category C WSSA	Means water utilities with water service coverage of less than 65% and meet operation and maintenance costs except for part of plant electricity costs as shall be determined by the Minister for Water in the Performance Assessment Instrument.
Class I Licence	Means the highest licence category issued to WSSAs that meet technical, managerial and financial capabilities to operate licensed facility and recover all costs of operation.
Class II Licence	Means mid-level licence category issued to WSSAs that have technical and managerial capabilities to operate licensed facilities and recover all costs of operation except part of their investment cost.
Class III Licence	Means lower-level licence category issued to WSSAs that still get financial, managerial and technical support from the Government and partially recover their operational costs.
CMSA	Means the Capital Markets and Securities Authority.
Companies Act	Means the Companies Act, 2002.
CSD	Means Central Securities Depository.

Glossary of Abbreviations and Technical Terms

Subject	Definition
CSDR	Means CSD and Registry Company Limited.
Conditions	Means the terms and conditions set out under section 7 of the Information Memorandum.
DSE	Means Dar es Salaam Stock Exchange Public Limited Company.
Domestic Capital Market Development Advisor & Technical Assistance Provider	Means UN Capital Development Fund (UNCDF).
EWURA	Means Energy and Water Utilities Regulatory Authority.
FY	Means Financial Year.
GDP	Means Gross Domestic Product.
Green Bond Framework Advisor	Means FSD Africa.
Financial Advisors	Means Global Sovereign Advisory and FIMCO Limited.
ISIN	Means International Securities Identification Number.
Issue	Means the Issuance of Bond of Tanzanian Shillings Fifty-Three Billion One Hundred and Twenty Million (TZS 53,120,000,000)
Issue Date	Means in respect to the Bond, the date of issue specified in the Pricing Supplement.
Issue Price	Means the price at which Bonds are issued by the Issuer as specified in the Pricing Supplement).
Lead Transaction Advisor	Means National Bank of Commerce Limited (NBC).
Legal Advisor	Means Anjarwalla & Khanna Tanzania.
Listing Date	Means the date on which the Bonds are listed on the Dar es Salaam Stock Exchange PLC.
Maturity Date	Means the date as specified in Pricing Supplement on which the Principal Amount is due.
Bond Trustee	Means National Bank of Commerce Limited (NBC).
Principal Amount"	Means the nominal amount of each Bond;
Receiving Bank	Means National Bank of Commerce Limited (NBC).
Registrar	Means CSD and Registry Company Limited.
Reporting Accountant	Means Innovex Auditors.
Second Party Opinion (SPO)	The opinion to be issued by the Second Party Opinion Provider.
Second Party Opinion Provider	Means ISS Corporate Solutions.
Sponsoring Broker	Means Vertex International Securities Limited.
Tanzanian Shillings or TZS	Means the legal currency of Tanzania.
Transaction Documents	<ol style="list-style-type: none"> 1. Information Memorandum 2. Trust Deed 3. Green bond Framework 4. Application Form 5. Pricing Supplement
WSSA	Means Water Supply and Sanitation Authority.

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SUMMARY OF THE INFORMATION MEMORANDUM

1. Summary of the Information Memorandum

1.1. General Description of the Bonds

The applicable terms of any Bonds will be set out in the Terms and Conditions incorporated by reference into the Bonds, as modified and supplemented by the Pricing Supplement relating to the Bonds and any Supplemental Information Memorandum. A summary of the Bonds and the Terms and Conditions appear in section 7 of this Information Memorandum.

This Information Memorandum will only apply to Bonds issued in an aggregate nominal amount which does not exceed TZS 53,120,000,000 [USD 21 million].

1.2. Primary Business of the Issuer

Tanga Urban Water Supply and Sanitation Authority ("Tanga UWASA" or "the Authority") is an autonomous sub-national entity located in Tanga City, Tanzania. It is in the business of extracting, treating, and distributing clean and safe water to Residents in urban areas within its jurisdiction. Tanga UWASA operates as a commercial entity, licensed, and regulated by the national Energy and Water Utilities Regulatory Authority (EWURA). EWURA regulates Tanga UWASA's operations and economic affairs to ensure quality and affordable water services to the public.

1.3. Salient Features of the Issue

The information set out in this section of the Information Memorandum is not intended to be comprehensive. In order to gain a comprehensive understanding of all necessary subject matter and information, this Information Memorandum should be read in its entirety.

1.3.1. Parties involved

The following overview is qualified in its entirety by the remainder of this Information Memorandum. Capitalised expressions used below in this overview have the definitions ascribed to them in the Terms and Conditions of the Medium-Term Notes unless otherwise defined in this Information Memorandum.

A Issuer		
1	Issuer	Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA)
2	Registered Office	Swahili Street / Street No.3 P. O. Box 5011, 21103 TANGA, TANZANIA
3	Ultimate Controlling Entity	Ministry of Water Maji St., Government City, P. O. Box 456, DODOMA, TANZANIA
		BOT Arusha Branch, P. O. Box 3054, Arusha, Tanzania
		CRDB Bank PLC Branch, P. O. Box 1180, Tanga, Tanzania
4	Bankers	National Bank of Commerce, Sokoine Drive & Azikiwe Street, P.O. Box 1863, Dar es Salaam, Tanzania
		NMB Madaraka Branch, P. O. Box 1396, Tanga, Tanzania
5	Lawyers	State Attorney, Tanga, Tanzania

6 **Auditor:** The Controller and Auditor General,
The National Audit Office,
Audit House,
4 Ukaguzi Road,
P. O. Box 950,
41104 Tambukareli,
Dodoma, Tanzania

B Transaction Advisors

8 **Lead Transaction Advisor**



National Bank of Commerce
NBC Ltd. Head Office,
Sokoine Drive & Azikiwe Street,
P. O. Box 1863,
Dar es Salaam, Tanzania

9 **Bond Trustee**



National Bank of Commerce
NBC Ltd. Head Office,
Sokoine Drive & Azikiwe Street,
P. O. Box 1863,
Dar es Salaam, Tanzania

10 **Issue and Paying Agent**



CSD and Registry Company Limited
2nd Floor, Kambarage House,
6 Ufukoni Street,
P. O. Box 70081,
Dar es Salaam,
Tanzania

11 **Financial Advisors**



Global Sovereign Advisory
24, rue de Penthièvre,
75008, Paris – France



FIMCO Limited
Office 205, 2nd Floor Alfa Plaza,
Plot No. G6, Chabruma Street, Off. Ali
Hassan Mwinyi Rd,
Dar es Salaam, Tanzania

12 **Sponsoring Broker**



Vertex International Securities Limited
Zambian High Commission Building
Ohio St./Sokoine Drive
Dar es Salaam, Tanzania

13 **Registrar**



CSD and Registry Company Limited
2nd Floor, Kambarage House,
6 Ufukoni Street,
P. O. Box 70081,
Dar es Salaam,
Tanzania

B Transaction Advisors

14 Reporting Accountant		Innovex Auditors 8 Kilimani Road, ADA Estate, 14110 Kinondoni, P. O. Box 75297, Dar Es Salaam, Tanzania
15 Legal Advisor		Anjarwalla & Khanna Tanzania The Address, Ground Floor, 1 Bains Singh Avenue, Msasani Peninsula, P. O. Box 79651 , Dar es Salaam, Tanzania
16 Green Bond Framework Advisor		FSD Africa Riverside Green Suites (Palm Suite) Riverside Drive, P. O. Box 5980, 00100, Nairobi, Kenya
17 Domestic capital market development advisor & technical assistance provider		UN Capital Development Fund (UNCDF) Plot 421 Mahando Street, Masaki, Dar es Salaam, Tanzania
18 Second Party Opinion Provider	ISS Corporate Solutions The SPO report is available on the Issuer’s website (www.tangauwasa.go.tz)	
19 Collecting Agents	Means the entities listed in Appendix 9 hereto;	

C Bond Details

21 Description	Water Infrastructure Green Revenue Bond
22 Issuance Amount	Tanzanian Shillings Fifty-three Billion One Hundred and Twenty Million (TZS 53,120,000,000)
23 Project	Means the developments listed in paragraphs (a) to (g) of the paragraph description Purpose;
24 Purpose	The net proceeds of the issue of the Bonds will be used in accordance with the Issuer’s Green Bond Framework available on the Issuer’s website (www.tangauwasa.go.tz), and for the specific purpose of: <ul style="list-style-type: none"> a) Increase the water production & treatment usable capacity at the Mowe WTP from 45,000m³/day to 60,000m³/day to cover the demand gap; b) Rehabilitate part of dilapidated water infrastructure to reduce NRW from 30% to approximately 20% (110kms of pipes); c) Expand water service coverage (60kms of water distribution network) to connect a target of 6,000 new customers; d) Install 10,000 prepaid metering to replace the aged water meters and ensure bill payments; e) Any other expenses which may directly or indirectly be related to the completion of the above projects.
25 Currency	Tanzanian Shillings

C Bond Details		
26	Form of Bonds	Book-entry
27	Green Bond Standards	International Capital Markets Association's (ICMA) Green Bond Principles 2021 with June 2022 Appendix (GBP) and Dar es Salaam Stock Exchange Public Limited Company Rules, 2022
28	Denomination of Bonds	Bonds will be issued in such denominations as may be specified in the Pricing Supplement
29	Type of Bonds	<p>Fixed Rate Bonds</p> <p>Fixed rate Bonds will bear interest at a fixed rate, as indicated in the Pricing Supplement and more fully described in the Terms and Conditions.</p>
30	Allotment Policy	<p>In the event of over-subscription, the allotment of Notes shall be at Issuer discretion. In consultation with the Arrangers, the Issuer reserves the right to decline any application in whole or in part and, to make the allotment as it deems fit in accordance with the applicable. The Issuer shall provide reasons of all applications not accepted.</p> <p>All applicants will be notified by email or telephone of their allotment and or non-acceptance by no later than the allotment and the notification date specified in the applicable Pricing Supplement. Telephone communication will be followed by written notice to the successful investors on the allocation results.</p>
31	Rate of Interest	Such period(s), date(s) or rate(s) as indicated in the Pricing Supplement.
32	Pricing Mechanism	Each bond will be priced off the Tanzania treasury bond yield curve plus a margin. The yield to maturity of the Tanzania government treasury bond will match the duration left in the Tranche at the point of issue.
33	Status and Characteristics of Bonds	Senior Unsecured
34	Terms and Conditions	The terms and conditions to the Bonds are set out in Section 7 of the Information Memorandum.
35	Listing	Application will be made to the Dar es Salaam Stock Exchange for the Bonds to be listed on its official list and traded on its Global Exchange Market.
36	Governing Law	The Bonds will be governed by the laws of the Republic of Tanzania.
37	Risk Factors	Investing in the Bonds involves a high degree of risk. See the section entitled "Risk Factors" for a description of certain of the risks you should carefully consider before investing in the Bonds.

The background of the image shows industrial machinery, including large pipes and valves, with a blue color overlay. The text is centered over this background.

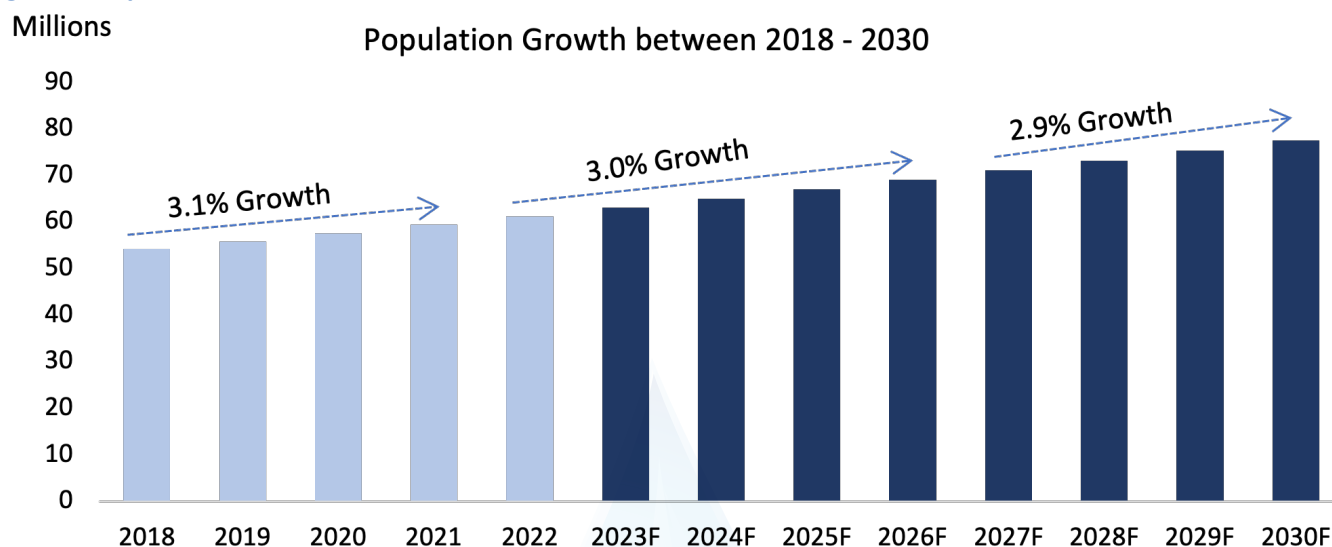
ECONOMIC OVERVIEW AND INDUSTRY OVERVIEW

2. Economic Overview and Industry Overview

2.1. Tanzania Overview

Tanzania is a lower middle-income country with land area of approximately 945,500 square km located in Eastern Africa. According to the National Bureau of Statistics (NBS), Tanzania's population at end 2022 was approximately 63.1 million with a relatively young population since more than 40% of the population is under the age of 15 years and only 4% of the population is over the age of 60 years. Tanzania's demographics are largely driven by its relatively high fertility rate and a low life expectancy at birth of 66 years.

Figure 1: Population Growth



Source: National Bureau of Statistics

Tanzania 2022 GDP was estimated at TZS 141.87 trillion, a GDP growth of 4.7% with an average GDP growth rate of 6.2% over the past 10 years. Agriculture, forestry and fishing have been the major key sectors underpinning economic growth over the years along with industry and construction. Other factors supporting the economy include:

- Increasing urbanisation, tourism and per capita income supporting rising consumption
- Government macroeconomic policies supportive of growth and
- Attractive relative geographic position to other high growth East African markets.

Tanzania continues to reinforce itself as a growing economy underpinned by strong economic growth and moderate inflation (3.3%). The country's National Five Year Development Plan III of 2021/22 – 2025/26 has set out major drivers for economic growth to be competitiveness; industrialisation and services; and trade and investment.

2.2. Macroeconomic Factors

2.2.1. Gross Domestic Product (GDP) Growth

Tanzania has, over the past decade, continued to register robust economic growth coupled with a stable macroeconomic environment that the country has been enjoying since the turn of the century. In the six years pre COVID 19, annual GDP growth was maintained at an average of 6.0%, peaking at a growth rate of 6.9% in 2019 then dropping down to a growth rate of 4.8% in 2020. Notwithstanding the decline in growth in 2020, the country was able to qualify as a lower middle-income country as of July 2020.

In 2022, GDP recorded a growth of 4.7% for a real GDP of approximately TZS 141.87 trillion and a nominal GDP of approximately TZS 170.26 trillion. The performance of the economy in the third quarter of 2023, according to the Bank of Tanzania (BoT), was broadly in line with the 2023 growth projection of 5.3% with a moderate GDP growth 5.3%.

The sectors with the highest growth rates for the third quarter were financial and insurance services (18.7%); information and communication (11.3%); mining and quarrying (10.2%); electricity supply (9.7%); other services (9.0%); accommodation and food services (7.4%) and transport and storage (5.9%). Agriculture continues to hold the largest share of total GDP (19.3%) followed by construction (14.7%); mining and quarrying (10.9%); trade and repair (8.7%) and transport and storage (7.9%).

Water supply and sewerage experienced a growth rate of 1.8% in the third quarter compared to 0.1% registered in the

corresponding quarter in 2022. A decrease in water supply from catchment areas caused a slow-down in growth as compared to growth of 3.3% in the second quarter of 2023. Water supply and sewerage contributed 0.5% to the total GDP of Q3 2023.

Table 1 Gross Domestic Product

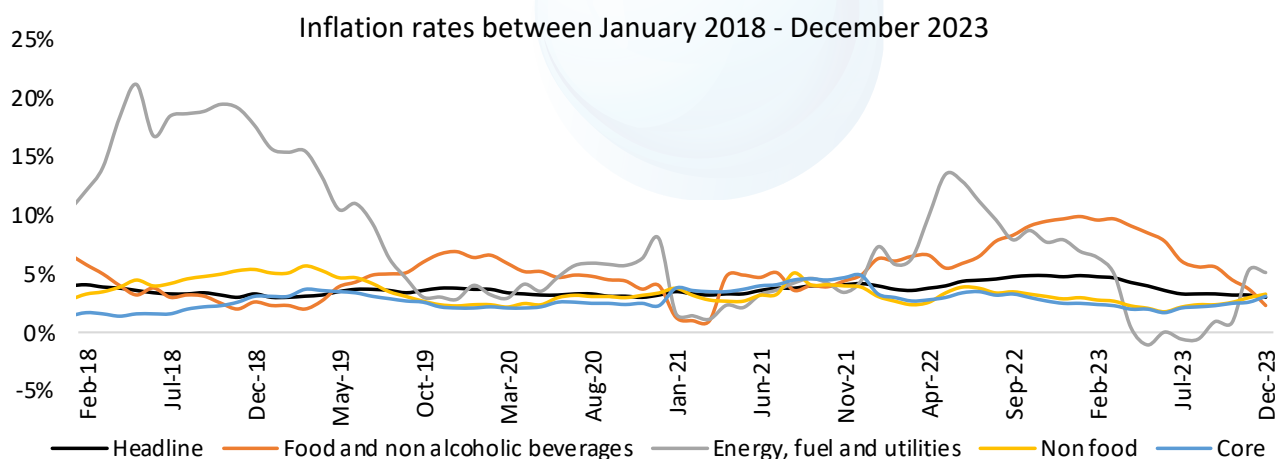
Key GDP Estimates								
	2018	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023
Nominal GDP (TZS trillions)	129	139.6	151.2	161.5	170.3	46.5	47.7	45.8
Real GDP Growth	7.0%	7.0%	4.8%	4.9%	4.7%	5.6%	5.2%	5.3%
Water supply and sewerage growth rate	7.4%	6.9%	5.8%	6.5%	5.5%	5.1%	3.3%	1.8%
Water supply and sewerage share of GDP	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Source: National Bureau of Statistics

2.2.2. Inflation

The Bank of Tanzania has managed to keep average annual inflation largely in single digits over the past decade. Since 2015, average annual inflation has been fluctuating within a range between 3.3% and 5.6%. The volatility of the National Consumer Price Index (NCPI) is due to persistent high prices of imports, a ripple effect of the Ukraine war and COVID-19 restrictions which led to large increases in prices particularly food and energy. This is reflected in the upward trend of the average annual inflation in the country, which increased to 4.3% in 2022, from 3.7% in 2021, but remained within the target of 5.4%. The annual inflation rate for the month of December 2023 had decreased to 3.0% from 3.2% recorded for the month of November 2023.

Figure 2: Inflation

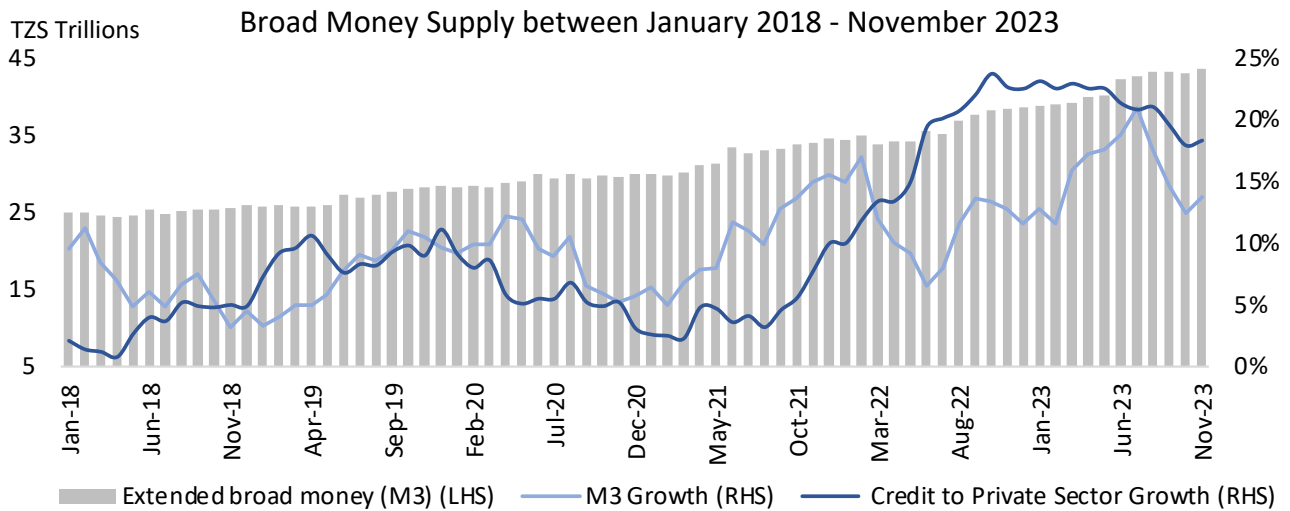


Source: National Bureau of Statistics

2.2.3. Money Supply and Credit

The Bank of Tanzania continued to lessen the magnitude of monetary policy accommodation, to reduce the effects of rising food and energy prices on domestic inflation. As of November 2023, extended broad money supply (M3) recorded a growth of 13.7%, above the target of 10.1% for 2023/24. Credit to the private sector was strong at a 18.3% growth, broadly above the target growth of 16.4% for 2023/24.

Figure 3: Money Supply and Credit



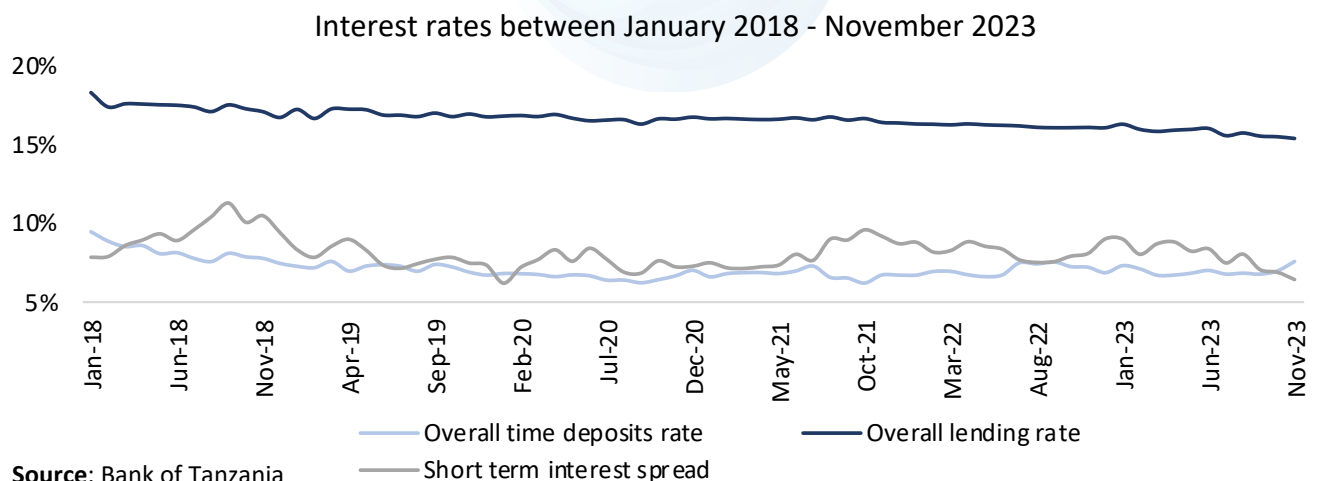
Source: Bank of Tanzania

2.2.4. Interest Rates

The stability in money market interest rates has been attributed to improved banking system liquidity conditions coupled with accommodative monetary policies. Interest rates charged on loans by banks remained almost unchanged in November 2023, with overall lending rates averaging 15.38% while lending rates charged on prime customers (negotiated lending rate) averaged 13.29%. Overall time deposit rates recorded an increase to 7.64%, while negotiated deposit rates averaged 9.15%.

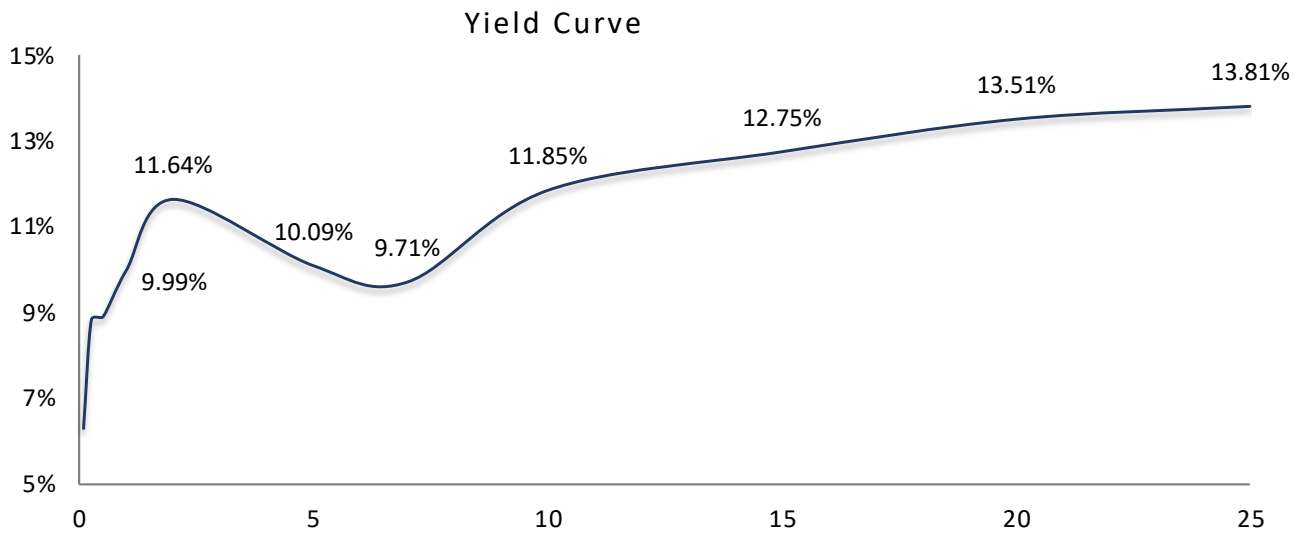
Due to Bank of Tanzania’s efforts to reduce inflation through reducing liquidity, the Yield To Maturity (YTM) on the most recent bonds in the primary market have increased. As of December 2023, the 15-year treasury bond increased to 12.75%, the 20-Year treasury bond increased to 13.51% and the 25-Year bond increased to 13.81%. The same can be observed for money market Government securities, whereby, the YTM for the 364-day treasury bills increased to 9.99% from the 6.55% recorded from a similar treasury bill issued in December 2022.

Figure 4: Interest Rates



Source: Bank of Tanzania

Figure 5: Yield Curve

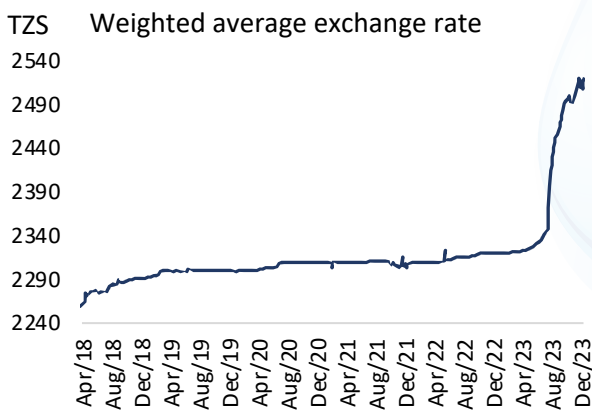


Source: Bank of Tanzania

2.2.5. Exchange Rates

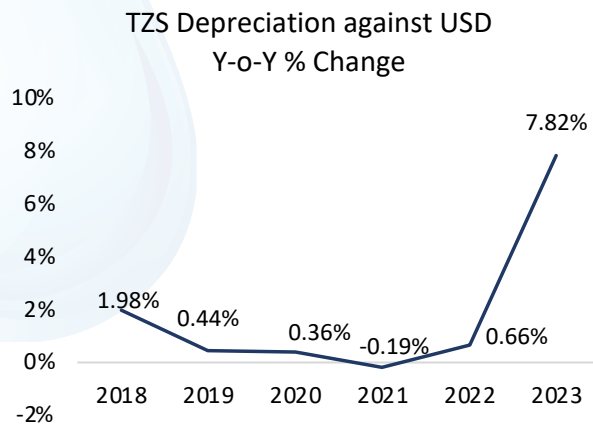
The Tanzanian Shilling slightly weakened against the dollar by 7.8% in November 2023 to an average rate of TZS 2,501.22 per US dollar down from TZS 2,319.87 per US dollar in November 2022. Even though the spill over effects have been putting significant pressures on foreign exchange reserves, as of November 2023, the stock foreign exchange reserves stood at USD 4.8 billion. The reserves remained adequate to cover 4 months of future imports of goods and services in line with the country benchmark of at least 4 months however this is below the EAC benchmarks of at least 4.5 months of imports.

Figure 6: Exchange Rates



Source: Bank of Tanzania

Figure 7: TZS Currency Depreciation



Source: Bank of Tanzania

2.2.6. Outlook for Tanzania

According to The World Bank, through the latest Tanzania Economic Update Report Issue 18 (February 2023), the GDP growth rate is expected to accelerate marginally from 4.6% in 2022 to 5.3% in 2023. Despite a strong initial rebound in 2021, the recovery remains timid compared to the pre-pandemic trajectory. Private and public consumption continue to drive growth in 2022, supported by resilient investment. Since February 2022, the Russian invasion of Ukraine has contributed to rising commodity prices and de-risking in global financial markets, which have weighed heavily on the Tanzanian economy. Estimates suggest that economic activity remains below its potential, but GDP growth is projected to modestly accelerate to 5.3% in 2023 as investment increases and the terms of trade improve. If government consumption and investment in flagship capital projects deepen and if the authorities successfully implement policies to strengthen the business environment, Tanzania’s GDP should reach its potential over the medium term.

Over the medium term, the World Bank expects that price pressures will moderate. While Tanzania’s headline inflation rate has increased in recent years, it remains the lowest among the East African Community (EAC) member states. Going forward, inflation is expected to taper gradually as global commodity prices moderate.

Tanzania's economic outlook depends both on an uncertain external environment and on the implementation of domestic policies. The World Bank anticipates that risks to the macroeconomic outlook remain high, with real GDP growth projections for 2022 ranging from 3.5% – 5.5%, well below the estimated long-run potential growth rate of about 6%. External risks include a protracted Russian invasion of Ukraine that exacerbates supply shocks and intensifies commodity-price pressures, a slow recovery of global demand coupled with further increases in interest rates and rising borrowing costs, and the emergence of new COVID-19 strains that compel renewed lockdowns or cause other large-scale economic disruptions. Domestic risks stem primarily from the slow or incomplete implementation of policies to reduce regulatory compliance costs and support private investment.

Table 2: World Bank Forecasts on Tanzania Economy

Key Economic Forecasts		
	2023F	2024F
Real GDP Growth	5.3%	6.1%
Exports, Goods and Services Growth	10.6%	11.8%
Imports, Goods and Services Growth	9.6%	7.2%
Inflation	4.5%	4.0%
Current Account Balance (% of GDP)	-4.2%	-3.3%
Net Foreign Direct Investment (% of GDP)	2.1%	2.6%

Source: World Bank

2.3. Tanga Region Overview

The Tanga region (Tanga) is situated at the extreme northeast of Tanzania between 4° and 6° below the Equator and 37° - 39°10' east of the Greenwich meridian. The region occupies an area of 27,348 square km, being only 3% of the total area of the country. Tanga shares borders with Kenya to the north, Morogoro and Pwani regions to the south, Kilimanjaro region to the north, as well as Manyara and Arusha regions to the west. To the east it is bordered by the Indian ocean.

Administratively, the Tanga region is divided into ten district councils: Tanga City, Muheza, Korogwe, Korogwe town, Lushoto, Handeni, Handeni town, Pangani, Mkinga, Bumbuli and Kilindi. Tanga UWASA currently offers its services to the urban residences of Tanga City, Muheza and Pangani towns.

- i. **Tanga City** is located on longitude 38° 53' and 39° 10' east and latitude 5° and 5° 16' south of the equator. The city of Tanga is in the northeast of Tanzania, bordering Muheza District Council on the west and south, Mkinga District Council on the north and the Indian Ocean on the east. Tanga City is 354 km north of Dar es Salaam and 250 km south of Mombasa. It has an area of 600 square km, this includes part of the sea area with a size of about 62 square kilometers.
- ii. **Muheza Town** lies west and south of Tanga City and is bordered by Mkinga to the north, Pangani in the south and Korogwe district in the west. The district lies between latitude 4° 54' 18" S and longitude of 38° 55' 23"E. Muheza District Council covers 1,497 square km and it occupies about 7.0% of Tanga Region.
- iii. **Pangani Town** is located in the south of Tanga City, in the east it is bordered by the Indian Ocean, in the west by Handeni District, in the north by Muheza district and in the south by Bagamoyo district, Coast Region. The district has an area of 1,830.8 square km, and most of it is located on the coast where the Pangani river enters the Indian Ocean.

According to the Population and Housing Census of 2022, the Tanga region has a total population of 2,615,597 people, of whom 1,275,665 are men and 1,339,932 are women, this is equivalent to a 95% gender population ratio. The average annual intercensal population growth rate for Tanga is 2.5% per year.

From a social perspective, the Tanga region has 498 health care centers of which 412 are dispensary, 64 health centers and 22 hospitals. The ratio of inhabitants per health care is 5,252, lower than that of the whole country which is 6,109. There are 1,381 schools in the Tanga region of which 1,083 are primary schools while 298 are secondary schools. The ratio of inhabitants per school for Tanga region is 1,894, this is lower than that of Tanzania which is 2,409.

The economic potential of the Tanga region lies in fishing, agriculture, tourism, mining, manufacturing and trade. There are large, medium and small industries in this area, ranging from textiles and clothing, food processing, beverages, crop processing, especially sisal and tea, wood and wood products, pulp and paper. Others include the production of building materials, steel and ironworks. A number of prospective investment opportunities have opened-up in Tanga

City and the Muheza town in line with the construction of the East Africa Crude Oil Pipeline (EACOP) from Hoima (Uganda) to Chongoleani– Tanga (Tanzania) harbour.

The regional GDP at current market prices in 2022 was TZS 7.92 trillion, a 9.1% rise from GDP reported in 2021. The Tanga region share of Tanzania mainland's GDP is 4.7%, and it was estimated that the annual income of a resident of Tanga City (2022) was TZS 3,028,018 comparatively higher than the GDP per capita income of a resident in Tanzania mainland (2022) of TZS 2,844,641.

The region's vast arable land, varieties of minerals, different types of tourist attractions and good infrastructures especially the port of Tanga have been regarded as strategic that can be explored to kindle Tanzania and East African development.

Tanga's port, operated by the Tanzania Ports Authority, is the second largest port in Tanzania, strategically located to serve the northern regions of Tanzania as well as neighbouring countries, including Kenya, Rwanda, Burundi and the southern part of Uganda. The port has a capacity of 1.2 million tons per annum.

The Tanga region has tourist attractions with a chain of wildlife national parks possessing a wide variety of animals. Other attractions in the region are the old stone buildings, Amboni Valley, Amani National Reserve, Lushoto Forest and coastal beaches.

2.4. Sector Overview

Mapping of Water Supply and Sanitation Authorities

The water supply and sewerage sector in Tanzania has 93 Water Supply and Sanitation Authorities (WSSAs) which are divided into three major types:

- Regional Water Supply and Sanitation Authorities (26 Regional WSSAs – which includes Tanga UWASA);
- National Project Water Supply and Sanitation Authorities (7 National Project WSSAs); and
- District and Township Water Supply and Sanitation Authorities (60 District and Township WSSAs).

Tanga UWASA's Class I licence meets the highest standards for technical, managerial and financial capabilities

WSSAs operate in accordance with the Water Supply and Sanitation Act, 2019 and are regulated by EWURA in accordance with that Act. Upon their establishment and according to Section 14 of the Act, WSSAs are required to obtain the requisite licences that are issued by EWURA in three classes namely Class I, Class II and Class III. The highest licence category is Class I which is issued to WSSAs that meet technical, managerial and financial capabilities to operate licensed facility and recover all costs of operation.

During the year 2021/22, there were 2 Regional WSSAs with a Class I licence (Tanga UWASA and Moshi WSSA), 5 Regional WSSAs with Class II licence, and 19 Regional WSSAs with Class III licence. All National Project WSSAs have Class III licences and all District and Township WSSAs have Class III licences.

Tanga UWASA is among the best performers in terms of financial capabilities and water service coverage

The WSSAs are also grouped into four categories of AA, A, B and C based on their financial capabilities and water service coverage.

- i. **Category AA:** Water utilities with water service coverage of more than 85% and meet all operation and maintenance costs, depreciation and return on investment
- ii. **Category A:** Water utilities with water service coverage of more than 75% and meet all operation, maintenance and depreciation costs.
- iii. **Category B:** Water utilities with water service coverage of more than 65% and meet all operation and maintenance costs.
- iv. **Category C:** Water utilities with water service coverage of less than 65% and meet operation and maintenance costs except for part of plant electricity costs as shall be determined by the Minister for Water in the Performance Assessment Instrument.

In the year ending 2021/22 there were no category AA Regional WSSAs, 14 category A Regional WSSAs (Tanga UWASA included), 4 category B Regional WSSAs, and 7 category C Regional WSSAs. The Dar es Salaam Water and Sewerage Authority (DAWASA) was excluded from grouping. In the year ending 2021/22 there were no category AA and A National Project WSSAs, 2 category B National Project WSSAs and 5 category C National Project WSSAs. All District and Township WSSAs are under category C.

On 14/7/2023, the Government issued a Notice announcing categories of water and sanitation authorities for 2023, of which six WSSAs had become category AA WSSAs. The list included Tanga UWASA, DAWASA, Iringa WSSA, Kahama WSSA, Moshi WSSA and Mwanza WSSA.

2.4.1. Water Demand, Installed Capacity and Water Production

Despite significant progress in recent years, much of Tanzania's population lacks access to adequate Water Supply, Sanitation and Hygiene (WASH) services. According to the World Bank just over 64% of households have access to the basic water-supply system, 32% have access to basic sanitation services and 48% have access to basic hygiene, according to SDG definitions. More than 9% of the population continues to practice open defecation, which entails serious health risks. Rural areas lag urban centres in all dimensions of WASH, and in most rural areas all basic coverage indicators are below 50%.

Regional WSSAs

According to EWURA, for the past three years to FY 2021/22, the overall water production, installed production capacity and water demand for Regional WSSAs have been continuously increasing. During FY 2021/22 water production increased by 1.2% to 326.08 million m³ while installed water production capacity which also includes standby systems increased by 2.6% to 504.98 million m³. On the other hand, water demand increased by 9.8% to 627.88 million m³.

Despite the increase in water production during FY 2021/22, aggregate water production was only 52% of water demand within Regional WSSAs' service areas. This means water production across the regions does not match the installed capacity and the required demand hence creating an increased water supply gap by almost half. Increase in water demand in areas served by Regional WSSAs is mainly associated with population growth and expansion of service areas.

- In FY 2020/21, Tanga UWASA had a water production capacity in the service area of 36,897 m³/day and produced 11,380,652m³ of treated water during the year. Water demand for Tanga UWASA's service area's population of 373,312 was estimated at 44,791 m³/day. Tanga UWASA supplied water at 32,359 m³/day serving only 72.2% of the service area demand and coverage of 85.94% only of the population of the service area for Tanga City, Muheza and Pangani.
- In FY 2021/22, Tanga UWASA produced 11,849,467m³ of treated water while water demand for the service area's population of 458,395 was estimated at 41,072 m³/day. Tanga UWASA supplied water at 32,464 m³/day serving only 90.84% of the service area demand and coverage of 95.35% only of the population of the service area.

National Project, District and Township WSSAs

National Project WSSAs continue to lack capacity to address national demand for clean water. In FY 2021/22, the aggregate water production from National Project WSSAs was only 55% of water demand within their service areas due to a combination of growing demand and lack of production development capacity.

During FY 2021/22 the total water production of National Project WSSAs increased by 18% to 29.82 million m³ but the installed water production capacity, which includes standby systems, increased by 3% to 48.65 million m³. This follows an increase by 14% of water production and a 3% decrease in production capacity in FY 2020/21. Demand continues to increase with water demand in areas served by National Project WSSAs increasing to 54.35 million m³ in FY 2021/22 (+9%).

For District and Township WSSAs, water production and water demand continued to increase over the same period. During FY 2021/22, water production increased by 23% to 37.24 million m³ while water demand increased by 13% to 105.47 million m³. Water production for FY 2021/22 was only 35% of water demand. The increase in production was due to investment in water supply infrastructure including addition of boreholes and rehabilitation of water sources infrastructure in some of District and Township WSSAs.

Table 3: Water Demand, Installed Capacity and Water Production (Regional WSSAs)

Million m ³ /year	Regional WSSAs			Tanga UWASA		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Water demand	535.98	572.24	627.88	14.62	14.81	14.99
Water production	315.09	321.82	326.08	11.79	11.49	11.85
Installed water production capacity	478.86	492.14	504.98	17.79	17.87	13.32
Water production to demand	59%	56%	52%	81%	78%	79%
Non-Revenue Water	36.6%	36.8%	35.7%	35.8%	31.7%	30.7%

Source: Energy and Water Utilities Regulatory

Table 4: Water Demand, Installed Capacity and Water Production (National Project WSSAs)

Million m ³ /year	National Project WSSAs		
	2019/20	2020/21	2021/22
Water demand	44.63	50.08	54.35
Water production	22.12	25.28	29.82
Installed water production capacity	48.57	47.37	48.65
Water production to demand	49%	50%	55%
Non-Revenue Water	24.74%	24.36%	23.4%

Source: Energy and Water Utilities Regulatory

Table 5: Water Demand, Installed Capacity and Water Production (District and Township WSSAs)

Million m ³ /year	District and Township WSSAs		
	2019/20	2020/21	2021/22
Water demand	86.58	93.68	105.47
Water production	28.58	30.30	37.24
Water Production to demand	33%	32%	35%
Non-Revenue Water	38%	40%	41%

Source: Energy and Water Utilities Regulatory

2.4.2. Revenue Collection

Revenue collection by WSSAs is done through the Government Electronic Payment Gateway (GePG) system. The GePG is a centralised system, connected to all available revenue collection channels for the process of facilitating electronic money transactions from the public to the government and vice versa. The system connects the billing systems of revenue collection institutions and enables the institutions to access all payment channels that are available in the system.

Since 2017, the GePG has been used by customers to pay government utilities via the Bank of Tanzania. These include Banks (e.g., CRDB, NMB, TPB), MNOs (e.g., Tigopesa, Mpesa, Airtel Money, Eazy Pesa, TPesa), Online (e.g., VISA Card, Master Card), and Transfers (e.g. TISS /SWIFT transfer).

The mechanism allows the Issuer to collect revenues from customers through the following key principles:

- Each customer has a unique identifier (Control Number) to pay their bills.
- Payments received are temporally placed at a collection account at a commercial bank prior to being transferred on a weekly basis to Tanga UWASA's collection account at the Bank of Tanzania.
- The cash located at the Bank of Tanzania is accessible upon request by the Issuer to meet expenses related to its projects and operations.

Revenue collection continued to increase over the three years leading to 2021/22. During FY 2021/22, total revenue collection for Regional WSSAs increased by 5% as compared to 12% increase observed in FY 2020/21 to TZS 362.26 billion.

- In FY 2020/21, Tanga UWASA observed an increase in total revenue collected by 11.1% from TZS 15.96 billion reported in June 2020 to TZS 17.73 billion in June 2021.
- In FY 2021/22, Tanga UWASA observed an increase in total revenue collected by 10.7% from June 2021 to TZS 19.63 billion in June 2022.

Total revenue collection for National Project WSSAs increased by 4% in FY 2021/22 as compared to 5% increase observed in FY 2020/21 to TZS 17.93 billion. Revenue collection from water sales for District and Township WSSAs increased by 39% to TZS 19.05 billion. The overall improvement in revenue collection is mainly due to the increase in the number of connected customers, improvement in billing processes and increase in water production.

The overall average ratio of total collections (TZS) to the total billings (TZS) (Collection Efficiency) during the year for Regional WSSAs declined by an average of 1.6% to 94.2%.

- In FY 2020/21, Tanga UWASA had collection efficiency of 98.0% in June 2021, down 20bps from June 2020.
- In FY 2021/22, Tanga UWASA had collection efficiency of 98.9% in June 2022, up 90bps from June 2021.

For National Project WSSAs, collection efficiency deteriorated to 85.6% from 90.1%, a decrease of more than 4%. The

overall revenue collection efficiency for District and Township WSSAs rose to 90.5% from 83.1% observed in FY 2020/21. The attained revenue collection efficiency continues to deviate from the performance benchmark of greater than 95%.

Table 6: Revenue Collection (Regional WSSAs)

TZS Millions	Regional WSSAs			Tanga UWASA		
	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Revenue	326,805.5	323,067.2	350,251.5	14,656.2	15,171.7	16,536.0
Water and Sewerage Collections	295,009.6	314,679.3	332,373.8	13,621.6	14,876.8	15,789.7
Other Collections	11,554.6	28,950.1	29,888.5	465.8	568.6	669.8
Total Collections	306,564.2	343,629.4	362,262.3	14,087.4	15,445.3	16,459.5
Collection Efficiency	95.3%	95.8%	94.2%	94.7%	101.7%	98.9%

Source: Energy and Water Utilities Regulatory

Table 7: Revenue Collection (National Project WSSAs)

TZS Millions	National Project WSSAs		
	2019/20	2020/21	2021/22
Revenue	17,539.7	19,175.9	23,905.6
Water and Sewerage Collections	15,248.8	15,967.8	17,233.6
Other Collections	1,230.4	1,299.4	696.2
Total Collections	16,479.2	17,267.2	17,929.8
Collection Efficiency	86.9%	90.1%	85.6%

Source: Energy and Water Utilities Regulatory

Table 8: Revenue Collection (District and Township WSSAs)

TZS Millions	District and Township WSSAs		
	2019/20	2020/21	2021/22
Water Sales Revenue	13,190.5	16,031.2	20,085.90
Water Collections	11,348.0	13,705.6	19,050.26
Collection Efficiency	83.4%	83.1%	90.5%

Source: Energy and Water Utilities Regulatory

2.4.3. Non-Revenue Water

Non-Revenue Water (NRW) is the amount of water that a water utility produces (or purchases from other water utilities) minus the amount that is sold to consumers, presented as a percentage of water produced and/or purchased. There has been an uneven trend in overall NRW for Regional WSSAs over the three years to 2021/22. NRW improved by 1.1% in FY 2021/22 to 35.7% from 36.8% in FY 2020/21. This means that 35.7% of the water produced is lost before reaching customers.

- In FY 2020/21, Tanga UWASA had non-revenue water of 31.7% in June 2021, an improvement by 4.1% from June 2020.
- In FY 2021/22, Tanga UWASA had non-revenue water of 30.7% in June 2022, an improvement by 1% from June 2021.

NRW for National Project WSSAs improved by 1% to 23.4% as compared to a 0.3% improvement observed in FY 2020/21. NRW for District and Township WSSAs increased by 1% to 41%. The average NRW attained for all WSSA types in 2021/22 remains above the service level benchmark of less than 20%. The overall deterioration in NRW performance was reported to be caused mainly by dilapidated water supply systems and under registering water meters.

2.4.4. Expenditures

Several factors such as quality of water, pumping hours, coverage area of service influence unit cost of production borne by the WSSAs, hence, a lower unit cost per water produced does not necessarily imply better performance of the WSSA. Total cost per unit of water produced considers total operating costs excluding depreciation. In FY 2020/21,

on average, total cost per unit of water produced increased by 14.0% to TZS 1,126.7 from TZS 988.3 in FY 2020/21 for Regional WSSAs.

- In FY 2020/21, Tanga UWASA had a total cost per unit of water produced of TZS 1,128.
- In FY 2021/22, Tanga UWASA had a total cost per unit of water produced of TZS 1,256.

For National Project WSSAs, total cost per unit increased from TZS 954.2 per m³ in FY 2020/21 to TZS 977.4 per m³ in FY 2021/22, an equivalent of 2.4%.

The major components of water production costs are energy and chemical expenses.

Energy costs per unit of water produced consider electricity costs for both production and distribution of water. The overall average unit cost of energy for Regional WSSAs increased by 5% to TZS 175.4 in FY 2021/22 and ranged from TZS 5.2 to TZS 580.3 per m³. Tanga UWASA had energy costs per unit of water produced of TZS 92.49 during the same year. The average energy costs per unit for National Project WSSAs decreased by 2% to TZS 416.9.

Chemical costs consider all expenses associated with acquisition of chemicals for water treatment. Unit chemical costs for Regional WSSAs increased by 10% to TZS 39.7 in FY 2021/22 from TZS 36.1 recorded in FY 2020/21. Tanga UWASA had chemical costs per unit of water produced of TZS 56.67 during FY 2021/22. The average chemical cost per unit for National Project WSSAs decrease by 12% to TZS 20.0 per m³ from TZS 22.7 per m³ in 2020/21.

The average operating ratio (operating costs to operating revenues) for Regional WSSAs increased from 1.57 to 1.59 while for National Project WSSAs, the ratio increased from 2.75 to 2.96. Such ratios imply that, on average, in the year 2021/22, WSSAs were not able to reduce operating ratio below the service level benchmark of 0.8.

- In FY 2020/21, Tanga UWASA had an operating ratio of 1.03 in June 2021, a rise from 0.91 reported in June 2020.
- In FY 2021/22, Tanga UWASA had an operating ratio of 1.13 in June 2022.

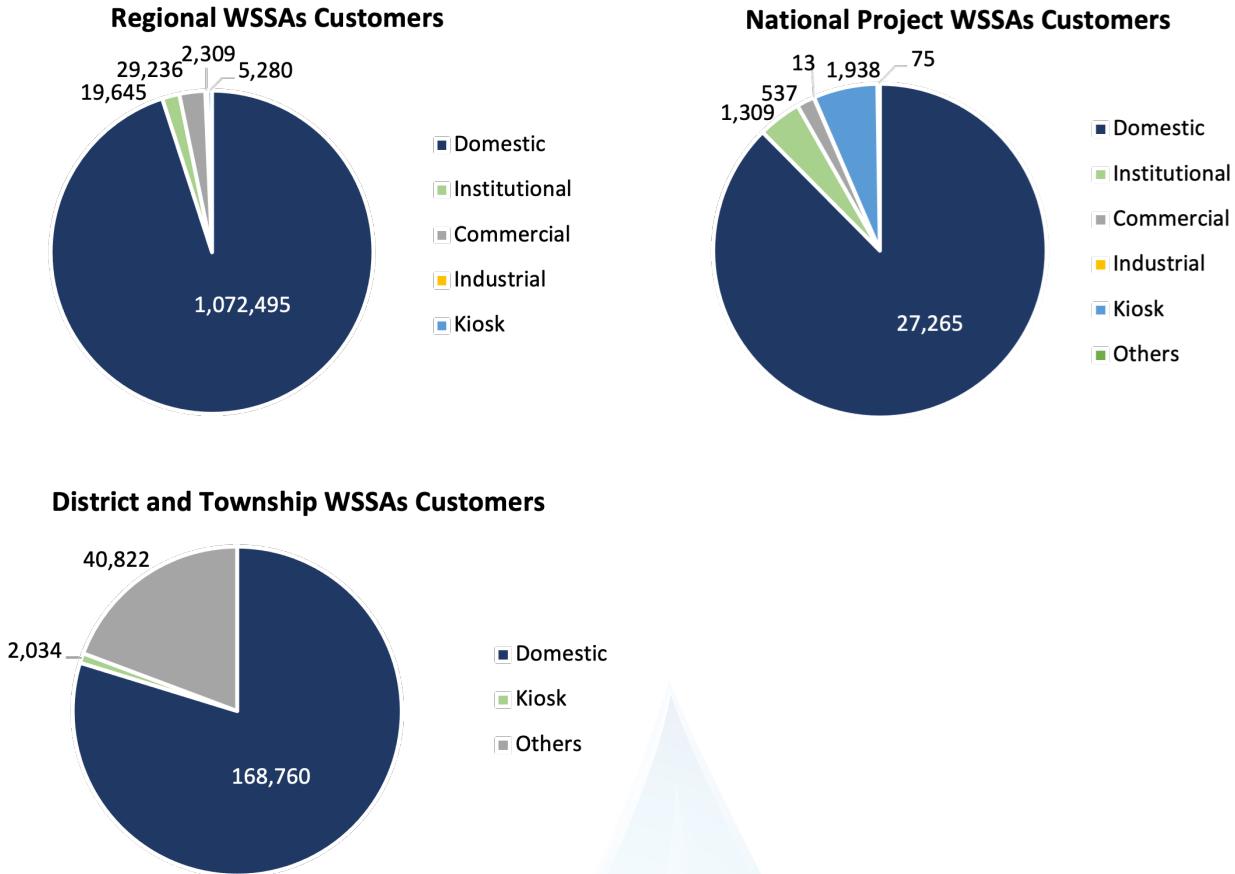
2.4.5. Customers

The sector classifies its metered customers into domestic, public institution, commercial, industrial, kiosk, big consumers and other customers.

Customer Category	Description
Domestic	Connections serving domestic households (families)
Public Institution	Connections serving parastatal/government and other organizations of public nature e.g. public schools, religious buildings (mosques and churches), prisons, Army barracks etc.
Commercial	Connections serving different kind of businesses which use water as input to their productions or service provisions (at the level/ scale of water consumption below industrial factories) e.g. hotels, car wash, bars, restaurants etc.
Industrial	Connections serving industrial and manufacturing operations
Water Kiosk	Connections serving public in a community setting whereby people will fetch water at a micro scale e.g. by buckets and water drums. These are used to serve members of community who cannot afford self/ dedicated connections
Big Consumer	Connections serving big/ large scale water consumers due to their requirements depending on the scale of use. They include bug factories, ports operations, and other bulk water re-sellers (who purchase water at bulk and sell to communities by retails)

At the end of FY 2021/22 there were 1,128,965 active connections aggregated from all Regional WSSAs, 31,137 from National Project WSSAs and 211,616 from District and Township WSSAs. Domestic customers take up the largest proportion across all types.

Figure 8: WSSAs Customers



Source: Energy and Water Utilities Regulatory

- In FY 2021/22, Tanga UWASA had a total of 48,697 connected customers aggregated from the three districts with 41,911 active connections. The authority had the following split of active connections: 40,127 domestics; 551 public institutions; 900 commercial; 187 industrial; and 146 Kiosk customers.
- In FY 2022/23, Tanga UWASA had a total of 50,340 connected customers aggregated from the three districts with 42,514 active connections. The authority had the following split of active connections: 40,705 domestics; 560 public institutions; 912 commercial; 190 industrial; 146 kiosk customers; and 1 big consumer.
- Out of Tanga UWASA’s active connections, domestic customers had a 74.05% share to the total revenue followed by public institutions (8.54%); commercial (6.76%); industrial (5.42%); bulk customers (4.52%); and water kiosks (0.71%).
- Tanga UWASA’s Top five customers contributed 8.02% while the top ten customers contributed 10.31%.

2.4.6. Regulatory Environment

The Ministry of Water was established through the Presidential Instrument of Assignment of Ministerial Responsibilities in the Government Notice No.144 of 22nd April 2016. Taking into account the institutional changes, the Ministry is mandated to formulate and monitor implementation of policies on Water Resources; Rural and Urban Water; Central Water Laboratory; River Basins Development; Water Quality and Pollution Control; Drilling, Rain Water Harvest and Dam Construction; Water Sources Protection; Sewage and Drainage Development; Performance Improvement and Development of Human Resources under this Ministry; and Extra-Ministerial Departments, Agencies, Programmes and Projects under this Ministry.

EWURA is empowered to regulate water supply and sanitation authorities that operate in urban and townships of Tanzania. EWURA is also responsible for technical and economic regulation of the electricity, petroleum, and natural gas. Powers to regulate the water supply and sanitation service providers emanate from EWURA Act and The Water Supply and Sanitation Act, 2019. Technical regulation includes regulation of quality-of-service standards, code of practice, Health, Safety and Environmental (HSE) issues. Economic regulation includes but is not limited to regulation of levels of investments, review of WSSAs business plans and setting of rates and charges (tariffs). EWURA is also mandated to issue, renew and cancel licenses of service providers in the regulated sectors.

2.4.7. Tariff and Price Setting

Prices for utilities in the water sector are regulated hence need to be prepared by the service provider and approved by the EWURA. The latest guidelines on tariffs setting were developed and adopted by EWURA pursuant to the Energy and Water Utilities Regulatory Authority (Water Tariff Application and Rate Setting) Regulations 2020. The regulations describe the procedures for filing water and energy related tariff applications. The guidelines are set to assist Regulated Water and Sanitation Utilities on the procedures, timeline and information required when lodging tariff applications; how to set and apply for all types of tariff reviews and adjustments. These guidelines also assist EWURA on how to monitor the implementation of the tariff order conditions. These Guidelines may be reviewed every three years or at any time when the review is deemed necessary.

The current metered water average Tariff for Tanga UWASA is TZS 1,983/ m³ (latest approved tariff as per G.N 150 of 2021. In 2021, Tanga UWASA had applied for a tariff review, but EWURA recommended continuation of existing tariff previously approved through order number G.N 544 in 2018.

Table 9 Trend of Tariff Change for the Past Years (2017 – 2023)

Year	2018/19	2019/20	2020/21	2021/22	2022/23
Tariff: TZS/ m³	1,798	1,983	1,983	1,983	1,983
Increment: TZS/ m³	352	185	0	0	0

Table 10 Trend of Application for Tariff Review Compared to Approvals

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Proposed Tariff TZS/ m³	2,005	2,345	2,002	2,011	2,128	2,231	2,357	2,435
Approved Tariff TZS/ m³	1,798	1,983	1,983	1,983	1,983	TBD	TBD	TBD

The practice is that tariffs for each year of a multi-year period are determined in advance. Among the advantages of a multi-year tariff are that the customer will have a fair idea of what to expect in the next three years and the authority will be able to plan its business.

The following are some of key triggers and considerations for water utility authorities that form a base for application for tariff review:

- i. New investment, rehabilitation and replacement costs
- ii. A detailed analysis regarding operating and maintenance costs for the past three years and the projected costs for the next three years which shall assume that the proposed tariff change will take effect as proposed
- iii. The financial implications to the authority should the requested changes in tariffs are not approved
- iv. A change in law that relates directly to water or wastewater services
- v. A change in the required service or performance standards
- vi. A change in the service area
- vii. An unforeseen drop-out of big customers or
- viii. Significant changes in the underlying assumptions used in the determination of the existing multi-year tariff.

A blue-tinted photograph of a water tower. The tower has a white cylindrical body and a blue metal lattice structure. A platform with a blue metal railing and stairs is located at the top of the tower. The background shows a clear blue sky and a building with a corrugated metal roof. The text "ISSUER'S OVERVIEW, HISTORY AND PROSPECTS" is overlaid in white, bold, sans-serif font in the center of the image.

ISSUER'S OVERVIEW, HISTORY AND PROSPECTS

3. Issuer's Overview, History and Prospects

3.1. Background of Tanga UWASA

Tanga UWASA was established under the Water Works (Declaration of Water Supply Areas) Order, 1998 published in the Government Gazette Notice No 61 dated 13th February 1998 to offer its services in Tanga Municipal. The order was made pursuant to Regulation 3 (3) of the Water Works Act, Cap 272 of the laws of Tanzania and now operating under the Water Supply and Sanitation Act, No. 5 of 2019. Tanga Urban Water Supply and Sanitation Authority operates, performs and discharge its functions in accordance to and not limited to the Water Supply and Sanitation Act, No. 5 of 2019, Performance Contracts with the Ministry of Water and the Treasury Registrar's Office, the Public Procurement Act of 2011, Operational Guidelines, EWURA Act CAP 414 of 2001 and the National Water Policy of 2002.

It started its operations in July 1998. Following the service extension which was gazetted by the Government in September 2019 via Government Gazette Notice No. 666, Tanga UWASA's jurisdiction was extended to cover Tanga City, Muheza and Pangani Townships. Its mission is to provide adequate and quality water supply and sanitation services to its required jurisdiction, with an estimated population of around 458,395. Tanga City is located along the Indian Ocean Coast, Northeast part of Tanzania with an estimated roadmap travel distance of 354 kilometres from the country's commercial capital, Dar es Salaam.

Currently Tanga UWASA is a Category AA utility and has a Class 1 License and thus meets all its operational costs and part of minor capital investments, leaving the obligation of major capital investments to the Government. The Authority is a parastatal organization wholly owned by the Government of Tanzania.

3.2. Corporate Outlook

Tanga UWASA has the vision to be a "World Class Customer Focused Water Supply and Sanitation Utility" with the mission *"To provide adequate and quality water supply and sanitation services within the service area through motivated and customer focused staff in an environmentally friendly manner"*.

Tanga UWASA's values are "Customer focus, Accountability, Team Spirit, Environmental and Social Consciousness and Reliability".

3.3. Services Offered

Tanga UWASA is an autonomous public utility licensed to provide water supply and sanitation services in Tanga City, Muheza and Pangani Towns. Below is a summary of services provided by Tanga UWASA:

3.3.1. Provision of water supply

The Authority serves about 93.5% of the urban population with clean and safe water for an average of 22 hours a day. The production capacity of the water treatment centres is 52,271 m³/day while the current production is 35,557 m³/day against the present water demand of about 50,824 m³/day.

The water supply system comprises of raw water intake at Mabayani Reservoir which is situated in Pande, a village about 26 km from Tanga, a water treatment plant at Mowe and a water distribution system of 330km.

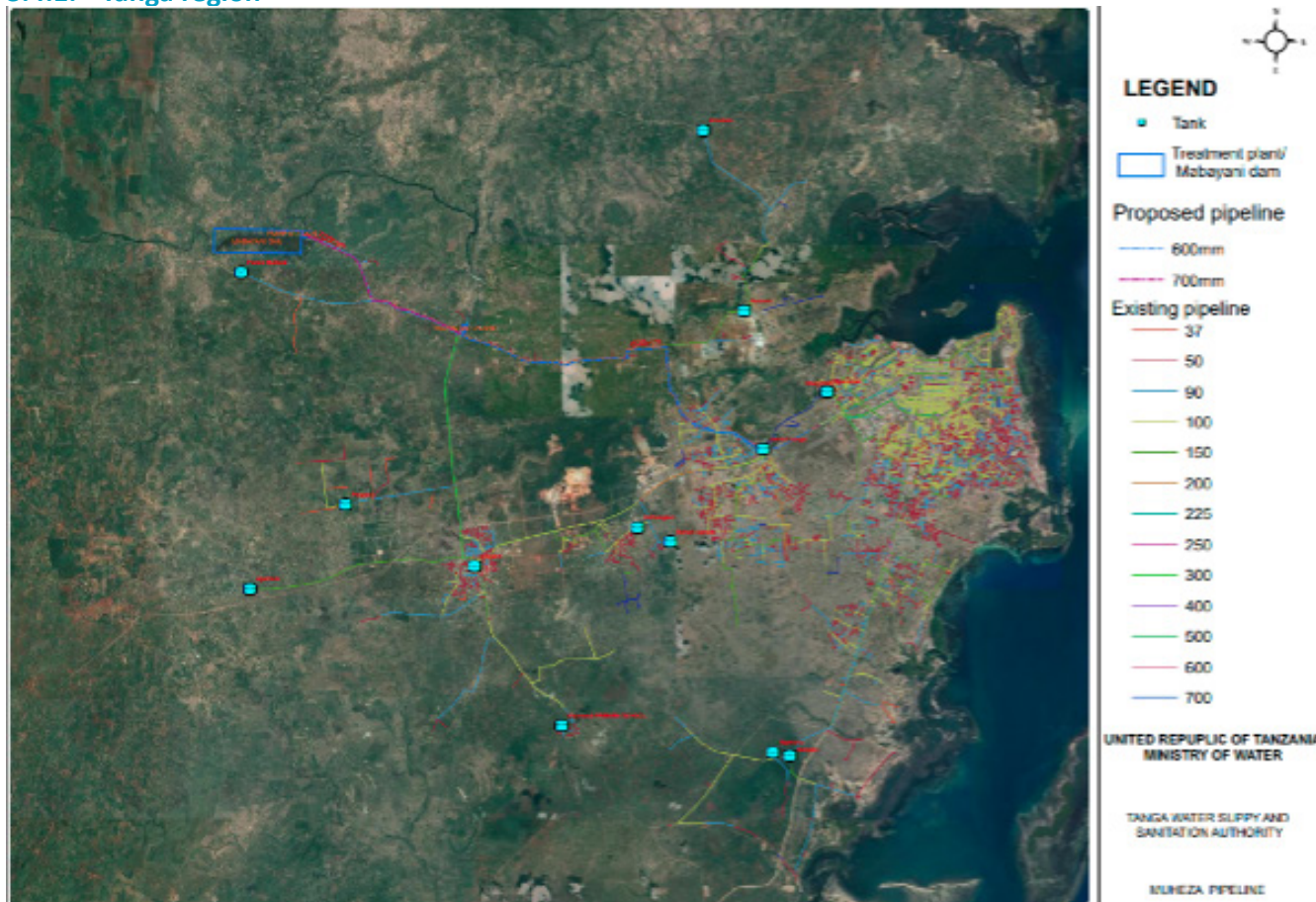
The Authority is serving a total of 50,340 customers with water as of June 2023, of which 95.16% are domestic customers and the rest being public institutions, commercial, industrial, kiosks and bulk customers.

3.3.2. Water sanitation services

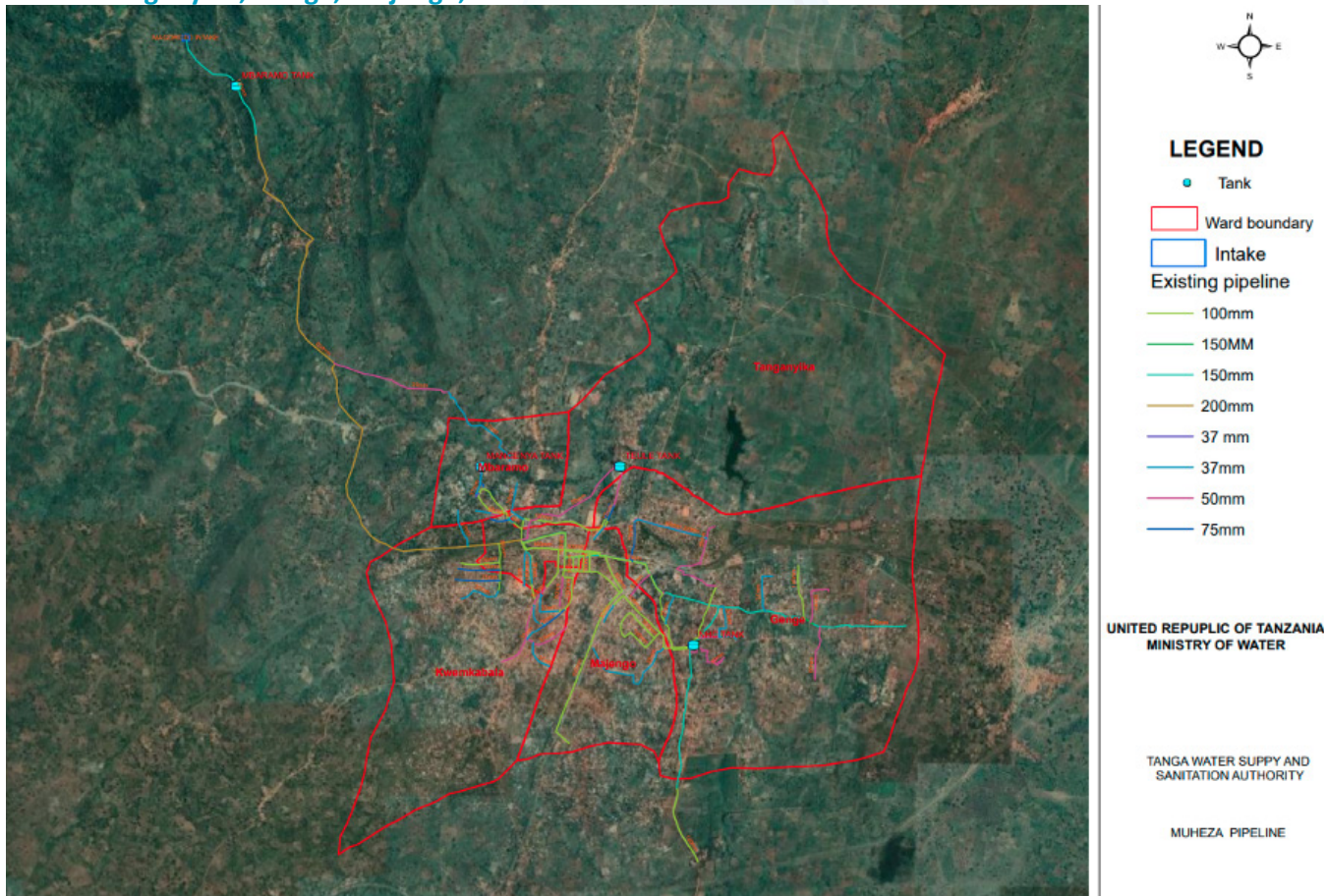
Tanga UWASA provides sewerage services in Tanga city with the objectives of safeguarding the health of people and maintaining the environment against the effect of unsafe disposal wastewater from Domestic, Commercial and Industrial centres. The system covers 33.4 km only serving 2,875 customers.

3.4. Serviced area and mapping of existing assets

3.4.1. Tanga region



3.4.2. Tanganyika, Genge, Majengo, Kwenkabala and Mbaramo



3.4.3. Pangani



3.5. Shareholders and Shareholding Structure

Tanga UWASA is 100% whole owned by the government of Tanzania through the Treasury Registrar. During the year that ended 30th June 2023, Tanga UWASA capital fund stood at TZS 31,572,842,040. The trend of the capital fund is shown below:

Table 11: Capital Fund Trend

	30/06/2019	30/06/2020	30/06/2021	30/06/2022	30/06/2023
Capital Fund in TZS ('000')	25,729,726	31,562,513	31,572,842	31,572,842	31,572,842

Source: Tanga UWASA

3.6. Summary of outstanding borrowings

The Issuer's only outstanding borrowing as of 30th June 2023 is a credit facility with TIB Development Bank maturing in 2026. The facility bears a 10% annual interest rate on outstanding amounts, representing TZS 6,256,152,870 as of 30th June 2023.

3.7. Corporate Governance

3.7.1. Board of Directors

Tanga UWASA is governed by a Board of Directors formed in accordance with section 10 and 11 of the Water Supply and Sanitation Act No. 5 of 2019 and headed by the Managing Director who serves as a secretary to the Board. The Board has ten members with its chairman appointed by the Minister of Water in consultation with the Minister responsible for local government. All appointed directors are qualified as per the law required to have such technical qualifications or experience by virtue of their involvement in commerce, industry, agriculture, finance, public services or administration. The directors hold office for a period of three years but are eligible for re-appointment.

A list of current Board members and their profile is as listed in the table below.

Table 12: Composition of Tanga UWASA Board of Directors

SN	Name	Position	Qualifications	Date of Appointment	Age
1	Dr. Fungo Ally Fungo	Chairperson	PhD (Anthropology), Member Institute of Directors Tanzania (IoDT)	1 st July 2019	69
2	Ms Pili Hassan Mnyema	Vice Chair	BA in Political Science and Sociology	1 st September 2021	41
3	Mr. Deogratius Damian Ruhinda	Member	Master's in Business Administration, Bachelor of Arts (Economics and Management)	26 th July 2022	45
4	Mr. Majaliwa Mwemezi Said	Member	Master's Degree in Business Administration	13 th November 2023	42
5	Mr. Godfrey Lucas Malenda	Member	B.Sc. in Food Science and Technology	25 th August 2022	47
6	H.L. Abdulrahman Omary Shiloow	Member	Bachelor of Arts in Sociology & Public Administration	26 th July 2022	48
7	Ms. Hilda James Dominic	Member	Ordinary Diploma in Clinical Medicine	26 th July 2022	35
8	Dr. George Venance Lugomela	Member	PhD in Civil Engineering (Water Resources Eng.), M.Sc. Water Resources Engineering, B.Sc. Civil Engineering	4 th May 2020	55
9	Ms. Mariam Ally Abdallah	Member	Bachelor of Arts in Journalism, Diploma in International Relations and Diplomacy	26 th July 2022	38
10	Eng Geoffrey Gerald Hilly	Secretary	Professional Engineer, MSc. In Urban Water Engineering and Management, BSc. In Civil and Structural Engineering	1 st September 2018	47

Source: Tanga UWASA

The summary profiles of the Board of directors of Tanga UWASA are as follows:

1. Dr. Fungo Ali Fungo – Chairperson

Dr. Fungo joined Tanga UWASA's Board in July 2019 and he is currently the Chairperson. He also serves as a chairperson of several other organizations including Care and Counsel Organization and TADENE Strategic Organization. He is also a Board Member of Community Development Trust Fund (CDTF). He has vast experience in the areas of governance, strategy and leadership with more than 44 years working experience. Dr. Fungo holds PhD in Philosophical Anthropology.

2. Ms. Pili Hassan Mnyema – Vice Chairperson

Ms. Mnyema joined Tanga UWASA's Board in September 2021 and she is currently the Vice Chairperson. She serves as Regional Administrative Secretary (RAS) of Tanga Region. Ms. Mnyema holds a Bachelor's Degree of Arts in Political Science and Sociology.

3. Mr. Deogratius Damian Ruhinda - Member

Mr. Ruhinda joined Tanga UWASA's Board in July 2022. He is currently working the Managing Director of D.D. Ruhinda and Company Limited, a private agricultural company. He has previously worked as a Senior Planning and Research Officer for Tanzania Sisal Board. Mr. Ruhinda holds a Master's Degree of Business Administration in Finance.

4. Mr. Majaliwa Mwemezi Said - Member

Mr. Said joined Tanga UWASA's Board in November, 2023. He currently serves as a City Director for Tanga City Council and has vast experience in working for Public Officer having held different positions in the Government. He holds a Bachelor's Degree in Business Administration in Accounting and Finance.

5. Mr. Godfrey Lucas Malenda – Member

Mr. Malenda joined the Tanga UWASA's Board in August 2022. He is an experienced Quality Assurance Professional with more than 19 years of working experience. He is currently working as a Quality Assurance Officer at Tanga Fresh Limited. He holds a Bachelor's Degree of Science in Food Science and Technology.

6. H.L. Abdulrahman Omary Shiloow – Member

Hon. Shiloow joined Tanga UWASA's Board in July 2022. He is currently the Mayor of Tanga City and a Councillor for Mzingani Ward. He has worked for different organizations before including Tanzania Red Cross Society (TRCS). He holds a Bachelor's Degree in Sociology and Public Administration.

7. Dr. George Venance Lugomela – Member

Dr. Lugomela joined Tanga UWASA's Board in May 2020. He has over 25 years of working experience on various roles, and he currently serves as a Director of Water Resources at the Ministry of Water. He holds a PhD in Civil Engineering.

8. Ms. Hilda James Dominic – Member

Ms. Dominic joined Tanga UWASA's Board in July 2022. She has worked as Clinical Assistant at District Hospital in Kilindi District. Prior to joining Kilindi District Hospital, she worked as a Clinical Assistant (In-Charge) at Gombero Hospital in Kilindi District. She holds an Ordinary Diploma in Clinical Medicine.

9. Ms. Mariam Ally Abdallah - Member

Ms. Abdallah joined Tanga UWASA's Board in July 2022. She is currently working as Radio Program Coordinator at Pangani FM Radio and a Community Facilitator in Pangani Town. Prior to joining Pangani FM Radio she worked as a Presenter and News Producer at Radio Kheri FM Dar es Salaam. She holds a Bachelor's Degree of Arts in Journalism.

10. Eng Geofrey Gerald Hilly - Secretary

Eng. Hilly is the Managing Director of Tanga UWASA and acts as the Secretary to the Board from July 2019. He is an experienced engineer with wide range of experience in professional engineering and corporate management. He holds extended skills and knowledge in coordinating Board activities, planning, leadership, project management, and corporate networking. He is a Registered Engineer with the Engineers Registration Board holding a Master's Degree of Science in Urban Water Engineering and Management. He is also a Certified Director by the Institute of Directors Tanzania (IoDT).

3.7.2. Board Committee

The Board of Directors and the organization in general adheres to the global standards and practices of good corporate governance while recognizing the importance of integrity, transparency, accountability, and liability. The Board has in place the following Board committees to ensure a high standard of corporate governance throughout the Authority.

- Audit Committee
- Finance, Planning and Human Resource Committee

A. Audit Committee

Table 13: Composition of Audit Committee

SN	Name	Position
1	Mr. Deogratius Damian Ruhinda	Chairperson
2	Mr. Majaliwa Mwemezi Said	Member
3	Ms. Mariam Ally Abdallah	Member
4	Mr. Godfrey Lucas Malenda	Member

Source: Tanga UWASA

B. Audit Committee (including risk management and controls)

Table 14: Composition of Finance, Planning and Human Resource Committee

SN	Name	Position
1	Ms Pili Hassan Mnyema	Chair
2	H.L. Abdulrahman Omary Shiloow	Member
3	Ms. Hilda James Dominic	Member
4	Dr. George Venance Lugomela	Member
5	Eng. Geoffrey Gerald Hilly	Secretary

Source: Tanga UWASA

3.7.3. Senior Management

The management team is supervised by the Managing Director who oversees three (3) Directorates namely; (i) Water Supply and Sanitation Services, (ii) Customer Services, and (iii) Administration and Human Resources. Also reporting to the Managing Director are seven (7) Units namely; (i) Finance and Accounting, (ii) Procurement Management, (iii) Communication and Public Relations, (iv) Planning, Monitoring and Evaluation, (v) Information and Communication Technology, (vi) Legal Services, and (vii) Internal Auditing. Nine (9) Managers are responsible for supervising (i) Water Production and Distribution, (ii) Environmental and Sanitation Management, (iii) Infrastructure Development (iv) Customer Care, (v) Billing and Credit Control, (vi) Administration, (vii) Human Resources Management, (viii) Muheza Zone, and (ix) Pangani Zone.

The table below describes a brief profile of the top management team of Tanga UWASA:

Table 15: Brief Profile of Tanga UWASA Top Management Team

SN	Name	Position
1	Eng. Geoffrey Gerald Hilly	Managing Director
2	Eng. Rashidi Shabani Mwinjuma	Director of Water Supply and Sanitation Services
3	Mr. Alawi Mbwana Ahmadi	Director of Customer Services
4	CPA. Agnes Mdachi Lukindo	Director of Finance and Accounts
5	Mr. Victor Charles Mollel	Ag. Director of Administration and Human Resources Management
6	Mr. Edrick Jacob Kipanda	Director of Procurement Management
7	CPA. Beatus Pontian Gulabaganira	Chief Internal Auditor
8	Ms. Devotha Charles Mayala	Ag. Head of Communications and Public Relations
9	Mr. Fadhili Abdu Kiyao	Head of Information and Communication Technology
10	Ms. Scholastica Ansigar Lugongo	Ag. Head of Legal Services
11	Ms. Sekela John Kalenge	Ag. Head of Planning, Monitoring and Evaluation

Source: Tanga UWASA

The summary profiles of Tanga UWASA's senior management are as follows:

1. Eng. Geoffrey Gerald Hilly – Managing Director

See subsection 3.6.1 for experience and profile

2. Eng. Rashid Shaban Mwinjuma – Director of Water Supply and Sanitation Services

Eng. Mwinjuma is an experienced Engineer with wide knowledge and expertise in civil and water supply engineering, project management and leadership. He has been working with the Authority for 20 years. Eng. Mwinjuma is a Registered Professional Engineer in Civil and Water Resources. He holds a Master's Degree of Business Administration in Corporate Management apart from the Engineering Qualifications. He is also a Certified Director by the Institute of Directors Tanzania (IoDT).

3. Mr. Alawi Mbwana Ahmadi – Director of Customer Services

Mr. Ahmadi is a business administration and corporate finance executive and has worked with Tanga UWASA for 21 years. He holds a Master's Degree in Business Administration and is a Certified Director the Institute of Directors Tanzania (IoDT).

4. CPA Agnes Mdachi Lukindo – Director of Finance and Accounts

CPA Lukindo is a Certified Professional Accountant-CPA (T) and has worked with Tanga UWASA for 23 years in different professional and managerial positions and she is also Tanga UWASA's Quality Management Representative for ISO 9001:2015. She was a member of Tax Revenue Appeal Board (TRAB) for Tanga Region for two consecutive terms from 2014 to 2017 and 2018 to 2021. She also served as a member and chairperson of Tanga City Audit committee. She holds a Master's Degree in Business Administration and is a Certified Director by the Institute of Directors Tanzania (IoDT).

5. Mr. Victor Charles Mollel – Ag. Director of Human Resource and Administration

Mr. Mollel is an experienced administrator with 22 years experience in private and public sector. He is a holder of a Master's Degree in Public Administration and a certified professional in Human Resource Management..

6. Mr. Edrick J. Kipanda – Director of Procurement Management

Mr. Kipanda is a Certified Procurement and Supplies Professional (CPSP) with more than 13 years of service in the Public Sector and has worked with a number of institutions. Mr. Kipanda holds a Master's Degree in Procurement and Supply Chain Management.

7. CPA. Beatus Pontian Gulabaganira – Chief Internal Auditor

Mr. Gulabaganira is a Certified Professional Accountant-CPA (T) with more than 14 years working in internal auditing in both public and private sectors. He holds a Master's Degree of Business Administration in Finance and is a Certified Director the Institute of Directors Tanzania (IoDT).

8. Ms. Devotha C. Mayala – Ag. Head of Communication and Public Relations Unit

Devotha is a Public Relation and Marketing Professional with 6 years experience in Mass Communication, Marketing and Customer care. She holds a Bachelor of Arts in Public Relations and Marketing. Currently, she is pursuing Masters in Mass Communication.

9. Mr. Fadhili A. Kiyao – Head of Information and Communication Technology

Mr. Kiyao is an Information and Communication Technology specialist with 13 years of service with Tanga UWASA. He holds a Master's Degree in Business Administration, Information Technology specialization. He is also a registered Information Systems Administrator by the Tanzania ICT Commission.

10. Ms. Scholastica A. Lugongo – Ag. Head of Legal Services Unit

Ms. Lugongo is a legal expert with a 13 years practice in Corporate Law and has worked in different organizations within the public sector in Tanzania. She is a holder of a Master's Degree of Law and an enrolled advocate with Roll No. 4176.

11. Ms. Sekela John Kalenge – Ag. Head of Planning, Monitoring and Evaluation

Ms. Kalenge is an experienced economist with 15 years' experience working in public sector. She is a holder of Master's Degree in Project Planning and Management.

3.8. Employees

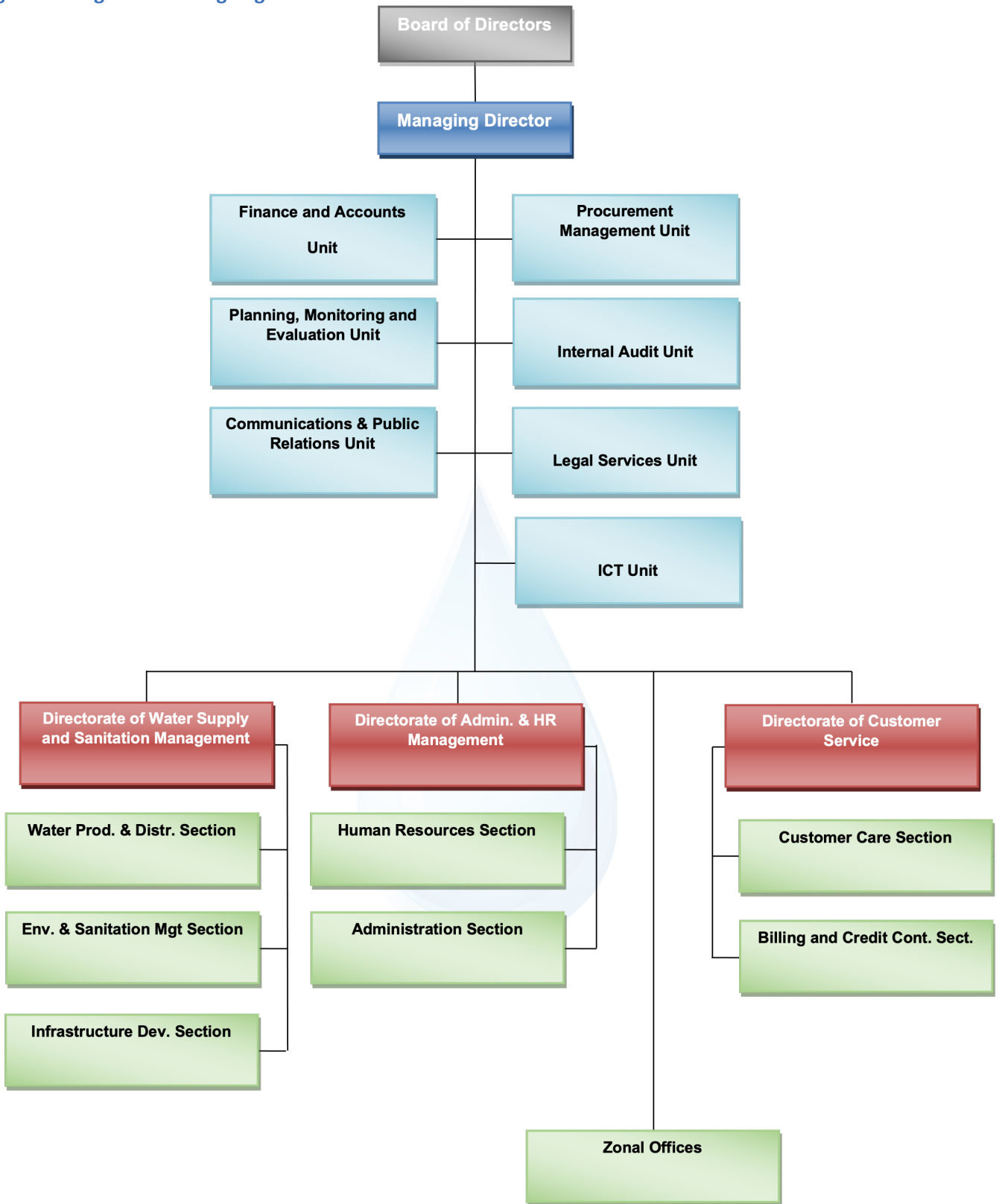
As at 30th June, 2023 the Authority had 201 employees out of whom 151 were male and 50 were female (previous year, the authority had 207 employees out of whom 156 were male and 51 female).

3.9. ISO Certification

Tanga UWASA has been certified by the International Organization for Standardization (ISO) confirming that the authority meets the requirements of ISO 9001:2015. The certification has been renewed on June 27th, 2022 and extended until June 2025.

3.10. Organizational Structure

Figure 9: Tanga UWASA Organigram



Source: Tanga UWASA

3.11. Summary of Issuer's Financial Information

3.11.1. Statement of Financial Performance

The table below provides highlights of Statement of financial performance of Tanga UWASA for the last five years (June 2019 to June 2023):

Table 16: Statement of Financial Performance

Amounts in TZS ('000')	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Revenue from Exchange Transactions					
Water and Sewerage Services	13,395,105	14,388,488	15,171,815	15,867,063	15,516,029
Other Income	570,099	386,022	454,599	796,982	628,409
Finance Revenue	1,559	1,080	1,800	1,285	856
	13,966,763	14,775,590	15,628,214	16,665,330	16,145,294
Revenue from Non-exchange Transactions					
Fees and penalties	-	83,766	78,494	59,997	67,312
Amortization of Capital Grants	503,887	1,103,103	2,024,723	3,115,218	3,911,327
	503,887	1,186,869	2,103,216	3,175,215	3,978,640
Total Revenue	14,470,650	15,962,459	17,731,430	19,840,545	20,123,933
Expenses					
Water Production Expenses	1,577,384	1,820,183	1,984,557	2,106,116	2,565,279
Water Distribution Expenses	412,982	429,812	643,711	1,031,036	896,546
Sewerage Expenses	75,117	97,555	84,525	170,551	87,933
Repair and Maintenance Expenses	347,269	460,539	461,087	332,116	486,882
Personnel Expenses	4,162,747	4,524,263	4,617,327	4,837,408	5,663,046
Administrative Expenses	2,781,076	3,205,076	3,893,708	4,327,235	4,224,493
Directors Fees	151,844	84,373	51,000	49,294	56,941
Board Meeting Expenses	176,714	151,762	192,487	139,915	128,189
Other Expenses	531,991	692,947	660,174	729,318	877,988
Depreciation	1,938,582	2,705,651	3,060,849	2,744,581	3,084,839
Financial Cost	250,829	141,311	34,298	235,662	410,483
Provision for impairment of receivables ¹	114,324	134,692	234,209	887,540	212,243
Provision of Obsolete inventory	-	-	-	209,540	-
Amortization of Intangible Assets	16,520	16,253	16,253	16,253	2,253
Total Expenses	12,537,380	14,464,417	15,934,186	17,816,565	18,697,114
Operating Surplus	1,933,271	1,498,042	1,797,245	2,023,979	1,426,820
Impairment Loss	-	18,992	-	-	-
Loss on disposal of assets	(1,342)	-	(43,263)	-	-
Gain on Disposal of Assets	22,044	-	10,395	32,686	33,495
Surplus for the year	1,953,972	1,479,050	1,764,376	2,056,666	1,460,315

Source: Tanga UWASA Audited Financial Statements (2019 – 2023)

¹ Provision of impairment of receivables increased significantly for the year ending June 2022 due to increase in outstanding debts due to delays of payments of customer water bills especially Government institutions.

3.11.2. Statement of Financial Position

The table below provides highlights of Statement of Financial Position of Tanga UWASA for the last five years (June 2019 to June 2023):

Table 17: Statement of Financial Position

Amounts in TZS ('000')	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
ASSETS					
Current Assets					
Inventories	1,167,564	1,221,499	1,313,252	2,032,906	1,681,667
Trade and Other Receivables	5,118,564	5,327,550	6,160,449	6,497,396	5,400,753
Cash and Cash Equivalents	1,068,511	752,141	611,299	742,266	323,205
Total Current Assets	7,354,640	7,301,190	8,085,000	9,272,567	7,405,625
Non-Current Assets					
Property, Plant and Equipment	34,378,487	50,819,594	52,760,637	58,500,582	68,143,202
Intangible Assets	21,919	37,013	20,760	4,506	2,253
Assets held for sale	40,664	-	-	-	-
Total Non-Current Assets	34,441,070	50,856,607	52,781,396	58,505,088	68,145,456
TOTAL ASSETS	41,795,710	58,157,797	60,866,396	67,777,655	75,551,081
EQUITY AND LIABILITIES					
Capital and Reserves					
Capital Fund	25,729,726	31,562,513	31,572,842	31,572,842	31,572,842
Accumulated Surplus	12,208,389	22,620,439	25,404,657	27,447,167	28,907,482
Total Equity	37,938,115	54,182,951	56,977,499	59,020,009	60,480,324
Non-Current Liabilities					
Deferred Capital Grants	-	-	-	-	-
Term Loan	307,594	-	-	2,775,079	6,256,153
Total Non- Current Liabilities	307,594	-	-	2,775,079	6,256,153
Current Liabilities					
Trade and Other Payables	2,565,747	3,594,917	3,738,052	5,236,549	8,734,604
Provisions for expenses	158,945	72,335	150,846	80,000	80,000
Current Maturity of Term Loan	825,309	307,594	-	666,019	-
Total Current Liabilities	3,550,001	3,974,846	3,888,897	5,982,568	8,814,604
Total Equity and Liabilities	41,795,710	58,157,797	60,866,396	67,777,655	75,551,081

Source: Tanga UWASA Audited Financial Statements (2019 – 2023)

3.11.3. Statement of Cash Flows

The table below provides highlights of Statement of Cash Flows of Tanga UWASA for the last five years (June 2019 to June 2023):

Table 18: Statement of Cash Flows

Amounts in TZS ('000')	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Receipts from Customers	15,123,639	14,510,756	14,558,176	15,504,916	17,062,009
Grants	78,980	1,103,103	2,024,723	3,115,218	3,911,327
Finance Revenue	1,559	1,080	1,800	1,285	856
Fees and penalties	545,294	83,766	78,494	59,997	67,312
Total Cash Receipts from Customers	15,749,472	15,698,705	16,663,193	18,681,416	21,041,504
LESS: PAYMENTS					
Payments to suppliers and consumables	(6,199,599)	(6,752,526)	(7,904,523)	(8,435,532)	(5,474,957)
Payments to employees	(4,162,747)	(4,524,263)	(4,509,153)	(4,837,408)	(5,663,046)
Other Payments	(47,742)				(410,483)
Finance cost	(250,829)	(141,311)	(34,298)	(235,662)	(11,548,486)
	(10,660,917)	(11,418,100)	(12,447,974)	(13,508,602)	(13,508,602)
Net Cash generated from Operations	5,088,555	4,280,606	4,215,219	5,172,814	9,493,018
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Property, Plant and Equipment (Own source)	(3,583,355)	(981,365)	(4,049,644)	(2,653,702)	(3,136,536)
Acquisition of Property, Plant and Equipment (Grants and loan)				(1,466,794)	(9,592,111)
Adjustment PPE	-	-	-	-	1,188
Proceeds From Disposal of PPE	22,501	-	1,177	1,581	325
Net Cash used in Investing Activities	(3,560,854)	(3,771,667)	(4,048,467)	(8,482,945)	(12,727,134)
CASH FLOWS FROM FINANCING ACTIVITIES					
Long term borrowing	-	-	-	3,797,143	3,638,782
Loan Repayment	(712,478)	(825,309)	(307,594)	(356,045)	(823,727)
Net Cashflows used in Financing Activities	(712,478)	(825,309)	(307,594)	3,441,098	2,815,055
Net decrease in cash and cash equivalents	815,223	(316,369)	(140,842)	130,967	(419,061)
Cash and cash equivalents at the beginning of the year	253,288	1,068,511	752,141	611,299	742,266
Cash and cash equivalents at the end of the year	1,068,511	752,141	611,299	742,266	323,205

Source: Tanga UWASA Audited Financial Statements (2019 – 2023)

3.11.4. Key Performance Indicators

The table below provides highlights of Key Performance Ratios of Tanga UWASA for the last five years (June 2019 to June 2023):

Table 19: Key Performance Indicators

Key Performance Indicators	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Revenue Growth	3.46%	10.31%	11.08%	11.89%	1.43%
Operating Expenses to Total Revenue Ratio	86.64%	90.62%	89.94%	89.80%	92.91%
EBITDA Margin	26.76%	26.33%	27.32%	24.03%	22.42%
EBIT Margin	15.09%	10.27%	10.25%	11.39%	9.13%
PBT Margin	13.36%	9.38%	10.06%	10.20%	7.09%
Current Ratio	2.07	1.84	2.06	1.55	0.84
Quick Ratio	1.74	1.53	1.73	1.21	0.65
Debt Ratio	0.01	0.00	0.00	0.04	0.08
Debt Service Coverage Ratio (times)	2.27	1.70	5.32	3.82	1.49

Basis for Computation of the Ratios

Revenue Growth:	(Current Year Revenue minus Previous Year Revenue) divide by Previous Year Revenue multiply by 100.
Operating Expenses to Total Revenue Ratio:	Operating Expenses divide by Total Revenue multiply by 100.
EBITDA Margin:	Earnings before interest, taxes, amortization and depreciation divide by Total Revenue multiply by 100.
EBIT Margin:	Earnings before interest and taxes divide by Total Revenue multiply by 100.
PBT Margin:	Profit before tax divide by Total Revenue multiply by 100.
Current Ratio:	Current Assets divide by Current Liabilities.
Quick Ratio:	(Current Assets minus Inventory) divide by Current Liabilities.
Debt Ratio:	Total Debt Obligations (Long-term and short-term) divide by Total Assets
Debt Service Coverage Ratio (times):	Earnings before interest and taxes divide by Principal repayments and Interest payments of existing debt obligations.

3.11.5. Operating Performance Highlights

- Total Revenue increased by 1.43% in the year ending June 2023 from TZS 19.84 billion in 2022 to TZS 20.12 billion, a 5-year CAGR of 8.59% from 2019 to 2023.
- Total Operating Expenses increased by 4.94% in the year ending June 2023 from TZS 17.82 billion in 2022 to TZS 18.70 billion. This was mainly attributed by increase in water production expenses, staff welfare expenses, depreciation charge and finance costs as a result of taking the term loan. Operating Expenses has been growing at CAGR of 10.51% from 2019 to 2023.
- Surplus for the year decreased by 29.00% to TZS 1.46 billion in the year ending June 2023 from TZS 2.06 billion in 2022. The authority has been profitable for the last 5 years with the profit margin averaging 10.03% (2019 – 2023).
- Total Assets increased to TZS 75.55 billion in the year ending June 2023 from TZS 67.78 billion reported in previous year 2022. The increase was attributed by the increase in Property, Plant and Equipment by 16.48% to TZS 68.14 billion compared to TZS 58.50 billion recorded in the previous year.
- Total Liabilities increased by 72.09% from TZS 8.76 billion in 2022 to TZS 8.81 billion in 2023. The increase was mainly attributed to the acquisition of a term loan of 3.64 billion by the Authority for water improvement projects phase II. As of June 2023, the Authority's Total Equity stood at TZS 60.48 billion compared to Equity of TZS 59.02 billion as at June 2022, an increase of 2.47%.

A large, blue, corrugated pipe is laid out in a trench in a rural area. The pipe is the central focus, extending from the foreground into the distance. The trench is dug into the earth, and the surrounding area is overgrown with green vegetation. In the background, a fence with wooden posts and wire is visible, along with some trees and a clear sky. The overall scene suggests a construction or infrastructure project in a rural setting.

PROJECT DESCRIPTION

4. Project Description

4.1. Project Background

The demand for water and sewerage services has increased in recent years due to rapid population growth and migration of people from rural settlements to Tanga City and developing town centres, coupled with the increasing trend of investments in industrial and commercial sectors. However, the capacity of Tanga UWASA to provide water and sewerage services has not improved and the existing infrastructure is highly dilapidated.

The current water demand is circa 50,824 m³/day. However, the total design production capacity from all the water sources is circa 52,271 m³/day. Tanga UWASA has a total of 8 water treatment centres with the largest being Mowe Water Treatment Plant (Mowe WTP), which underwent a recent rehabilitation and expansion of its design capacity from 30,000 m³/day to 45,000 m³/day. The water sources and their associated water treatment infrastructures have declined efficiencies leading to significant production gaps. The table below shows the production capacities and gaps of the available treatment centers and sources:

Table 20: Capacity of the Available Treatment Centres

Service Area	Treatment Centre	Design Capacity (m ³ /day)	Current Usable Capability	Current Production Capacity (m ³ /day)	Production Gap (%)
Tanga	Mowe WTP (Source of water is Mabayani Dam drawing water from Sigi River)	45,000	42,000	34,277	18.4%
	Mwakileo Borehole	3840	3,120	383	87%
	Sub-Total	48,840	45,120	34,660	23%
Pangani	6 Boreholes	1,368	1,200	938	22%
Muheza	6 Boreholes	357	350	51	85%
	Mkurumuzi Intake	1,425	1,400	1,379	9%
	Sub-Total	1,784	1,750	1,430	18%
	Total	51,992	48,070	37,028	23%

Source: Tanga UWASA

In recent years, the water supply condition has been alarming, and the service hours dropped from 24 (2013/14) to 22 (2020/21) and the situation is predicted to worsen if immediate strategic measures will not be taken.

4.2. Goals and Objectives

The main goal of this project is to improve water supply in the City of Tanga, Muheza and Pangani Townships. It will also provide bulk water sales to Muheza Rural Water Supply and Sanitation Agency (RUWASA) to serve its Muheza rural community and to Mkinga RUWASA who will supply water to the townships of Kasera and Horohoro in Mkinga district. This project mitigates the risk of acute water shortage projected for in the next three (3) years if the situation remains as it is now.

The proposed project intends to accomplish the following:

- Increase the water production & treatment usable capacity at the Mowe WTP from 45,000m³/day to 60,000m³/day to cover the demand gap;
- Rehabilitate part of dilapidated water infrastructure to reduce NRW from 30% to approximately 20% (110kms of pipes);
- Expand water service coverage (60kms of water distribution network) to connect a target of 6,000 new customers;
- Install 10,000 prepaid metering to replace the aged water meters and ensure bill payments;
- Any other expenses which may directly or indirectly be related to the completion of the above projects

4.3. Project Design and Technological Requirements

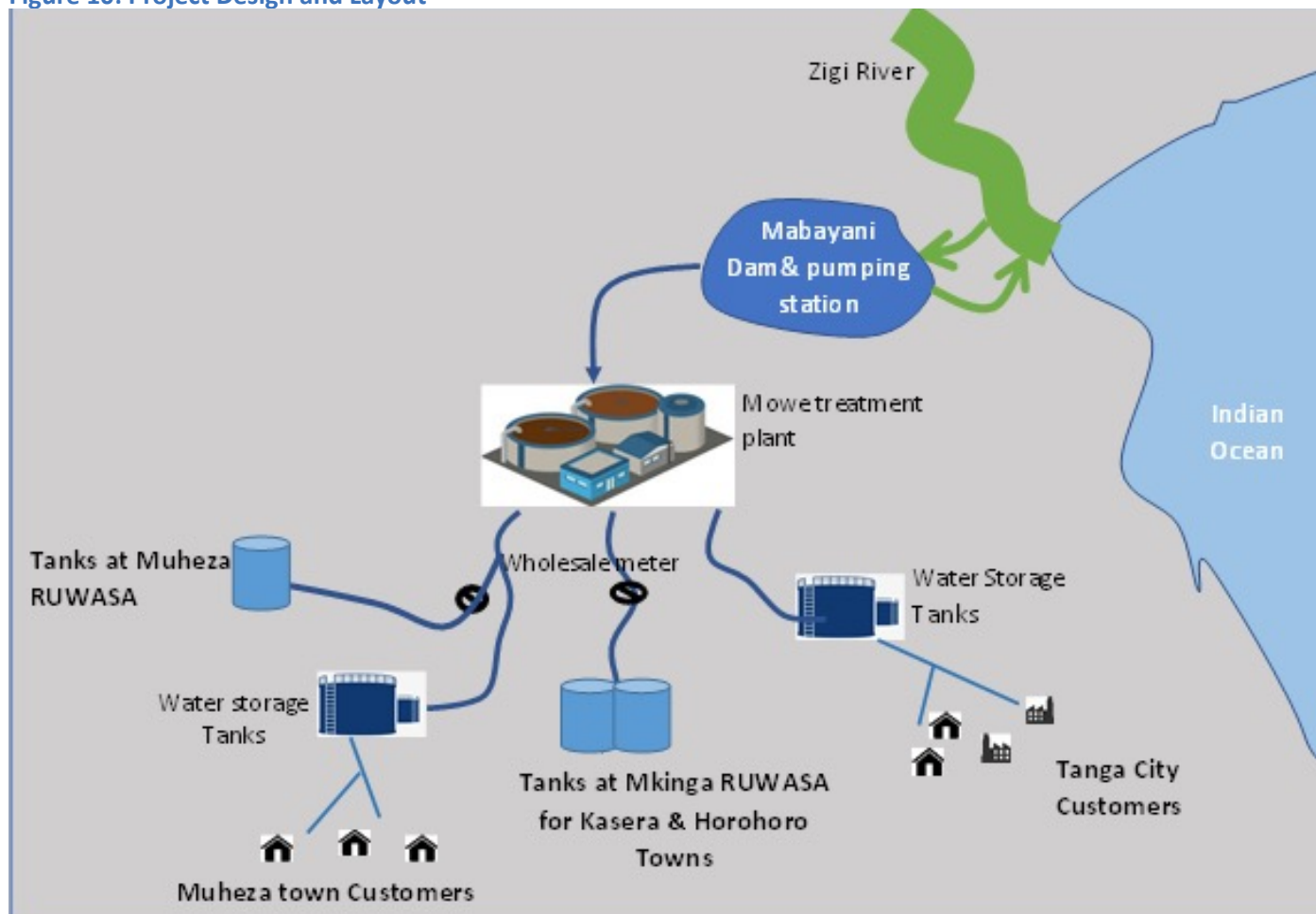
The proposed project is an extract of the bigger project which has been earmarked for implementation under the Water Sector Development Program (WSDP-II). It includes activities that will increase the quantity of water to be produced and supplied to the consumers. The resulting infrastructure is expected to be able to increase the production capacity of Mowe Water Treatment Plant to 60,000 m³/day. The project location includes Tanga District with major

parts of the activities being conducted in Pande village and other parts of Kiomoni and Maweni wards. Other project activities including extension and rehabilitation of water distribution network will be implemented in different parts of the Tanga City and Muheza Town.

Project feasibility study, ESIA, technical studies, engineering designs and drawings were developed and approved by the Ministry of Water. These were commissioned by the MoW as part of implementation of the government's WSDP II funded by the World Bank and other Development Partners. The studies covered improvement of water supply around Tanga City, Muheza and Pangani towns.

The following figure shows the pictorial layout of the project. Detailed description is provided in subsequent paragraphs.

Figure 10: Project Design and Layout



4.3.1. Project water source

The main water source for this project is the Zigi River (also called Sigi River) that flows from Usambara Mountains, and fed by a 895 km² catchment area, located 40 kilometres northeast of Tanga City. The East Usambara Mountains, being close to the Indian Ocean, have a year-round warm and humid climate, and receive annual rainfall of between 1,500 mm and 2,000 mm, with rain spread across all months of the year.

Figure 11: Zigi River



Water is then drawn to Mabayani Dam (reservoir) built across the river, with a storage volume of 7,700,000m³ and the extraction and pumping capacity of 42,000m³ per day. The dam is of rockfill type with a separate weir type spillway. It includes a raw water pumping station and intake pipes that pump water into a conventional water treatment plant at Mowe.

Proposed project activities around the dam consists of rehabilitation of the dilapidated intake structure, expansion of the Mabayani Pumping Station and construction of additional intake to compliment pumping and production capacity of 60,000m³/day. Table No. 19 below shows detailed summary of the work.

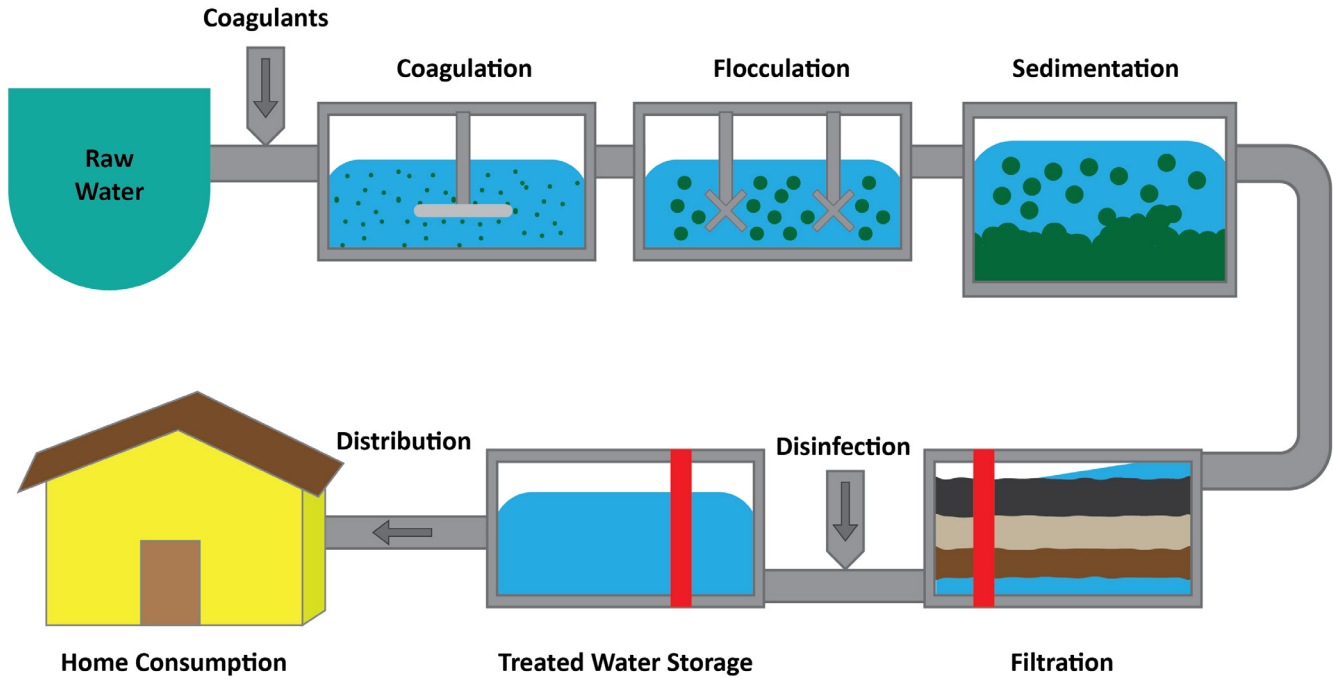
Figure 12: Mabayani Dam



4.3.2. Water Production and Treatment

Water abstracted from the dam is extracted using high lift pumps and pumped for 6kms to the treatment plant at Mowe. Currently, the plant has the capacity to produce up to 45,000m³ of treated water per day. However, the current production capacity is 35,000 m³/day due to declining efficiencies. The raw water availability from the reservoir is sufficient most of the time with inflow above the amount extracted for treatment.

Figure 13: Water Production Process



Water extraction, production and treatment will use standard technology currently applied by Tanga UWASA, while modernizing its equipment. This includes mechanisms such as laboratory equipment and automatic chemical dosing systems. Water extraction and treatment process involves pre-liming, coagulation, clarification (flocculation and sedimentation), filtration and disinfection.

During the coagulation, flocculation and sedimentation stage, a coagulant aid chemical is added to the raw water to create chemical bonding among the suspended particles. The mixture is slowly stirred to induce particles to clump together into "flocs". The water is then moved into a quiet sedimentation basin to settle out the solids. Partially clarified water is then passed through a sand gravity filter, which removes 98-99% of microorganisms and other impurities before being stored at the collection tanks after being purified by using disinfectants. The whole process uses chemicals like aluminium sulphate and polyelectrolyte as coagulant and coagulant aid, lime for pH adjustment and calcium hypochlorite as disinfectant. After this process, clean water is pumped into different tanks for subsequent distribution.

Figure 14: Flocculation Tanks at Mowe Water Treatment Plant



According to its design, Mabayani dam capacity is expected to suffice water production need for three consecutive months (90 days) even if there are no rains and the source river is dry. Nevertheless, in order to sustain this condition for more years to come the Authority has earmarked the dam's capacity to ensure that its buffer capacity to supply water for treatment extends to another 50 year period. This initiative is in line with the approved project design under the main WSDP II project.

This project involves rehabilitation of the current Mowe Water Treatment Plant (WTP) and improvement of its efficiency. Furthermore, expansion of the plant by constructing one additional pulsator clarifier with the capacity to treat 15,000m³/day. The result of this expansion will improve Mowe WTP with a total capacity to treat 60,000m³ of water per day.

The proposed technologies to be employed during the rehabilitation and construction work include a range of machineries and equipment based on specific project activities. During construction works (civil, pipeworks and electro-mechanical), contractor(s) will be hired through a Procurement and Construction (PC) contract and they will be expected to utilize regular equipment, technology and building materials available domestically. These include equipment such as excavators, roller compactors, crushers etc. relevant to the existing design, any newly available technology which will serve to minimize the project implementation cost and time but retain the quantity and quality of infrastructure potential yield.

4.3.3. Water Supply Network and Distribution system

The system includes a network of pipelines, pump house, disinfection points, small tanks, water meters etc. At present, the processed clean water is supplied from Mowe WTP to three (3) main areas: i.e., Tanga City, Pongwe suburb and Muheza (both rural and town). Since Tanga UWASA's service coverage has been increased, this project proposes additional supply area of water to Kasera and Horohoro in Mkinga district through bulk supply.

Smart or pre-paid water and smart kiosk Vending Machines are expected to be installed to customers. This technology is available in the country and has been successfully piloted in various water utilities including Tanga UWASA. The detailed distribution plan is as follows:

4.3.4. Tanga City Water Supply

From Mowe Treatment Plant, processed water gravitates through a 12.4km trunk main to reservoir/water tanks with a holding capacity of 9,350m³ and later to consumers through a piped distribution network of 845.53km. Three booster stations (water tanks) are installed at Kange (1) and Nguvumali (2) respectively to feed the supply network. About 110 kilometres of old pipes or 13% of the length of the total water distribution network is prone to leakages, thus contributing to loss of water and possible contamination of supply.

Implementation of this project will include rehabilitation of 110km dilapidated pipes. Moreover, extension of 60 km of water distribution network (pipes) required to connect 6,000 new water customers and installation of 15 domestic water points.

4.3.5. Muheza Water Supply

Tanga UWASA also supplies water from Mowe WTP to Muheza town and Muheza rural located 31.1km from the plant. The new project will supply around 2,000m³ of water per day to Muheza using existing network of infrastructure, to contribute to their current demand deficit of approximately 5,000m³ per day. Part of the new volume (1,000m³) will be supplied to Muheza town by Tanga UWASA, and the rest will be sold in bulk to RUWASA-Muheza who will supply to its rural customers via its own public points.

4.3.6. Kasera and Horohoro Water Supply

This will be a new bulk customer (RUWASA) of the project to be supplied with 1,000m³ of water daily from the treatment plant via RUWASA-Mkinga. The government through the Ministry of Water has commenced construction of the water transmission main from Mowe WTP to Kasera Town and Horohoro, which will also service the village along the pipeline route.

Table 21: Summary of the Proposed Project Plan

No	Project Area	Project Activities	Project Outputs
1.	Water source- Mabayani Dam	Rehabilitation and expansion of Mabayani 1. Expansion of Mabayani Pumping station to reach 60,000m ³ /day by installation of 4 new pumps with capacity 1,850m ³ /day each, and 2. Construction of raising main of 6km from Mabayani Pumping station to MOWE treatment plant DN600, PN16.	Improved Mabayani Intake and Pumping Station with a capacity to abstract and pump 60,000m ³ /day.
2.	Mowe Water Treatment Plant	Rehabilitation of Mowe Water Treatment Plant 1. Design, construction and commissioning of Aeration tank. 2. Re-allocation of sludge reservoir at Mowe treatment plant 3. Expansion of water Laboratory 4. Rehabilitation of existing Mowe water treatment plant 5. SCADA system for water treatment 6. Access road construction	Improved water treatment plant efficiency and restoration of the treatment capacity to the design capacity.
		Expansion of the Water Treatment Plant 1. Construction of one pulsator clarifier 2. Construction of six (6) Rapid Sand Filters 3. Construct a clear water tank at the treatment plant 4. Expansion of inlet Distribution chamber for raw water 5. Expansion of water Laboratory	1. One additional pulsator clarifier with the capacity to treat 15,000m ³ /day 2. Six (6) additional sand filters alongside the existing filter gallery 3. One (1) additional clear water tank of 35,000 m ³ capacity
3.	Water Transmission and Distribution	Improvement of Water Transmission and Distribution 1. Extend 60 km of water distribution network (pipes) 2. Connect 6,000 new water customers (Improving availability of water to more than 26,400 people based on the Tanga City household rate of 4.4);	1. Increased capacity to connect more than 6,000 new customers in the water distribution network 2. Increase actual water sales up to around 36,265m ³ /day by end of 2025
		Reduction of Non-Revenue Water and Improving Revenue 1. Rehabilitation of 110km dilapidated pipes 2. Replace 10,000 aged water meters by installing new pre-paid water meters 3. Formation of district metered areas (DMAs) within the pipe network	Reduction of Non-Revenue to 25% by end of 2025
		Extension of Sewerage Network in Tanga City 1. Extension of 1.5km of sewerage network from Chuda to railway station	To increase the coverage of the sewerage services
		Rehabilitation of Sewerage Network in Tanga city 1. Rehabilitation of 3Km sewer line at Ngamiani.	To increase the efficiency of the sewerage services
4.	Environmental and Water Resources Protection and Conservation	Environmental and Water Resources Protection and Conservation 1. Dam demarcation 2. Upscaling of conservatory activities in UWAMAKIZI Project area for Zigi River sustainability	1. Conservation and restoration of the Mabayani and Muheza dams 2. Upscaling of conservatory activities in UWAMAKIZI Project area for Zigi River sustainability

Source: Tanga UWASA


4.4. Project Implementation Work Plan

The project is expected to be implemented as below, with assumption that funds will be available by April 2024. Most activities will be implemented parallel not consecutively, hence the total project duration is expected to be [15] months.

Table 22: Project Implementation Schedule

Project Activity	Start Date	End Date
1. Expansion of Mabayani Pumping Station	May 2024	February 2025
2. Rehabilitation and expansion of Mowe Water Treatment Plant	May 2024	March 2025
3. Improvement of Water Transmission, Distribution and Sewerage Infrastructures	May 2024	February 2025
4. Environmental and Water Resources Protection and Conservation	May 2024	September 2024

Source: Tanga UWASA



**TANGA
UWASA'S
GREEN BOND
FRAMEWORK**

5. Tanga UWASA's Green Bond Framework

In line with Tanga UWASA's environmental commitment, the Issuer has published a Green Bond Framework which is available on www.tangauwasa.go.tz. Proceeds from the sale of the Bonds will be allocated to the financing or refinancing of eligible projects, as defined in this Framework.

The Green Bond Framework is aligned with the International Capital Markets Association's (ICMA) Green Bond Principles 2021 (GBP) and Dar es Salaam Stock Exchange Public Limited Company Rules, 2022.

The Issuer has appointed ISS Corporate Solutions to provide a Second Party Opinion, assessing the validity of the Framework and its alignment with the GBP.

This Green Bond Framework may be regularly reviewed, changed, and updated. Any amendment to this Framework will be made available on the Issuer's website.

5.1. Tanga UWASA's Sustainability Strategy

Tanga UWASA's sustainability objective is to provide efficient services to its customers in a sustainable manner and protect public health and the environment through world-class, cost-effective water resource management. Protecting and maintaining the quality of drinking water sources is the primary focus for Tanga UWASA and in doing so it takes a holistic approach to produce resilient services over the long-term. Its management program consists of measures to protect the rivers (see further details below) and reservoir(s) from sediment, pollution, and other sources of possible contamination that could affect the quality of drinking water in served areas. All water source and environmental protection initiatives are implemented in collaboration with the local communities living alongside and around the rivers (Zigi and Mkurumuzi), borehole sites and the Mabayani Dam.

Beyond its environmental commitment, Tanga UWASA's social impact is significant in the area it serves, and the utility is committing to further deepening its impact to its community through various initiatives. The utility aims at improving the livelihood and serving better the ever-growing population in the context of the fast development of the city and townships.

From a Governance perspective, Tanga UWASA has established best-in-class standards through the national regulations the Issuer is bound by, its corporate structure and its commitment to quality performance, which is reflected by its ISO 9001:2015 accreditation, renewed in June 2022, the first water utility in Tanzania to attain that level of certification.

Tanga UWASA's business plan seeks to enable the utility to achieve its sustainability objectives and extension of water services to underserved areas within the service jurisdiction. Proceeds from the sale of the Bonds will aim at achieving such objectives and projects.

5.2. Key components of Tanga UWASA's Green Bond Framework

In addition to the Use of Proceeds section, Tanga UWASA has established a Green Bond Framework in line with its sustainability strategy. Projects financed through Green Bond Issues such as this Project, will be eligible under this Framework.

Use of proceeds

An amount at least equal to the net proceeds of the Bond will be used to finance or refinance, in whole or in part, new or existing eligible projects as per the following GBP categories:

1. Sustainable Water and Wastewater Management:
2. Renewable Energy
3. Energy Efficiency
4. Climate Change Adaptation

Projects that do not align with the specific Adaption and Resilience & international reference standards components do not qualify under the framework.

The framework does not permit the finance of projects falling within, or indirectly supporting, the following categories:

- Waste-to-energy activities where removal of recyclables prior to incineration cannot be ensured
- Biomass or bio-fuel renewable energy projects of non-sustainable origin

- Projects with high environmental or social risks or that cause material harm to achieving Tanga UWASA's SDGs
- Fossil fuel energy
- Investments related to pure Internal Combustion Engines
- Gambling
- Tobacco
- Alcohol
- Weapons

Process for project evaluation and selection

Tanga UWASA utilizes a robust and transparent annual budget process to prioritize capital allocation among projects, which undergo a comprehensive environmental and social impact assessment.

A dedicated process has been designed to evaluate and select eligible projects under Tanga UWASA's Green Bond Framework. In particular, a Green Bond Committee, comprised of relevant staff from Tanga UWASA and the Ministry of Water will be established to oversee the selection and allocation of the Bond proceeds as per the following process:

1. Proposed investment projects are put forward in line with Tanga UWASA's standard procedures;
2. The Green Bond Committee reviews and approves projects as per the defined eligibility criteria;
3. Approved projects are added to a Green Asset Register; and
4. Approved projects are financed by proceeds from the Issue.

Management of Proceeds

An amount equal to the net proceeds of the bond will be held in a dedicated account set up to manage and track the disbursements of the bond proceeds for eligible green projects.

All the funding and disbursement for each project will be recorded in line with internal Tanga UWASA accounting systems and processes and in accordance with the terms set in the Trust Deed.

Whilst it is Tanga UWASA's intention that all proceeds are allocated to eligible projects /assets as soon as possible after the bond proceeds are raised to ensure that the proceeds are effectively deployed, Tanga UWASA will maintain any surplus proceeds approved as Cash or Cash Equivalents in a segregated account until all proceeds are allocated. Such holding of surplus proceeds will be performed in line with Tanga UWASA's financial management standards.

Any re-allocation of proceeds will be overseen by the dedicated Committee, which will ensure alignment with the requirements of the framework as well as the relevant GBPs.

Allocation and Impact Reporting

Tanga UWASA will publicly disclose an allocation and impact report, starting a year after the issuance of a Green Bond.

The allocation report will provide description of selected projects, information on the total amount of proceeds allocated to each of the eligible projects and assets and in the case of partial financing of a project, reporting will also be provided on the entire Project.

Tanga UWASA will also produce an annual impact report, detailing the green bond's environmental and social benefits resulting from the projects, and how the projects conform to the progress agenda of the United Nations Sustainable Development Goals (UN SDGs).

Such information will be made available via the annual allocation reports and posted on Tanga UWASA's website. The Issuer will also publish a semi-annual interim report.

Second Party Opinion

The Issuer has appointed ISS Corporate Solutions to provide a Second Party Opinion on the Framework, assessing the validity of the Framework and its alignment with the GBP.

The Second Party Opinion is available on the Issuer's website (www.tangauwasa.go.tz). Any amendment to the Second Party Opinion, or any new Second Party Opinion, to be provided following an amendment to the Framework, the publication of a new framework or in application of any new legislation or regulation, will be made available on the Issuer's website.

Post-issuance verification

Within one year of the Issue and on an annual basis until maturity of the Bonds, Tanga UWASA will engage an external reviewer to evaluate how this Project meets the specific eligibility criteria as set out in this Framework in accordance with the ICMA Green Bond Principles and the DSE Green Bond Listing Rules.

Issuer shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganization under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer commences proceedings with a view to the general adjustment of its indebtedness, which event in any such case is (in sole opinion of the CMSA), materially prejudicial to the interest of the Noteholders; or





RISK FACTORS

6. Risk Factors

The Issuer believes that the following factors may affect its ability to fulfill its obligations under Bonds issued. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Bonds are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds issued, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Bonds for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents deemed to be incorporated by reference herein) and in the applicable Pricing Supplement and reach their own views prior to making any investment decision.

General

This Information Memorandum identifies in a general way the information that a prospective investor should consider prior to making an investment in the Bonds. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Bonds as any evaluation of the suitability for an investor of an investment in the Bonds depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Bonds. This Information Memorandum is not, and does not purport to be, investment advice. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the investor should consult with its financial adviser prior to deciding to make an investment on the suitability of the Bonds.

Each prospective investor of Bonds must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Bonds (i) is fully consistent with its (or if it is acquiring the Bonds in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Bonds as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Bonds in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Bonds. In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

6.1. Risk Factors Related to Tanzania:

The Issuer's operations are in Tanzania which is considered a frontier market. Frontier markets are a subset of emerging markets that may be characterised by nascent economies in various stages of development.

Any of these factors, as well as the volatility in the markets for securities, may adversely affect the value and liquidity of the Bonds.

Accordingly, investors should exercise due care in evaluating the risks involved in investing in the Bonds and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in frontier markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Bonds.

Changes in Water Tariffs from Government Could Adversely Affect Tanga UWASA's Business

Tariffs for utilities in the water sector are regulated, hence need to be prepared by the service provider and approved by EWURA.

Any adjustment to the water tariff planning could adversely affect revenue, profitability and cash flow should forecasted

increases do not materialize or with a delay. A decrease in water tariffs is not considered as a likely event. Any missed or delayed tariff increase may adversely affect financial performance and lead to a higher cost of capital to cover operating and capital expenditures. In addition, such situation may affect the Issuer's ability to meet its obligations under the Bonds.

The latest guidelines on tariffs setting were developed and adopted by EWURA pursuant to the Energy and Water Utilities Regulatory Authority (Water Tariff Application and Rate Setting) Regulations 2020. The regulations describe the procedures for filing water and energy related tariff applications. The guidelines are set to assist Regulated Water and Sanitation Utilities on the procedures, timeline and information required when lodging tariff applications; how to set and apply for all types of tariff reviews and adjustments. These guidelines also assist EWURA on how to monitor the implementation of the tariff order conditions. These Guidelines may be reviewed every three years or at any time when the review is deemed necessary.

6.2. Risk Factors Related to the Issuer:

i. Climate change

The continued heightening of attention to climate change, including activities by non-governmental and political organisations as well as greater interest by the broader public, is likely to lead to additional regulations designed to tackle climate change. Policies and initiatives at national and international levels to address the causes and impacts of climate change may affect business conditions and demand for services in the medium to long term. Customer response to climate change also presents risks to Tanga UWASA due to growing customer demand for low-carbon products and services.

Tanga UWASA acts in line with several regulations to ensure it mitigates its impact on the environment and addresses climate change issues. This includes the National Environment Policy (2021), the National Energy Policy (2015), National Water Policy (2002) as well as the Environmental Management Act (2016). Tanga UWASA is active in various climate change-oriented initiatives at regional and national levels to ensure they contribute to ongoing debates for preservation, resilience and adaptation.

ii. Exposure to climate change and the degradation of the environmental ecosystem

Tanga UWASA's assets are vulnerable to extreme events related to climate change. Exacerbated weather conditions, such as increased temperatures, prolonged droughts, flooding and cyclones may have adverse effects on the Issuer's assets and populations. As a coastal area, the Tanga region is particularly exposed to these factors. The degradation of the environmental ecosystem, such as land use practices also creates risks in terms of stability for the Issuer's asset.

These extreme conditions may result in the degradation of some of Tanga UWASA's assets, generating operational and financial stress for the Issuer. Tanga UWASA and the Tanzanian government have although established strategies and control/contingency plans to mitigate these risks and ensure a continuation of operations.

Tanga UWASA has policies in place to ensure risks are anticipated and adequate responses are taken if needed. An Environmental and Social Impact Assessment is conducted by an independent specialized environmental and social advisor familiar with safety and environmental impacts of the technology and on social challenges.

The Incident Management Plan 2022/2023 – 2024/2025 and the risk management framework guides the Issuer on potential risks. The plan identifies the weaknesses in the water supply and sanitation services, mitigants to the potential impact of the identified weaknesses and actions to limit the damage to the Issuer's operations, finances and reputation.

Tanga UWASA is involved in several programs related to the environmental ecosystem in the region it serves, especially the protection of the Zigi and Mkurumuzi rivers through protective actions across the rivers, especially the upstream parts but also community awareness on environmental and water resources conservation.

iii. Market risk

Tanga UWASA is the authorized sole supplier of water in Tanga city and neighboring towns Muheza and Pangani. Despite the fact there is little or no competition, there is a risk that failure to meet the demand for water may result in private suppliers of water from boreholes or residents arranging for their own water sources.

National laws allow companies and private individuals to exploit their own sources of water as an alternative to water authority services when their area is not served. Such exploitation although require the obtention of a permit based

on water quality. Such alternative sources can only be exploited to address private consumption and cannot be sold to neighbouring consumers. Local water authorities are not responsible for the water quality of these alternative sources but can be solicited to assess and treat water upon request.

In FY 2021/2022 Tanga UWASA had a 95.35% coverage of the population in the area it serves. In this context, alternative sources described above come as temporary solutions in case of supply shortfall with limited scalability.

iv. Execution and attachment of assets of the Issuer

The Issuer is an autonomous water utility organisation established under the Water Works (Declaration of Water Supply Areas) Order, 1998 and now operating under the Water Supply and Sanitation Act No 5 of 2019. Pursuant to this Act the Issuer is classified as a "water authority" and enjoys certain immunities with respect to enforcement against its assets. Section 79 of the Water Supply and Sanitation Act provides that:

"...Notwithstanding anything to the contrary in any written law where any judgment, order or award has been obtained against water authority, no execution or attachment or process in the nature thereof shall be issued against the water authority or against the property of the water authority but the managing director shall cause to be paid out of the revenue of the water authority such amount as may, by the judgment or order, be awarded against the water authority to the person entitled to it..."

The implication of this is that the assets of the Issuer including receivables, such as those related to the Project, may not be attached for purposes of enforcing a Court judgment. The transaction structure has been designed to mitigate some of the above risks for investors.

Operational risks

i. Contamination of water supplies

There is a risk (including malicious) of contamination of water supplies. In the event of a major contamination of Tanga UWASA's water supply, there is likely to be a significant adverse operational impact on Tanga UWASA. Tanga UWASA would likely incur significant operational expense, be required to pay fines for breaches of statutory requirements and/or regulations and experience a damaging effect on its reputation and brand. Such eventualities are also likely to adversely affect Tanga UWASA's profitability or financial condition.

Tanga UWASA although established rigorous systems, controls and mitigation plans, defined in the Issuer's own guiding documents approved by EWURA and national policies for water authorities.

The Issuer's water network is monitored twice a week, including the inspection of tanks and the whole distribution network. Reports are transmitted online, in case of quality divergence, an emergency process is established to ensure the adequate remedy action are taken within minutes. Tanga UWASA's water plant is monitored every day to anticipate any high chemical risk.

Regular reports are sent to the management, regional laboratories, in case of any divergence in quality standards, reports are transmitted to the Tanzania Bureau of Standards.

ii. Sewer flooding

Tanga UWASA's sewerage systems can reach capacity in certain circumstances, such as prolonged heavy rainfall, resulting in flooding. It is not possible to accurately forecast the occurrence or impact of sewer flooding, and so it is not practical to make full or reliable provision for the effects, or the alleviation of the risk, of sewer flooding. This means that there is a risk that Tanga UWASA may overspend its budget to cover the financial cost of measures to deal with sewer flooding (including any compensation payments to its affected customers), if, for example, rainfall is significantly higher than expected.

The Issuer ensures a continuous monitoring of these risks through a collaboration with the public and manual surveillance activities conducted on a daily basis (twice a day during the rain season). During the surveillance typical risk areas are being investigated with special attention. These are treated timely to avoid pollution and nuisance to the public under the Sewerage System Operation and Maintenance Program. Remedy action procedures are established to ensure emergency teams can respond quickly to disfunctions.

The collaboration with the public specifically takes the form of regular surveillance on infrastructure disfunctions (incl. overflow, blockages) and attendance by Tanga UWASA's representatives to local authorities' meetings.

iii. Capital Investment

Failure by Tanga UWASA to maintain its capital assets might affect Tanga UWASA's profitability.

Tanga UWASA requires significant capital expenditure for additions to, or replacement of, plant and equipment for its water and sewerage facilities and networks. If Tanga UWASA is unable to maintain its capital assets or deliver required improvements, there is a risk of asset failure and unplanned supply interruptions to customers. Tanga UWASA's profitability might suffer because of engineering repair costs, social impact costs, or a need for increased capital expenditure.

Failure by Tanga UWASA to maintain its capital assets might affect Tanga UWASA's ability to meet its obligations under the Bonds (including the payment of principal and interest).

Tanga UWASA has a sound management and audit system aiming at mitigating operational and financial risks on investments conducted.

Monthly reports on projects are submitted by the technical teams to department directors, who submit quarterly reports to several decision parties. These includes Tanga UWASA's Board, the Treasury registrar, the Ministry of Water, as well as EWURA.

Prior to the submission of each quarterly report, three meetings are held at technical management level:

- Operational meeting: allowing to raise and address question on divergence situations (quality, progress of project, financial situation, etc.).
- Project steering committee: review of all projects within the management team as well as external parties when relevant (contractors, technical consultants, etc) to find resolution mechanisms on outstanding issues.
- A third meeting is held between the management team and the internal auditor if issues were raised by the audit committee during the previous quarter and remedy actions have not been implemented yet.

iv. Performance of third parties for certain contracts and services

Tanga UWASA has entered into various commercial contracts and relationships in respect of certain goods and services. As with any contractual relationship, there are inherent risks to be considered and mitigated including, among others, counterparty risk, insolvency risk, and litigation risk.

Any failure by suppliers to deliver the contracted goods or services, and to adhere to Tanga UWASA's Corporate Responsibility and other policies, could have a material adverse effect on Tanga UWASA's reputation, business, results of operations and overall financial condition.

This is mitigated through supplier management and robust procurement to ensure that appropriate suppliers are selected. Performance tracking is also ensured by the internal appointment of project managers which are selected based on the nature of the project (provision of services vs asset development) and technical skills required. The project manager submits monthly reports to the management team. In the case of projects related to asset development, the report is also submitted to the project steering committee. For strategic projects, external consultants are hired to provide any technical expertise which may not be mastered internally. Monthly reports are submitted by the consultant.

v. Catastrophic risk

Catastrophic events such as dam failures, fires, earthquakes, floods, prolonged droughts, terrorist attacks, diseases, serious plant failure, systems failure or other similar events could result in personal injury, loss of life, pollution or environmental damage, severe damage to or destruction of Tanga UWASA's operational assets and cause brand / reputational harm, or loss of confidence in Tanga UWASA by its stakeholders.

The Issuer has although established appropriate contingency plans to ensure the continued performance of its services, such as measures described in the Incident Management Plan 2022/2023 – 2024/2025. Regular monitoring of Tanga UWASA's assets also ensure the quality of infrastructure.

vi. Labour and community disputes

Labour disputes, such as strikes, walkouts, claims or other industrial action may disrupt its business. A significant strike or other labour dispute could impact Tanga UWASA's ability to provide water, sewerage and retail services to customers. Consequently, its reputation, financial position and operating results may be adversely affected by industrial action.

Tanga UWASA, as well as some of the third parties it relies upon, have a significant unionised workforce. There is a general risk that employee engagement may decrease and industrial relations could worsen as a result of changes to employment terms and conditions, employment related court decisions, changes to pensions, and as a response to a wider climate of trade union disputes.

Tanga UWASA commits to the safety and health of its employees with clear policy to support this commitment. Tanga UWASA's annual happiness index survey allows to gather any complaints or asks from employees. The workers' council also submits an annual report to the Managing Director on industrial relations.

In case of any dispute between Tanga UWASA and an employee, that dispute is resolved in accordance with Public Service Act and its Regulations.

Tanga UWASA can also be exposed to disputes with local communities given the Issuer's potential impact of its activities on the environment. All required studies, in accordance with national regulations, are conducted by the Issuer ahead of infrastructure works. Tanga UWASA also has a program to engage communities in the project implementation especially conservation of the water source (Sustainable Land Management program).

vii. Management risk

Tanga UWASA has a strong management team to implement the project. However, if the project is poorly managed especially on the side of extraction, treatment and distribution of water, there is a risk that the Project may not generate adequate cash flows to repay immediate cash obligations as well as servicing the bond.

The management structure of Tanga UWASA and the existence of several levels of control to monitor the progress of its projects, quality of operations and financial performance are although mitigants to these risks. Tanga UWASA's financial statements are independently audited, allowing to monitor the evolution of the financial situation of the Issuer over time.

Tanga UWASA is ISO 9001:2015 certified.

viii. Construction and cost overrun risk

Preparations of major infrastructure projects like this may take time to reach investment stage and financial closure.

In most cases, major infrastructure projects are faced with issues around inaccurate cost estimates and forecasts. Delays in project implementation result into cost overruns, changes in project costs due to exchange rates variability especially on imported materials but also increase in prices due to inflation changes.

All of these pose risk on project completion and cost overrun.

Tanga UWASA has established monitoring and reporting procedures to ensure a timely execution of projects and mitigate cost overrun risks. This includes the establishment of regular committees and the oversight by internal or external project managers with accountability, as described above.

Compliance risks

The project is expected to be implemented within an environment that has to comply to a number of legislations, therefore key approvals, licenses, and permits are needed from different national and regional stakeholders as highlighted under Section 7 Legal and Regulatory Status.

i. Environmental considerations

Tanga UWASA's water supply and sanitation operations are subject to a significant number of Tanzanian laws and regulations relating to the protection of the environment and human health.

Events such as the escape of sewage or a breach of water quality standards could materially and adversely affect Tanga UWASA's reputation and/or financial position.

These risks are mitigated by the various policies developed by Tanga UWASA, which also describe remedy actions to ensure the Issuer limits the potential negative impact of environmental risks.

ii. Environmental pollution offences

Due to the extent and location of Tanga UWASA's infrastructure, there is a risk that, from time to time, unlawful waste discharges may take place.

Such discharges may attract various penalties under various Tanzanian environmental legislation and, depending on the assessed levels of culpability and harm, as well as any aggravating and/or mitigating factors, could result in potential significant fines.

Tanga UWASA acts in accordance with several national policies, especially the Environmental Management Act and the National Environmental Policy and has established remedy action plans. The Issuer has not faced any environmental pollution lawsuit in recent records.

iii. Safety, health and environmental risk

Risks are associated to the extraction of water from the source, treatment and distribution of water. The procedures to ensure the quality of the water to the final consumer are compliant with water safety standards as per the World Health Organization (WHO), the Tanzania Ministry of Health and also Ministry of Water guidelines.

Financial and project implementation risk

The implementation of the project will highly depend on the ability of Tanga UWASA management to raise the required funding and subsequently prudentially manage the fund.

6.3. Risk Factors Related to the Issue:

i. The Bonds may not be a suitable investment for all investors

Each potential investor must determine the suitability of investing in the Bonds in light of its own circumstances. In particular each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum or any Supplemental Information Memorandum;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; Understand thoroughly the Conditions of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

ii. The market price of the bonds may be volatile

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes in the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds.

In particular, the markets for emerging market securities such as Tanzania, may be volatile and are to varying degrees, influenced by economic securities' market conditions in other emerging market countries which may not be in the same geographic region as Tanzania. Although economic conditions are different in each country, investor reactions to the developments in one country may affect securities of issuers in other countries, including Tanzania. Accordingly, the market price of the Bonds may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Issuer.

iii. Change of Law

Because the Issuer operates in a regulated business environment, changes in laws, regulations or governmental policy affecting the Issuer's business activities could adversely affect its business, financial condition, results of operations and prospects. This may include but not limited the privatisation of the Issuer by way of transfer of its business and assets to a private corporate entity.

Regulatory regimes and decisions could also affect our customers and suppliers, which in turn could adversely affect our business and prospects.

No assurance can be given as to the impact of any possible judicial decision or change to Tanzanian law or administrative practice after the date of this Information Memorandum.

iv. Taxation

Potential purchasers and sellers of Bonds should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Bonds are transferred and/or any asset(s) are delivered.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

v. No Tax Gross-Up in respect of the Bond

If the applicable Pricing Supplement specify that no withholding tax gross-up is applicable, the Issuer is not obliged to gross up any payments in respect of the Bonds and will not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any security and all payments made by the Issuer will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

vi. Design and Feasibility Risk

There is also a risk that the project design may be infeasible. This may happen if the geography of the areas where the infrastructures are expected to be built are not technically and earthy supportive to the project implementation. The project infeasibility may also be caused by poor design which makes change requests difficult and costly.

vii. Credit and repayment risk

Repayment capability of the project and the issuer in general will depend on the successful implementation of the project and a good financial management team.

This repayment capability is very key to ensure investors' confidence so that coupon repayments are made on time in accordance with the repayment plan.

Tanga UWASA has taken all best-practice actions to ensure operational and financial success of the project. The Issuer is also supported by a highly experienced and capable management team.

viii. Unsecured Obligations

The issuance of the Bonds is not secured by any security or guarantee of any third party and therefore the obligations of the Issuer rank pari-passu with other existing debt.

6.4. Risk Factors Related to the Market Generally:

i. The Secondary Market Generally

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Bonds.

ii. Market Price Risk

The market prices of the Bonds depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of Bonds. The market price of the Bonds may also be negatively affected by an increase in the Issuer's credit spreads, i.e. the difference between yields on the Issuer's debt and the yield of government bonds or swap rates of similar maturity. The Issuer's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such Securities.

iii. Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bond can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.





TERMS AND CONDITIONS

7. Terms and Conditions

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the Information Memorandum, shall be applicable to the Bonds that are issued on Issue Date. Words and expressions defined in the Trust Deed and the rules of interpretation specified therein shall have the same meanings or apply where used in these Conditions and the Pricing Supplement, unless the context otherwise requires or unless otherwise stated.

The Bonds are issued subject and pursuant to:

- a) a Trust Deed dated 19th February 2024 (the Trust Deed), made between TANGA WATER SUPPLY AND SANITATION AUTHORITY (the Issuer) and National Bank of Commerce Limited (the Bond Trustee) as trustee on behalf of the Bondholders (as amended or supplemented or varied from time to time); and
- b) an Agency Agreement dated on or about the date hereof (the Agency Agreement), made between the Issuer, the Bond Trustee, Collecting Agents, the Receiving Bank, Issuing and paying agent and the Registrar.

Copies of the Trust Deed and the Agency Agreement are available for inspection at the Specified Office of the Issue and Paying Agent. The Bondholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement which are binding on them or on the Bond Trustee on their behalf.

The issue of the Bonds is authorised pursuant to a resolution of the board of the Issuer passed on 21 November 2023.

Words and expressions defined in the Trust Deed and the rules of interpretation specified therein shall have the same meanings or apply where used in these Conditions and the Pricing Supplement, if applicable unless the context otherwise requires or unless otherwise stated.

References to any statute or statutory provision shall include any statute or statutory provision which amends or replaces or has amended or replaced it and shall include any subordinate legislation or other regulations made under the relevant statute.

In these Conditions, unless the context otherwise requires, the following expressions shall have the following meanings:

Business Day means a day (other than a Saturday, Sunday or gazetted public holiday) in Tanzania.

Default Rate means the Interest Rate plus two per cent (2%) per annum or such other rate indicated in the Pricing Supplement.

Interest Payment Date means each of the dates described as interest payment dates in Condition 4(a) (Payment of Interest).

Interest Period each period commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date, with the first Interest Period commencing on the relevant Issue Date.

Interest Rate means the rate of interest applicable to the Bonds as specified in the Pricing Supplement.

Issue means the issue of the Bonds.

Issue Date means in relation to the Bonds the date upon which the Bonds are issued or, if not yet issued, the date agreed between the Issuer and the Placing Agents under the Placing Agreement.

Record Date means, the 15th day before (and not including) each Interest Payment Date.

Redemption Date means the date specified in the Pricing Supplement.

1. Form, Denomination and Title

- a) Form of Bonds and denominations. The Bonds are issued in dematerialized book-entry form in denominations of Tanzanian Shillings five hundred thousand (TZS 500,000) (the Specified Denomination(s)). The Bonds will be registered in the Register by Registrar.
- b) Title. Title to the Bonds will be evidenced by means of a book-entry in the Bondholder's Account. Title to the Bonds shall pass upon the registration of allotment in the Register in accordance with the provisions of the Agency

Agreement. The Issuer, the Bond Trustee, the Issue and Paying Agent and the Registrar may (to the fullest extent permitted by Applicable Law) deem and treat the person in whose name such Bond is registered as the absolute owner thereof and neither the Issuer nor any agent of the Issuer shall be affected by notice to the contrary.

Bondholder and holder, when used with respect to any Bond, means the person in whose name the Bond is registered in the Register (or in the case of joint holders, the first-named thereof).

- c) Transfer. A Bond shall not be transferred without the consent of the Issuer before all the Bonds have been issued. Where the Issuer grants consent for the transfer of Bonds or when all the Bonds have been issued a Bond may only be transferred in whole or in part in the Specified Denomination and subject to any charges as may be levied by the Registrar.
- d) Closed periods. No Bondholder may require the transfer of any Bond to be registered during the period of fifteen (15) days ending on the due date for any payment under the Bond.
- e) Future issues: Nothing contained in the Bond Transaction Documents shall preclude the Issuer from, at any time, issuing further Bonds on these or similar terms and conditions.

2. Status

The Bonds constitute direct and unsecured obligations of the Issuer which (a) rank pari passu among themselves, and (b) rank pari passu with all present and future direct unsecured obligations of the Issuer except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

3. Negative Pledge

Save with express consent of the Bondholders, for so long as any of the Bonds remains Outstanding (as defined in the Trust Deed) the Issuer shall not create or permit to subsist any Encumbrance upon the whole or any part of its undertaking, assets or revenues present or future to secure any debt, or any guarantee of or indemnity in respect of any debt other than Encumbrance for the Bonds.

4. Interest

a. Payment of interest

Each Bond bears interest on its outstanding principal amount from the Issue Date at the Interest Rate. Interest on each Bond will be payable in arrears in each year on the dates specified in the Pricing Supplement (each an Interest Payment Date) commencing on the first date so specified until the principal amount is paid in full on or prior to the relevant Redemption Date.

b. Interest accrual

Interest on each Bond will cease to accrue on the Redemption Date unless payment of principal on the Redemption Date is improperly withheld or refused. In such event, each Bond shall continue to bear interest in accordance with the provisions of this Condition 4 and Condition 5(c) (Payments on Business Days) until whichever is the earlier of (i) the date on which all sums due in respect of such Bond have been paid; and (ii) the date on which the full amount of monies payable has been received by the Issue and Paying Agent and notice to that effect has been given to the Bondholders in accordance with Condition 11 (Notices).

c. Calculation of the Interest Amounts

The Issue and Paying Agent will, calculate the amounts of interest payable in respect of each Bond on the Interest Payment Date for the relevant Interest Period (the Interest Amount) by applying the Interest Rate to the outstanding principal amount of the Bonds, multiplying such sum by the actual number of days in the relevant Interest Period (as set out below) concerned divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366 and rounding the relevant figure to the nearest Tanzanian Shilling (fifty cents being rounded upwards).

d. Publication of Interest Rate and Interest Amounts

The Issue and Paying Agent will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Bondholders in accordance with the Agency Agreement and Condition 11 (Notices) as soon as possible but in no event later than four (4) Business Days following the commencement of each Interest Period.

e. Determination or Calculation by Trustee

If the Issue and Paying Agent does not at any time for any reason determine or calculate the Interest Amount, the Bond Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Issue and Paying Agent. In doing so, the Bond Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

5. Payments

a. Redemption

Payments of amounts due on the final redemption of the Bonds will be made to the relevant Bondholder's Account by the Issue and Paying Agent.

b. Method of payment

Payments will be made by way of a Tanzanian Shilling cheque drawn on a bank in Tanzania or by electronic funds transfer or real time gross settlement (RTGS) to the designated account of the Bondholder as recorded on the Register held by the Registrar.

Cheques will be posted by registered post to the address (as recorded in the Register held by the Registrar) of the Bondholder thereof on the Business Day not later than the relevant due date for payment unless prior to the relevant date the Bondholder thereof has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated Tanzanian Shilling account maintained by the payee with a bank in Tanzania in which case payment shall be made on the relevant due date for payment by transfer to such account.

Neither the Issuer nor any of the Bond Agents or the Bond Trustee will be responsible for any loss in transmission of any cheque posted by way of registered post and the postal authorities shall be deemed to be the agent of the Bondholders for the purposes of all cheques so posted.

If at any time a partial payment of any principal amount and/or Interest is made in respect of any Bond, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

c. Payments on Business Days

If any day for payment of any amount of principal or interest in respect of any Bond is not a Business Day, then the Bondholder thereof shall not be entitled to payment until the next following Business Day nor be entitled to any interest or other sums in respect of such postponed payment provided that if the next following Business Day would fall in the next calendar month, the payment shall become due on the immediately preceding Business Day.

d. Payments on Business Days and late payments

If (otherwise than by reason of the application of paragraph (b) (Methods of Payment) above) (i) any payment of principal is withheld or refused when due in respect of any Bond, or (ii) any interest is not paid when due (the defaulted amounts mentioned in (a) (Redemption) and (b) (Methods of Payment) above being referred to in this Condition as Defaulted Amounts) then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid against presentation of a Bond if the Defaulted Amount is an amount of principal, and to a person who is shown as the Bondholder in the Register on the relevant Record Date if the Defaulted Amount is an amount of interest.

e. Currency of account and payment

The currency of account and for any sum due from the Issuer hereunder is Tanzanian Shillings.

f. Interpretation of principal

Any reference in these Conditions to principal in respect of the Bonds shall be deemed to include any premium and any other amounts, excluding interest, which may be payable by the Issuer under or in respect of the Bonds.

g. No profits/ distributions

The Issuer shall neither declare nor pay profits or distributions before final redemption of the Bonds.

h. Appointment of Agents

Subject to the Agency Agreement, the Issue and Paying Agent and the Registrar act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior approval of the Bond Trustee to vary or terminate the appointment of the Issue and Paying Agent, and any Registrar, and to appoint additional or other Issue and Paying Agents and Registrar provided that the Issuer shall at all times maintain (i) an Issue and Paying Agent, and (ii) a Registrar in relation to the Bonds. Notice of any such change or any change of any Specified Office shall promptly be given to the Bondholders.

6. Redemption, Mandatory Prepayment and Purchases

a. Redemption

Unless previously purchased and cancelled, each Bond shall be redeemed in full on the relevant Redemption Date.

b. Mandatory Prepayment - Illegality

If, at any time, it becomes unlawful for a Bondholder to fund its participation in the Bonds, then, to the extent required to ensure compliance with the relevant law:

- i. that Bondholder shall promptly notify the Issue and Paying Agent upon becoming aware of that event;
- ii. the Issuer shall, no later than the last day of the relevant Interest Period or if earlier, the last day of any applicable grace period permitted by law, redeem that Bondholder's holding of Bonds.

c. Purchases

Subject to compliance with Applicable Laws and regulations, the Issuer and anyone on its behalf may at any time purchase Bonds at any price in the secondary market, which Bonds may be held, resold or, at the option of the Issuer, surrendered to the Issue and Paying Agent for cancellation.

d. Cancellation

All Bonds, which are redeemed or purchased and surrendered for cancellation, will forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Issue and Paying Agent and cannot be reissued or resold.

7. Taxation

- a. All payments in respect of the Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (Taxes) imposed or levied by, or on behalf of, Tanzania, or any political sub-division of, or any authority in, or of, Tanzania having power to tax, unless such withholding or deduction of Taxes is required by law.
- b. If applicable, the Issuer will deduct withholding tax at the prescribed rate on all interest payments to Bondholders other than any Bondholder who (a) is exempt from such deduction due under the provisions of the Income Tax Act (Cap 332 R.E 2019 of the Laws of Tanzania) as may be amended from time to time and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Issue and Paying Agent.
- c. As a at the date hereof, withholding tax is not applicable to all interest payments to Bondholders.

8. Prescription

The Bonds will become void unless presented for payment within a period of ten (10) years in the case of principal and ten (10) years in the case of interest after the Relevant Date (as defined below).

As used herein, the term Relevant Date means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Issue and Paying Agent on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 11 (Notices).

9. Events of Default

If any of the following events (each an Event of Default) shall have occurred and be outstanding:

- a. default is made in the payment of any amount in respect of the Bonds under the Bond Transaction Documents when due and as the same ought to be paid in accordance with this Trust Deed unless:
 - i. amount in the Sinking Fund Account is sufficient to remedy the default and the Issuer forthwith moves the money to the Payment Account: or
 - ii. the failure to pay is caused by administrative or technical error; and
 - iii. in the case of (i) or (ii) payment is made within five (5) Business Days of its due date; or
- b. the Issuer fails to perform or observe any obligation, condition or provision under the Bond Transaction Documents (other than any obligation for the payment of any amount due in respect of any of the Bonds) and, if capable of remedy, such default continues for a period of thirty (30) days after written notice is given to the Issuer by the Bond Trustee specifying such default and requiring it to be remedied; or
- c. a representation or warranty made or repeated by the Issuer in any Bond Transaction Document or in any document delivered by or on behalf of the Issuer under any Bond Transaction Document is incorrect or misleading in any material respect when made or deemed to be repeated and, if the circumstances giving rise to such breach of

- warranty are capable of remedy, such breach is not remedied within thirty (30) days of the earlier of the Bond Trustee giving notice to the Issuer becoming aware of such non-compliance; or
- d. a distress, attachment, execution or other legal process is levied, enforced or sued on or against all or a material part of the property, assets or revenues of the Issuer; or
 - e. any mortgage, charge, pledge, lien or other Encumbrance, present or future, created or assumed on or against the property, assets or revenues of the Issuer become enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager, administrator or other similar person); or
 - f. any of the following occurs in respect of Issuer:
 - (i) any of its Financial Indebtedness is not paid when due (after the expiry of any originally applicable grace period);
 - (ii) any of its Financial Indebtedness:
 - (aa) becomes prematurely due and payable;
 - (bb) is placed on demand; or
 - (cc) is capable of being declared by or on behalf of a creditor to be prematurely due and payable or of being placed on demand,
 in each case, as a result of an event of default (howsoever described); or
 - (iii) any commitment for its Financial Indebtedness is cancelled or suspended as a result of an event of default (howsoever described), unless the aggregate amount of Financial Indebtedness falling within all or any of paragraphs (i) to (iii) above is less than TZS 36,000,000,000/= or its equivalent; or
 - g. default is made by the Issuer in the payment of any one or more of its trade creditors in the aggregate sum of TZS 36,000,000,000/= or more; or
 - h. the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors; or
 - i. by or under the authority of any government:
 - (i) the management of the Issuer is wholly or partially displaced to the extent that no business of the Issuer can be conducted; or
 - (ii) or the whole or any part of the Issuer's revenues or assets is seized, nationalised, expropriated or compulsorily acquired which has or would reasonably be expected to have a Material Adverse Effect; or
 - j. the Issuer is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of Financial Indebtedness or the value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities) or a moratorium is declared in respect of any indebtedness of the Issuer; or
 - k. the Issuer ceases to carry on the business of a Water Authority; or
 - l. if an encumbrancer takes possession or exercises or attempts to exercise any power of sale or any governmental authority takes over, the assets or part thereof of the Issuer related to the Project or where in the opinion of the Bond Trustee such action has a Material Adverse Effect; or
 - m. the Issuer transfers its activities to another entity or is subject to privatization;
 - n. if the Government takes any action to reorganise or restructure or wind up or liquidate the Issuer or any part of the property, assets or revenues of the Issuer under the WSSA Act and such event has or is reasonably likely to have a Material Adverse Effect as determined by the Bond Trustee; or
 - o. any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution of the Issuer;
 - (ii) any analogous procedure or step is taken in any jurisdiction in respect of the Issuer; or
 - p. it is or becomes unlawful for the Issuer to perform any of its obligations under the Bond Transaction Documents; or

- q. any term of any Bond Transaction Document is not valid and enforceable in accordance with its terms or is alleged by the Issuer not to be valid and enforceable in accordance with its terms for any reason; or
- r. there is an abandonment or suspension of the Project for a continuous period of sixty (60) days or more or for a period aggregating more than one hundred and eighty (180) days in any twelve (12) month period; or
- s. the Project is not completed within three (3) years from the date hereof; or
- t. any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to the Bond Transaction Documents or the transactions contemplated in the Bond Transaction Documents, or against the Issuer or their assets, which have or are reasonably likely to have a Material Adverse Effect as determined by the Bond Trustee; or
- u. the authority or ability of the Issuer to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalisation, compulsory acquisition, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to the Issuer or any of its assets; or
- v. the Issuer rescinds or purports to rescind or repudiates or purports to repudiate any Bond Transaction Document or evidences an intention to rescind or repudiate a Bond Transaction Document; or
- w. any event or series of events occurs or exists (whether taken individually or cumulatively) which the Bond Trustee reasonably believes has or is reasonably likely to have a Material Adverse Effect.

Then the Bondholders (or Bond Trustee on their behalf) may, further to an Extraordinary Resolution or a Written Resolution by written notice to the Issuer at the Specified Office of the Issue and Paying Agent, effective upon the date of receipt, declare the Bonds to be forthwith due and payable whereupon the outstanding principal amount of the Bonds shall become forthwith due and payable together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind and require Issuer forthwith to pay to the Bond Trustee all amounts standing to the credit of the Sinking Fund Account from time to time.

10. Enforcement

The Bond Trustee may require the Issuer to immediately upon the occurrence of an Event of Default to remit all funds standing to the credit of the Sinking Fund Account to the Bond Trustee or as the Bond Trustee shall direct and the Bond Trustee may utilize those amounts to prevent the occurrence or a continuation of an Event of Default. The Bond Trustee may at any time after an Event of Default, on giving the appropriate notices subject to and in accordance with the Trust Deed and either (i) after it has received from the Issuer and utilized the amounts in the Sinking Fund Account; or (ii) if the Issuer refuses, declines and/or for any reason does not remit to the Issuer amounts requested by the Bond Trustee, institute such proceedings against the Issuer as it thinks fit to enforce its rights under the Trust Deed and the other Bond Transaction Documents in respect of the Bonds, but it shall not be bound to do so unless:

- the Bond Trustee has been so requested in writing by the Bondholders holding more than seventy five per cent (75%) in principal amount of the Bonds Outstanding; or
- it has been so directed by an Extraordinary Resolution or a Written Resolution No Bondholder may proceed directly against the Issuer.

11. Notices

Any notices to Bondholders will be deemed to be made or delivered and will only be effective:

- (a) if by way of letter and sent by personal delivery, upon delivery at the physical address of the Bondholders; or
- (b) if by way of letter and sent by registered post, seven (7) days after the date of posting provided that proof is given that the notice was properly addressed and duly dispatched by registered post; or
- (c) if by way of e-mail, when it is received in readable form.

Subject to the provisions of this Trust Deed, each of the Issuer and the Bond Trustee hereby waives any rights it may have or obtain arising directly or indirectly from any losses or damages which the Issuer or the Bond Trustee (as the case may be) may suffer because the Bond Trustee acted on any notice given to it by e-mail (a Digital Notice), and each of the Issuer and the Bond Trustees hereby indemnifies the Bond Trustee (in the case of the Issuer) and the Issuer (in case of the Bond trustee) in respect of any claims, demands or actions made against it or losses or damages suffered by the Issuer or the Bond Trustee (as the case may be) by reason of having acted upon a Digital Notice.

Each of the Issuer and the Bond trustee hereby:

- (a) acknowledges that it is not practical or reasonable for the Bond Trustee (in the case of the Issuer) and the Issuer (in the case of the Bond Trustee) to establish the authenticity of Digital Notices;
- (b) agrees that all Digital Notices which purport to emanate from the Issuer or the Bond Trustee shall be deemed to have been given by it in the form actually received by the Bond Trustee or the Issuer (as the case may be) notwithstanding that such Digital Notices may, as a result of the malfunction of equipment, the distortion of communication links and the like, be different to that intended or sent;
- (c) agrees that this indemnity will not be affected by any failure by the Bond Trustee or the Issuer (as the case may be) to impose any or sufficient procedures or restrictions or to ensure that any, or all of them are adhered to; and
- (d) agrees that the Bond Trustee or the Issuer (as the case may be) may, but shall not be obliged to, act on any Digital Notices that appear to be defective or distorted.

The Issue and Paying Agent shall, upon and in accordance with the instructions of the Issuer but not otherwise, arrange for any notice which is to be given to the Bondholders to be given in accordance with this Condition.

Notices to be given by any Bondholder shall be in writing and given by lodging the same at the Specified Office of the Issue and Paying Agent.

12. Meetings of Bondholders, modifications and waiver

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds, certain provisions of the Bond Transaction Documents or modification of these Conditions or provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Bond Trustee or Bondholders holding not less than seventy five per cent (75%) in principal amount of the Bonds for the time being remaining Outstanding. Voting in an Extraordinary Resolution or written Resolution shall be procured in accordance with the thresholds set out in Schedule 4 (Regulations for Meetings of Bondholders) and shall be binding on all the Bondholders, whether or not they are present at the meeting, and whether or not they vote in favour.

The Bond Trustee and the Issuer may agree, without the consent of the Bondholders, to:

- (a) any modification (except as mentioned above) of the Bond Transaction Documents which is not prejudicial to the interests of the Bondholders; or
- (b) any modification of the Bonds or the other Bond Transaction Documents which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Tanzanian law.

Any such modification shall be binding on the Bondholders and any such modification shall be notified to the Bondholders in accordance with Condition 11 (Notices) as soon as practicable.

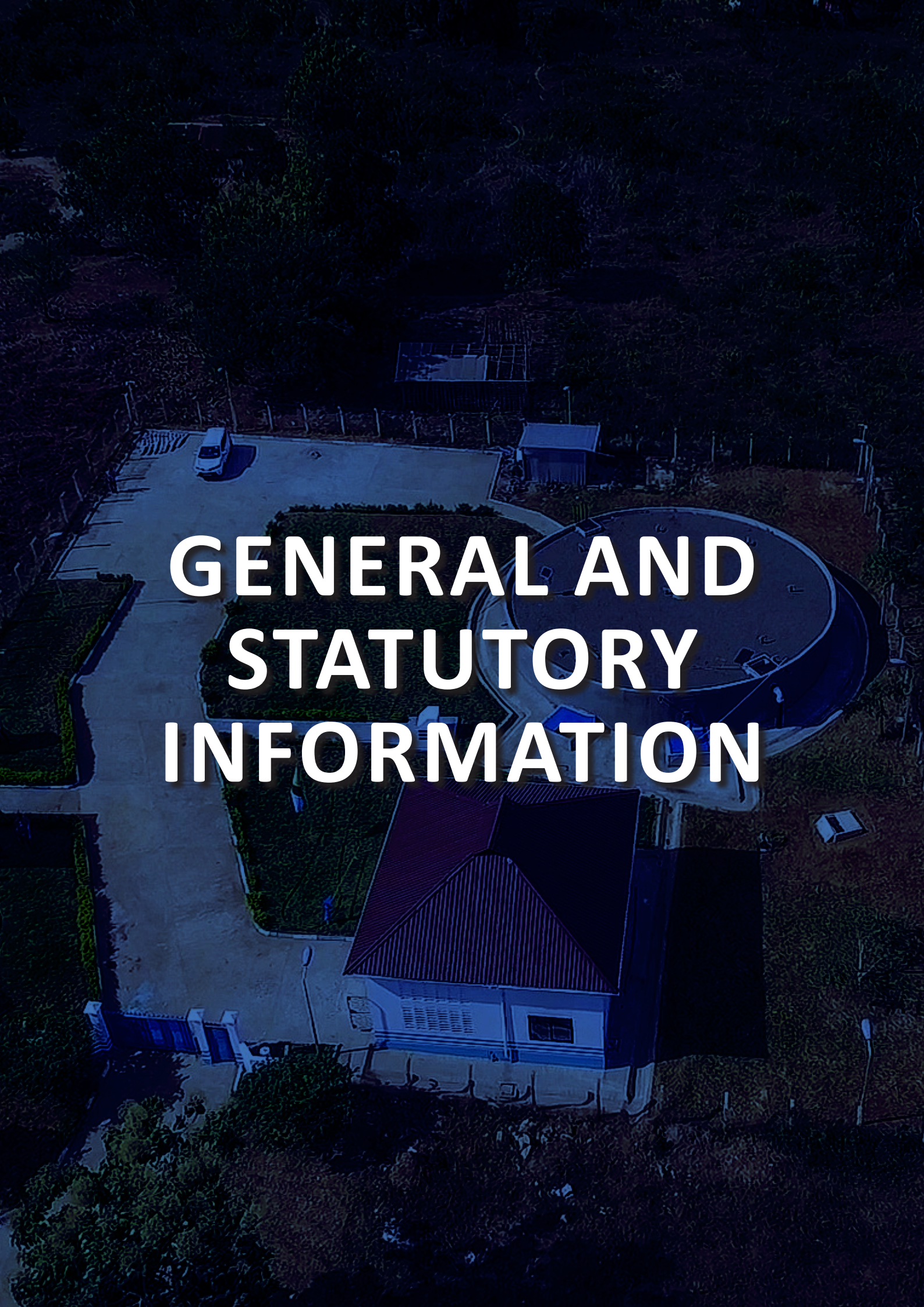
13. Law and submission to jurisdiction

(a) Governing Law

The Bonds (including these Conditions) shall be governed by and construed in accordance with the Applicable Laws of Tanzania.

(b) Jurisdiction

The Issuer agrees that the courts of Tanzania shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Deed (respectively, Proceedings and Disputes).

An aerial photograph of an industrial or utility site. In the foreground, there is a large, circular, light-colored tank. To its left is a building with a dark, gabled roof. A paved area with a white van is visible in the upper left. The background shows a dense line of trees. The entire image has a dark, blue-tinted overlay.

GENERAL AND STATUTORY INFORMATION

8. General and Statutory Information

8.1. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds, including but not limited to:

- (i) the letter reference number CMSA/RPP/04/150/7 dated 11 December 2023 from the Capital Markets and Securities Authority;
- (ii) the resolutions of the Board of Directors of the Issuer dated 21 November 2023;
- (iii) Letter of authorisation or no objection from the Ministry of Water dated 10 November 2023; and
- (iv) Letter of no objection from the Ministry of Finance dated 28 December 2023.

8.2. Licensing

The Issuer holds a license to provide Water Supply and Sanitation Services issued by the Energy and Water Utilities Regulatory Authority. The licence is annexed hereto as Appendix 6.

8.3. Summary of Material Provisions of the governing law, the Water Supply and Sanitation Act No. 5 of 2019 ("WSSA") and management framework

8.3.1. Election and approval of directors

- a) Tanga UWASA is governed by a Board of Directors formed in accordance with section 10 and 11 of the Water Supply and Sanitation Act No. 5 of 2019 (WSSA) and headed by the Managing Director who serves as a secretary to the Board. The Board has ten members with its chairman all appointed by the Minister of Water in consultation with the Minister responsible for local government. All appointed directors are legally required to have such technical qualifications or experience by virtue of their involvement in commerce, industry, agriculture, finance, public services or administration. The directors hold office for a period of three years but are eligible for re-appointment.
- b) The composition of the 10 member Board is as follows according to WSSA:
 - (A) a Chairman who shall be a resident of the municipality, township or locality in question;
 - (B) the Managing Director;
 - (C) one member representing the Ministry responsible for water;
 - (D) a representative of the regional administration;
 - (E) the Director of Municipal or City Council in the area of jurisdiction of the water authority; and
 - (F) at least five members appointed by the Minister upon consultation with the regional administration being:
 - Councilors;
 - a representative of the local commercial sector or large scale water consumer;
 - a representative of the locally based large scale consumers of water;
 - a representative of the domestic consumers of water; and
 - a representative of women's groups.

8.3.2. Management, Meetings and Voting Rights

- a) The Board ordinarily meets for the transaction of its business at the times and at the places determined by it, but it has to meet at least once in every three months. This means that the Board has the autonomy to decide its meeting schedule and frequency. Meetings are presided over by the chairperson, or in his absence, the Vice-Chairperson, shall preside at every meeting of the Board and in the absence or both the Chairman or a member appointed to server as Chairperson for purposes of the meeting. The quorum at any meeting of the Board shall be half of the members in office.
- b) Questions proposed at a meeting of the Board are decided by a majority of the votes of the members present and in the event of equality of votes, the person presiding shall have a second or casting vote in addition to his deliberative vote.

- c) The Board need not meet for conduct of business and a decision may be made by the Board without a meeting by circulation of relevant papers among the members. The expression in writing of their views by the majority of the Members shall constitute the decision of the Board.

8.4. Significant or Material Changes

As at the date of this Information Memorandum, there has been no significant change in the financial or trading position of the Issuer.

8.5. Acquisitions and Disposals of Material Assets

As at the date of this Information Memorandum, there was no acquisition and disposal of material assets otherwise than in the ordinary course of business.

8.6. Material Litigation

As at the date of this Information Memorandum, there is no litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a material adverse effect on the Issuer or have (to the best of its knowledge and belief) been started or threatened against the Issuer.

8.7. Material Contracts

As at the date of this Information Memorandum, the current material contracts as determined by the Issuer are set out in the list annexed hereto as Appendix 7.

8.8. Indicative expenses of the Issue

Cost Component	Amount in TZS
Advisors' Fees	913,204,800
Regulatory Fees	
CMSA Evaluation Fee	71,560,000
DSE Listing Fees	31,435,200
ISIN & CSD Fees	11,300,000
Marketing cost	30,000,000
Total	1,057,500,000

8.9. Documents available for inspection

- i. The Trust Deed;
- ii. Agency Agreement; and
- iii. Green Bond Framework



REPORTING ACCOUNTANT'S REPORT

9. Reporting Accountant's Report



**TANGA WATER SUPPLY AND SANITATION AUTHORITY
REPORTING ACCOUNTANT'S REPORT
HISTORICAL FINANCIAL INFORMATION**

The Board of Directors
 Tanga Water Supply and Sanitation Authority
 Street No.3, Swahili Street
 PO Box 5011
 Tanga
 Tanzania

Dear Sirs,

INDEPENDENT ACCOUNTANT’S REPORT ON TANGA WATER SUPPLY AND SANITATION AUTHORITY (TANGA-UWASA)’S HISTORICAL FINANCIAL INFORMATION

We hereby submit our Reporting Accountant’s report in accordance with the requirements of the Capital Markets and Securities (Prospectus Requirements) Regulations of Tanzania and Part V of the Dar es Salaam Stock Exchange Plc Rules, 2022, hereafter referred to as the “Regulations”.

We have reviewed the accompanying unaudited financial statements for the year ended 30 June 2023 and the audited financial statements for the three years ended 30 June 2022, 30 June 2021 and 30 June 2020 of Tanga Water Supply and Sanitation Authority (“TANGA-UWASA” or “the Authority”) set out on pages 77 to 127 of the Information Memorandum that comprise the statements of financial position as at 30 June 2023, 30 June 2022, 30 June 2021 and 30 June 2020, and the statements of performance, statements of changes in net assets and statements of cash flows for the years ended 30 June 2023, 30 June 2022, 30 June 2021 and 30 June 2020 and a summary of significant accounting policies and other explanatory information.

Those Charged with Governance’s responsibilities for the financial statements and information memorandum

The Those Charged with Governance of the Authority are responsible for the preparation and fair presentation of the Information Memorandum and financial statements in accordance with International Public Sector Accounting Standards and for such internal control necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

Basis of our conclusion

We conducted our review in accordance with International Standards on Review Engagement (ISRE 2400 Revised). This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Authority’s personnel, analytical procedures applied to financial data, and evaluating the sufficiency and appropriateness of evidence obtained.

We believe that the evidence we have obtained in our review is sufficient and appropriate to provide a basis for our conclusion.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on

these financial statements.

The Controller and Auditor General was the auditor of Tanga- UWASA in the years ended 30 June 2022, 30 June 2021 and 30 June 2020. Audit opinions expressed on the financial statements for the years ended 30 June 2022, 30 June 2021 and 30 June 2020, from which the financial information for these three years was derived, were unqualified opinions.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements from which the financial information are derived do not give a true and fair view of the financial position of TANGA- UWASA as at 30 June 2023 , 30 June 2022, 30 June 2021 and 30 June 2020 and of its financial performance and cash flows for the years ended 30 June 2023 , 30 June 2022 , 30 June 2021 and 30 June 2020 in accordance with International Public Sector Accounting Standards (IPSAS).




In our opinion, the financial information has been properly extracted from the unaudited financial statements for the year ended 30 June 2023 and the audited financial statements for the three years ended 30 June 2022, 30 June 2021 and 30 June 2020.



Christopher Alex Mageka - CPA-PP
Partner, INNOVEX Auditors
08/11/ 2023



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STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2022/23	2021/22	2020/21 (Restated)	2019/20
		TZS '000	TZS '000	TZS '000	TZS '000
REVENUE FROM EXCHANGE TRANSACTIONS					
Water and Sewerage Services	21	15,516,029	15,867,063	15,171,815	14,388,488
Other Income	21	628,409	796,982	454,599	386,022
Finance Revenue	22	856	1,285	1,800	1,080
		16,145,294	16,665,330	15,628,214	14,775,590
REVENUE FROM NON-EXCHANGE TRANSACTIONS					
Fees and penalties	23	67,312	59,997	78,494	83,766
Amortization of Capital Grants	17	3,911,328	3,115,218	2,024,723	1,103,103
Gain on Disposal		33,495	32,686	10,395	-
		4,012,135	3,207,901	2,113,612	1,186,869
TOTAL REVENUE		20,157,429	19,873,231	17,741,826	15,962,459
EXPENSES					
Water Production Expenses	24	2,565,279	2,106,116	1,984,557	1,820,183
Water Distribution Expenses	25	896,546	1,031,036	643,711	429,812
Sewerage Expenses	26	87,932	170,551	84,525	97,555
Repair and Maintenance Expenses	27	486,882	332,116	461,087	460,539
Personnel Expenses	28	5,663,046	4,837,408	4,523,310	4,524,263
Administrative Expenses	29	4,224,493	4,327,235	4,001,882	3,205,076
Directors Fees	30	56,941	49,294	51,000	84,373
Board Meeting Expenses	31	128,189	139,915	192,487	151,762
Other Expenses	32	877,988	729,318	660,174	692,947
Depreciation	14	3,084,839	2,744,581	3,060,849	2,705,651
Financial Cost	33	410,483	235,662	34,298	141,311
Provision for impairment of receivables	12	212,243	887,540	234,209	134,692
Provision of Obsolete inventory		-	209,540	-	-
Amortization of Intangible Assets	16	2,253	16,253	16,253	16,253
TOTAL EXPENSES		18,697,114	17,816,565	15,948,341	14,464,417
OPERATING SURPLUS		1,460,315	2,056,666	1,793,485	1,498,042
Impairment loss		-	-	-	(18,992)
Gain on disposal of assets		-	-	-	-
Loss on disposal of assets		-	-	(43,264)	-
SURPLUS		1,460,315	2,056,666	1,750,220	1,479,050

STATEMENT OF FINANCIAL POSITION

	Notes	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 (Restated) TZS '000	30-Jun-20 TZS '000
ASSETS					
Current Assets					
Inventories	11	1,681,667	2,032,906	1,313,252	1,221,499
Trade and Other Receivables	12	5,400,753	6,497,395	6,194,702	5,327,550
Cash and Cash Equivalents	13	323,205	742,266	611,299	752,141
Total Current Assets		7,405,625	9,272,567	8,119,253	7,301,190
Non-Current Assets					
Property, Plant and Equipment	14	68,143,203	58,500,582	52,760,636	50,819,594
Intangible Assets	16	2,253	4,506	20,760	37,013
Total Non-Current Assets		68,145,446	58,505,088	52,781,396	50,856,607
TOTAL ASSETS		75,551,081	67,777,655	60,900,649	58,157,797
EQUITY AND LIABILITIES					
Capital and Reserves					
Capital Fund	8	31,572,842	31,572,842	31,572,842	31,562,512
Accumulated Surplus	8	28,907,482	27,447,167	25,390,501	22,620,438
Total Equity		60,480,324	59,020,009	56,963,343	54,182,950
Non-Current Liabilities					
Term Loan	18	6,256,153	2,775,079	-	-
Total Non-Current Liabilities		6,256,153	2,775,079	-	-
Current Liabilities					
Trade and Other Payables	19	8,734,604	5,236,549	3,877,306	3,534,916
Provisions for expenses	20	80,000	80,000	60,000	132,337
Current Maturity of Term Loan	18	-	666,018	-	307,594
Total Current Liabilities		8,814,604	5,982,567	3,937,306	3,974,847
TOTAL EQUITY AND LIABILITIES		75,551,081	67,777,655	60,900,649	58,157,797

STATEMENT OF CASH FLOWS

	Notes	2022/23 TZS '000	2021/2022 TZS '000	2020/2021 TZS '000	2019/2020 TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Receipts from Customers	35	17,062,009	15,504,916	14,523,924	14,510,756
Grants	17	3,911,327	3,115,218	2,024,723	1,103,103
Finance Revenue	22	856	1,285	1,800	1,080
Fees and penalties	23	67,312	59,997	78,494	83,766
Total Cash Receipts from Customers		21,041,504	18,681,416	16,628,941	15,698,705
LESS: PAYMENTS					
Payments to suppliers and consumables	35	(5,474,957)	(8,435,532)	(7,856,114)	(6,752,526)
Payments to employees	28	(5,663,046)	(4,837,408)	(4,523,310)	(4,524,261)
Finance cost	33	(410,483)	(235,662)	(34,298)	(141,311)
Total payments		(11,548,486)	(13,508,602)	(12,413,722)	(11,418,098)
NET CASH GENERATED FROM OPERATIONS		9,493,018	5,172,814	4,215,219	4,280,607
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Property, Plant and Equipment (own source)	14	(3,136,536)	(8,484,526)	(4,049,644)	(2,790,302)
Acquisition of Property, Plant and Equipment (Grants and loan)	14	(9,592,111)	-	-	(981,365)
Adjustment PPE		1,187			
Proceeds From Disposal of PPE	14	325	1,581	1,177	-
NET CASH USED IN INVESTING ACTIVITIES		(12,727,134)	(8,482,945)	(4,048,467)	(3,771,667)
CASH FLOWS FROM FINANCING ACTIVITIES					
Long term borrowing		3,638,782	3,797,143	-	-
Loan repayment	18	(823,727)	(356,045)	(307,594)	(825,309)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		2,815,055	3,441,098	(307,594)	(825,309)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(419,061)	130,967	(140,842)	(316,369)
Cash and Cash Equivalents at the beginning of the year		742,266	611,299	752,141	1,068,511
Cash and Cash Equivalents at the end of the year		323,205	742,266	611,299	752,141

STATEMENT OF CHANGES IN NET ASSETS

	Capital Fund TZS '000	Revaluation Reserve TZS '000	Accumulated Surplus TZS '000	Total TZS '000
Balance as at 1 July, 2019	25,729,726	-	12,208,389	37,938,115
Prior year adjustment for intangible assets	-	-	(104,707)	(104,707)
Adjustment for deemed cost	-	-	9,037,707	9,037,707
Acquired from Muheza and Pangani	5,832,786	-	-	5,832,786
Surplus for the year	-	-	1,479,050	1,479,050
As at 30 June 2020	31,562,512	-	22,620,439	54,182,951
Balance As at 1 July 2020	31,562,513	-	22,620,439	54,182,951
Prior year adjustments for stocks Acquired from Muheza and Pangani	10,329	-	-	10,329
Prior year adjustment for retained earnings**	-	-	1,019,842	1,019,842
Surplus For the Year	-	-	1,750,220	1,750,220
As at 30 June 2021	31,572,842	-	25,390,501	56,963,343
Balance as at 1 July 2021	31,572,842	-	25,390,501	56,963,343
Surplus For the Year	-	-	2,056,666	2,056,666
As at 30 June 2022	31,572,842	-	27,447,167	59,020,009
Balance as at 1 July 2022	31,572,842	-	27,447,167	59,020,009
Surplus For the Year	-	-	1,460,315	1,460,315
As at 30 June 2023	31,572,842	-	28,907,482	60,480,324

****Prior year adjustments for retained earnings**

The previous year retained earning has been adjusted to add TZS 1,019,842,246 which is made of adjustments for PSSSF contribution penalty amounting to TZS 7,946,987, Grants received for Mowe Kitisa project TZS 995,370,386.63; payables for Muheza projects TZS 33,548,849 and TZS 1,130,000 for revenue transferred from forgone liabilities from Muheza.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023
(UNAUDITED)

	Original Budget 2022/2023	Adjustment	Final Budget 2022/2023	Actual (On Cash Basis) 2022/2023	Difference	Variance (%)
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	
RECEIPTS						
Cash Receipt From Customers	18,342,850	(1,604,318)	16,738,531	16,400,430	338,101	2%
Grants	-	2,772,516	2,772,516	3,911,327	(1,138,811)	-41%
Finance Revenue	1,000	-	1,000	856	144	14%
Other Income	1,179,600	(135,300)	1,044,300	728,891	315,409	30%
TOTAL RECEIPTS	19,523,450	1,032,897	20,556,347	21,041,504	(485,157)	-2%
PAYMENTS						
Water Production Expenses	(2,404,666)	(379,000)	(2,783,666)	(2,565,279)	(218,387)	8%
Water Distribution Expenses	(1,163,685)	(56,244)	(1,219,929)	(896,546)	(323,383)	27%
Sewerage Charges Expenses	(121,620)	20,000	(101,620)	(87,933)	(13,687)	13%
Repair And Maintenance Expenses	(290,000)	(80,000)	(370,000)	(486,882)	116,882	-32%
Personnel Expenses	(6,027,939)	174,187	(5,853,752)	(5,663,046)	(190,706)	3%
Administrative Expenses	(4,641,100)	85,400	(4,555,700)	(4,224,493)	(331,207)	7%
Directors Fees	(51,000)	-	(51,000)	(56,941)	5,941	-12%
Board Meeting Expenses	(230,000)	60,000	(170,000)	(128,189)	(41,811)	25%
Corporate expenses	(793,180)	(52,000)	(845,180)	(803,010)	(42,170)	5%
Other Expenses	(125,000)	45,000	(80,000)	(74,979)	(5,021)	6%
Sub Total	(15,848,190)	(182,657)	(16,030,847)	(14,987,298)	(1,043,549)	7%
Procurement Of Supplies And Consumables	-	-	-	(351,239)	351,239	-
Other Payments	-	-	-	(3,498,055)	3,498,055	-
Financial Costs	(532,000)	-	(532,000)	(410,483)	(121,517)	23%
Total Operational Expenses	(16,380,190)	(182,657)	(16,562,847)	(19,247,075)	2,684,228	-16%
DEVELOPMENT COSTS						
Acquisition of PPE (own source)	(3,638,020)	43,760	(3,594,260)	(12,728,647)	9,134,388	-254%
Acquisition of PPE- TIB LOAN	(712,635)	(2,990,222)	(3,702,857)	-	(3,702,857)	100%
Proceeds from Sale of PPE	-	-	-	325	325	-
Acquisition of PPE (Grants)	-	(1,700,000)	(1,700,000)	-	(1,700,000)	100%
Adjustment	-	-	-	1,188	1,188	-
Total Developments Expenses	(4,350,655)	(4,646,462)	(8,997,116)	(12,727,134)	3,730,018	-41%
Loan Received	712,635	2,990,222	3,702,857	3,638,782	64,075	2%
Loan Repayment	(705,240)	(1,395)	(706,635)	(823,727)	117,092	-17%
Debtors	1,200,000	65,130	1,265,130	-	1,265,130	100%
TOTAL PAYMENTS	(19,523,450)	(1,775,162)	(21,298,611)	(29,159,154)	7,860,543	-37%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original Budget TZS '000	Adjustment TZS '000	Final Budget TZS '000	Actual (On Cash Basis) TZS '000	Difference TZS '000	Variance (%)
RECEIPTS						
Water Consumption	16,494,636	(1,061,472)	15,433,163	15,567,178	(134,015)	-1%
Sewerage Charges	400,000	(2,976)	397,024	299,885	97,140	24%
Cash Receipt from Customers	16,894,636	(1,064,448)	15,830,188	15,867,063	(36,875)	0%
Finance Revenue	500	500	1,000	1,285	(285)	-29%
Other Income	884,155	(48,000)	836,155	654,772	181,383	22%
Grants	-	3,200,000	3,200,000	3,115,218	84,782	3%
TOTAL RECEIPTS	17,779,291	2,088,052	19,867,343	19,638,339	229,004	1%
PAYMENTS						
Water Production Expenses	(1,742,036)	(75,000)	(1,817,036)	(2,106,116)	289,081	-16%
Water Distribution Expenses	(750,855)	(148,678)	(899,533)	(1,030,995)	131,463	-15%
Sewerage Charges Expenses	(171,400)	40,000	(131,400)	(166,371)	34,971	-27%
Repair And Maintenance Expenses	(261,500)	(10,000)	(271,500)	(324,937)	53,437	-20%
Personnel Expenses	(5,085,576)	105,000	(4,980,576)	(4,843,405)	(137,171)	3%
Administrative Expenses	(4,173,900)	74,500	(4,099,400)	(4,314,509)	215,109	-5%
Directors Fees	(51,000)	-	(51,000)	(49,294)	(1,706)	3%
Board Meeting Expenses	(225,000)	50,000	(175,000)	(139,915)	(35,085)	20%
Other Expenses	(779,500)	(75,000)	(854,500)	(719,336)	(135,164)	16%
Sub Total	(13,240,767)	(39,178)	(13,279,944)	(13,694,878)	414,934	-3%
Financial Costs	(525,000)	199,800	(325,200)	(213,036)	(112,164)	34%
Total Operational Expenses	(13,765,767)	160,623	(13,605,144)	(13,907,914)	302,770	-2%
DEVELOPMENT COSTS						
Acquisition of PPE (own source)	(3,141,204)	351,325	(2,789,879)	(4,739,991)	1,950,113	-70%
Acquisition of PPE (Grants)	-	(3,200,000)	(3,200,000)	(4,277,860)	1,077,860	-34%
Total Developments Expenses	(3,141,204)	(2,848,675)	(5,989,879)	(9,017,851)	3,027,972	-51%
Bank Loan – Received	-	-	-	-	-	
Loan Repayment	(872,320)	-	(872,320)	(356,045)	(516,275)	59%
TOTAL PAYMENTS	(17,779,291)	(2,688,052)	(20,467,343)	(23,281,811)	2,814,468	-14%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget TZS '000	Final Budget TZS '000	Actual (On Cash Basis) TZS '000	Difference TZS '000	Variance (%)
RECEIPTS					
Water Consumption	16,472,421	15,236,864	14,828,823	408,040	3%
Sewerage Charges	394,250	359,906	342,991	16,915	5%
Cash Receipt From Customers	16,866,671	15,596,770	15,171,815	424,955	3%
Finance Revenue	1,200,000	1,000	1,800	(800)	-80%
Other Income	700,610	595,700	533,093	62,607	11%
TOTAL RECEIPTS	18,767,281	16,193,470	15,706,708	486,762	3%
PAYMENTS					
Water Production Expenses	(1,970,800)	(1,837,000)	(1,984,557)	147,557	-8%
Water Distribution Expenses	(550,000)	(571,500)	(643,711)	72,211	-13%
Sewerage Charges Expenses	(155,000)	(130,152)	(84,525)	(45,627)	35%
Repair and Maintenance Expenses	(436,000)	(345,000)	(461,087)	116,087	-34%
Personnel Expenses	(5,159,578)	(4,712,083)	(4,509,153)	(202,929)	4%
Administrative Expenses	(4,414,246)	(4,155,975)	(4,001,882)	(154,093)	4%
Directors Fees	(51,000)	(51,000)	(51,000)	-	-
Board Meeting Expenses	(225,000)	(220,000)	(192,487)	(27,513)	13%
Other Expenses	(985,853)	(791,443)	(660,174)	(131,269)	17%
Sub Total	(13,947,477)	(12,814,152)	(12,588,576)	(225,576)	2%
Financial Cost	(34,887)	(107,500)	(34,298)	(73,202)	68%
Total Operational Expenses	(13,982,364)	(12,921,652)	(12,622,875)	(298,777)	2%
DEVELOPMENT COSTS					
Acquisition of PPE(own source)	(4,584,946)	(4,366,179)	(4,049,644)	(316,535)	7%
Proceeds from Sale of PPE	10,000	30,000	1,177	28,823	96%
Total Developments Expenses	(4,574,946)	(4,336,179)	(4,048,467)	(287,712)	7%
Loan Repayment	(357,594)	(445,522)	(307,594)	(137,928)	31%
TOTAL PAYMENTS	(18,914,904)	(17,703,354)	(16,978,936)	(724,418)	4%

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget TZS '000	Final Budget TZS '000	Actual (On Cash Basis) TZS '000	Difference TZS '000	Variance (%)
RECEIPTS					
Water Consumption	16,472,421	15,236,864	14,828,823	408,040	3%
Sewerage Charges	394,250	359,906	342,991	16,915	5%
Cash Receipt From Customers	16,866,671	15,596,770	15,171,815	424,955	3%
Finance Revenue	1,200,000	1,000	1,800	(800)	-80%
Other Income	700,610	595,700	533,093	62,607	11%
TOTAL RECEIPTS	18,767,281	16,193,470	15,706,708	486,762	3%
PAYMENTS					
Water Production Expenses	(1,970,800)	(1,837,000)	(1,984,557)	147,557	-8%
Water Distribution Expenses	(550,000)	(571,500)	(643,711)	72,211	-13%
Sewerage Charges Expenses	(155,000)	(130,152)	(84,525)	(45,627)	35%
Repair and Maintenance Expenses	(436,000)	(345,000)	(461,087)	116,087	-34%
Personnel Expenses	(5,159,578)	(4,712,083)	(4,509,153)	(202,929)	4%
Administrative Expenses	(4,414,246)	(4,155,975)	(4,001,882)	(154,093)	4%
Directors Fees	(51,000)	(51,000)	(51,000)	-	-
Board Meeting Expenses	(225,000)	(220,000)	(192,487)	(27,513)	13%
Other Expenses	(985,853)	(791,443)	(660,174)	(131,269)	17%
Sub Total	(13,947,477)	(12,814,152)	(12,588,576)	(225,576)	2%
Financial Cost	(34,887)	(107,500)	(34,298)	(73,202)	68%
Total Operational Expenses	(13,982,364)	(12,921,652)	(12,622,875)	(298,777)	2%
DEVELOPMENT COSTS					
Acquisition of PPE(own source)	(4,584,946)	(4,366,179)	(4,049,644)	(316,535)	7%
Proceeds from Sale of PPE	10,000	30,000	1,177	28,823	96%
Total Developments Expenses	(4,574,946)	(4,336,179)	(4,048,467)	(287,712)	7%
Loan Repayment	(357,594)	(445,522)	(307,594)	(137,928)	31%
TOTAL PAYMENTS	(18,914,904)	(17,703,354)	(16,978,936)	(724,418)	4%

1. LEGAL STATUS

Tanga Urban Water Supply and Sanitation Authority is an autonomous water utility organization authorized to offer water supply and sewerage disposal services in Tanga City. It was established under the Water Works (Declaration of Water Supply Areas) Order, 1998 published in the Government Gazette Notice No. 61 dated 19 February 1998. The order was made pursuant to Regulation 3(3) of the Water Works Ordinance (Cap. 281). The Authority started operations from 1 July 1998. Following the amendments of Water Act, the Authority is now operating under the Act No. 15 of Water Supply and Sanitation Act, 2019. The registered office of the Authority is Plot No. 65 Block KB XIV, Swahili Street, P.O. Box 5011 Tanga– Tanzania.

The main objectives for which Tanga UWASA was established include:

- To supply sufficient clean and safe water to satisfy the growing demand of Tanga City, Muheza and Pangani residents and
- To safely collect and dispose sewage in compliance to environmental standards

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies below. The financial statements are prepared on accrual basis.

No adjustments have been made for inflationary factors affecting the accounts.

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are separately disclosed in a note.

3. STATEMENT OF COMPLIANCE WITH INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

The financial statements for the six months ended 31 December 2022 and the comparative figures for the previous year have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis. The date of first adoption of Accrual basis IPSAS for Tanga UWASA is 1 July 2014 and all applicable interpretations issued by the International Public Sector Accounting Standards Board (IPSASB).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Property, Plant and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

Subsequent costs (major renovation costs) are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to reduce the cost of each asset to its residual value over its estimated useful life at a given rate per annum as detailed below:

Asset Description	Useful Life (Years)
Dam	100
Borehole	30
Shallow wells	15

Asset Description	Useful Life (Years)
Buildings	50
Water Production Facilities	15
Laboratory equipment	5
Water Distribution Facilities	20
Office Furniture and Equipment	5
Sewerage Facilities	15
Motor Vehicles	5
Motorcycle	4
Heavy Duty vehicle (5 tons and above)	10
Plant and Machinery	15
Computer (Desktop and Laptops)	4
Servers	7
Network/Telecom Equipment	7
Document processing equipment (Photocopy)	7
Television studio, cameras, and other photographic equipment	7
Computer software	3-5

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

b. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, the intangibles are accounted using cost model. Intangible assets comprise of costs that are directly associated with identifiable and unique computer software products that the Authority controls. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of financial performance in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives with useful life of four years is recognized in the statement of financial performance. Intangible assets are amortized and recognized in the statement of financial performance using the straight-line method over estimated useful lives. The estimated useful life for the computer software is 3 to 5 years i.e., 20% to 33.3%.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of financial performance when the asset is derecognized.

c. Impairment of Non-Financial Assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance in the period in which they are incurred.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Authority estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of financial performance unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

d. Inventories

Inventories held for sale are stated at the lower of cost or net realizable value. Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost and current replacement cost. Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

- Raw materials – purchase cost on average basis.
- Stationeries and other consumables – cost is determined on average basis.
- Finished goods and work in progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity but excluding borrowing costs.
- Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

e. Financial Assets

Financial assets within the scope of IPSAS 29 are classified as loans and receivables. When financial assets are recognized initially, they are measured at fair value. The Authority determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. The Authority's Financial Assets comprise of trade receivables and cash and cash equivalent.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in surplus/deficit when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Fair value: The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortized cost: Held-to-maturity investments and loans and receivables are measured at amortized cost. This is computed using the effective interest method less any allowance for impairment. The calculation considers any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

f. Financial liabilities

All the Company's financial liabilities are classified as financial liabilities at amortised cost. These are subsequently measured at amortised cost using the effective interest method. The Company's principal financial liabilities are trade and other payables (excluding statutory liabilities) and borrowings.

Trade and other payables are stated at their nominal value. Trade payables are non-interest bearing and are normally settled between 15 to 30 days for local suppliers and up to 60 days for foreign suppliers after the date of invoice.

g. Borrowings

Borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in surplus/deficit when the liabilities are derecognized as well as through the amortization process.

h. Impairment of financial assets

The Authority test for impairment all the financial assets at the statement of financial position date to check whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

The amount of the impairment loss has been measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in surplus/deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in surplus/deficit.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the entity will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

i. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired.
- The entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Entity could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of financial performance.

j. Offsetting of financial assets and financial liabilities

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

k. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the Authority operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings (TZS), which is the Authority's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are in the statement of financial performance.

l. Cash and cash equivalents

Cash and bank balances in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less and is measured at amortized cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

a) Capital Grants

Capital grants received from the Government or other donors in form of property, plant and equipment or funds, whose primary condition is that the Authority should purchase, construct, or otherwise acquire long term assets, are deferred to capital grants account, and recognized in full as revenue in the statement of financial performance unless the grants condition are not fulfilled a liability is recognized in respect of the same in flow.

b) Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Authority expects a provision to be reimbursed, for example under insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

c) Appropriation of reserves /surplus

Tanga Urban Water Supply and Sanitation Authority is a non-profit making entity and for that reason; there is no declaration of dividends. The surplus generated, if any, shall be used for financing future operations of the Authority.

d) Revenue from Exchange Transactions

Revenue comprises the fair value of the consideration received or receivable for the supply of water and provision of sewerage services in the ordinary course of the Authority's activities. The Authority recognizes revenue when billed and the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and when specific criteria have been met.

Supply of water (Water and Sewerage Services)

Revenue from the supply of water is recognised on the basis of water supplied during the period on an accrual basis with reference to meter readings.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

e) Revenue from non-exchange transactions

Non-exchange transactions are transactions in which one entity either receives value from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.

Amortisation of deferred revenue (Income from Grants)

Deferred revenue is amortised and recognised as income on a straight-line basis over the estimate useful life of the related property, plant, and equipment. Funds received by the Authority from the Government or other donors for meeting operating costs and expenses are credited to the statement of financial performance.

Fees, fines and penalties

Revenue from fees, fines and penalties is recognised in the accounting period in which it is earned.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

n. Employees benefits

Short-term benefits include salaries, employees' entitlements to leave and leave pay, medical aids and other related employment costs. These costs are recognized during the period in which the employees render the related services. Post-employment benefits are made up of pension contributions. The Authority operates defined contribution plans where it has statutory obligations to contribute to approved pension scheme in favour of all the employees employed under permanent and pensionable terms. The pension scheme in force which the Authority contributes Public Sector Service Social Security Fund (PSSSF) under which the employees contribute 5% of their monthly salary and 15% is contributed by the Authority.

Other long-term employment benefits comprise of long service award.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits. The Authority recognizes termination benefits when it is constructively obliged to either terminate the employment of the current employees according to detailed formal plan without possibility of withdrawal or to provide termination benefits because of an offer made to encourage voluntary redundancy.

5. FUTURE CHANGES IN ACCOUNTING POLICIES

Standards issued but not yet effective up to the date of issuance of the entity's financial statements are listed below. These listings of standards issued are those which the Government is reasonably expecting to have an impact on disclosures, financial position or performance when applied at a future date. The Government intends to adopt these standards when they become effective.

- IPSAS 43 – Leases: This standard is effective for annual financial statements covering periods beginning on or after January 1, 2025.
- IPSAS 44 - Non-current Assets Held for Sale and Discontinued Operations: This standard is effective for annual financial statements covering periods beginning on or after January 1, 2025.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of preparing the Authority financial statements, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts disclosed in the financial

statements.

Impairment of receivables

Receivables are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the carrying amount of the tax receivable exceeds its recoverable amount. Receivables are recognised on the assumption that the customer will pay the amount billed, and the amount can be measured reliably. If the assumptions with regard to recoverability changes, the impairment is recognised. The movement of provision for impairment of receivables is explained further in Note 12.

Estimates and assumptions

The estimations in these financial statements are based on the best information available at the time of their preparation. Given the inherent uncertainty of predicting the future, actual events are likely to differ from these assumptions, which may have a material impact on the results reported in these financial statements. Some of the key assumptions are discussed below.

Useful Lives and Residual Values

The Authority depreciate their property, plant and equipment over their estimated useful lives considering residual values. The actual lives and residual values of these assets can vary depending on a variety of factors. The useful lives have been disclosed in Note 4. The carrying value of property, plant and equipment is in Note 14.

Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

7. RISK MANAGEMENT

Risk is an inherent feature of the activities of any institution. Tanga Water Supply and Sewerage Authority endeavors to manage risk by having in place appropriate functional structures, systems and procedures. These structures, systems and procedures evolve continuously in response to changes in the environment in which the Authority operates. The following are the main types of risks the authority is exposed to in the course of executing its operations:

- Operational Risk
- Liquidity Risk
- Credit Risk

i) Liquidity Risk

Liquidity risk is the risk that the Authority faces by not having adequate funds to settle day-to-day obligations as they fall due. The Authority has a prudent liquidity risk management through which it maintains sufficient cash to cover committed credit facilities received; working capital as well as capital project requirements. Liquidity risk management by the Authority includes forward planning and close monitoring by the finance department.

	0 - 30 Days TZS '000	31-60 Days TZS '000	61-180 days TZS '000	181-360 Days TZS '000	>360 Days TZS '000	Total TZS '000
30-Jun-23						
Trade Payables	1,542,935	403,893	1,804,516	1,896,139	456,652	6,104,135
Accrued Expenses	254,654	49,542	76,316	103,613	-	484,125
Statutory Employees' Liabilities	232,703	238,045	505,948	515,229	6,426	1,498,350
Other payables	10,588	95,816	218,878	311,228	105,134	741,645
Receivables with Credit Balances	-	-	-	-	-	-
TOTAL	2,040,880	787,296	2,605,659	2,826,209	568,212	8,828,255
30-Jun-22						
Trade Payables	1,920,348	195,348	2,202,789	76,695	7	4,395,187
Accrued Expenses	8,984	8,008	63,197	66,998	88,277	235,464
Statutory Employees' Liabilities	189,379	72,230	25,277	-	-	286,886
Other payables	10,843	84,340	189,402	34,367	-	318,952
Receivables with Credit Balances	-	-	-	-	-	-
TOTAL	2,129,554	359,926	2,480,665	178,060	88,284	5,236,489
30-Jun-21						
Trade Payables	899,704	91,614	1,724,486	221,445	130,498	3,067,748
Accrued Expenses	-	16,987	-	699	-	77,685
Statutory Employees' Liabilities	133,086	39,063	27,054	53,919	-	253,122
Other payables	10,843	84,340	193,675	34,367	-	323,225
Receivables with Credit Balances	-	-	59	-	-	59
TOTAL	1,043,633	232,004	1,945,275	310,430	130,498	3,721,839
30-Jun-20						
Trade Payables	786,741	537,347	235,714	446,901	8,786	2,015,487
Accrued Expenses	51,316	17,774	6,400	55,000	-	130,490
Statutory Employees' Liabilities	169,540	-	93,120	-	-	262,660
Other Payables	13,245	391	265,683	120,196	-	399,515
Receivables with Credit Balances	-	2,587	-	-	-	2,587
SUB TOTAL	1,020,842	558,097	600,917	622,097	8,786	2,810,739
Trade Payables Acquired from Muheza and Pangani	-	724,178	-	-	-	724,178
TOTAL	1,020,842	1,282,275	600,917	622,097	8,786	3,534,917

ii) Operational Risk

Operational risk is the risk of loss both financial and non-financial resulting from inadequate systems, management failures, ineffective internal control processes, fraud, theft, and human errors. The Authority addresses this risk, inter alia, through ensuring existence of a sound internal control system.

Managing operational risk in the Authority is an integral part of the day-to-day operations by the management. Management and the Board of Directors closely monitor this risk.

iii) Credit Risk

Potential credit risk involves short-term cash deposits, trade and other receivables. Risk relating to short-term cash deposits is managed through ensuring that cash surpluses are deposited with banks of high credit standing. Management of risk associated with trade and other receivables includes prompt invoicing, close follow up and requiring regular customers to deposit money in advance to cover for services to be rendered.

Age Analysis as at 30 June 2023

	0 - 30 Days TZS '000	31-60 Days TZS '000	61-180 days TZS '000	181-360 Days TZS '000	>360 Days TZS '000	Total TZS '000
30-Jun-23						
Trade Receivables	1,090,035	533,636	770,627	771,432	2,721,538	5,887,268
Advance Payments /Deposits	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-
Staff Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
TOTAL	1,090,035	533,636	770,627	771,432	2,721,538	5,887,268
30-Jun-22						
Trade Receivables	1,122,488	809,319	1,046,072	677,625	2,243,159	5,898,663
Advance Payments /Deposits	-	-	-	-	-	-
Prepayments	3,547	-	8,126	-	-	11,673
Staff Receivables	7,751	5,282	15,406	85,106	-	113,545
Other Receivables	3,396	10,860	-	24,813	273,396	312,465
TOTAL	1,137,182	825,461	1,069,603	787,544	2,516,555	6,336,345
30-Jun-21						
Trade Receivables	1,149,970	325,040	135,433	81,260	4,155,928	5,847,631
Advance Payments /Deposits	236,911	137,816	2,605	227,259	-	604,590
Prepayments	-	-	22,516	6,301	-	28,817
Staff Receivables	22,007	5,989	27,068	31,231	-	86,295
Other Receivables	-	-	-	-	-	-
TOTAL	1,408,888	468,845	187,621	346,051	4,155,928	6,567,333
30-Jun-20						
Trade Receivables	1,505,898	290,504	551,483	347,624	2,075,566	4,771,076
Advance Payments/Deposit	23,002	-	-	244,254	-	267,257
Prepayments	13,855	-	-	-	-	13,854
Staff Receivables	39,983	3,456	7,862	41,126	-	92,427
Other Receivables	-	-	-	117,909	-	117,909
SUB-TOTAL	1,582,738	293,960	559,345	750,913	2,075.57	5,262,523
Trade Receivables acquired from Amalgamation	65,027	-	-	-	-	65,027
TOTAL	1,647,765	293,960	559,345	750,913	2,075.57	5,327,550

8. CAPITAL MAINTENANCE

The net assets of the Authority are made up of accumulated surplus and capital fund. The Board of Directors monitors the growth of capital to ensure growth of the Authority. As at 30 June 2023 the capital balance stood at:

	30 Jun 23	30 Jun 22	30 Jun 2021	30 Jun 20
	TZS'000	TZS'000	TZS'000	TZS'000
Accumulated Surplus	28,907,482	27,447,167	25,438,910	22,620,438
Capital Fund	31,572,842	31,572,842	31,572,842	31,562,512
	60,480,324	59,020,009	57,011,752	54,182,950

NOTE: Capital fund represent value of assets taken over TZS 25,729,726,256 at the Authority's inception in year 1998 from the Regional Development Director and value of assets taken over from Muheza and Pangani Township after amalgamation on September 2019 which amounted to TZS 5,832,786,463 subsequently adjusted by 10,329,321 to 5,843,115,784 in the year ended 30th June 2021.

9. CATEGORIES OF FINANCIAL INSTRUMENTS

The categorisation of financial instruments as per IPSAS 29 Financial Instruments – Recognition and Measurement – is as shown below:

	Carrying Value TZS'000	Loans and Receivables TZS'000
30-Jun-23		
Financial Assets		
Cash and Cash Equivalents	323,205	323,205
Trade and Other Receivables	5,400,753	5,400,753
	5,723,958	5,723,958
30-Jun-22		
Financial Assets		
Cash and Cash Equivalents	742,266	742,266
Trade and Other Receivables	6,497,396	6,497,396
	7,239,662	7,239,662
30 June 2021		
Financial Assets		
Cash and Cash Equivalents	611,299	611,299
Trade and Other Receivables	6,160,449	6,160,449
	6,771,748	6,771,748
30 June 2020		
Financial Assets		
Cash and Cash Equivalents	752,141	752,141
Trade and Other Receivables	5,327,550	5,327,550
	6,079,691	6,079,691

	Carrying Value TZS'000	Other financial liabilities TZS'000
30-Jun-23		
Financial Liabilities		
Trade and Other Payables	8,734,604	8,734,604
Borrowings	-	-
	8,734,604	8,734,604
30-Jun-22		
Financial Liabilities		
Payables	5,236,549	5,236,549
Borrowings	666,019	666,019
	5,902,568	5,902,568
30 June 2021		
Financial Liabilities		
Payables	3,738,052	3,738,052
Borrowings	-	-
	3,738,052	3,738,052
30 June 2020		
Financial Liabilities		
Trade and Other Payables	3,534,917	3,534,917
Borrowings	307,594	307,594
	3,842,511	3,842,511

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

	Carrying Value TZS'000	Fair Value Levels	
		Level I TZS'000	Level II TZS'000
30-Jun-23			
Assets			
Cash and Cash Equivalents	323,205	-	323,205
Trade and Other Receivables	5,400,753	-	5,400,753
Liabilities			
Payables	8,734,604	-	8,734,604
Borrowings	-	-	-

	Carrying Value	Fair Value Levels	
	TZS'000	Level I TZS'000	Level II TZS'000
30-Jun-22			
Assets			
Cash and Cash Equivalents	742,266	-	742,266
Trade and Other Receivables	6,497,396	-	6,497,396
Liabilities			
Payables	5,236,549	-	35,236,549
Borrowings	666,019	-	666,019
30 June 2021			
Assets			
Cash and Cash Equivalents	611,299	-	611,299
Trade and Other Receivables	6,160,449	-	6,160,449
Liabilities			
Payables	3,738,052		3,738,052
Borrowings			
30 June 2020			
Assets			
Cash and Cash Equivalents	752,141		752,141
Trade and Other Receivables	5,327,550		5,327,550
Liabilities			
Payables	3,534,917		3,534,917
Borrowings	307,594		307,594

The fair value of the assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade and other receivables and payables approximate their carrying amounts largely due to the short-term maturities of these instruments. For borrowings, the amortised cost approximates its' fair value.

11. INVENTORIES

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
Construction Materials	9,895	5,340	5,341	151
Pipes and Fittings	1,100,900	1,229,080	1,037,905	891,672
Electrical Materials	6,580	6,634	7,367	6,934
Pump Spares	256	256	553	553
Motor Vehicle Spares	37,457	52,574	43,775	39,991
Water Chemicals	268,246	331,641	145,157	273,201
Fuel and Lubricants	4,174	8,281	6,886	3,735
Office Materials	503	478	549	1,000
Computer Stationery and Peripheral	7,540	126,435	116,868	83,228
Working Tools	31,614	33,931	24,700	31,955
Office Stationery	12,186	36,565	37,579	31,164
Water Meters	64,471	86,866	38,975	47,951
Pipes and Fittings (Project)	178,038	302,187	139,461	106,761
100-9998 STOCKS	177	36	62	-
SUB TOTAL	1,722,037	2,220,304	1,605,178	1,518,295
Provision for obsolete inventories	(40,370)	(187,398)	(291,926)	(296,797)
TOTAL	1,681,667	2,032,906	1,313,252	1,221,499

Movement of Provision for Slow Moving & Obsolete Inventories

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS'000	TZS'000	TZS'000	TZS'000
Balance as 1 July	187,398	291,927	296,797	299,809
Add: Provision for the year inventory		116,919		(3,012)
Used Transferred to Other Income	(147,028)	(221,448)	(4,870)	-
Balance as 30 June	40,370	187,398	291,927	296,797

12. TRADE AND OTHER RECEIVABLES

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
TRADE AND OTHER RECEIVABLES				
Trade Receivables	5,642,292	5,639,366	5,579,852	5,450,362
Less: Provision for Impairment of Trade Receivables	(1,735,678)	(1,534,081)	(677,915)	(433,706)
Receivables with credit balance	-	-	-	(240,594)
	3,906,614	4,105,285	4,901,938	4,776,062
Trade receivables inherited from Muheza and Pangani after amalgamation	-	-	-	65,028
Advance Payments /Deposits	608,174	1,263,914	872,369	267,257
Prepayments	449,180	700,233	28,817	13,853
Staff Receivables	123,328	158,650	120,324	92,427
Less: Provision for Impairment of Staff Receivables	(36,359)	(36,359)	(4,986)	(4,986)
	86,969	122,290	115,338	87,441
VAT Input	-	-	-	-
Payable with Debit Balance	349,816	305,674	276,241	117,909
	5,400,753	6,497,396	6,194,702	5,327,550

Provision for impairment of Receivables

Impairment of receivables has been calculated on the unsecured portion of receivables based on fixed rates for the number of days a receivable has been classified as non-performing; i.e.; (0%) if less than 90 days, 20% if 90-180 days, 30% if 181 – 360 and 50% if more than 360 days.

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
Movement in Provision for Impairment of Trade Receivables:				
Balance at period Beginning	1,534,081	677,915	443,706	309,014
Bad debts written off now written back	-	-	-	-
Provision for Impairment of Receivables for the year	201,617	856,167	234,209	134,692
Balance at period End	1,735,698	1,534,081	677,915	443,706
Movement in Provision for Impairment of Staff Receivables:				
Balance at period Beginning	36,359	4,986	4,986	4,986
Provision for Impairment of staff Receivables for the Year	-	31,373	-	--
Balance at period End	36,359	36,359	4,986	4,986

Provision of Doubtful debts

	0-90 Days TZS '000	61 -180 Days TZS '000	181 – 360 Days TZS '000	>360_Day s TZS '000	Total TZS '000
30-Jun-2023					
Bulk Consumer	-	-	-	-	-
Commercial Consumers	-	6,772	9,258	52,592	68,623
Domestic Consumers	-	91,335	86,818	468,423	646,576
Industrial Consumers	-	374	738	12,795	13,907
Kiosk Consumers	-	985	711	4,458	6,154
Parastatal Consumers	-	54,660	133,904	822,502	1,011,065
Total	-	154,125	231,429	1,360,769	1,746,324
30-Jun-2022					
Bulk Consumer	-	-	-	-	-
Commercial Consumers	-	5,815	4,266	54,113	64,193
Domestic Consumers	-	142,009	86,696	380,003	608,708
Industrial Consumers	-	1,112	575	18,724	20,411
Kiosk Consumers	-	1,815	531	403	2,749
Parastatal Consumers	-	58,464	111,221	668,336	838,021
Total	-	209,214	203,287	1,121,580	1,534,081
30-Jun-2021					
Bulk Consumer	-	-	-	-	-
Commercial Consumers	-	1,656	1,491	89,990	93,137
Domestic Consumers	-	21,283	19,154	516,784	557,221
Industrial Consumers	-	-	-	20,155	20,155
Kiosk Consumers	-	134	121	7,146	7,401
Parastatal Consumers	-	-	-	-	-
Total	-	23,073	20,766	634,075	677,914
30-Jun-2020					
Bulk Consumer	-	-	-	-	-
Commercial Consumers	-	4,414	56,323	-	60,737
Domestic Consumers	-	32,609	333,070	-	365,679
Industrial Consumers	-	-	11,867	-	11,867
Kiosk Consumers	-	718	4,706	-	5,424
Parastatal Consumers	-	-	-	-	-
Total	-	37,741	405,966	-	443,707

TRADE RECEIVABLES BY CATEGORY

DEBTORS AGE ANALYSIS SUMMARY REPORT AS AT: 30/06/2023

CATEGORY	0-30 Days	31-60 Days	61-181 Days	181-360Days	>360 Days	Total
COMMERCIAL	58,906,283	15,687,820	32,452,850	29,576,601	100,805,731	237,429,285
DOMESTIC	824,733,352	420,422,075	437,665,649	277,349,259	897,852,324	2,858,022,659
INDUSTRY	61,555,550	1,321,473	1,792,671	2,358,964	24,524,632	91,553,290
PARASTATAL	74,400,726	71,895,075	261,922,754	427,767,539	1,576,535,701	2,412,521,795
KIOSK	6,211,581	2,098,470	4,718,308	2,331,790	8,545,366	23,905,515
BULK	18,859,094	-	-	-	-	18,859,094
TOTAL	1,044,666,586	511,424,913	738,552,232	739,384,153	2,608,263,754	5,642,291,638

AGE ANALYSIS SUMMARY REPORT AS AT: 30/06/2022

CATEGORY	0-30 Days	31-60 Days	61-181 Days	181-360Days	>360 Days	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
KIOSK	8,025	3,604	9,074	1,768	807	23,279
DOMESTIC	813,050	541,673	710,043	288,986	186,456	2,540,208
INSTITUTIONAL	97,408	228,747	292,322	370,735	1,650,926	2,640,138
BULK CONSUMER	45,895	-	-	-	-	45,895
COMMERCIAL	83,627	30,467	29,075	14,218	108,226	265,613
INDUSTRIES	74,483	4,829	5,558	1,917	37,448	124,234
TOTAL	1,122,488	809,319	1,046,072	677,625	1,983,863	5,639,366

AGE ANALYSIS SUMMARY REPORT AS AT: 30/06/2021

CATEGORY	0-30 Days	31-60 Days	61-181 Days	181-360Days	>360 Days	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
KIOSK	8,222	1,448	1,175	212	1,690	12,746
DOMESTIC	832,955	217,547	91,928	34,655	390,601	1,567,687
INSTITUTIONAL	99,793	91,870	37,846	44,458	3,190,692	3,464,659
BULK CONSUMER	47,019	-	-	-	-	47,019
COMMERCIAL	85,674	12,236	3,764	1,705	226,719	330,098
INDUSTRIES	76,307	1,939	720	230	78,448	157,644
TOTAL	1,149,970	325,040	135,433	81,260	3,888,149	5,579,852

AGE ANALYSIS SUMMARY REPORT AS AT: 30/06/2020 (NET OF IMPAIRMENT)

CATEGORY	0-30 Days	31-60 Days	61-181 Days	181-360Days	>360 Days	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
KIOSK	10,767	1,294	4,784	907	844	18,595
DOMESTIC	1,090,764	194,433	374,331	148,251	195,075	2,002,854
INSTITUTIONAL	130,680	82,108	154,111	190,188	1,732,226	2,289,313
BULK CONSUMER	61,571	-	-	-	-	61,571
COMMERCIAL	112,191	10,936	15,328	7,294	113,228	258,978
INDUSTRIES	99,925	1,733	2,930	983	39,179	144,750
TOTAL	1,505,898	290,504	551,484	347,624	2,080,552	4,776,062

13. CASH AND CASH EQUIVALENTS

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
CRDB - Main Current A/c No. 01J1044739100	14,113	7,184	9,736	16,758
CRDB - Bills Payment Current A/c No. 01J1044739102	-	-	-	902
CRDB - WSDP Fund Bank Account No. 01J1044739103	2,329	536,864	497,961	633,264
Cash In Hand	209	165	550	640
NMB Bank Account Tanga	8,051	11,261	1,919	4,511
CRDB Project A/c	1,944	2,426	-	-
CRDB Collection account no. 0150044739105	293,100	10,134	40,388	-
Tanga UWASA Collection Account No 9925262021 (BOT)	1,070	168,270	15,841	27,325
NMB Collection account Tanga	180	272	38,978	35,393
NMB Bank account Muheza	698	3,815	4,371	579
NMB Bank account Pangani	1,089	1,874	1,556	6,942
NBC Collection account	422	-	-	-
TOTAL	323,205	742,266	611,299	752,141

These include only cash available at bank and in hand as at year end.



14. PROPERTY, PLANT AND EQUIPMENT (AS AT 30 JUNE 2023)

Description	Dam	Land	Buildings	Water production facilities	Water distribution facilities	Office furniture and equipment	Sewerage facilities	Motor vehicles	Plant and machinery	Borehole	Water intakes	Wip	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost/Valuation As At 1.7.2022	6,944,160	4,386,405	4,448,465	672,787	36,176,306	1,542,752	1,055,011	2,240,210	1,649,100	467,202	37,628	7,232,509	66,852,536
Additions During the Year-2022	-	-	60,071	227,552	929,417	38,740	172,110	771,076	267,006	-	-	10,262,675	12,728,647
Transferred WIP	-	-	1,784,190	-	10,502,765	-	-	-	1,500	-	-	12,288,455	-
Adjustments	-	-	-	-	-	1,620	-	-	-	-	-	-	(1,620)
Disposal	-	-	-	-	-	7,010	-	219,930	-	-	-	-	(226,940)
Cost/Valuation As At 30.06.2023	6,944,160	4,386,405	6,292,727	900,339	47,608,488	1,572,862	1,227,121	2,791,356	1,917,606	467,202	37,628	5,206,728	79,352,624
Accumulated Depreciation As At 1.7.2022	263,499	-	286,106	378,145	4,760,230	963,874	111,987	1,094,900	412,583	78,129	2,502	-	8,351,955
Adjustments	-	-	-	-	-	432	-	-	-	-	-	-	432
Disposal	-	-	-	-	-	7,010	-	219,930	-	-	-	-	226,940
Charge During the Year-2023	87,833	-	110,881	42,228	2,050,478	216,693	77,773	320,454	147,033	28,964	2,502	-	3,084,839
Accumulated Depreciation As At 30.06.2022	351,333	-	396,987	420,372	6,810,708	1,173,125	189,759	1,195,425	559,615	107,093	5,004	-	11,209,421
Carrying Amount As At 30.06.2023	6,592,827	4,386,405	5,895,740	479,967	40,797,780	399,738	1,037,362	1,595,932	1,357,990	360,109	32,624	5,206,728	68,143,202

NOTE: The fixed asset register contains some assets which have been fully depreciated, but they are still in use

PROPERTY, PLANT AND EQUIPMENT (AS AT 30 JUNE 2022)

	Dam	Land	Buildings	Water Production Facilities	Water Distribution Facilities	Office Furniture And Equipment	Sewerage Facilities	Motor Vehicles	Plant And Machinery	Borehole	Water Intakes	WIP	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 01 July 2021	6,944,160	4,386,405	4,434,658	482,829	33,022,614	1,354,438	646,669	1,844,335	1,630,975	456,700	37,530	3,230,293	58,471,605
Additions During the Year	-	-	13,807	68,768	1,376,868	188,314	205,905	499,471	18,125	10,502	-	6,102,788	8,484,526
Transferred WIP	-	-	-	121,190	1,776,945	-	202,437	-	-	-	-	(2,100,572)	4,201,143
Disposal	-	-	-	-	-	-	-	(103,595)	-	-	-	-	(103,595)
Cost/Valuation As At 30.06.2021	6,944,160	4,386,405	4,448,465	672,787	36,176,427	1,542,752	1,055,011	2,240,210	1,649,100	467,202	37,530	7,232,509	66,852,536
Accumulated Depreciation													
At 1 July 2021	175,666	-	183,460	318,786	2,984,503	740,214	57,726	921,942	279,041	49,631	-	-	5,710,969
Charge During the Year	87,833	-	102,646	59,369	1,775,727	223,660	54,261	276,553	133,542	28,498	2,502	-	2,744,581
Disposals/Adjustment	-	-	-	-	-	-	-	(103,595)	-	-	-	-	(103,595)
Accumulated Depreciation as At 30.06.2021	263,499	-	286,106	378,145	4,760,230	963,874	111,987	1,094,900	412,583	78,129	2,502	-	8,351,954
Carrying Amount as At 30.06.2022	6,680,661	4,386,405	4,162,360	294,642	31,416,197	578,878	943,024	1,145,310	1,236,517	389,073	35,028	7,765,910	52,760,637

PROPERTY, PLANT AND EQUIPMENT (AS AT 30 JUNE 2021)

Description	Dam	Land	Buildings	Water production facilities	Water distribution facilities	Office furniture and equipment	Sewerage facilities	Motor vehicles	Plant and machinery	borehole	water intakes	wip	total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost/Valuation As At 1.7.2020	6,944,160	4,378,260	4,280,357	469,266	31,845,961	1,185,877	378,010	1,383,429	1,529,392	456,700	-	795,099	53,646,510
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-	995,370	995,370
Additions During the Year	-	8,145	154,302	53,928	974,656	269,471	268,659	510,691	126,942	-	37,530	1,645,321	4,049,644
Transferred WIP	-	-	-	-	205,498	-	-	-	-	-	-	(205,498)	-
Disposal	-	-	-	(40,365)	(3,500)	(100,910)	-	(49,785)	(25,359)	-	-	-	(219,919)
Cost/Valuation As At 30.06.2021	6,944,160	4,386,405	4,434,658	482,829	33,022,614	1,354,438	646,669	1,844,335	1,630,975	456,700	37,530	3,230,293	58,471,605
Accumulated Depreciation As At 1.7.2020	87,833	-	81,847	189,579	1,275,425	451,292	20,171	565,889	133,513	21,367	-	-	2,826,916
Charge During the Year	87,833	-	101,612	155,804	1,711,453	369,222	37,555	405,839	163,267	28,264	-	-	3,060,849
Disposals/Adjustment	-	-	-	(26,597)	(2,375)	(80,300)	-	(49,785)	(17,740)	-	-	-	(176,797)
Accumulated Depreciation As At 30.06.2021	175,666	-	183,460	318,786	2,984,503	740,214	57,726	921,942	279,041	49,631	-	-	5,710,969
Carrying Amount As At 30.06.2021	6,768,494	4,386,405	4,251,198	164,042	30,038,111	614,224	588,943	922,392	1,351,934	407,069	37,530	3,230,293	52,760,637

PROPERTY, PLANT AND EQUIPMENT (AS AT 30 JUNE 2020)



	Dam	Land	Buildings	Water Production Facilities	Water Distribution Facilities	Office Furniture And Equipment	Sewerage Facilities	Motor Vehicles	Plant And Machinery	Borehole	WIP	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost/Valuation												
At 01 July 2019 (restarted)	6,944,160	2,717,326	6,339,879	1,032,139	16,412,044	1,698,999	2,702,969	972,013	1,265,375	116,195	1,889,100	42,090,198
Adjustments for deemed costs	-	882,120	(3,668,640)	(629,274)	8,502,627	(779,175)	(2,577,935)	-	(544,200)	262,805	-	1,448,328
Adjustments for WIP	-	-	-	-	-	-	-	-	-	-	(116,630)	(116,630)
Additional During the year	-	522,800	245,677	25,697	753,471	209,328	172,550	407,016	317,418	-	249,682	2,903,638
Capitalized WIP At 30 June 2020	-	256,014	564,664	-	209,975	-	80,427	-	-	-	(1,227,053)	(115,973)
At 30 June 2020	6,944,160	4,378,260	3,481,581	428,562	25,878,117	1,129,152	378,010	1,379,029	1,038,592	379,000	795,099	46,209,561
Add: Assets acquired from Muheza and Pangani (own source)	-	-	-	-	3,000	818	-	-	-	-	-	3,818
Assets acquired from Muheza and Pangani (Grants)	-	-	798,776	40,704	5,964,844	55,908	-	4,400	490,800	77,700	-	7,433,131
At 30 June 2020	6,944,160	4,378,260	4,280,357	469,266	31,846,161	1,185,877	378,010	1,383,429	1,529,192	456,700	795,099	53,646,510
Accumulated depreciation and impairment												
At 01 July 2019 (restarted)	483,050	-	726,585	530,630	3,006,657	1,035,560	485,633	652,069	739,292	12,097	-	7,671,572
Adjustments from deemed cost	(483,050)	-	(726,585)	(504,033)	(3,004,282)	(969,325)	(485,633)	(643,750)	(721,563)	(12,097)	-	(7,550,307)
Charged during the year at 30 June 2020	87,833	-	81,847	162,982	-	385,058	20,171	557,570	115,773	21,367	-	2,705,651
At 30 June 2020	87,833	-	81,847	189,579	1,275,425	451,292	20,171	565,889	113,513	21,367	-	2,826,916
Carrying Amount												
As At 30 June 2020	6,856,327	4,378,260	4,198,509	279,687	30,570,536	734,585	357,839	817,540	1,395,880	435,333	795,099	50,819,594

- The category Property, Plant and equipment consists of Dam, Land, Building, Water production facilities, /Water distribution facilities, Office furniture and equipment, Sewerage facilities, Plant and Machinery, Motor vehicles, water Intakes and Boreholes.
- There was no existence and amount of restriction on title and property, plant, and equipment, which pledged as security for liability.
- Assets reviewed annually to determine if there is any impairment in their value.
- No item of property, Plant and equipment was temporary idle or not in use as at 30 June 2023.
- There is no existence of the amount of contractual commitment for the acquisition of Property, Plant, and equipment of the Authority.
- No Authority asset put under collateral security.

15. CAPITAL WORK IN PROGRESS

CAPITAL WORK IN PROGRESS AS AT 30 JUNE 2023

Account	As at 01 July 2022	Additions	WIP Capitalized	Adjustment	As at 30 June 2023
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
10.1.1 Capital W.I.P Customer Service Building	101,269	-	-	-	101,269
10.1.12 WIP - Duga Mwembeni to Makorora Sewerage System	418,351	63,328	-	-	481,679
10.1.28 WIP- Drilling new borehole& purchases of new pump	10,500	-	-	-	10,500
10.1.34 WIP Muheza Land	32,134	-	-	-	32,134
10.1.35 WIP Chongoleani, Kibafuta, Mleni Project	643,146	98,418	741,564	-	-
10.1.36 WIP NHC Muheza Project	252,251	69,379	321,630	-	-
10.1.37 WIP-Water Improvement Project Phase 11-Loan	4,364,030	5,142,568	9,506,598	-	-
10.1.38 WIP- Water Improvement Project-Own Source	165,433	791,314	956,747	-	-
10.1.40 W.I.P COVID 19 Project MOW	480,605	58,495	539,100	-	-
10.1.41 WIP- Water Treatment Plant at Magoroto-Muheza	102,261	120,555	222,816	-	-
10.1.42 WIP- Pangani New Office	-	161,733	-	-	161,733
10.1.43 WIP- Pangani Pipe Reallocation Project	-	820,220	-	-	820,220
10.1.44 WIP- water Improvement Pangani Project	349,268	215,767	-	-	565,035
10.1.45 WIP- Muheza Improvement Project	313,260	299,456	-	-	612,716
10.1.46 WIP- Improve of water supply Madanga and Kimang'a	-	31,942	-	-	31,942
10.1.48 WIP- EACOP Project	-	960,929	-	-	960,929
10.1.49 WIP- Water Improvement Project Muheza	-	684,952	-	-	684,952
10.1.50 WIP- Water Improvement Project Pangani	-	743,619	-	-	743,619
TOTAL	7,232,508	10,262,675	12,288,455	-	5,206,728

CAPITAL WORK IN PROGRESS AS AT 30 JUNE 2022

Account	As at 01 July 2021	Additions	WIP Capitalized	Adjustment	As at 30 June 2022
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
10.1.1 Capital W.I.P Customer Service Building	101,269	-	-	-	101,269
10.1.12 WIP - Duga Mwembeni to Makorora Sewerage System	347,551	70,800	-	-	418,351
10.1.136 WIP- Mowe to Pongwe Project	1,776,944	-	1,776,944	-	-
10.1.24 W.I.P Filter Sand	121,190	-	121,190	-	-
10.1.28 WIP- Drilling new borehole& purchases of new pump	10,500	-	-	-	10,500
10.1.33 W.I.P-Rehabilitation of sea outfall pipe	202,437	-	202,437	-	-
10.1.34 WIP Muheza Land	27,864	4,270	-	-	32,134
10.1.35 WIP Chongoleani, Kibafuta, Mleni Project	434,421	208,725	-	-	643,146
10.1.36 WIP NHC Muheza Project	208,115	44,136	-	-	252,251
10.1.37 WIP-Water Improvement Project Phase 11-Loan	-	4,364,030	-	-	4,364,030
10.1.38 WIP- Water Improvement Project-Own Source	-	165,433	-	-	165,433
10.1.40 W.I.P COVID 19 Project MOW	-	480,605	-	-	480,605
10.1.41 WIP- Water Treatment Plant at Magoroto-Muheza	-	102,261	-	-	102,261
10.1.44 WIP- water Improvement Pangani Project	-	349,268	-	-	349,268
10.1.45 WIP- Muheza Improvement Project	-	313,260	-	-	313,260
TOTAL	3,230,293	6,102,788	2,100,571	-	7,232,508

CAPITAL WORK IN PROGRESS AS AT 30 JUNE 2021

Account	As at 01 July 2020	Additions	WIP Capitalized	Adjustment	As at 30 June 2021
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
10.1.1 Capital W.I.P Customer Service Building	101,269	-	-	-	101,269
10.1.10 Capital - WIP Nguvumali	15,891	-	15,891	-	-
10.1.12 WIP - Duga Mwembeni to Makorora Sewerage System	184,227	163,324	-	-	347,551
10.1.136 WIP- Mowe to Pongwe Project	-	781,574	-	995,370	1,776,944
10.1.15 WIP- Jamuhuri Road Water Line Rehabilitation	189,606	-	189,606	-	-
10.1.24 W.I.P Filter Sand	121,190	-	-	-	121,190
10.1.28 WIP- Drilling new borehole& purchases of new pump	10,500	-	-	-	10,500
10.1.33 W.I.P-Rehabilitation of sea outfall pipe	144,550	57,887	-	-	202,437
10.1.34 WIP Muheza Land	27,864	-	-	-	27,864
10.1.35 WIP Chongoleani, Kibafuta, Mleni Project	-	434,421	-	-	434,421
10.1.36 WIP NHC Muheza Project	-	208,115	-	-	208,115
TOTAL	795,097	1,645,321	205,497	995,370	3,230,293



CAPITAL WORK IN PROGRESS AS AT 30 JUNE 2020

Account	As at 01 July 2019	Additions	WIP Capitalized	Adjustment	As at 30 June 2020
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
10.1.1 Capital W.I.P Customer Service Building	24,001	77,268	-	-	101,269
10.1.10 Capital - WIP Nguvumali	16,281	-	-	(390)	15,891
10.1.12 WIP - Duga Mwembeni to Makorora Sewerage System	184,227	-	-	-	184,227
10.1.13 Work In Progress Godown - Gofu Office	103,363	-	103,363	-	-
10.1.136 WIP- Mowe to Pongwe Project	-	-	-	-	-
10.1.14 WIP - Water Rehabilitation Kange Kasera (OBA)	15,520	-	15,520	-	-
10.1.15 WIP- Jamuhuri Road Water Line Rehabilitation	189,606	-	-	-	189,606
10.1.16 Work In Progress -Meter Testing Office	44,413	-	44,413	-	-
10.1.17 Wip - Kange Mkurumuzi/Mwahako Barabarani (OBA)	137,306	-	137,306	-	-
10.1.18 WIP - Kange Kassera	49,452	-	49,452	-	-
10.1.2 Work In Progress - Water Hole Construction	5,135	-	5,135	-	-
10.1.20 WIP - Jamhuri Road Duga Makorora	2,563	-	2,563	-	-
10.1.23 WIP-Rehabilitation of staff house for office use	42,774	-	42,774	-	-
10.1.24 W.I.P Filter Sand	237,430	-	-	(116,240)	121,190
10.1.26 WIP - Sewer Line from Home affairs to Bombo Pr.	80,427	-	80,427	-	-
10.1.27 W.I.P - Call Centre	2,960	-	2,960	-	-
10.1.28 WIP- Drilling new borehole& purchases of new pump	10,500	-	-	-	10,500
10.1.29 W.I.P - Archives at Gofu	82,363	-	82,363	-	-
10.1.3 Work In Progress - Pongwe Office Building	79,693	-	79,693	-	-
10.1.30 W.I.P Machui Land	256,014	-	256,014	-	-
10.1.33 W.I.P-Rehabilitation of sea outfall pipe	-	144,550	-	-	144,550
10.1.34 WIP Muheza Land	-	27,864	-	-	27,864
10.1.4 Work In Progress Staff House Mowe and Pande	140,733	-	140,733	-	-
10.1.5 Work In Progress - Swahili Yard Wall Fencing	28,965	-	28,965	-	-
10.1.8 Work In Progress – GIS	115,973	-	115,973	-	-
10.1.9 WIP Construction of Mowe Chemical Store	39,400	-	39,400	-	-
TOTAL	1,889,099	249,682	1,227,054	(116,630)	795,097

16 INTANGIBLE ASSETS

	Geo Information System	S.S.P Software	Vision Software	Asset Management Software	Microsoft Vision Studio	Microsoft Standard Server	Perfect Billing Software	Tally Accounting Package	SMS Billing	Precise Log Appl. Billing Software	Jp First Pay Tracker	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS'000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
30-Jun-20												
Cost at 01 July 2019	1,177	2,184	10,399	11,999	3,080	2,660	35,118	1,812	33,338	47,480	-	149,246
Transferred from WIP	11,266	-	-	-	-	-	-	-	-	-	-	11,266
Adjustment for Deemed cost	(1,177)	-	(3,499)	(6,899)	(2,180)	(1,910)	(8,118)	-	-	-	1,350	(22,432)
Impairment	-	-	-	-	-	-	-	-	-	(47,480)	-	(47,480)
Cost at 30 June 2020	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600
Accumulated amortization and impairment												
At 01 July 2019	1,177	2,184	10,399	11,999	3,080	2,660	32,190	1,812	33,338	28,488	-	127,327
Adjustment for Deemed cost	(1,177)	-	(10,399)	(11,999)	(3,080)	(2,660)	(32,190)	-	-	-	-	(61,504)
Impairment	-	-	-	-	-	-	-	-	-	(28,488)	-	(28,488)
Charge during the year	2,253	-	2,300	1,700	300	250	9,000	-	-	-	450	16,253
As at 30 June 2020	2,253	2,184	2,300	1,700	300	250	9,000	1,812	33,338	-	450	53,587
Carrying amount at 30 June 2020	9,013	-	4,600	3,400	600	500	18,000	-	-	-	900	37,012
30-Jun-21												
Cost at 01 July 2020	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 30 June 2021	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600

	Geo Information System	S.S.P Software	Vision Software	Asset Management Software	Microsoft Vision Studio	Microsoft Standard Server	Perfect Billing Software	Tally Accounting Package	SMS Billing	Precise Log Appl. Billing Software	Jp First Pay Tracker	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Accumulated amortization and impairment												
At 01 July 2020	2,253	2,184	2,300	1,700	300	250	9,000	1,812	33,338	-	450	53,587
Charge during the year	2,253	-	2,300	1,700	300	250	9,000	-	-	-	450	16,253
As at 30 June 2021	4,506	2,184	4,600	3,400	600	500	18,000	1,812	33,338	-	900	69,840
Carrying amount at 30 June 2021	6,760	-	2,300	1,700	300	250	9,000	-	-	-	450	20,760
30-Jun-22												
Cost at 01 July 2021	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 30 June 2022	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600
Accumulated Amortization and Impairment												
At 01 July 2021	4,506	2,184	4,600	3,400	600	500	18,000	1,812	33,338	-	900	69,840
Charge During the Year	2,253	-	2,300	1,700	300	250	9,000	-	-	-	450	16,253
At 30 June 2022	6,759	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	86,093
Carrying amount at 30 June 2022	4,507	-	-	-	-	-	-	-	-	-	-	4,507
30-Jun-23												
Cost at 01 July 2022	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600
Additions	-	-	-	-	-	-	-	-	-	-	-	-
Cost at 30 June 2023	11,266	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	90,600

	Geo Information System	S.S.P Software	Vision Software	Asset Management Software	Microsoft Vision Studio	Microsoft Standard Server	Perfect Billing Software	Tally Accounting Package	SMS Billing	Precise Log Appl. Billing Software	Jp First Pay Tracker	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS'000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Accumulated Amortization and Impairment												
At 01 July 2022	6,759	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	86,093
Charge During the Year	2,253	-	-	-	-	-	-	-	-	-	-	2,253
At 30 June 2023	9,012	2,184	6,900	5,100	900	750	27,000	1,812	33,338	-	1,350	88,346
Carrying amount at 30 June 2023	2,254	-	-	-	-	-	-	-	-	-	-	2,254

NOTE: there are intangible assets which were fully amortised and are no longer in use, these include S.S.P software, Tally Accounting package, SMS Billing. The Precise log billing software was impaired due to technological change.

17. DEFERRED CAPITAL GRANT

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
DEFERRED CAPITAL GRANTS				
Balance as at 01 July	-	-	-	-
Additions During the Year	3,911,327	3,115,218	2,024,723	1,103,103
Balance as at 30 June	3,911,327	3,115,218	2,024,723	1,103,103
Less: Amortization				
Balance Brought Forward on 1 July	-	-	-	-
Amortization of Deferred Capital Grants	(3,911,327)	(3,115,218)	(2,024,723)	(1,103,103)
Adjustment for outstanding capital grants	-	-	-	-
	-	-	-	-

The Authority received grants from the Government for water improvement projects and compensations.

18. BORROWING

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
TIB Loan opening balance	3,441,098			
CRDB Loan opening balance	-	-	307,594	1,132,903
Addition during the year	3,638,782	3,797,143	-	-
Repayment of Loan	(823,727)	(356,045)	(307,594)	(825,309)
Balance	6,256,153	3,441,098	-	307,594
Current	-	666,019	-	307,594
Non-Current	6,256,153	2,775,079	-	-

The Authority secured a term loan of TZS. 7 billion from TIB Commercial bank to finance project on improvement of water infrastructure in Tanga city. The loan carries an interest rate of 10% per annum. According to the repayment schedule, the loan is repayable effective from 2022. The loan is secured by a legal mortgage over collections from large customers.

The current maturity of term loan represents the estimated loan repayment liability for the coming twelve months.

19. TRADE AND OTHER PAYABLES

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
Trade Payables	6,090,484	4,395,187	3,115,844	2,716,850
Accrued Expenses	404,125	235,464	168,531	153,305
Statutory Employees' Liabilities	1,498,350	286,886	253,122	262,660
Other payables	741,585	319,011	339,809	402,102
Receivables with credit balance	59,398	-	-	-
	8,734,604	5,236,549	3,877,306	3,534,917

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
20. PROVISIONS FOR EXPENSES				
TANESCO Production	-	-	-	60,619
Audit Fee and Expenses	80,000	80,000	60,000	60,000
Service levy	-	-	-	2,950
Running of vehicle	-	-	-	-
Surroundings upkeep water bills	-	-	-	1,523
Staff water bills relief	-	-	-	7,243
Internet services	-	-	-	-
Movement of Provisions for Expenses				
At 01 July	80,000	60,000	60,000	158,945
Additions	-	20,000	-	-
Payments	-	-	-	(26,607)
At 30 June 2023	80,000	80,000	60,000	132,335

21. REVENUE FROM EXCHANGE TRANSACTIONS

21.1 Water and Sewerage Services

Water Consumption	15,221,446	15,567,178	14,828,823	14,040,107
Sewerage Charges	294,583	299,885	342,991	348,381
TOTAL	15,526,029	15,867,063	15,171,814	14,388,488

21.2 Other Income

Water Connection	514,663	525,004	370,373	311,295
Sewerage Connection	2,835	914	8,879	4,643
Tender Deposits	-	-	-	2,090
Maintenance Services	41,256	6,177	15,151	1,947
Miscellaneous Income	346	-	-	2,883
Meter Replacement Charges	10,318	10,223	10,988	9,113
Doubtful debts written back	-	-	-	-
Gain on Disposal of assets	-	-	-	-
Provision for Obsolete Stocks Written Back	-	221,447	4,870	3,012
Sale of assets	325	1,581	1,177	-
Bulk Sewer	20,704	20,451	17,961	11,290
Meter separation	-	-	23,104	31,242
Miscellaneous receipt	37,962	11,185	61,400	8,507
TOTAL	628,409	796,982	454,599	386,022

22. FINANCE REVENUE

Bank Interest	856	1,285	1,800	1,080
TOTAL	856	1,285	1,800	1,080

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
23. FEES AND PENALTIES				
Water Reconnection Fees	63,664	56,089	72,946	74,882
Meter Testing Fee	728	1,026	863	1,137
Revenue from Penalty	-	-	4,685	-
Illegal Connections	2,920	2,882	-	7,747
TOTAL	67,312	59,997	78,494	83,766
24 WATER PRODUCTION EXPENSES				
Water Source Upkeep	111,467	146,517	138,980	127,050
Electricity for Production	954,954	897,394	867,254	679,458
Water Chemicals	1,420,230	980,299	882,507	943,156
Water Lab. Expenses	14,795	20,706	28,402	26,535
Water User Fee	63,833	61,200	67,414	40,484
Electricity for Residential Houses	-	-	-	3,500
TOTAL	2,565,279	2,106,116	1,984,557	1,820,183
25 WATER DISTRIBUTION EXPENSES				
Electricity for Pumping Stations	164,635	258,009	94,965	54,147
New Water Connection Expenses	388,845	583,743	490,212	323,625
Contractual Services	343,066	189,284	58,534	52,040
TOTAL	896,546	1,031,036	643,711	429,812
26 SEWERAGE EXPENSES				
New Sewer Connection Expenses	7,704	8,393	10,446	5,054
Sewer laboratory expenses	3,494	8,443	3,537	60
Electricity for Sewer Pumping Station	3,136	6,247	2,705	2,027
Sewer System Direction Project	73,599	147,468	67,835	90,414
TOTAL	87,933	170,551	84,523	97,555
27 REPAIRS AND MAINTENANCE				
Water Production Facilities	20,735	13,516	85,315	50,269
Water Distribution Facilities (Pumps)	28,366	16,145	45,440	51,538
Old pipe uprooting	-	-	6,000	-
Water Distribution Facilities (Pipe Works)	437,781	302,455	324,332	358,732
TOTAL	486,882	332,116	461,087	460,539

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
28. PERSONNEL EXPENSES				
Basic Salaries & Wages	4,436,041	3,838,079	3,590,214	3,107,454
Overtime	-	-	-	158,683
NSSF/PSSSF Contributions	659,742	572,552	480,226	492,267
Responsibility allowance	-	-	-	-
Hardship Allowance	26,950	25,000	24,200	28,200
Wages and Gratuity	31,300	18,087	48,409	51,159
House Allowance – Rent	83,167	63,080	72,934	46,065
Risk Allowance	22,000	23,450	23,950	26,400
Extra Duty Allowance	-	-	100	15,382
Acting Allowance	75,768	-	-	18,163
Staff Water Bill Relief	97,917	90,125	92,263	87,276
Transport Allowance	40,916	36,367	31,769	23,341
Travelling on leave	-	-	-	226,707
Medical Expenses	141,944	141,000	105,989	183,568
Night work allowance	6,254	12,565	4,170	4,695
Workman's compensation	25,047	17,102	17,086	15,592
Security and upkeep	-	-	-	-
Furniture Expenses	16,000	-	32,000	39,309
TOTAL	5,663,046	4,837,408	4,523,310	4,524,261

29. ADMINISTRATIVE EXPENSES

A: Staff Costs

Transport and travelling	286,583	205,706	144,768	129,727
Travelling on Leave	307,417	300,676	291,069	67,680
Staff Training and Development Expenses	175,489	216,700	212,443	143,290
Seminars and Conferences	197,274	162,351	138,584	110,942
Ceremonies	61,563	103,750	33,137	61,709
Uniforms	42,821	30,906	13,048	38,538
HIV/AIDS Measures Expenses	12,195	24,565	20,322	27,821
Recruitment Expenses	15,387	28,553	53,188	86,543
Staff Awards	8,060	14,180	2,000	7,500
Retirement Expenses	-	74,358	20,752	101,808
Sub Total	1,106,789	1,161,745	929,310	775,558

B: Repairs and Maintenance

Vehicles and Equipment	78,170	164,514	185,192	99,640
Buildings	63,732	66,855	106,908	55,675
Office Equipment	192	3,908	10,154	6,469
Computer	11,514	13,638	39,790	24,879

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
Furniture	223	712	698	481
Sub Total	153,831	249,627	342,742	187,144

C: Communication Expenses

Telephone, Fax, and E-Mail	89,643	149,099	169,077	79,778
Postal Charges	3,812	4,721	5,022	4,885
E-mail (Internet Services)	123,873	115,367	103,525	56,023
Airtime and Mobile Handset	79,633	91,122	70,187	84,711
Website	-	-	-	91
Sub Total	296,961	360,309	347,811	225,488

D: Office Expenses

Motor Vehicles Fuel	360,675	258,949	187,754	169,300
Security of Premises	347,228	370,528	317,624	252,606
Upkeep of Surroundings	182,815	151,516	159,181	128,649
Insurance and Licenses	92,592	53,448	70,012	66,492
Electricity for Office	16,280	59,795	68,412	124,850
Office Facilities	4,365	9,528	14,840	41,075
Newspaper & Periodicals	1,112	1,164	228	5,605
Printing & Stationery	33,850	33,663	61,361	39,521
Management Meetings Expenses	97,797	111,093	113,794	66,775
Computer Software Papers	18,982	33,257	47,019	48,863
Collection & Debts Recoveries	59,569	167,124	99,466	56,254
Working Tools	70,963	131,648	61,647	36,404
Consultancy Fees & Services	67,539	45,422	100,976	42,511
Rental Charges	2,400	4,000	1,200	21,994
Tender Board Expenses	141,071	164,633	159,607	140,559
Field Allowance	29,510	32,400	27,990	21,742
Baraza la Wafanyakazi	31,263	32,146	16,578	87,813
Customer survey expenses	15,271	-	1,494	-
Strategic Plan Expenses	98,025	46,577	45,417	88,255
ISO Registration Expenses	107,639	65,715	38,299	35,756
Bills Dispatch Expenses	63,780	81,676	80,070	66,080
Research and Development Expenses	6,864	19,757	51,690	47,226
Fumigation	449	4,503	4,419	14,120
Fire Extinguisher	7,137	6,208	8,770	11,155
Electricity for Residential House	21,321	20,310	20,225	9,022
Software Licenses Expenses	36,762	43,330	34,691	30,580
Land Rent and Taxes	36,630	39,637	30,000	19,200
Cash Escort Expenses	2,690	4,765	2,610	3,075

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
Skills Development Levy	183,460	140,007	142,982	146,989
Marker Post	-	9,869	1,560	9,953
Water for Office	22,000	17,508	17,310	12,782
Acting /Extra duty Allowance	294,901	256,249	221,482	103,246
Ant corruption expenses	11,918	6,978	973	7,209
Prior year Adjustment	-	-	-	31,983
Project supervision costs	121,328	30,360	25,327	29,168
Gender Empowerment Expenses	-	7,225	11,183	-
Internal Audit expenses	18,002	9,180	18,193	-
Disciplinary Expenses	21,315	20,378	-	-
GIS Expenses	1,486	1,187	7,002	-
Medical expenses	32,713	63,821	108,174	-
IT Development expenses	5,210	-	-	-
Sub Total	2,666,912	2,555,554	2,379,561	2,016,887
GRAND TOTAL (A+B+C+D)	4,224,493	4,327,235	4,001,882	3,205,076

30 DIRECTORS FEES

Directors Fees	56,941	49,294	51,000	84,373
TOTAL	56,941	49,294	51,000	84,373

31 BOARD MEETINGS AND TRAVEL EXPENSES

Board Meetings Expenses	128,188	139,915	192,487	151,762
TOTAL	128,188	139,915	192,487	151,762

32 OTHER EXPENSES

Legal Expenses	7,300	2,877	14,390	9,060
Subscription and Donation	29,900	20,331	37,550	12,468
Entertainment Expenses	73,584	67,532	55,848	79,192
Documentary	-	-	-	350
Business Promotion	34,025	12,870	63,020	7,583
Audit Expenses	-	2,508	-	29,956
Burial Expenses	16,542	20,781	24,184	11,528
Professional fees	5,831	3,509	5,074	3,623
Clearing and forwarding	8,081	12,564	6,292	6,972
Service Levy	47,725	47,391	41,631	42,610
Staff Welfare	216,667	142,335	70,687	50,765
Corporate Social Responsibility	101,688	59,178	75,373	59,902
Information Publicity	111,650	103,500	80,643	58,902
Audit Fees	80,000	80,000	60,000	79,199
Final Accounts Preparation	69,717	59,643	59,442	33,268
Other Fees	300	7,059	9,525	1,338

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
Road Grading	28,898	25,467	-	-
Road Reinstatement	37,453	46,122	43,956	17,051
Labelling of fixed assets	8,327	15,651	12,559	22,800
Compensation Expenses	300	-	-	12,300
EWURA Fees	-	-	-	1,042
TOTAL	877,988	729,318	660,174	692,947

33 FINANCIAL EXPENSES

Bank Charges	20,107	26,828	23,764	18,028
Bank Interest	390,376	208,834	10,534	123,283
TOTAL	410,483	235,662	34,298	141,311

34. RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making Financial and operating decisions. Related party transactions effected from July to June 2023 included salaries, allowances, social security contributions, fees and other expenses as follows:

	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
Board Members and Key Management Personnel				
Director's Fees	56,941	49,294	51,000	84,373
Board Meetings & Travel Expenses	128,189	139,915	192,487	151,762
TOTAL	185,130	189,209	243,487	236,135

Number of Board Members	10	10	10	10
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	30-Jun-23 TZS '000	30-Jun-22 TZS '000	30-Jun-21 TZS '000	30-Jun-20 TZS '000
Senior Management Group:				
Salaries and Allowances	438,639	438,639	415,772	429,667
Employers' PSSF/NSSF Contributions	34,338	34,338	34,447	45,191
TOTAL	472,977	472,977	450,219	474,858

Number of Senior Management Group	5	5	5	5
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35. CASHFLOWS INFORMATION

		30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
		TZS '000	TZS '000	TZS '000	TZS '000
a) Cash Receipt from customers	Note				
Revenue from Exchange transaction	21	16,144,113	16,662,464	15,626,414	14,774,510
Gain on Disposal		33,495	32,686	-	-
Less: Increase in Trade Receivables	12	198,671	796,653	-125,876	-427,710
Provision for bad debts for the year		-212,243	-887,540	-234,209	-134,692
Net sale		16,164,036	16,604,263	15,266,329	14,212,108
Increase in advance payment	12	655,740	-391,545	-605,112	243,015
Increase in staff receivables	12	35,322	-6,953	6,356	52,277
Increase in vat input	12	-	-	-	-
Increase in other receivables from Muheza	12	-	-	65,028	-
Receipt from Repayment of prepayments	12	251,053	-671,416	-14,962	25,799
Other Receivables	12	-44,142	-29,433	158,332	-22,443
TOTAL		17,062,009	15,504,916	14,875,971	14,510,756
b) Payments to suppliers and consumables					
Water Production Expenses	24	2,565,279	2,106,116	1,984,557	1,820,183
Water Distribution Expenses	25	896,546	1,031,036	643,711	429,812
Sewerage Expenses	26	87,933	170,551	84,525	97,555
Repairs and Maintenance	27	486,882	332,116	461,087	460,539
Administrative Expenses	29	4,224,493	4,327,235	4,001,882	3,205,076
Directors Fees	30	56,941	49,294	51,000	84,373
Board Meeting Expenses	31	128,189	139,915	192,487	151,762
Other Expenses	32	877,988	719,318	660,174	692,947
Provision for impairment of receivables		-	-	-	-
Increase in Inventories	11	-351,239	929,194	81,424	53,933
Decrease in Payables	19	-3,498,055	-1,369,243	-255,194	-969,169
Decrease in Provision	20	-	-	-	26,610
Unpaid VAT		-	-	-	-
TOTAL		5,474,957	8,435,532	7,905,653	6,053,621
c) Personnel expenses	28	5,663,046	4,837,408	4,524,263	4,524,263
d) Finance costs					
Bank Charges	33	20,107	26,828	23,764	18,028
Bank Interest	33	390,376	208,834	10,534	123,283
TOTAL		410,483	235,662	34,298	141,311

35. CASHFLOWS INFORMATION

		30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
		TZS '000	TZS '000	TZS '000	TZS '000
e) Other Income					
Water Connection	21	514,663	525,004	370,373	311,295
Sewerage Connection	21	2,835	914	8,879	1,613
Tender Deposits	21	-	-	2,034	2,090
Maintenance service	21	41,256	6,177	15,151	1,917
Miscellaneous Income	21	-	-	-	2,883
Meter Replacement Charges	21	10,318	10,223	10,988	9,113
Miscellaneous Recoveries	21	346	11,186	61	-
Provision for Obsolete Stocks Written Back	21	-	221,447	4,870	3,012
Doubtful debts written back	21	-	-	-	-
Gain on Disposal	21	-	20,822	-	-
Bulk sewer	21	20,704	20,451	17,961	11,290
Meter Separation	21	-	-	23,104	31,242
Sale of assets	21	-	-	-	-
Miscellaneous Receipts		37,962			
TOTAL		628,084	816,223	453,422	386,022

e) Fees and Penalties

Water Reconnection Fees	23	63,663	56,089	72,946	74,882
Meter Testing Fee	23	728	1,026	863	1,136
Illegal Connection	23	2,920	2,881	4,685	7,747
Revenue from penalties		-	-	-	-
TOTAL		67,312	59,997	78,494	83,766

f) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS**Cash flows from operating activities**

Surplus from ordinary activities		1,460,315	2,056,666	1,798,629	1,479,049
Depreciation charges		3,084,839	2,744,581	3,060,849	2,705,651
Amortization of intangible		2,253	16,253	16,253	16,253
Provision for obsolete items		-	209,540	-	-
Grants received		-	-	-	-
Amortization of capital grants		-	-	-	-
Impairment loss		-	887,540	43,263	18,992

35. CASHFLOWS INFORMATION	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20
	TZS '000	TZS '000	TZS '000	TZS '000
Increase / (Decrease) in trade and other payables	3,498,055	1,359,243	203,135	270,265
Unpaid VAT	-	-268	-	-
Decrease in Provisions	-	20,000	18,511	-26,610
(Gain) / Losses on sale of property, plant & equipment	-326	-32,686	-10,395	-
(Gain) / Losses on sale of investment	-	-	-	-
(Increase) / Decrease in other current assets (inventories)	351,239	-929,194	-81,424	-53,933
(Increase) / Decrease in trade and other receivables	1,096,643	-1,158,860	-867,152	-129,062
Prior year adjusted expenses	-	-	33,549	-
Prior year adjustment in PSSF contributions	-	-	-	-
Net cash from operating activities	9,493,018	5,172,814	4,215,219	4,280,606

36. CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2023.

37. CONTINGENT LIABILITIES

The Authority has a contingent liability of unpaid VAT from sewerage charges for the period of Jan 2016 to December 2019 amounting TZS 1,252,314,820. The case is at Attorney General Office awaiting reconciliation and conclusion.

38. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

None of the Authority assets have been pledged as security for liabilities.

39. EVENTS AFTER THE REPORTING DATE

The Authority have secured service agreement of TZS 3,195,662,700 from East African Crude Oil Project (EACOP) for laying pipes from Mbogo (Amboni) to Chongoleani (22.3km) and from Kitisa to Muheza NHC Tanks (6km). The financing contract was signed on 26th August 2022 and the implementation commenced immediately after contract signing. The construction period of the project is 11 months for (Mbogo to Chongoleani Project) and 6 months for (Kitisa to Muheza project).

40. COMPARATIVE FIGURES

Previous year's figures have been regrouped and reclassified wherever considered necessary in order to make them comparable with current year's figures.

41. CONTROLLING ENTITY AND ULTIMATE CONTROLLING ENTITY

The controlling entity is the Ministry of Water, and the ultimate controlling entity is the Government of Tanzania.

42. IMPACT OF COVID-19

During the year 2019 an outbreak of COVID-19 occurred and was declared a pandemic. Management performed an initial assessment and noted that the outbreak of COVID-19 did not have material impact on the Authority's operations and financial statements for the year ended on 30 June 2021 and 2022. However, some planned projects were not implemented in time due to effect of the COVID-19 Pandemic, which delayed the importation of project materials and experts.

43. LOSS ON DISPOSAL OF ASSETS

Until 30 June 2023, the Authority incurred no loss on assets disposed.

44. NUMBER OF STAFF

The number of staff as at 30 June 2023 were 201 out of whom 150 were male and 51 were female.



KEY FINANCIAL RATIOS

The Board of Directors
Tanga Water Supply and Sanitation Authority
Street No.3, Swahili Street
PO Box 5011
Tanga
Tanzania

Dear Sirs,

INDEPENDENT REASONABLE ASSURANCE REPORT ON KEY FINANCIAL RATIOS

We have completed our assurance engagement to report on the accompanying historical key financial ratios of the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) as at 30 June 2023, 30 June 2022, 30 June 2021 and 30 June 2020. The key historical financial ratios are set out in the information memorandum.

Management's Responsibilities

Management is responsible for the preparation and presentation of the historical key financial ratios in accordance with the basis of preparation described in Notes to the key financial ratios set out in the information memorandum.

Practitioner's Responsibilities

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance engagements other than audits or reviews of historical financial information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Management (ISQM) 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

In our opinion the accompanying key financial ratios of Tanga UWASA have been prepared in all material respects, based on the criteria described in the Notes to the key financial ratios. This key financial ratio information has been prepared for inclusion in a prospectus for a Green Bond issue, and may, therefore, not be appropriate for another purpose.

Consent for inclusion in the information memorandum issued by Tanga UWASA

We hereby consent to the inclusion of our name and our report in the Information Memorandum for the Tanga UWASA Green Bond issue.



Christopher Alex Mageka - CPA-PP
Partner, INNOVEX Auditors
08/11/2023

KEY RATIOS

	Note	Actual 30-Jun-23	Actual 30-Jun-22	Actual 30-Jun-21 (Restated)	Actual 30-Jun-20
Earnings before interest and taxes (EBIT) Interest cover	D	5	11	167	13
Operating cash flow to total debt percentage	E	196%	301%	2741%	594%
Free cash flow to total debt percentage	F	(67%)	(192%)	108%	191%
Total free cash flow to total short term debt obligations	G	N/A	(386%)	N/A	692%
Net profit margin	H	7%	10%	10%	9%
Post tax return before financing costs on capital employed	I	3%	4%	3%	3%
Long term debt to capital employed ratio	J	7%	2%	n/a	0%
Total debt to equity ratio	K	8%	3%	0%	2%
Funds from operations to total debt percentage	L	196%	301%	2741%	594%
Free cash flow to debt repayment cover	M	(533%)	(1173%)	104%	290%

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 30 JUNE 2023, 30 JUNE 2022, 30 JUNE 2021 AND 30 JUNE 2020

NOTES:

A. SOURCE OF FINANCIAL INFORMATION USED FOR COMPUTATION OF RATIOS

The financial information used for computing the historical ratios has been extracted from both unaudited (June 2023) and the annual audited financial statements of the Tanga UWASA.

B. BASIS FOR COMPUTATION OF RATIOS BASED ON CMSA REQUIREMENTS

1. Earnings before interest and taxes (EBIT) interest cover

EBIT interest cover = EBIT for the period / (interest payable for the period + any preference dividend payable for the period)

2. Operating cash flow to total debt percentage

Operating cash flow to total debt ratio = (funds generated from operations in the period/average total debt during the period) x 100%

3. Free Cash flow to total debt percentage

Free cash flow to total debt = (free cash flows for the period/average total debt during the period) x 100%

4. Total free cash flow to total short term debt obligations

Total free cash flow to total short-term debt obligation = (total uncommitted cash flows for the period/ total short-term debt obligations at the end of the period) x 100%

5. Net profit margin

Net profit margin = (net profit for the period/total sales for the period) x 100%

6. Post-tax return (before financing costs) on capital employed

Post-tax return (before financing costs) = (profit after tax but before financing costs for the period/ average capital employed for the period) x 100%

7. Long-term debt to capital employed ratio

Long-term debt to capital employed ratio = (average long-term debt outstanding during the period/ average equity + average long-term debt for the period)

8. Total debt to equity ratio

Total debt to equity ratio = (average short-term debt outstanding + average long-term debt outstanding during the

period)/average equity for the period

9. Funds from operations to debt percentage

Funds from operations to debt = (funds generated from operations in the period/average total debt during the period) x 100%

10. Free cash flow to debt repayment cover

Free cash flow to debt repayment cover = (free cash flow for the period)/(interest payable + preference dividend + principal repaid during the period)

C. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON CMSA REQUIREMENTS

1. Average over the period is defined as the average of the opening and closing balances for that period.
2. Earnings Before Interest and Tax (EBIT) is after interest earned and income from investments during the period.
3. Interest payable for the period is defined as interest payable on all long-term and short-term debts for the period (i.e. interest paid and accrued).
4. Free cash flow is defined as operating cash flow for the period less income tax paid and net capital investment.
5. Total uncommitted cash flow is defined as free cash flow for the period plus any cash and cash equivalents at the end of the period.
6. Cash equivalents are defined as highly liquid assets, convertible into known amounts of cash without notice and have insignificant risk of changes in value owing to changes in interest rates. A reasonable cut-off for cash equivalents is represented by a three-month (or less) maturity from date of acquisition.
7. Profit (surplus) after tax for the period is stated after exceptional items but before extraordinary items and interest payable.

TANGA UWASA KEY FINANCIAL RATIOS FOR THE YEARS ENDED 30 JUNE 2023, 30 JUNE 2022, 30 JUNE 2021 AND 30 JUNE 2020

NOTES (CONTINUED)

D. EARNINGS BEFORE INTEREST AND TAXES (EBIT) INTEREST COVER

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Earnings before interest and tax	1,460,315	2,056,666	1,750,220	1,479,050
Profit before income tax	1,460,315	2,056,666	1,750,220	1,479,050
Interest expense on borrowings	390,376	208,834	10,534	123,283
Earnings before interest and tax	<u>1,850,691</u>	<u>2,265,500</u>	<u>1,760,754</u>	<u>1,602,333</u>
Interest expense				
Interest on borrowing	<u>390,376</u>	<u>208,834</u>	<u>10,534</u>	<u>123,283</u>
EBIT interest cover	<u>5</u>	<u>11</u>	<u>167</u>	<u>13</u>

E. OPERATING CASH FLOW TO TOTAL DEBT PERCENTAGE

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Net cash generated from operations	<u>9,493,018</u>	<u>5,172,814</u>	<u>4,215,219</u>	<u>4,280,607</u>
Average total debt:				
Borrowing at start	3,441,098	-	307,594	1,132,903
Borrowing at end	<u>6,256,153</u>	<u>3,441,098</u>	<u>-</u>	<u>307,594</u>
Simple average total debt	<u>4,848,625</u>	<u>1,720,549</u>	<u>153,797</u>	<u>720,248</u>
Operating cash flow to total debt percentage	<u>196%</u>	<u>301%</u>	<u>2741%</u>	<u>594%</u>

F. FREE CASH FLOW TO TOTAL DEBT PERCENTAGE

Free cash flows

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Cash generated from operations	9,493,018	5,172,814	4,215,219	4,280,607
Cash used in purchase of property and equipment	(2,465,972)	(8,484,526)	(4,049,644)	(2,903,638)
Cash used in work in progress	(10,262,675)	-	-	-
Cash used in purchase of intangible assets				
	<u>(3,235,629)</u>	<u>(3,311,712)</u>	<u>165,575</u>	<u>1,376,969</u>
Average total debt:				
Borrowing at start	3,441,098	-	307,594	1,132,903
Borrowing at end	6,256,153	3,441,098	-	307,594
Simple average total debt	<u>4,848,625</u>	<u>1,720,549</u>	<u>153,797</u>	<u>720,248</u>
Free cash flows to total debt percentage	<u>(67%)</u>	<u>(192%)</u>	<u>108%</u>	<u>191%</u>

G. TOTAL FREE CASH FLOW TO TOTAL SHORT TERM DEBT OBLIGATIONS

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Uncommitted cash flows				
Cash generated from operations	9,493,018	5,172,814	4,215,219	4,280,607
Income tax paid				
Cash used in purchase of property and equipment	(3,136,536)	(8,484,526)	(4,049,644)	(2,903,638)
Cash used in work in progress	(9,592,111)	-	-	-
Cash and cash equivalents at end of year	323,205	742,266	611,299	752,141
Total Uncommitted cash flows	<u>(2,912,424)</u>	<u>(2,569,446)</u>	<u>(776,874)</u>	<u>(2,129,110)</u>
Current portion of borrowings at end of year	-	666,023	-	307,594
Total free cash flow to total short term debt obligations	N/A	(386%)	N/A	<u>692%</u>

H. NET PROFIT MARGIN

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Profit for the year	<u>1,460,315</u>	<u>2,056,666</u>	<u>1,750,220</u>	<u>1,479,050</u>
Total income				
Water and Sewerage Services	15,516,029	15,867,063	15,171,815	14,388,488
Other Income	628,409	796,982	454,599	386,022
Finance Revenue	856	1,285	1,800	1,080
Fees and penalties	67,312	59,997	78,494	83,766
Amortization of Capital Grants	3,911,328	3,115,218	2,024,723	1,103,103
Gain on Disposals	33,495	32,686	10,395	-
	<u>20,157,429</u>	<u>19,873,231</u>	<u>17,741,826</u>	<u>15,962,459</u>
Net profit margin	<u>7%</u>	<u>10%</u>	<u>10%</u>	<u>9%</u>

I. POST TAX RETURN (BEFORE FINANCING COSTS) ON CAPITAL EMPLOYED

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Post tax profit before financing costs				
Profit for the year	1,460,315	2,056,666	1,750,220	1,479,050
Interest expense on borrowings	390,376	208,834	10,534	123,283
Profit for the year before financing costs	<u>1,850,691</u>	<u>2,265,500</u>	<u>1,760,754</u>	<u>1,602,333</u>
Capital employed				
At start of year:				
Total equity	59,020,009	57,011,752	54,182,950	37,938,115
Borrowings	<u>3,441,098</u>	<u>-</u>	<u>307,594</u>	<u>1,132,903</u>
Total capital employed at start of year	<u>62,461,107</u>	<u>57,011,752</u>	<u>54,490,544</u>	<u>39,071,018</u>
At end of year				
Total equity	60,480,324	59,020,009	57,011,752	54,182,950
Borrowings	<u>6,256,153</u>	<u>3,441,098</u>	<u>-</u>	<u>307,594</u>
Total capital employed at end of year	<u>66,736,477</u> 0	<u>62,461,107</u> 0	<u>57,011,752</u> 0	<u>54,490,544</u> 0
Simple average capital employed during the year	<u>64,598,792</u> 0	<u>59,736,430</u> 0	<u>55,751,148</u> 0	<u>46,780,781</u> 0
Post tax return before financing costs	<u>3%</u>	<u>4%</u>	<u>3%</u>	<u>3%</u>



J. LONG TERM DEBT TO CAPITAL EMPLOYED RATIO

Average long-term debt

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Borrowings at start of year	2,775	-	-	307,594
	,079			
Borrowings at end of year	6,256,153	2,775,079	-	-
Simple average long-term debt	4,515,616	1,387,540	n/a	153,797

Capital employed

At start of year:				
Total equity	59,020,009	57,011,752	54,182,950	37,938,115
Borrowings	3,441,098	-	307,594	1,132,903
Total capital employed at start of year	62,461,107	57,011,752	54,490,544	39,071,018
At year end				
Total equity	60,480,324	59,020,009	57,011,752	54,182,950
Borrowings	6,256,153	3,441,098	-	307,594
Total capital employed at end of year	66,736,477	62,461,107	57,011,752	54,490,544
Simple average capital employed during the year	64,598,792	59,736,429.5	55,751,148	46,780,781
Long term debt to capital employed ratio	7%	2%	n/a	0%

K. TOTAL DEBT TO EQUITY RATIO

Average total debt

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Borrowings at start of year	3,441,098	-	307,594	1,132,903
Borrowings at end of year	6,256,153	3,441,098	-	307,594
Simple average total debt	4,848,626	1,720,549	153,797	720,248

Average equity

Total equity at start of year	59,020,009	57,011,752	54,182,950	37,938,115
Total equity at end of year	60,480,324	59,020,009	57,011,752	54,182,950
Simple average total equity during the year	59,750,167	58,015,881	55,597,351	46,060,533
Total debt to equity ratio	8%	3%	0%	2%

L. FUNDS FROM OPERATIONS TO TOTAL DEBT PERCENTAGE

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Net cash generated from / (used in) operations	9,493,018	5,172,814	4,215,219	4,280,607
Average total debt				
Borrowings at start of year	3,441,098	-	307,594	1,132,903
Borrowings at end of year	6,256,153	3,441,098	-	307,594
Simple average total debt	4,848,626	1,720,549	153,797	720,248
Funds from operations to total debt percentage	196%	301%	2741%	594%

M. FREE CASH FLOWS TO DEBT REPAYMENT COVER

	Actual 30-Jun-23 TZS'000	Actual 30-Jun-22 TZS'000	Actual 30-Jun-21 (Restated) TZS'000	Actual 30-Jun-20 TZS'000
Free cash flows				
Cash generated from / (used in) operations	9,493,018	5,172,814	4,215,219	4,280,607
Cash used in purchase of property and equipment	(2,465,972)	(8,484,526)	(4,049,644)	(2,903,638)
Cash used in purchase of intangible assets				
Cash used in work in progress	(10,262,675)			
Free cash flows	(3,235,629)	(3,311,712)	165,575	1,376,969
Debt repayment				
Interest expense on borrowings	390,376	208,834	10,534	123,283
Repayment of principal component of borrowings	823,727	356,045	307,594	825,309
Simple average total debt repayment	607,052	282,440	159,064	474,296
Free cash flows to total debt repayment cover	(533%)	(1,173%)	104%	290%



PROSPECTIVE FINANCIAL INFORMATION

The Board of Directors
Tanga Water Supply and Sanitation Authority
Street No.3, Swahili Street
PO Box 5011
Tanga
Tanzania

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON TANGA WATER SUPPLY AND SANITATION AUTHORITY (TANGA-UWASA)'S PROSPECTIVE FINANCIAL INFORMATION

We have examined the Prospective Financial Information of Tanga Water Supply and Sanitation Authority (Tanga-UWASA) or "the Authority") for the year ending 31 December 2023 to 31 December 2032 as set out in the Information Memorandum, in accordance with the International Standard on Assurance Engagements (ISAE 3400) applicable to the examination of prospective financial information.

Responsibilities

The Directors of Tanga-UWASA are solely responsible for the Prospective Financial Information set out in the Information Memorandum on which the forecast is based. It is our responsibility to provide the opinion required by listing rules.

Conclusion

This projection has been prepared for the purposes of raising funds to implement the project of Tanga Water Supply and Sanitation Authority relating to Tanga city water supply improvement infrastructure project which is a planned expansion, rehabilitation, and modernization of the water supply facilities in Tanga city and nearby towns falling under Tanga UWASA service jurisdiction. The developer is seeking TZS 53.12billion of the funds from the capital market through issuance of a 10-year revenue bond priced at an estimated coupon rate of 13.5% with semi-annual coupon payments. The projection for this "project" has been prepared using a set of hypothetical assumptions about future events and management's actions that are Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projection, assuming that the assumptions were to occur. Further, in our opinion, the accompanying forecast information is properly prepared on the basis of the assumptions set out in the Information memorandum and is presented in conformity with basis of accounting used and is consistent with the accounting policy of the Authority.

Even if the events anticipated under the hypothetical assumptions were to occur, actual results are still likely to be different from the projection since other anticipated events frequently do not occur as expected and the variation may be material.

Further, we emphasize that the forecast information is not intended to and does not provide all the information and disclosures necessary to give a true and fair presentation of the results of the operations of the Authority in accordance with International Public Sector Accounting Standards.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Yours faithfully,



Christopher Alex Mageka - CPA-PP
Partner, INNOVEX Auditors
08/11/2023

ASSUMPTIONS TO PROSPECTIVE FINANCIAL INFORMATION

S/N	Assumptions	Value	Explanations
1	Targeted Total Installed Production Capacity	60,000	New investment will double water production capacity from 30K to 60K M ³ /Day
2	Customer Demand/Connection Increment	3.00%	# of customers will grow by 3.0% every year from 2026
3	Non-Revenue Water (NRW) Rate	30%	%age already attained by Tanga UWASA
4	Decrease in Non-Revenue Water (NRW) Rate	1.5%	Assumed to decline by 1.5% after every 2 years
5	Production Capacity 2024	36,500	This is the expected average production capacity for 2024, taking into account the increased capacity of MoWE WTP to 42,000 m ³ /day, which will be fully utilized from October 2024.
6	Production Capacity 2025	45,000	The estimated average production capacity in 2025 post implementation of the project investments
7	Production Capacity 2026	49,804	The estimated average production capacity in 2025 post implementation of the project investments, inline with Tanga UWASA's Business Plan for FY 2023 - 2026.
8	Average price (Tariff) - Water	2,128	This initial tariff expect to be approved soon by EWURA. Increment after every 3 yrs is a best conservative estimate by the Authority. We have considered this as the base case, as explained below.
9	Sewerage Services Income	313,574,823	Current average revenue, assumed to remain fixed for the entire life of the bond. Not on the current plan/financing for expansion.
10	Water Connection (income)	3%	3% of main water income, based on 4years historical average
11	Other Income	1%	1% of water income, based on 4years historical average
12	Finance Income (Bank interest income)	0.01%	Based on 4years historical average
13	Water Production & Distribution	16.1%	Based on 4years historical average, rate kept constant over 15yrs forecast
14	Sewerage	26.6%	Based on 4years historical average, rate kept constant over 15yrs forecast
15	Repair & Maintenance	2.8%	Based on 4years historical average, adjusted annually because new infrastructure expected to improve efficiency & to lower the historical average
16	Personnel & Admin	53.1%	Based on 4years historical average, adjusted annually because new infrastructure brings efficiency, lowering the historical average. With Smart metering personnel & admin costs goes down too.
17	Board of directors expenses	2.0%	Based on 4years historical average, adjusted annually because new infrastructure + efficiency lowers the historical average
18	Other Miscellaneous Expenses	4.3%	Based on 4years historical average, adjusted annually because new infrastructure + efficiency lowers the historical average
19	Bank Charges	0.16%	Based on 4years historical average, rate kept constant over the 15yrs of forecast
20	Corporate tax rate	0%	Tanga UWASA is a parastatal - Not subjected to corporate taxes
21	Discount Rate (15 Years)	20%	Assumed
22	Revenue Collection Efficiency	98.0%	Current rate attained by Tanga UWASA
23	Account Receivables (Debtors) - Rate	25.0%	Of water income - 4years average %age
24	Inventories	59.8%	4years %age of expenses on Production, Distribution, Repair & Maintenance
25	Provision for Inventory	19.8%	4 years average inventory
26	Net Inventories	40.0%	Net of the two above
27	Payables	40.0%	Historical payables as %age of Expenses (production, distribution, repair, maintenance, sewerage, personnel, admin & other).
28	Discount Rate (10 Years)	15%	Assumed
29	Base Case		Tariff increases to TZS 2,128 in 2025, and further increases by TZS 100 every 3 years.
30	Moderate (Bank) Case		Tariff increases to TZS 2,128 in 2025, and further increases by TZS 100 every 5 years.
31	Stress Case		Tariff remains constant throughout the projected period.

PROJECTED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30	31-Dec-31	31-Dec-32	31-Dec-33
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
REVENUE FROM EXCHANGE TRANSACTIONS										
Water and Sewerage Services	20,268,362	27,314,304	30,196,536	31,298,221	33,948,771	35,185,750	36,466,675	39,475,275	40,910,362	41,536,041
Other Income	202,684	273,143	301,965	312,982	339,488	351,857	364,667	394,753	409,104	415,360
Finance Revenue	2,027	2,731	3,020	3,130	3,395	3,519	3,647	3,948	4,091	4,154
Investment Income (Sinking fund income)	-	125,496	250,448	541,648	802,848	1,334,048	1,855,248	2,466,448	3,067,648	3,758,848
	20,473,072	27,715,674	30,751,969	32,155,981	35,094,502	36,875,174	38,690,237	42,340,423	44,391,205	45,714,403
REVENUE FROM NON-EXCHANGE TRANSACTIONS										
Fees and penalties	-	-	-	-	-	-	-	-	-	-
Amortization of Capital Grants	-	-	-	-	-	-	-	-	-	-
Gain on Disposal	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	20,473,072	27,715,674	30,751,969	32,155,981	35,094,502	36,875,174	38,690,237	42,340,423	44,391,205	45,714,403
EXPENSES										
Water Production and Distribution Expenses	2,479,818	2,097,144	2,321,007	2,406,574	2,612,442	2,708,518	2,808,008	3,041,685	3,153,149	3,201,745
Sewerage Expenses	83,396	83,396	83,396	83,396	83,396	83,396	83,396	83,396	83,396	83,396
Repair and Maintenance Expenses	472,492	557,085	586,523	577,519	593,444	580,891	566,619	575,020	556,191	524,360
Personnel and Administration Expenses	8,170,169	9,815,314	10,557,417	10,638,514	10,550,114	10,763,567	10,978,238	10,925,373	11,123,821	11,092,231
Directors Fees and Meeting Expenses	196,872	228,140	222,879	255,324	247,268	239,190	223,106	226,174	216,517	205,710
Other Expenses	748,112	981,531	1,055,742	1,063,851	1,120,950	1,127,612	1,133,238	1,188,374	1,191,838	1,169,726
Bank charges	19,441	22,020	23,723	24,040	24,332	24,805	25,268	25,664	26,120	26,043
Administration fees	80,000	83,440	87,028	90,770	94,673	98,744	102,990	107,419	112,038	116,855
Depreciation	4,344,494	7,799,665	7,347,315	7,296,100	7,477,428	7,359,525	6,841,623	6,923,721	7,005,818	7,087,916
Bond Coupon Payment	3,585,600	7,171,200	7,171,200	7,171,200	7,171,200	7,171,200	7,171,200	7,171,200	7,171,200	7,171,200
Financial Cost	474,646	325,572	177,744	102,749	-	-	-	-	-	-
Provision for impairment of receivables	378,000	378,000	378,000	378,000	378,000	-	-	-	-	-
	21,033,040	29,542,508	30,011,973	30,088,039	30,353,247	30,157,450	29,933,686	30,268,026	30,640,088	30,679,184
OPERATING (DEFICIT)/ SURPLUS	-559,968	-1,826,833	739,995	2,067,942	4,741,254	6,717,724	8,756,550	12,072,397	13,751,117	15,035,219
Loss on disposal of assets	-	-	-	-	-	-	-	-	-	-
(DEFICIT)/SURPLUS	(559,968)	(1,826,833.39)	739,995	2,067,942	4,741,254	6,717,724	8,756,550	12,072,397	13,751,117	15,035,219

PROJECTED STATEMENT OF FINANCIAL POSITION AS AT

	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30	31-Dec-31	31-Dec-32	31-Dec-33
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS										
Current Assets										
Cash and Cash Equivalents	2,944,728	4,535,423	8,435,891	12,042,491	16,397,406	22,037,768	28,198,510	37,582,412	47,891,021	59,504,780
Sinking Fund	1,792,800	3,585,600	7,225,600	10,865,600	17,505,600	24,145,600	31,785,600	39,425,600	48,065,600	56,705,600
Fixed deposits with Banks (Bond proceeds)	-	-	-	-	-	-	-	-	-	-
Accounts receivables	7,001,647	6,617,899	6,033,011	5,361,979	4,769,491	4,864,975	4,963,893	5,150,476	5,261,393	5,333,273
Inventories	1,181,611	976,762	1,031,069	1,018,288	1,051,071	1,034,436	1,016,076	1,040,565	1,017,579	972,316
Total Current Assets	12,920,786	15,715,684	22,725,572	29,288,358	39,723,568	52,082,779	65,964,079	83,199,053	102,235,593	122,515,969
Non-Current Assets										
Property, Plant and Equipment	116,486,497	108,686,832	101,339,517	95,880,246	90,239,647	84,716,951	79,712,156	74,625,264	69,456,275	64,205,188
Intangible Assets	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253	2,253
Total Non-Current Assets	116,488,750	108,689,085	101,341,770	95,882,500	90,241,901	84,719,204	79,714,410	74,627,518	69,458,528	64,207,441
TOTAL ASSETS	129,409,536	124,404,769	124,067,342	125,170,857	129,965,468	136,801,983	145,678,489	157,826,571	171,694,121	186,723,410
Current Liabilities										
Trade and Other Payables	6,723,525	5,021,176	5,419,337	5,482,402	5,535,759	5,654,549	5,774,505	5,850,190	5,966,623	5,960,693
Provisions for expenses	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Current Maturity of Term Loan	1,475,584	1,475,584	1,027,491	-	-	-	-	-	-	-
Total Current Liabilities	8,329,109	6,626,760	6,576,828	5,612,402	5,665,759	5,784,549	5,904,505	5,980,190	6,096,623	6,090,693
Non-Current Liabilities										
Term Loan	2,503,075	1,027,491	-	-	-	-	-	-	-	-
Bond	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000
Total Non-Current Liabilities	55,623,075	54,147,491	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000	53,120,000
TOTAL LIABILITIES	63,952,184	60,774,251	59,696,828	58,732,402	58,785,759	58,904,549	59,024,505	59,100,190	59,216,623	59,210,693
NET ASSETS/LIABILITIES	65,457,352	63,630,519	64,370,514	66,438,455	71,179,710	77,897,434	86,653,984	98,726,381	112,477,498	127,512,717
NET ASSETS/EQUITY										
Capital and Reserves										
Capital Fund	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842	31,572,842
Accumulated Surplus	33,884,510	32,057,676	32,797,672	34,865,613	39,606,868	46,324,592	55,081,142	67,153,539	80,904,656	95,939,875
TOTAL NET ASSETS/EQUITY	65,457,352	63,630,519	64,370,514	66,438,455	71,179,710	77,897,434	86,653,984	98,726,381	112,477,498	127,512,717

PROJECTED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30	31-Dec-31	31-Dec-32	31-Dec-33
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES										
Cash Receipts from Customers	20,680,900	24,945,785	31,594,565	32,182,718	34,568,226	35,737,780	37,034,323	39,811,500	41,513,508	41,984,231
Finance Revenue	2,027	2,731	3,020	3,130	3,395	3,519	3,647	3,948	4,091	4,154
Fees and penalties	-	-	-	-	-	-	-	-	-	-
Total Cash Receipts from Customers	20,682,927	24,948,517	31,597,585	32,185,847	34,571,620	35,741,298	37,037,970	39,815,448	41,517,599	41,988,385
LESS: PAYMENTS										
Payments to suppliers and consumables	3,971,013	2,243,676	4,414,246	4,231,228	4,455,138	4,660,648	4,754,844	4,965,335	5,150,113	5,044,605
Payments for employees	8,170,169	9,815,314	10,557,417	10,638,514	10,550,114	10,763,567	10,978,238	10,925,373	11,123,821	11,092,231
Payments for administration fees	80,000	83,440	87,028	90,770	94,673	98,744	102,990	107,419	112,038	116,855
Directors meeting expenses	196,872	228,140	222,879	255,324	247,268	239,190	223,106	226,174	216,517	205,710
Bank charges	19,441	22,020	23,723	24,040	24,332	24,805	25,268	25,664	26,120	26,043
Finance costs	474,646	325,572	177,744	102,749	-	-	-	-	-	-
	12,912,141	12,718,162	15,483,036	15,342,626	15,371,525	15,786,955	16,084,447	16,249,966	16,628,608	16,485,445
NET CASH GENERATED FROM OPERAT	7,770,786	12,230,355	16,114,549	16,843,221	19,200,095	19,954,343	20,953,523	23,565,482	24,888,991	25,502,940
CASH FLOWS FROM INVESTING ACTIVITIES										
Acquisition of Property, Plant and Equipment (Bond and own source)	(53,120,000)	-	-	(1,836,829)	(1,836,829)	(1,836,829)	(1,836,829)	(1,836,829)	(1,836,829)	(1,836,829)
Investment Income (Sinking fund income)	-	125,496	250,448	541,648	802,848	1,334,048	1,855,248	2,466,448	3,067,648	3,758,848
NET CASH USED IN INVESTING ACTIVIT	(53,120,000)	125,496	250,448	(1,295,181)	(1,033,981)	(502,781)	18,419	629,619	1,230,819	1,922,019
CASH FLOWS FROM FINANCING ACTIVITIES										
Bond Issuance proceeds	53,120,000	-	-	-	-	-	-	-	-	-
Bond Coupon Payments	(3,585,600)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)	(7,171,200)
TIB Loan Payment (Interest)	(474,646)	(325,572)	(177,744)	(102,749)	-	-	-	-	-	-
Sinking Fund (Bond Principals)	(1,792,800)	(1,792,800)	(3,640,000)	(3,640,000)	(6,640,000)	(6,640,000)	(7,640,000)	(7,640,000)	(8,640,000)	(8,640,000)
TIB Loan Payment (Principal)	(1,475,584)	(1,475,584)	(1,475,584)	(1,027,491)	-	-	-	-	-	-
NET CASHFLOWS USED IN FINANCING	45,791,370	(10,765,156)	(12,464,528)	(11,941,440)	(13,811,200)	(13,811,200)	(14,811,200)	(14,811,200)	(15,811,200)	(15,811,200)
NET DECREASE IN CASH AND CASH EC	442,155	1,590,695	3,900,469	3,606,600	4,354,915	5,640,362	6,160,742	9,383,902	10,308,610	11,613,759
Cash and Cash Equivalents at the beginning of the year	2,502,572	2,944,728	4,535,423	8,435,891	12,042,491	16,397,406	22,037,768	28,198,510	37,582,412	47,891,021
Cash and Cash Equivalents at the end of the year	2,944,727	4,535,423	8,435,891	12,042,491	16,397,406	22,037,768	28,198,510	37,582,412	47,891,021	59,504,780



LEGAL OPINION

Our Ref: ST/GD/MJN/SM/65207351
Your Ref: T.B.A
Date: 19 February, 2024

Tanga Urban Water Supply and Sanitation Authority
 Swahili Street/Street No.3
 P. O. Box 5011,
 21103 Tanga,
 Tanzania
 (as the Issuer)

Capital Markets and Securities Authority
 6th Floor, PSSSF Tower
 Ohio Street/Garden Avenue
 P.O. Box 75713, Dar es Salaam
Tanzania

Dear Sirs,

Legal Opinion in respect of the Green Revenue Bond by Tanga Urban Water Supply and Sanitation Authority (the Issuer)

1 Request for opinion

We have acted as Legal Advisers to the Issuer in connection with the issuance of a 10-year Green Revenue Bond of up to Tanzanian Shillings fifty-three billion one hundred and twenty million (TZS 53,120,000,000/=) pursuant and subject to the provisions of the Information Memorandum (as defined below) and constituted by a Trust Deed (as defined below).

Save as otherwise defined in this Opinion, terms and expressions defined in the Information Memorandum and the Trust Deed shall bear the same meanings where used herein and the same principles of interpretation provided for in the Information Memorandum shall apply herein.

2 Documents and enquiries

2.1 For purposes of this Opinion, we have examined the following documents:

- 2.1.1 the Information Memorandum in relation to the issuance of the Green Revenue Bond of up to Tanzanian Shillings fifty-three billion one hundred and twenty million (TZS 53,120,000,000/=) by the Issuer (the **Information Memorandum**) and;
- 2.1.2 the trust deed dated 19 February 2024 and made between the Issuer, and National Bank of Commerce Limited as the Bond Trustee (the **Trust Deed**).

(the Information Memorandum and the Trust Deed (both inclusive) shall hereinafter together be referred to as the **Documents**).

2.2 In addition, for the purposes of this Opinion, we have examined and relied upon the following documents provided to us by the Issuer:

- 2.2.2 copy of a Water Supply and Sanitation Services Licence (Class 1) with Licence No. WSSSL/02/2016 dated 10th February 2016 issued to the Issuer for a term of 10 years (the **Water Supply and Sanitation License**);
- 2.2.3 copy of the letter reference number CMSA/RPP/04/150/7 dated 11 December 2023 from the Capital Markets and Securities Authority (**CMSA**) approving the issuance of the Green Revenue Bond (the **CMSA Approval**);
- 2.2.4 copy of the resolutions of the board of directors of the Issuer dated 21 November 2023 approving (*inter alia*) the Bond issuance;
- 2.2.5 the letter of authorisation or no objection from the Ministry of Water dated 10 November 2023 (the **Ministry of Water Approval**);
- 2.2.6 the letter of no objection from the Ministry of Finance (the **Ministry of Finance Approval**) dated 28 December 2023;
- 2.2.7 Second opinion on sustainability of the Issuer and Green Bond Framework issued by ISS Corporate Solution on 9 October 2023; and
- 2.2.8 the disclosure letter dated 23 November 2023 from the Issuer disclosing certain material issues relating to ownership of assets for the Project, Material Contracts (as defined in paragraph 4.7.6 (b) below) and material litigation or other proceedings (the **Disclosure Letter**).

(the documents in paragraphs 2.2.1 to 2.2.8 (both inclusive) shall together be referred to as the **Additional Documents**).

- 2.3 We have not undertaken any other searches or enquiries in respect of the matters referred to in this opinion and have not examined other documents entered into or affecting the Issuer or any other person, save as stated above. In addition, except where otherwise expressly stated in this letter, we have not carried out any further investigations in relation to the business or the assets of the Issuer or any member of the Issuer nor have we undertaken any independent verification of the information and documents provided to us by third parties and persons.

3 Assumptions

For the purposes of this Opinion, we have assumed each of the following:

- 3.1 in relation to each of the Documents, each party to the Documents (other than the Issuer) has the capacity and power to:
 - 3.1.1 execute and deliver the Documents; and
 - 3.1.2 exercise its rights and perform its obligations under the Documents;
- 3.2 in relation to each of the Documents, each party (other than the Issuer) to the Documents has taken all necessary corporate or other action required to authorize:
 - 3.2.1 execution and delivery of the Documents; and
 - 3.2.2 the exercise of its rights and performance of its obligations under the Document;
- 3.3 each of the Documents has been duly executed and unconditionally delivered by each party to it and has been entered into by the parties thereto:
 - 3.3.1 in good faith and for the purpose of carrying on its business;

- 3.3.2 on arms' length commercial terms;
- 3.3.3 in the belief that the same would benefit such party; and
- 3.3.4 in furtherance of the objects in the partnership deed, memoranda and articles of association by-laws and other constitutional documents;
- 3.4 all signatures on the Documents and Additional Documents are genuine;
- 3.5 all copies of the Additional Documents provided to us as certified or photostatic copies are complete and in conformity to the originals of such documents and the originals of such documents are authentic;
- 3.6 none of the Documents and/or Additional Documents have been amended and all Documents and/or Additional Documents remain in full force and effect in the same form reviewed and/or prepared by us and none of the parties has taken any action or entered into any agreement, document or arrangement which is inconsistent with any of the Documents and/or Additional Documents to which it is a party or any of its rights and obligations thereunder;
- 3.7 the Documents constitute legal, valid, binding and enforceable obligations of each of the parties thereto (other than the Issuer) in accordance with their terms under all applicable laws;
- 3.8 the execution and delivery of the Documents and the performance of each obligation under the Documents is not illegal or contrary to public policy in any place outside of the United Republic of Tanzania in which that obligation is to be performed;
- 3.9 save as expressed in paragraph 4 of this letter (Opinion), the representations and warranties given by any of the parties to any of the Documents are and will be when made true and accurate in all respects and such representations and warranties are at all relevant times true and accurate;
- 3.10 each party (other than the Issuer in relation to the jurisdiction of Tanzania only) has obtained, complied with the terms of and maintained all authorizations, approvals, licenses and consents required in relation to the execution and delivery of the Documents and to ensure the legality, validity and enforceability of its obligations under the Documents and that all appropriate filings and registrations in connection with the Documents have been or will be duly effected in all relevant jurisdictions within all applicable time periods;
- 3.11 the terms of each of the Documents reflect correctly the intent and agreement of the parties thereto;
- 3.12 each party is the sole obligor in respect of obligations owed by it and sole beneficial owner in respect of all rights owed to it under each of the Documents and each transaction thereunder and no such rights are subject to any mortgage, charge, pledge, lien, encumbrance or other security interest and no creditor of a party has attached, executed, levied execution or otherwise exercised a creditor's process in respect of such party's rights under any of the Documents;
- 3.13 no party has entered into any of the Documents or any transaction thereunder in its capacity as agent or trustee save for the Bond Trustee acting in that capacity;
- 3.14 the Documents are executed by each party prior to the commencement of any insolvency or bankruptcy proceedings (any similar proceedings under the relevant applicable laws) in respect of that party and that no party was at the time of entering into the Documents, or

- immediately thereafter, unable to pay its debts (as the case may be) within the relevant applicable laws;
- 3.15 that none of the Documents are void, voidable or unenforceable by reason of, for example:
- 3.15.1 *non est factum* (that is, circumstances in which one party executes an agreement believing it to be an essentially different agreement and that party was not careless in so doing); or
- 3.15.2 by a party thereto having been induced to enter into it by duress, fraud or misrepresentation or on the basis of a mistake of fact or law; or
- 3.15.3 all or any signatures and instruments and other documents not being genuine and/or authentic and, in the case of verification or attestation of execution, such execution having not in fact taken place before or in the presence of the person so verifying or attesting execution; or
- 3.15.4 the correct procedure not being carried out for calling and holding meetings of the boards of representatives or board of directors (as applicable) for approving the Documents and the assumption of obligations thereunder by a party; or
- 3.15.5 any attesting advocate not being the holder of a valid practising certificate at the time of attesting or a notary public who was not duly licensed at the time of attesting;
- 3.16 all material statements of fact, opinions and views expressed to us by or on behalf of the Issuer (including in the Disclosure Letter), the Lead Transaction Advisor, the Reporting Accountant, Collecting Agents or the Advisors or by any of their respective agents, partners, directors, shareholders, employees, lawyers and managers (as applicable) and relevant to this letter were honestly held by them and that all such opinions expressed were made and continue to be based on reasonable assumptions and all statements of fact by any of the foregoing persons were made and continue to be true, accurate and not misleading in any way;
- 3.17 that the resolutions of the board of directors of the Issuer referred to in paragraph 2.2.4 above were duly passed and that in resolving that the Issuer executes the Documents to which it is a party and exercises its rights and performs its obligations thereunder, each of the directors of the Issuer is acting in good faith and exercising due care, skill and diligence;
- 3.18 that nothing in the Documents contravenes, or could result in a contravention of any obligation of any of the parties thereto;
- 3.19 that there are no agreements, documents or arrangements other than the Documents expressly referred to herein as having been examined by us which materially affect, amend or vary the transactions envisaged in the Documents or restrict the powers and authority of the directors of the Issuer in any way;
- 3.20 that no party to the Documents has been, is or will be engaging in misleading, deceptive or unconscionable conduct or seeking to conduct any relevant transaction or any associated activity in a manner or for a purpose not evident on the face of the Documents or otherwise known to us which might render the Documents, or any transactions contemplated thereby or associated activity illegal, void or voidable;
- 3.21 there is no other fact, matter or document which would, or might, affect this Opinion and which was not revealed by the Documents, or the Additional Documents examined, or the searches and enquiries made;

3.22 all other approvals including the approval of the Treasury Registrar in respect of relevant account to be opened by the Issuer in connection with the Transaction and the DSE Listing Approval (as defined below), consents, documents, agreements including the agency agreement to be entered and signed between the Issuer and various agents of the Bond, letters (the **Agency Agreement**) issued by or obtained by the Issuer in connection with the activities under the Transaction will be obtained in accordance with the relevant laws and without any exception. The Agency Agreement and the DSE Listing Approval will be procured in proper form, and in full force and effect.

4 **Opinion**

Based on and subject to the assumptions and other provisions set out above and the reservations set out below, we are of the opinion that:

4.1 **Corporate Status, Capacity, Due Authorisation, Execution and Delivery**

4.1.1 The Issuer is duly established under the laws of Tanzania as an autonomous water utility organisation established under the Water Supply and Sanitation Act, No. 5 of 2019 (the **Water Supply and Sanitation Act**) and has all requisite corporate power to carry on its business as now conducted.

4.1.2 The Issuer has the authority and corporate power to enter and perform its obligations under the Documents to which it is party.

4.1.3 There is no provision in any existing Tanzania law applicable to the Issuer generally which has been, at the date of this Opinion or shall be contravened, breached, or defaulted by the execution and delivery by the Issuer of the Documents or the performance or observance of any of the terms thereof or the consummation of the transactions contemplated by the Issuer.

4.1.4 The execution and delivery by the Issuer of the Documents to which it is a party do not, and the performance by the Issuer of its obligations thereunder and the consummation of the transactions contemplated thereby will not:

- (a) result in any violation of the provisions of the constitutional documents of the Issuer; or
- (b) result in the violation of any Tanzanian law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority in Tanzania; or
- (c) result in a breach of, any provision imposing a limit upon the borrowing powers of the Issuer.

4.1.5 The Issuer has the necessary legal capacity, authority, and power to execute, where relevant deliver, exercise its rights under and perform its obligations under each Document to which it is a party and has taken all necessary action to permit such execution, delivery, exercise, and performance and no such execution, delivery, exercise, or performance is contrary to any law or any provision of its partnership deed.

4.1.6 The contractual obligations of the Issuer under each Document to which it is a party are legal, valid, binding, and enforceable obligations.

- 4.1.7 To the best of our knowledge having made all reasonable efforts including review of the Disclosure Letter, and enquiries, the Issuer has the power to own properties and other assets in Tanzania, and to sue and be sued in its corporate name.

4.2 Licences, consents, and approvals

- 4.2.1 The Issuer has a valid license to carry on its business as now conducted including the Water Supply and Sanitation License. Specifically, the Issuer has been issued with Class I license by the Energy Water and Utilities Regulatory Authority (**EWURA**) which meets all technical, managerial, and financial capabilities to operate a water supply and sanitation facility and recover all costs of operation. The Water Supply and Sanitation License does not contain restrictions which will affect the Project.
- 4.2.2 The Issuer has also obtained a Water Use Permit in accordance with section 11(2) of the Water Resources Management Act, Act 11 of 2009.
- 4.2.3 Save for letter of the approval for listing with the Dar es Salaam Stock Exchange (the **DSE Listing Approval**), which will be obtained subsequent to the date of this Opinion all **authorizations**, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Tanzania required in connection with the issuance of the Bond by the Issuer namely the CMSA Approval, Ministry of Water Approval and the Ministry of Finance Approval have been obtained, are in proper form, and are in full force and effect.

4.3 The Documents

4.3.1 Each Document:

- (a) has been duly executed;
- (b) constitutes the valid, legal, and binding obligations of the Issuer; and
- (c) in proper form for their enforcement in the United Republic of Tanzania.

4.3.2 Filings and Registration of Documents

Other than filing and registration of the Documents with the CMSA and the Dar es Salaam Stock Exchange, there are no mandatory requirements under the laws of Tanzania to register the Documents. In practice, parties opt to undertake optional registration with the Registrar of Documents, for such registration to serve as constructive notice to third parties.

4.3.3 Stamp Duty

- (a) Pursuant to the provisions of the Stamp Duty Act, CAP. 189 R.E 2019 (the **Stamp Duty Act**) an agreement whenever executed which relates to property or any other matter or thing done or to be done in the United Republic of Tanzania, is liable to stamp duty. A document which is liable to be stamped cannot be admitted as evidence in court proceedings unless it is stamped. Agreements or documents that are required to be stamped should be so stamped within thirty (30) days after they are first executed or after they are first received in Tanzania if executed outside Tanzania.
- (b) Save for stamping of the Documents:
 - (i) no authorizations are required to be obtained from any competent authorities in the United Republic of Tanzania, in connection with the

validity, execution and performance of the Documents or the transactions contemplated by the Documents.

- (ii) it is not required to ensure the validity, effectiveness, performance, or enforceability in the United Republic of Tanzania of the Documents that the same be filed, registered, or recorded in a public office or elsewhere or that any other instrument, document, or notice relating thereto be executed, delivered, filed, registered, recorded, or served in the United Republic of Tanzania.
- (c) The Documents have been stamped in accordance with the provisions of the Stamp Duty Act within the statutory period of thirty (30) days as required by the Stamp Duty Act.

4.4 Immunity

In any proceeding taken in relation to the Documents, the Issuer is entitled to claim in relation to any of its assets, immunity or analogous protection from suit, attachment, execution, or other legal proceedings as provided under section 79 of the Water Supply and Sanitation Act.

4.5 Enforcement

4.5.1 The term enforceable as used in this Opinion means that the relevant obligations assumed by the Issuer under the Documents to which the Issuer is a party are of a type which the courts of Tanzania enforce. It does not mean that those obligations will necessarily be enforced in all circumstances. We would draw your attention to the following:

- (a) the Issuer is a Water Supply and Sanitation Authority established, licensed, and regulated by the Water Supply and Sanitation Act. As highlighted in paragraph 4.4. above, section 79 of the Water Supply and Sanitation Act restricts enforcement against the Issuer by way of attachment of the Issuer property. Enforcement actions against the Issuer are therefore limited by the provisions of the Water Supply and Sanitation Act, and as such any judgment, order, or award against the Issuer can only be settled through the revenue of the Issuer without attachment or execution against its assets;
- (b) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganisation and other laws of general application relating to or affecting the rights of creditors;
- (c) enforcement may be limited by general principles of equity, for example, equitable remedies such as specific performance may not be available, *inter alia*, when damages are considered to be an adequate remedy;
- (d) where obligations are to be performed in a jurisdiction outside Tanzania, they may not be enforceable in Tanzania to the extent that performance would be illegal under the laws of that jurisdiction;
- (e) a certificate, determination, calculation or description under any agreement might be held by a court in Tanzania not to be conclusive, final and binding if, for example, it could be shown to have been on an unreasonable or arbitrary basis or in the event of manifest error;

- (f) obligations to make payments that may be regarded as penalties will not be enforceable;
 - (g) any agreement to negotiate in good faith may not create an enforceable obligation;
 - (h) we reserve our opinion as to the extent to which a Tanzanian court would, in the event of any relevant illegality, sever any offending provision of any relevant document and enforce the remaining provisions of that document notwithstanding any express provision in that regard;
 - (i) the enforcement of obligations of parties to the Documents may be limited by the provisions of Tanzanian law applicable to documents held to have been frustrated by events happening after their execution;
 - (j) the enforcement of any obligations may be invalidated or vitiated by reason of fraud, duress, misrepresentations or undue influence, any bribe or other corrupt conduct;
 - (k) claims may be time-barred under the Law of Limitation Act (Chapter 89, Laws of Tanzania) or become subject to defences of set-off or counterclaim, and failure or delay by any party in exercising any right may constitute a waiver of that right in spite of provisions to the contrary in that document;
 - (l) Tanzanian courts will not normally give full effect to the provisions requiring an indemnity for the costs of litigation or enforcement, even to the successful litigant;
 - (m) the effectiveness and enforceability of the terms exculpating a party from liability are limited by law;
 - (n) in certain circumstances exclusive jurisdiction may be granted to the courts of a particular country in relation to a specified proceeding and in such cases the Tanzanian courts will decline jurisdiction; and
 - (o) where any party is vested with any discretion or may determine a matter in its opinion or sole opinion, Tanzanian law may require such discretion to be exercised reasonably or such opinion to be based on reasonable grounds.
- 4.5.2 The issue of the Bond has been duly authorised and when issued, the Bonds will constitute valid, legally binding, direct, and unconditional obligations of the Issuer in accordance with their terms except as the same may be limited by bankruptcy, insolvency, or other similar laws affecting creditors' rights generally and by general principles of equity.
- 4.5.3 The claims of the Bondholders enforced and/or exercised through the Bond Trustee against the Issuer under the Bond will rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors of the Issuer, save for those whose claims are preferred solely by any insolvency, liquidation, or other similar laws of general application.
- 4.5.4 Material disclosures:
- (a) Ownership of material assets

The Issuer has confirmed that it is the sole legal and beneficial owner of the assets (other than water resources as defined in the Water Supply and Sanitation Act) which relate to the Project free from any claims, third-party rights or competing interests.

(b) Material agreements and contracts

The Issuer has disclosed that other than the credit facility agreement between TIB Development Bank Limited and Issuer dated 5 December 2020 for provision of a term loan of Tanzania Shillings seven billion (TZS. 7,000,000,000) secured by a legal mortgage over collections from large customers, for purposes of financing project on improvement of water infrastructure in Tanga city, it has no material agreements and contracts pursuant to which entry into and performance by the Issuer of, and the transactions contemplated by, the Documents do not and will not conflict with the Material Contracts or constitute a default or termination event (however described) under the Material Contracts.

(c) Material litigation

The Issuer has disclosed that:

- (i) there is no litigation, arbitration, or administrative proceedings of or before any court, arbitral body, or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect, or have (to the best of its knowledge and belief) been started or threatened against it; and
- (ii) no judgment or order of a court, arbitral body or agency which might reasonably be expected to have a Material Adverse Effect has (to the best of its knowledge and belief (having made due and careful enquiry).

(d) Environmental matters

The Issuer has disclosed that:

- (i) it is in compliance with the Environmental Management Act, 2004 and its regulations and (having made due and careful enquiry) no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or is reasonably likely to have a Material Adverse Effect.
- (ii) no environmental claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against it where that claim has or is reasonably likely, if determined against it, to have a Material Adverse Effect.

- 4.5.5 Subject to paragraph 4.5.4 above and in reliance of the disclosures by the Issuer in the Disclosure Letter and the representations in the Trust Deed, the Issuer is the sole legal and beneficial owner of the assets which relate to the Project, it is not restricted by the Material Contracts from entry into the Documents or performance of any obligations therein and there are is no litigation or other analogous proceeding which would materially affect its entry in the Documents and performance of its obligations therein.

5 Limitation

We offer no opinion in relation to:

- 5.1 the law of any other jurisdiction other than Tanzania;
- 5.2 any changes in fact or law which may hereinafter occur;
- 5.3 any representation or warranty made or given by the Issuer in the Documents to which it is a party save as expressly set out herein as to whether the Issuer has the right to perform its obligations under the Documents to which it is a party;
- 5.4 the commerciality of the transactions envisaged in the Documents or whether the Documents and the transactions envisaged therein achieve the commercial, tax, legal, regulatory or other aims of the parties to the documents; or
- 5.5 as to whether the acceptance, execution, or performance of the Issuer obligations under the Documents to which it is a party will result in a breach of or infringe any other document entered into or binding on the Issuer.

6 Governing Law

- 6.1 This letter sets out our opinion on certain matters of Tanzanian law as at the date of this letter. We have not made any investigations of, and do not express any opinion on any law other than Tanzanian law. We express no opinion as to matters of fact or as to the effect that any future event or any act of the parties to the transaction or the Documents or any relevant supervisory authority or agency may have on the matters referred to therein. This letter is to be governed by and construed in accordance with the laws of Tanzania.
- 6.2 This letter is limited to the laws of Tanzania and is issued solely for the use of the Issuer and the initial subscribers of the Bond in connection with the Documents and may not be disclosed to or relied upon in whole or in part to any other person or otherwise quoted or referred to or relied upon for any other purpose without our prior written consent, save that it may be disclosed without such consent to: (i) any person to whom disclosure is required to be made by applicable law or court order or pursuant to the rules or regulations of any supervisory or regulatory body or in connection with any judicial proceedings; (ii) to the officer, employee, auditors, affiliates and professional advisers of any addressee; and (iii) to any party which becomes party to the Documents in accordance with the Documents or is a potential assignee or transferee of any party to the Documents, and to their respective affiliates and professional advisers, but in each case only on the express basis that they may not rely on it.
- 6.3 This opinion may be relied upon solely by you, or your successors and assigns, in accordance with the above information. This letter is given as of the date hereof and we do not undertake to advise you of any changes in the opinions expressed herein of matters that might hereafter arise or be brought to our attention.

Yours faithfully,



.....
Geoffrey Dimoso
for ANJARWALLA & KHANNA TANZANIA



APPENDICES



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Appendix 1: Green Bond Framework

1. Introduction

1.1. About Tanga UWASA

Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) is a sub-national entity, operating with autonomy. The company is active across the activities of extracting, treating, distributing clean and safe water to customers, as well as collection and safely disposal of wastewater from the urban residences of Tanga City, Muheza Town and Pangani Town. Tanga UWASA operates as a commercial entity, licensed, and regulated by the national Energy and Water Utilities Regulatory Authority (EWURA). EWURA regulates¹ Tanga UWASA's operations and economic affairs to ensure quality and affordable water services to the public.

The utility owns and manages the Mabayani water reservoir with a storage capacity of 7.7mil cubic meters, Mowe water treatment plant, Mkurumuzi intake and 10 boreholes. The Authority transmits and distributes water throughout its service area by a network of pipes stretching to 861.97 km having 42,514 water supply connections and 269 water kiosks, providing 31 million liters of drinking water every day. Currently, only a small portion of the City of Tanga is served by the sewerage network with 2,875 connections and the infrastructure is only limited to the central part of the City.

The utility's customer service centers are allocated according to zones to ease its operations and provide friendly access for its customers. The main office is located at Swahili Street, Tanga City CBD and there are 4 zonal offices in Pongwe satellite suburb, Mwakidila zone in southern part of the city, Pangani Town and Muheza Town.

Tanga UWASA's main customer base is the city of Tanga City, together with Pangani and Muheza Townships. This market translates into an estimated population of more than 451,885 people in 88,041 households. As of June 2022, the Authority was supplying water covering 96.7% of the City Population, 70% and 89% for Muheza and Pangani respectively. Based on projected water demand there is an opportunity for Tanga UWASA to double its clean water production capacity.

Tanga UWASA's main challenge ahead is the fast-growing rate of the population in the area it serves and the related urbanization, generating pressure on the supply side. To meet this growing demand, Tanga UWASA could double its water production capacity in the coming years. Tanga region's attractiveness and investments in industrial and commercial sectors have generated rapid population growth and migration of people from rural settlements to Tanga region.

In this context, Tanga UAWASA has established a strategy for water supply expansion. The water production will be made available with the investment on rehabilitation and expansion of water treatment facilities, increase production capacity, distribution network and installation of smart metering systems to enhance revenue collection. As such, more customers will be connected and served with clean water services.

1.2. Tanga UWASA Sustainability Strategy

Environmental commitments

Tanga UWASA's Sustainability Policy and Mission is to provide efficient services to its customers in a sustainable manner and protect public health and the environment through world-class, cost-effective water resource management. Protecting and maintaining the quality of drinking water sources is the primary focus for Tanga UWASA and in doing so it takes a holistic approach to produce resilient services over the long term. Its management program consists of measures to protect the rivers (see further details below) and reservoir(s) from sediment, pollution, and other sources of possible contamination that could affect the quality of drinking water in served areas. All water source and environmental protection initiatives are implemented in collaboration with the local communities living alongside and around the rivers (Zigi and Mkurumuzi), borehole sites and the Mabayani Dam.

¹ Tanga UWASA's operations commenced in July 1998 and its operation is governed by but not limited to the Water Supply and Sanitation Act No. 05 of 2019, Public Procurement Act No. 21 of 2004 (as amended in 2011 and 2016), EWURA Act No. 11 of 2001, Public Finance Act No. 15 of 2010 and the National Water Policy (NAWAPO) of 2002.



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Among the developments for which funds are currently sought include the construction of wastewater treatment plant at Utofu area; about 22 km downstream of the Mabayani dam, where wastewater after treatment will be disposed to the Indian Ocean. Other solutions on the wastewater treatment side may include the use of constructed wetlands and therefore all the sewage generated from the public will be treated and safely disposed.

Tanga UWASA's Business Plan seeks to enable the utility to achieve its sustainability objectives and extension of water services to underserved areas within the service jurisdiction. The business plan adopts the requirements of the National Water Policy (NAWAPO 2002), the prospects of the implementation of the Water Sector Development Program (WSDP), Tanzania National Five-Year Development Plan III (2021/22 - 2025/26), the Tanzania Development Vision 2025 the Ruling Party Election Manifesto of 2020 - 2025 and the United Nations Sustainable Development Goal No. 6 - Clean Water and Sanitation.

The long-term development and sustainability targets of the utility which are in line with the Agenda 2030 are:

- i. Achieve universal supply of water for Tanga City and Townships of Muheza and Pangani by 2030;
- ii. Extend sanitation and sewage removal service to achieve universal access for Tanga City, Muheza Town and Pangani Town by 2030;
- iii. Protection and conservation of Zigi and Mkurumuzi rivers catchments in all 105 villages found along the catchments by 2030.

Tanga UWASA's main environmental objective is to conserve and protect Zigi and Mkurumuzi Rivers' water quality, which is the main water source for its served areas. In this regard, Tanga UWASA collaborates with other local, national, regional and international organizations, such as:

- UWAMAKAZI: The environmental conservation group, with a total of 1,540 members, aiming at protecting, limiting human activities, and conserving the upstream part of Zigi and Mkurumuzi Rivers. Involved activities will include smart agriculture, aquaculture, animal keeping and bee keeping which mean they will no longer be involved in the usual activities like river fishing, small scale irrigation agriculture along the riverbanks and sand digging for sale in order to meet their lives needs. The alternative activities will help them to improve their income and sustain their lives.
- Sustainable Land Management (SLM) Project: Enhances community awareness on environmental and water resources conservation, including a 60m buffer area, establishment of fishponds and improvement of community livelihood. The impact of the education provided include the safety of the riverbanks and existence of the protected area to allow vegetation and natural restoration of the river health.
- Eastern Arc Mountains Conservation Endowment Fund: Fosters conservation of forest biodiversity in the Eastern Arc Mountains of Tanzania, including via training on the good agricultural practices, tree planting (more than 200,000 in the catchment area including 21 villages) and entrepreneurship for conservation.

The above programmes were collaboratively formulated together with various stakeholders including the Government, other bodies entrusted with the protection and security of the water sources and environmental sustainability such as Pangani Basin Water Office (PBWO) and the National Environmental Management Council (NEMC). Other multinational organizations such as World Wildlife Fund (WWF) and the United Nations Development Program (UNDP) supported most of the early stages of programs formulation and co-funding together with the Government of Tanzania (GoT) through the Ministry of Water (MoW).

Social commitments

Tanga UWASA's social impact is significant in the area it serves, and the utility is committing to further deepening its impact to its community through various initiatives. The utility aims at improving the livelihood and serving better the ever-growing population in the context of the fast development of the city and townships. Tanga UWASA, by its activities, concretely contributes to achieving the following key objectives:

- Job creation in areas better served with water supply and through the expansion projects;
- Community empowerment for underserved population, especially in Muheza, Pangani, Horohoro and Kasera;
- Women empowerment, reducing the daily burden of water collection that falls on women and girls, promoting women entrepreneurship and girls 'attendance to schools;
- Improvement of public health and hygiene, particularly in the context of the area's strong population growth



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and urban extension by provision of sufficient, clean and safe water and safely and efficient removal of wastewater from residential and commercial settings;

- Serving the urban poor, including provision of free water at a rate of 160 litres per day throughout the year to ensure inclusivity, and;
- Donation to the public schools and hospitals in different forms including support in the tooling and equipping their labs and other forms of collaboration programs.

Environmental, Health and Social (EHS) risk management assessments procedures

Tanga UWASA has an EHS risk management system in place to ensure safety of projects and people involved and in compliance with National regulations.

All project sites are assessed prior to implementation of any project and measures to ensure all risks are mitigated, managed or eliminated from the environment, the people (including project staff and communities around) and to comply to all legal and statutory requirements pertaining to environmental protection and safety of the people involved.

Tanga UWASA observes all the requirements of the Occupational Safety and Health Act (OSHA, 2003) in part to ensure that project implementation does not bear any legal consequences and fail to obtain social acceptance among the communities involved.

The risk management system covers:

- Risk assessments to identify potential risks and respective mitigations
- Conduct ESIA as required for new projects
- Continues monitoring and periodic review of the risk management plan

Governance framework

Tanga UWASA's activities are regulated by the Energy and Water Utilities Regulatory Authority (EWURA) as governed by the EWURA Act, Cap 414 of 2006 (with its amendments). The utility is bound to existing regulatory framework including the Water Supply and Sanitation Act No. 05 of 2019, its respective Water Supply Regulation of 2019, the Water Resources Management Act No. 11 of 2009, Public Procurement Act of 2011, its regulation of 2013 (as amended), and other guidelines provided by the relevant Authorities such as EWURA (e.g., on tariff policy and license).

Tanga UWASA is governed by a Board of Directors with its chairman appointed by the Minister of Water in consultation with the Minister responsible for local government. The Board of Directors and the organization in general adheres to the global standards and practices of good corporate governance while recognizing the importance of integrity, transparency, accountability, and liability.

The Board has in place the following Board sub-committees to ensure a high standard of corporate governance throughout the Authority.

- Audit Committee (including risk management and controls), and
- Planning, Finance and Human Resources Management Committee

Since its inception in 1998, Tanga UWASA has demonstrated commitment to quality performance through the implementation of various strategic plans. The utility is an ISO 9001 certified entity under the Quality Management System (QMS) (June 2007) to ensure product safety to final consumers. In July 2016 the certification was upgraded to ISO 9001:2015. Recertification under the same standard was done in 2022 that lasts to June 2025.



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2. Tanga UWASA Green Bond Framework


This Green Bond Framework presents how Tanga UWASA proposes to raise green funding to support the financing of water supply infrastructure projects. The Green Bond Framework is aligned with the Dar es Salaam Stock Exchange Green Bond Listing Rules and the International Capital Markets Association's (ICMA) Green Bond Principles 2021 (GBP) and addresses the following key pillars in line with the Green Bond Principles, namely:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Allocation & Impact Reporting and
5. External Review

2.1. Use of Proceeds

Under this Framework, the net proceeds of any green bond will be used to finance or refinance one or more new or existing Eligible Projects and Assets that align with the green and social categories indicated below. These are projects or assets that result in positive environmental and sustainable impact according to the list provided by the ICMA GBP 2021. Refinancing of Eligible Projects and Assets will have a look-back period of no longer than three years (36 months) from the time of the green bond issuance.




Tanga UWASA will ensure the environmental objectives related to Sustainable Water and Wastewater Management, Renewable Energy and Climate Change Adaptation are prioritized, with initial focus on the Eligible Projects and Assets categories per the table below.

Project Category as per GBP	SDG alignment	Eligible expenses & projects	Impact Area
Sustainable Water and Wastewater Management	 Clean water and sanitation	<ul style="list-style-type: none"> • Rehabilitation and extension of the drinking water supply network • Works for the reduction of unbilled water (installation of individual meters, measuring and leak detection equipment) • Rehabilitation and extension of the sewerage network and water treatment plants • Construction of drinking water storage tanks, water kiosks and water connections in areas where the services have not yet covered including the outer zones of Marungu (population 3612), Kirare (population 4,933), Chongoleani (population 5,882) and Mbugani (population 4,702) in Tanga City, Kimang'a (population 4,739) and Madanga (population 3,705) in Pangani Town and Mkwakwa-Mafleta (population 2,725) and Rusanga (population 4,754) in Muheza Town 	Expanding public access to safe and affordable drinking water
		<ul style="list-style-type: none"> • Rehabilitation and extension of wastewater collection and transport networks, wastewater treatment plants and sludge treatment facilities 	Improve the efficiency of the wastewater cycle



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Project Category as per GBP	SDG alignment	Eligible expenses & projects	Impact Area
Renewable Energy	 <p>Affordable and Clean Energy</p>	<ul style="list-style-type: none"> Tanga UWASA plans to implement several projects which supports use of friendly and renewable energy; Installation of solar energy infrastructures which will substitute the use of national grid for the supply of power in order to cut cost and operate with assured energy supply amid intermittent supply from the national grid; Installation of water disinfection systems that uses solar energy converted into electrical energy (solar powered chemical dosing pumps); Renewable energy based (solar, wind) for boreholes water pumping; Potential Biogas generation from wastewater available in the waste water stabilization ponds and DEWATS (implemented as a Pilot Project), and Potential use of sludge to produce Bio-charcoal for domestic use (implemented as a Pilot Project) 	Use of renewable energy
Energy Efficiency	 <p>Affordable and Clean Energy</p>	<ul style="list-style-type: none"> Future projects to be defined related to energy conservation and efficiency in the processes – a project is considered an energy efficiency improvement project if a 20% energy efficiency improvement is achieved as compared to existing project (baseline). Efficiency is measured as energy consumed / unit produced. 	Improve energy efficiency
Climate Change Adaptation	 <p>Climate Action</p>	<ul style="list-style-type: none"> Project for Zigi Riverbanks protection and control of watershed Sustainable Land Management (SLM) project involving terracing for the protection of the river against siltation 	Resilience to climate-related disasters

2.2. Process for project evaluation and selection

2.2.1. Tanga UWASA’s Budget process

Tanga UWASA utilizes a robust and transparent annual process to prioritize capital allocation among projects. The utility maintains long-term financing plans for its Operation and Maintenance and Capital budgets. The typical budget process involves the following features:

- The Budget process requests identifying total needs, wants, and priorities submitted by staff and stakeholders.
- The Budget staff reviews the budget requests and run discussions with stakeholders.
- The budget is built based on a review, analysis, and prioritization of the projects.

Within the Budget process, projects are selected based on:

- Alignment with the current Strategic Plan, Facilities Plan and asset management needs, and the current Watershed Management Plan.
- Business case studies and community benefits (identify need, options, and preferred solutions).



Green Bond Framework September 2023



- Multiple reviews by the Planning and Technical Staff (water supply & sanitation department), the Managing Director and the executive management, Board of Directors, and Ministry of Water's Management.

All the selected projects undergo a comprehensive environmental & social impact assessment where all ESG risks associated with the project are identified and managed through the mitigation measures & implementation regime laid down in the Environmental and Social Management Plan (ESMP).

2.2.2. Evaluation and selection of green projects

The projects selected under this framework aim to improve water supply and sewerage systems, but also conserve the environment and water sources, which are among the main objectives of the utility under its sustainability strategy. The projects also align with the government's priorities and development agenda as presented in the National Water Policy of 2002, the national Five-year Development Plan (FYDP- III) of 2021/22 – 2025/26 - Human Development: Water Sub-Sector Interventions, Tanga Region Development Plans, Tanga UWASA's Strategic and Business Plans which span for a period of 5 years (2020/21 – 2024/25) and 3 years (2020/21 – 2022/23) respectively.

Only projects that meet the eligibility criteria will be selected for financing with green bonds.

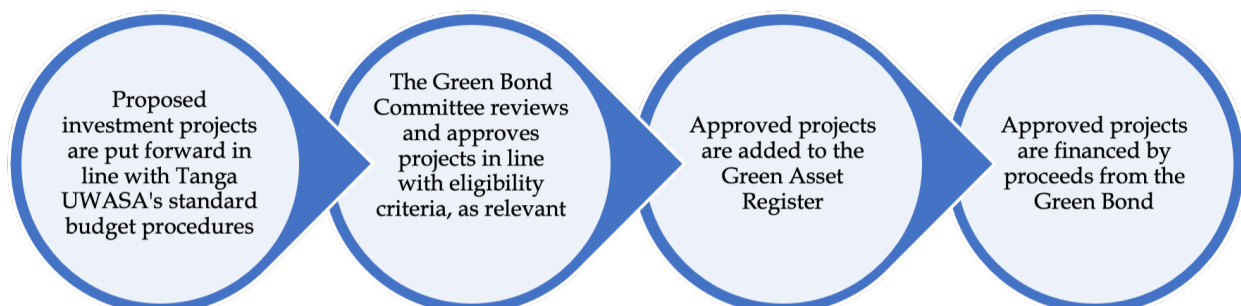
Tanga UWASA's Green Bond Committee (see next section for more details) will be established to oversee the selection of eligible projects and the allocation of proceeds to these projects. The Committee will also oversee impact reporting.

Once approved by the Committee, and in accordance with Tanga UWASA's own financial procedures, the selected projects and assets are then recorded in a Green Asset Register, which will then be used to keep track of the full list of eligible projects and assets as well as their respective earmarked amounts.

The Green Bond Committee is also responsible for governing the framework to ensure consistency of approach and oversight. If during the life of a green bond, a project or asset ceases to fulfill the eligibility criteria described in the Framework, the dedicated Committee will remove the project or asset from the Register and re-allocate the amount to other projects and assets that are eligible according to the processes and criteria described in this Framework. Re-allocation may only occur with projects and assets that have been verified by an external reviewer.

The Green Bond Committee will meet at least semi-annually or whenever appropriate to perform its mission. The traceability of decisions will be ensured by the use of documented meeting minutes by the Green Bond Committee.

Overview of the project selection process





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2.2.3. Green Bond Committee Participants

The participants to Tanga UWASA's Green Bond Committee will include the standard budget and investment decision-making bodies as well as the Environmental & Sanitation Manager.

- The Managing Director and Executive Management;
- The Environmental and Sanitation Manager;
- Planning Staff;
- Technical Team (Professional from the Water Supply and Sanitation Directorate), and
- Ministry of Water (MoW) will be engaged during project development stage.

2.2.4. Thematic & Sectoral Exclusion Criteria

Projects that do not align with the specific Adaption and Resilience & international reference standards components shall be excluded.

Tanga UWASA also commits to not knowingly using the proceeds of the Green Bond to finance projects falling within, or indirectly supporting, the following categories:

- Waste-to-energy activities where removal of recyclables prior to incineration cannot be ensured
- Biomass or bio-fuel renewable energy projects of non-sustainable origin
- Projects with high environmental or social risks or that cause material harm to achieving Tanga UWASA's SDGs
- Fossil fuel energy
- Investments related to pure Internal Combustion Engines
- Gambling
- Tobacco
- Alcohol
- Weapons

2.3. Management of Proceeds

To ensure efficiency and increased confidence to investors, the net proceeds from the issuance of the bond will be held in a dedicated account set up to manage and track the disbursements of the proceeds (the "Collection Account"). The net proceeds are managed per bond (bond-by-bond approach). Depending on the legal requirements attached to the bonds' documentation, a Collection Account may be open for each bond issuance.

All the funding and disbursement for each project will be recorded in line with internal Tanga UWASA's accounting systems and processes.

Whilst it is Tanga UWASA's intention that all proceeds are allocated to eligible projects /assets as soon as possible after the bond is raised to ensure that the proceeds are effectively deployed, Tanga UWASA will maintain any surplus proceeds approved as Cash or Cash Equivalents in a segregated account until all proceeds are allocated. Such holding of surplus proceeds will be performed in line with Tanga UWASA's financial management standards.

Eligible Projects & Assets shall not be allocated to other green bonds, green loans or other labeled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:

- Distinct portions of the Nominated Projects & Assets are being funded by different green bonds, green loans, or other labeled instruments; or,
- The existing green bonds, green loans, or other labeled instruments are being refinanced via another green bond, green loan, or other labeled instrument.

Any re-allocation of proceeds will be overseen by the dedicated Committee, which will ensure alignment with the requirements of the framework as well as the relevant GBPs.



Green Bond Framework September 2023



2.4. Allocation and Impact Reporting

Tanga UWASA will publicly disclose an allocation and impact report, starting a year after the issuance of a Green Bond. From 1-year onward and throughout the lifetime of the Bond, the Issuer will publish such report every year, as well as a semi-annual interim report. These reports will be made available on Tanga UWASA's website and will be included in Tanga UWASA's Annual Financial Statement in the financial year following the issuance of the bond in a section dedicated to the 'Green Bond'.

The Green Bond Committee will be responsible for overseeing the production of these interim and annual reports.

2.4.1. Allocation report

The allocation report will provide a description of selected projects, information on the total amount of proceeds allocated to each of the eligible projects and assets. (In the case of partial financing of a project, reporting will also be provided on the entire project); the balance of unallocated proceeds; and the amount or the percentage of new financing and refinancing.

2.4.2. Impact reporting



Tanga UWASA will also, in line with emerging best practice, produce an impact report, detailing the green bond's environmental and social benefits resulting from the projects, and how the projects conform to the progress agenda of the United Nations Sustainable Development Goals (UN SDGs).

The impact report will include information on major accomplishments achieved with the investments for the lifetime of the bond, including: the impact of the transaction on the rehabilitation and expansion of water treatment facilities, the increase in pumping capacity, extent of the distribution network extension and the installation of smart metering systems to improve revenue collection. The table below provides a sample of achievement and impact indicators that are communicated for each allocation & impact reporting process (illustrative).



Green Bond Framework September 2023





Project Category as per GBP	SDG alignment	Eligible Projects	Outcome indicators set	Impact indicators set
Sustainable Water and Wastewater Management	 Clean water and sanitation	<ul style="list-style-type: none"> Rehabilitation and extension of the drinking water supply network Works for the reduction of unbilled water (installation of individual meters, measuring and leak detection equipment) Rehabilitation and extension of the sewerage network and water treatment plants Construction of drinking water storage tanks and water kiosks, water connections and sanitation facilities in target localities 	Km of water distribution network built Volume of drinking water supplied Number of inhabitants benefiting from wastewater collection and treatment facilities for the first time Number of water treatment plants built Number of new tanks	<ul style="list-style-type: none"> % of population with daily access to potable water and basic sanitation % future connection to drinking water in the area concerned (calculated dynamically on an annual basis) % of reduction in water leakage from pipes % reduction in diseases related to poor water quality (diarrhoea episodes, especially among children) % of public buildings (including schools) with basic drinking water coverage; basic sanitation facilities; basic hand washing facilities Annual water savings (m³/year, reduction in water consumption in %)
		<ul style="list-style-type: none"> Rehabilitation and extension of wastewater collection and transport networks, wastewater treatment plants and sludge treatment facilities 	Absolute annual amount of wastewater treated or avoided before and after the project (m ³ /a) Volume of untreated wastewater that is treated or disposed-of	Annual volume of wastewater treated or avoided (m ³ /year)
Renewable Energy	 Affordable and Clean Energy	Among the projects aimed for pilot implementation in the Financial Year 2023/24 include; <ol style="list-style-type: none"> Water kiosks (autonomous water treatment systems powered by solar panels) Water disinfection systems by simultaneous use of solar energy converted into electrical energy Renewable energy based (solar, wind) production and filtration systems <ol style="list-style-type: none"> Potential Biogas generation from sewage sludge 	Number of renewable energies based (solar, wind) production systems builder/year Number of biogas generation production unit Number of biogas generation unity storages	Renewable energy generation (kWh) and GHG emissions reduction (tons of CO ₂ e/annum)



Green Bond Framework September 2023



Project Category as per GBP	SDG alignment	Eligible Projects	Outcome indicators set	Impact indicators set
Energy Efficiency	 Affordable and Clean Energy	<ul style="list-style-type: none"> Future projects to be defined related to energy conservation and efficiency in the processes Circular economy solar energy project 	<p>Number of projects of energy conservation and efficiency developed</p> <p>Number of solar projects developed by using circular economy technics</p>	<p>% additional electricity generated through energy efficiency</p> <p>% of solar energy generated from wastewater recycling (turbine)</p> <p>GHG emissions reduction (tons of CO2e/annum)</p>
Climate Change Adaptation	 Climate Action	<ul style="list-style-type: none"> Project for Zigi River Banks protection and control of watershed Sustainable Land Management (SLM) project involving terracing for the protection of the river against siltation 	<p>Maintained river water flow per annum</p> <p>Quantity of Total Suspended Solids (TSS) reduced per annum</p> <p>Introduction of alternative economic activities including agriculture, aquaculture etc.</p>	<p>Areas protected (m2) to ensure Sustainable water source</p> <p>Number of trees planted and grown to maturity</p> <p>Improved livelihood for the upstream community</p>

2.5. External Review

2.5.1. Pre-issuance verification

Tanga UWASA will seek pre-issuance assurance from an experienced second-party opinion provider that the framework aligns with the ICMA GBP. The pre-issuance assurance report will be made available on the Tanga UWASA website, along with the framework.

2.5.2. Post-issuance verification

Within one year of issuance and on an annual basis until maturity of the bond, Tanga UWASA will engage an external reviewer to evaluate how selected projects meet the specific eligibility criteria as set out in this framework in accordance with the ICMA Green Bond Principles and the DSE Green Bond Listing Rules.

3. Version Control

This Green Bond Framework may be regularly reviewed, changed, and updated. A version control system will be maintained by Tanga UWASA, and each version of this Framework will be made available on the company's website prior to the issuance of the first bond



Green Bond Framework September 2023



Annex 1: Project Costs

No	Expenditure Items	TOTAL COST (TZS)
1	Water and Sewerage Infrastructures Improvement Projects	
1.1	Rehabilitation and expansion of Mabayani raw water pumping infrastructures <ul style="list-style-type: none"> Rehabilitation of raw water intake; Construction of additional raw water intake, and Installation of four (4) new water pumps with double the capacity compared to the existing ones 	13,922,264,041
1.2	Expansion of Water Treatment Plant <ul style="list-style-type: none"> Construction of one (1) new pulsator clarifier, and Construction of six (6) new rapid sand filters 	9,804,487,221
1.3	Improvement of Water Distribution and Sewerage Infrastructures <ul style="list-style-type: none"> Extension of water distribution network (pipes) by 60 km Connection of 6,000 new water customers in Tanga, Pangani and Muheza; Construction of 35,000m³ new water storage tank at Mowe WTP; Rehabilitation of 110km dilapidated water distribution network of pipes; Formation of district metered areas (DMAs) within the pipe network; Rehabilitation of 10km dilapidated sewerage network of pipes 	24,868,628,950
1.4	Smart Pre-paid Water Metering <ul style="list-style-type: none"> Replacing 12,000 aged water meters by installing new Pre-paid water meters for customers with arrears 	4,000,000,000
	Sub-Total	52,595,380,212
2	Environmental Improvement and Climate Resilient Projects	
2.1	Water Sources protection and conservation for Zigi and Mkurumuzi Catchments	524,619,788
	Sub-Total	524,619,788
	TOTAL INVESTMENT	53,120,000,000



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Tanga Urban Water Supply and Sanitation Authority
09 October 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Bond
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
Scope of verification	<ul style="list-style-type: none">Tanga UWASA Green Bond Framework (as of September 14, 2023)Tanga UWASA Selection Criteria (as of September 14, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Tanga Urban Water Supply and Sanitation Authority (“the Issuer”, “the Company”, or “Tanga UWASA”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instruments:



1. Tanga UWASA’s Green Bond Framework (as of September 14, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP).
2. The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Tanga UWASA’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

TANGA UWASA BUSINESS OVERVIEW

Tanga Urban Water Supply and Sanitation Authority (here after referred as ‘the Authority’) provides water and sewerage services. The Authority operates in Tanga’s region, covering Tanga city, Muheza and Pangani townships. Based on publicly available information, the Authority serves 98 % of the population with clean water. The Authority serves a total of 50,340 customers with water, i.e., 93.4% are domestic customers and the rest are commercial, institutions, industrial, and kiosks. Additionally, the Authority also provides sewerage services to 17 % of the urban population. As of 30th June 2022, the group had an estimated annual turnover of TZS 16.7 billion.

Tanga UWASA is classified in the Water and Waste Utilities industry, as per ISS ESG’s sector classification.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
Part 1: Alignment with GBP	The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles.	Aligned
Part 2: Sustainability quality of the Selection Criteria	<p>The Green Bond will (re)finance eligible asset categories which include:</p> <p>Green categories: Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Climate Change Adaptation.</p> <p>Product and/or service-related use of proceeds categories ² individually contribute to one or more of the following SDGs:</p>  <p>Process-related use of proceeds categories ³ individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are partially managed.</p>	Moderate
Part 3: Linking the transaction(s) to Tanga UWASA's ESG profile	<p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, Issuer is not exposed to any severe controversies that have been identified.</p>	Consistent with Issuer's sustainability strategy

¹ The evaluation is based on the Tanga UWASA's Green Bond Framework (as of September 14, 2023), and on the Indicative Corporate Rating and applicable at the SPO delivery date.

² Sustainable Water and Wastewater Management, Climate Change Adaptation

³ Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the Tanga UWASA's Green Bond Framework (as of September 14, 2023) with the Green Bond Principles.

GREEN BOND PRINCIPLES	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Tanga UWASA's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the Green Bond Principles, criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental benefits are described.</p> <p>The Issuer defines a look-back period of 36 months and exclusion criteria for harmful projects categories, in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Tanga UWASA's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process and references in their Green Bond framework the Climate Bond Initiative specific sector criteria, in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by Tanga UWASA's Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a sub account and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer</p>

		discloses the temporary investment instruments for unallocated proceeds.
4. Reporting	✓	<p>The allocation and impact reporting provided by Tanga UWASA’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Tanga UWASA explains that the level of expected reporting will be at project category and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer is transparent on the information reported in the impact report, defines the reporting frequency of the impact reporting, and commits to get the allocation report audited by an external party, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).



The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Sustainable Water and Wastewater Management</p> <ul style="list-style-type: none"> ▪ Rehabilitation and extension of the drinking water supply network ▪ Rehabilitation and extension of the sewerage network and water treatment plant ▪ Rehabilitation and extension of wastewater collection and transport networks, wastewater treatment plants and sludge treatment facilities 	Contribution	

⁴ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

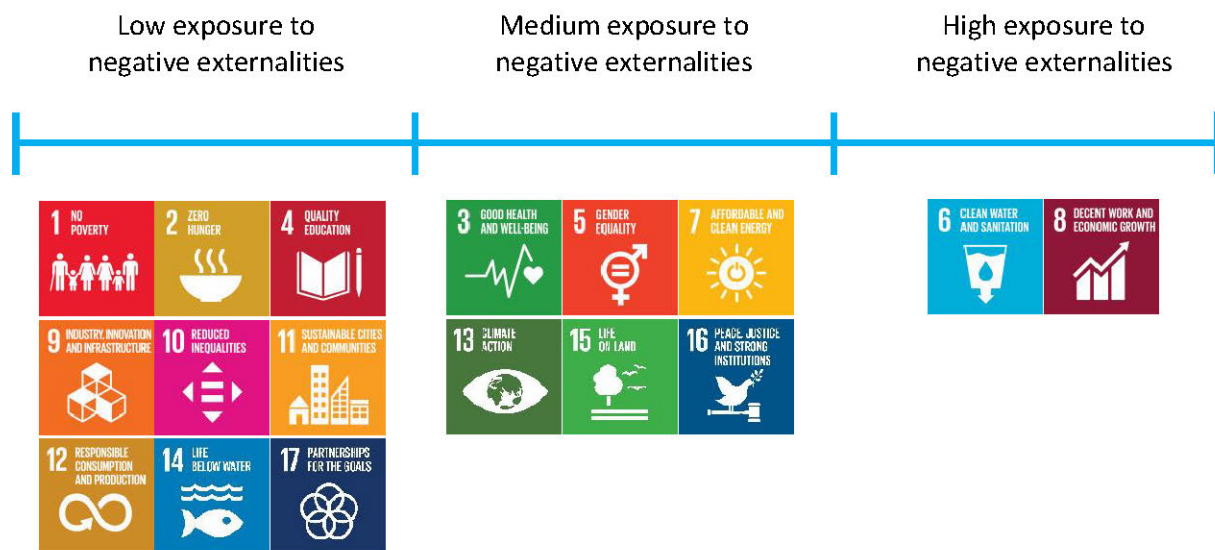
<p>Sustainable Water and Wastewater Management</p> <p>Construction of drinking water storage tanks and water kiosks, water connections areas where the services have not yet covered⁵</p>	<p>Contribution</p>	
<p>Climate Change Adaptation</p> <ul style="list-style-type: none"> ▪ Project for Zigi River Banks protection and control of watershed ▪ Sustainable Land Management (SLM) project involving terracing for the protection of the river against siltation 	<p>Contribution</p>	

⁵ Areas where the services have not yet been covered, including the outer zones of Marungu (population 3,612), Kirare (population 4,933), Chongoleani (population 5,882) and Mbugani (population 4,702) in Tanga City, Kimang'a (population 4,739) and Madanga (population 3,705) in Pangani Town and Mkwakwa-Mafleta (population 2,725) and Rusanga (population 4,754) in Muheza Town.




2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities⁶ in the Water and Waste Utilities (to which Tanga UWASA belongs) are the following:




The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ⁷	SUSTAINABLE DEVELOPMENT GOALS
<p>Sustainable Water and Wastewater Management</p> <p>Works for the reduction of unbilled water (installation of individual meters, measuring and leak detection equipment)</p>	✓	
<p>Renewable Energy</p> <ul style="list-style-type: none"> Installation of solar energy infrastructures which will substitute the use of national grid for the supply of 	✓	 

⁶ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

⁷ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

<p>power in order to cut cost and operate with assured energy supply amid intermittent supply from the national grid</p> <ul style="list-style-type: none"> ▪ Potential Biogas generation from waste water available in the waste water stabilization ponds and DEWATS (implemented as a Pilot Project) ▪ Potential use of sludge to produce Bio-charcoal for domestic use (implemented as a Pilot Project) 		
<p>Renewable Energy</p> <p>Installation of water disinfection systems that uses solar energy converted into electrical energy (solar powered chemical dosing pumps)</p>	<p>✓</p>	
<p>Renewable Energy</p> <p>Renewable energy based (solar, wind) for boreholes water pumping</p>	<p>✓</p>	
<p>Energy Efficiency</p> <p>Future projects to be defined related to energy conservation and efficiency in the processes – a project is considered an energy efficiency improvement project if a 20% energy efficiency improvement is achieved as compared to existing project (baseline). Efficiency is measured as energy consumed / unit produced.</p>	<p>✓</p>	

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

All categories

The table below evaluates the Selection Criteria against issuance-specific KPIs. All of the assets are/will be located in Tanzania.

ASSESSMENT AGAINST KPIs

Labour, health and safety

There is only limited ratification of the ILO core conventions existing in Tanzania, where assets will be financed.

- Tanga UWASA has a policy in place concerning health and safety. The policy covers the implementation of systematically managing health and safety. The management involves conducting a risk assessment of the workplaces, which can be conducted by an occupational health and safety specialist and the report must be conceived by management for actions.

Conservation and biodiversity management

The Issuer confirms that conservation and biodiversity risk rules are respected. An Environmental and Social Impact Assessment (ESIA) is conducted by an independent specialized E&S advisor familiar with safety and environmental impacts of the technology on and social challenges of the project location. Within this assessment the Issuer has identified the significant negative environmental and social impacts and their respective mitigation measures deriving from the development of water supply and sanitation systems. An Environmental and Social Action Plan (ESAP) and a stakeholder engagement plan have been identified. The Environmental and Social Management Plan (ESMP) set up by Tanga UWASA should indicate how the environmental concerns highlighted in the Environmental Impact Assessment (EIA) would be managed. Tanga UWASA will monitor the implementation of key contractor parties and assess compliance with the provisions of the ESMP through its contractual mechanisms and management.



Energy Efficiency

ASSESSMENT AGAINST KPIS

Environmental aspects of construction (or production) and operation

- ✓ A life-cycle-assessment was conducted during the preparation of the Authority's Business Plan.
- Tanga UWASA has no practices implemented to ensure systematic take-back and recycling at the end of life under this framework. Tanga UWASA has introduced efforts to orient the organization towards an improvement by allocating funds to engage consultants in developing a system that can help to improve their practices.
- Tanga UWASA has no systematic measures/policies in place ensuring that assets financed meet high environmental standards and requirements in the supply chain. The biomass used by Tanga UWASA derives from wastewater available in the wastewater stabilization ponds and DEWATS (implemented as a Pilot Project). The Issuer has planned a pilot project on installing solar panels and biogas production. The project has not been fully designed yet and is intended for implementation in 2024. During designing the Issuer will ensure to comply with environmental standards.

Energy efficiency

- Tanga UWASA does not have mechanisms in place to optimise energy efficiency measures systematically during operations. However, the Issuer has four variable Speed Drivers installed in the main water pumping station at the main water source (Mabayani Dam), which have partially reduced the energy use of the operations of Tanga UWASA.

Water and Wastewater

ASSESSMENT AGAINST KPIS

Environmental aspects of construction (or production) and operation

- ✓ The company has taken various measures to reduce leakages from the water distribution system. On the one hand, Tanga UWASA relies on reports from the public through hotlines and messages and performs daily visual inspections. On the other hand, the Issuer carries out weekly surveillance by assessing the water that goes into the zones through measuring the bulk meter against individual consumer readings. However, not all zones have bulk meters. Furthermore, Tanga UWASA monitors on a daily basis the allowed water use. However, it should be pointed out that the measures for leakage detection are mainly based on visual identification. Apart from these measures, the Issuer has a timely leak response and investments to rehabilitate the network and research projects (e.g., on improved leak detection technologies or pipeline materials). The repairs of the water supply system are started within 6 hours after Tanga UWASA has gotten knowledge of the leakage. Tanga UWASA is planning to implement a District Metered Area establishment project. During this project, the availability of technological

gadgets and equipment for leak detection is featured. The Issuer is also adopting a Non-Revenue Water Management Program in its management strategy.

The measures in place for repairing sewerage systems such as sewerage blockage and overflows are based on reporting by the public and through manual surveillance activities conducted by the Issuer on a daily basis. During the rain season the surveillance is done twice a day. During the surveillance typical risk areas are being investigated with special attention. These surveillances are made timely under the Sewerage Management.

○ Tanga UWASA has no systematic measures in place to reduce the environmental impacts of sewage sludge disposal. Some reduction of impact can be achieved by the Issuer by using the wastewater sludge for production of biogas. The pilot project will take place in a dedicated Decentralised Wastewater System which is located in Saruji Suburb. This is estimated to be equivalent to 5% of all the collected wastewater from the city. The wastewater that does not get used will, after screening procedures, be dumped into the Indian Ocean.

○ Tanga UWASA does not provide for high standards regarding water quality. The Issuer has a Water Safety Plan (WSP) in place, however, the WSP does not contain information on removal rates for Biochemical Oxygen Demand (BOC), Chemical Oxygen Demand (COD), nitrogen, phosphorus and suspended solids. The Issuer is in part constructing and equipping a new water laboratory.

○ There is no information available on the total freshwater use broken down by source and relevant geographical level. Tanga UWASA uses a dam along the Zigi River to extract water and returns excess water to the river directly.

Inclusion

✓ Tanga UWASA has a mechanism in place to provide fairly priced and/or subsidized participation for socially disadvantaged customers. The utility has a mechanism for providing water to low-income groups, who fail to secure self-house connections, by way of water kiosk. The applicable water tariff is the lowest for this category (subsidized by other customer categories). Tanga UWASA collaborates with the local offices (wards and street administration) of the Tanga City Council to identify the residents who qualify as urban poor and register them accordingly.

The Water Supply Regulations from 2019 provides for urban poor residents to be given water for free⁸ (up to 160 litres per day). To date Tanga UWASA is serving a total of 31 urban poor families. Tanga UWASA has the target to include all families which are identified by the City Council.

Water and Wastewater, Climate Change Adaptation

The table below evaluates the Selection Criteria against issuance-specific KPIs. All of the assets are/will be located in Tanzania.

⁸ <https://www.maji.go.tz/uploads/publications/sw1552315386-NAWAPO.pdf>, section III, part 4.4.

ASSESSMENT AGAINST KPIS

Environmental aspects of construction (or production) and operation

✓ An ESIA is conducted by an independent specialized E&S advisor familiar with safety and environmental impacts of the technology on and social challenges of the project location. During the ESIA an Environmental Management Plan was developed, detailing actions and responsibilities for impacts mitigation and monitoring.

✓ The ESIA covers high environmental standards and requirements during the construction phase. The Environmental and Social Management Plan identified impacts during the construction phase such as soil erosion and sediment transfer; noise pollution; air pollution; vibration and sets up mitigation measures, who is responsible and the estimated annual cost for the measures.

Community Dialogue

✓ Tanga UWASA ensures that the assets feature community dialogue as an integral part of the planning process. This is integrated in their ESIA through the Environmental and Social Impact Assessment. Disruption and destruction of public utilities have been identified as a social negative impact for which inter alia the mitigation measure of consulting, engaging and informing the surrounding community on the activities to be carried out within respective area was chosen.

The Issuer also has a program in place called "UWAMAKIZI", a community-based organization, which engages communities in the project implementation especially in regard to water sources.

On site safety

○ Tanga UWASA does not have a certified health and safety management in place. However, Tanga UWASA does obey to the Occupational Health and Safety Act, 2003⁹.

⁹ <https://procedures.tic.go.tz/media/OSHA%20ACT,%202003.pdf> .

PART III: LINKING THE TRANSACTION(S) TO TANGA UWASA'S ESG PROFILE

A. CONSISTENCY OF GREEN BOND WITH TANGA UWASA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Tanga UWASA has set the following development and sustainability targets that are in line with the UN's 2030 Agenda for Sustainable Development.

- Achieve universal supply of water for Tanga City and Townships of Muheza and Pangani by 2030;
- Extend sanitation and sewage removal service to achieve universal access for Tanga City, Muheza Town and Pangani Town by 2030;
- Protection and conservation of Zigi and Mkurumuzi rivers catchments in all 105 villages found along the catchments by 2030;

Moreover, Tanga UWASA aims at improving the livelihood and serving the population with the following social objectives:

- Job creation in areas better served with water supply and through the expansion projects;
- Community empowerment for underserved population, especially in Muheza, Pangani, Horohoro and Kasera;
- Women empowerment, reducing the daily burden of water collection that falls on women and girls, promoting women entrepreneurship and girls' attendance to schools;
- Improvement of public health and hygiene, particularly in the context of the area's strong population growth and urban extension by provision of sufficient, clean and safe water and safely and efficient removal of wastewater from residential and commercial settings;
- Serving the urban poor, including provision of free water at a rate of 160 liters per day throughout the year to ensure inclusivity, and;
- Donation to the public schools and hospitals in different forms including support in the tooling and equipping their labs and other forms of collaboration programs

Tanga UWASA's Business Plan adopts the requirements of the national adaptation directives, including the National Water Policy 2002 (NAWAPO) of Tanzania that established a comprehensive framework for sustainable development and management of Tanzania's water resources, and the prospects of the implementation of the Water Sector Development Program (WSDP) that sets out the strategy for implementation of the NAWAPO. However, there's no information available on whether the Issuer is signatory to any industry alliances or collective commitments.

Tanga UWASA collaborates with other local, national, regional and international organizations, including the Government, other bodies entrusted with the protection and security of the water sources and environmental sustainability such as Pangani Basin Water Office (PBWO) and the National Environmental Management Council (NEMC), as well as World Wildlife Fund (WWF) and the United Nations Development Program (UNDP), Government of Tanzania (GoT) through the Ministry of Water (MoW) to achieve the environmental objective to conserve and protect Zigi and Mkurumuzi Rivers' water quality.

Tanga UWASA has an EHS risk management system in place to ensure safety of projects and people involved and in compliance with National regulations. It assesses all projects prior to implementation of any project and measures to ensure all risks are mitigated, managed or eliminated from the environment, the people (including project staff and communities around) and to comply to all legal and statutory requirements pertaining to environmental protection and safety of the people involved. Moreover, Tanga UWASA observes all the requirements of the Occupational Safety and Health Act (OSHA, 2003) in part to ensure that project implementation does not bear any legal consequences and fail to obtain social acceptance among the communities involved.

Tanga UWASA states that it is governed by a Board of Directors who has the overall responsibility for the Governance and Sustainability of the utility.

Tanga UWASA discloses a forecast of total TZS 53,642,752,614 eligible expenditure items in the Green Bond Framework. It has developed the Business Plan (2023/24 – 2025/26) to identify 13 key strategic issue, as well as the relevant objectives and actions plan, that includes Universal access to clean, safe and adequate water supply for Tanga City, 95% for Muheza and 95% for Pangani townships achieved by June, 2026; Sanitation services improved to cover 70% of the service area by June 2026; and Collection efficiency maintained at above 95% by June 2026. However, the Issuer does not have any verified Science-based target, and there is no information available on whether the Issuer follows relevant ESG reporting guidelines.

The Issuer has never issued any green/ social/ sustainable/ sustainability-linked issuances or transactions before.

Rationale for issuance

Tanga UWASA's main customer base is the city of Tanga City, together with Pangani and Muheza Townships. This market translates into an estimated population of more than 451,885 people in 88,041 households. As of June 2022, the Authority was supplying water covering 96.7% of the City Population, 70% and 89% for Muheza and Pangani respectively. Tanga UWASA's main challenge ahead is the fast-growing rate of the population in the area it serves and the related urbanization, generating pressure on the supply side. To meet this growing demand, Tanga UAWASA has established a strategy for water supply expansion.

The Green Bond Framework is in line with its Strategic and Business Plans, and its Sustainability Strategy, which form the basis for future Green Bonds Issuer for the sustainable implementation of environmental management and water source conservation programs.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

B. TANGA UWASA’S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer’s industry

The Issuer is classified in the Water and Waste Utilities, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Accessibility and reliability of water supply
Energy management and resource efficiency
Environmentally safe operation of plants and infrastructure

ESG strengths and points of attention related to the Issuer’s disclosures

Leveraging ISS ESG’s Research, the following strengths and points of attention¹⁰ have been identified:

STRENGTHS	POINTS OF ATTENTION
<p>The Company has disclosed information on having several components of a health and safety management system, which includes an incident management plan, a health and safety committee, and trainings for employees in emergency situations.</p> <p>The Company has reported information on sustainable water withdrawal that covers monitoring of water sources for various water quality parameters and coordination with relevant stakeholders to prevent water pollution. Additionally, the company is involved</p>	<p>The Company has disclosed some measures to ensure access to water for economically disadvantaged customers i.e., providing free access to water and differentiated tariffs for low-income groups. However, information on further measures covering economically disadvantaged and vulnerable customers is missing.</p> <p>The Company has not disclosed data on accident rate and fatalities of employees and contractors.</p>

¹⁰ Please note that Tanga UWASA is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Water and Waste Utilities sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

in the rehabilitation of old pipes and has implemented measures to prevent sewer flooding by raising awareness among customers to avoid sewer blockages and maintaining sewer cleaning on a regular basis.

The Company has taken measures to reduce leakages from the water distribution systems, which include conducting regular inspections and improved pressure management. Further, the company has reported data on the leakage rate of drinking water for three consecutive years.





The Company has not reported information on its greenhouse gas emission inventories.

The Company has not disclosed information on sewage sludge treatment and quality of treated wastewater.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹¹	DIRECTION OF IMPACT	UN SDGS
Water and/or wastewater services for residential customers	88.9%	CONTRIBUTION	 
Water and/or wastewater services for corporate customers	6.3%	CONTRIBUTION	 

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

¹¹ Percentage presented in this table are not cumulative

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Water and Waste Utilities industry are as follows: Anti-competitive behaviour, failure to mitigate climate change impacts, failure to prevent radioactive pollution.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the environmental added value – of the use of proceeds of Tanga UWASA’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Tanga UWASA (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Tanga UWASA’s Green Bond contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

Tanga UWASA commissioned ICS to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

ISSUER'S RESPONSIBILITY

Tanga UWASA's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management

ISS ESG's VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Bond to be issued by Tanga UWASA has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with Tanga UWASA took place from May to September 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: SPOsales@isscorporatesolutions.com

For more information on this specific Green Bond SPO, please contact: SPOOperations@iss-esg.com

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Appendix 3: Application Form



THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF WATER
TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY



TANGA WATER GREEN BOND APPLICATION FORM

Deposit Account: National Bank of Commerce - 020139000046

TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY
TZS 53,120,000,000 13.50% Water Infrastructure Green Revenue Bond Issue Due April 2034

APPLICATION FORM

(THIS APPLICATION FORM IS NOT FOR SALE)

Prospective applicants should read the Information Memorandum before completing this form. A copy of the Information Memorandum can be obtained from any of the Authorized Selling Agents and the receiving bank.

Offer for Subscription of Tanga UWASA Bonds for a minimum amount of TZS 500,000

OFFER OPENS: 22 February 2024

OFFER CLOSES: 4 April 2024

Please refer to the Terms and Conditions in the Information Memorandum as well as the instructions for completion of the Application Form, as set out below, before completing the same. Terms used herein shall be deemed to be as defined in the Information Memorandum dated 22 February 2024.

This form once duly completed should be submitted, together with TZS Banker's cheque, TZS Direct Debit slip or TZS Cash in favour of "Tanga UWASA Bond Issue", to National Bank of Commerce Limited, Account name: TANGA UWASA BOND, Account number: 020139000046.

Tanga UWASA or any of its Placing Agents shall reject any application, in whole or in part, if instruction as set out in the Information Memorandum and this Application Form are not complied with.

APPLICANT'S DECLARATION

By signing the Application Form overleaf, I/We the applicant(s) or, as agent on behalf of the applicant (as applicable) therein state that;

- I/We have full legal capacity to contract and, having read the Information Memorandum, hereby irrevocably apply for and request you to accept my/our application for the under mentioned application amount, or any lesser amount that may, in your sole discretion, be allotted to me/us subject to the Terms and Conditions of the Tanga UWASA Bonds.
- I/We authorise Tanga UWASA or any of its Placing Agents, as the case maybe, to enter my/our name in the register of member of Noteholders and to credit my CDS account with the Note allocated to me/us and remit any refunds due to me/us via Electronic Funds Transfer or Cheque in accordance with the Terms and Conditions contained in the Information Memorandum.
- I/We confirm that the applicant notes that Tanga UWASA or its Placing Agents, are entitled in their absolute discretion to accept or reject this application.
- I/We confirm that have and the applicant has (as applicable) read the Information Memorandum and that my/our application(s) is/are made on the terms set therein.

- I/We hereby irrevocably undertake and confirm or, as agent on behalf of the applicant (as applicable), I/we confirm that the applicant irrevocably undertakes and confirms my/our application(s) or the applicant's application (as applicable) for Bonds is on the terms outlined in the Pricing Supplement.
- In consideration of your agreeing to accept this Application Form, I/We agree that this application shall be irrevocable and shall constitute a contract which shall become binding to me/us upon dispatch by post hand delivery.

GENERAL INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM

1. Please complete the Application Form in capital letter using black/blue ink. Ensure each letter is written clearly within each of the boxes provided. Incorrectly completed Application Forms will be rejected.
2. When completing this Application Form please bear in mind that Bonds may not be applied for in the name(s) of a trust that has not been incorporated or a deceased's estate.
3. Trustees of unincorporated trusts, individual partners or executors may apply for Bonds in their own name(s). Registered or incorporated trusts may apply in the registered or incorporated name. Limited liability partnerships may apply in their registered names.
4. Any alteration to the Application Form (other than deletion of alternatives) must be authenticated by the full signature of the Applicant(s) or Authorised Collecting Agent.
5. The Authorized Selling Agent must sign against the company's official stamp.
6. Payments in cheque must be made payable in favour of ("Tanga UWASA Bond Issue")- "(Application Form serial number xxxx)" and crossed 'Account Payee Only'.
7. The Application Form must be received in its entirety, duly signed and accompanied with the necessary evidence of payment or banker's cheque or Letter of Undertaking.
8. The completed Application Form may be mailed, or hand delivered to the Authorised Collecting Agents and must be received by the Authorised Collecting Agent no later than 5:00pm on 4 April 2024.
9. If an Application Form is received by the Authorised Collecting Agent after 5:00pm on 4 April 2024 it will be declined and the form together with the accompanying payment or evidence will be returned as per terms and conditions of the offer.
10. Applications can only be made through the Issuer, Authorised Collecting Agents, the Arrangers, the Receiving Bank and the Registrar as listed in the Information Memorandum.
11. The allocation process has been outlined in the Information Memorandum and the pricing supplement. No person can make any promises contrary to the allocation criteria.

APPLICATION AND ALLOTMENT INSTRUCTIONS

1. Eligible Investors include:
 - a) Tanzanian citizens resident in or outside Tanzania. Pursuant to the Law of Contract Act, Cap 354 (Laws of Tanzania), a minor does not have the capacity to contract on his/her own. A minor for purposes of contracts and commercial arrangement is a person who is below the age of 18. Consequently, investment by a minor in the Bonds must be through a guardian/parent. Therefore, a minor can participate in bonds through his or her guardian.
 - b) Foreign nationals whether living in or outside Tanzania.
 - c) Companies, financial institutions (banks), microfinances, bodies corporate or other legal entities incorporated or established in or outside Tanzania (to the extent permitted by their constitutive documents and existing regulations, as the case may be).
 - d) Mutual Funds, Social Security / Provident / pension / gratuity funds / trusts, (subject to the terms of the Trust Deed and existing regulations); and
 - e) Branches in Tanzania of companies and bodies corporate incorporated outside Tanzania.
2. Copies of the Information Memorandum and applications forms can be obtained from the registered office of National Bank of Commerce Limited, the financial advisors, the Sponsoring Broker and the Registrar/Receiving Bank. The Information Memorandum and the Application Forms can also be downloaded from the following websites: (Website)
3. The applicants are required to complete the relevant sections of the application to get the Securities in scripless form.
4. Name(s) and address(es) must be written in full block letters, in Swahili or English, and should not be abbreviated.

5. All applications must bear the name and signature corresponding with that recorded with the applicant's banker and as it appears in National Identification Card (NIDA), Driving License or Passport. In case of difference of signature with the bank and computerized National Identity Card or passport, the signatures should be affixed on the application form.
6. Applications made by individual investors:
 - a. In case of individual investors, a photocopy of the NIDA (in case of resident Tanzanians) or Passport (in case of non-resident Tanzanians) as the case may be, should be enclosed and the number of NIDA / Passport should be written against the name of the applicant.
 - b. Original NIDA/Passport/, along with a photocopy must be produced for verification to the Receiving Bank and the Authorised Collecting Agents at the time of presenting an application. The photocopy will, after verification, be retained by the Receiving Bank or the Authorised Collecting Agents along with the application.
7. Applications made by institutional investors:
 - a. Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their (i) certificate of incorporation, registration certificate or the equivalent thereof; (ii) memorandum and articles of association or equivalent instrument / document and Board of Director's resolution. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
 - c. Photocopies of the documents mentioned in paragraph (a) above must be produced for verification to the Receiving Bank and the Authorised Collecting Agents at the time of presenting the application. The copies, will after verification, be retained by the Receiving Bank or the Authorised Collecting Agents along with the application.





**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF WATER
TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY**



TANGA WATER GREEN BOND APPLICATION FORM

Serial No: _____

**PLEASE COMPLETE IN CAPITAL/ BLOCK LETTERS USING BLACK/BLUE INK
CDS ACCOUNT NUMBER (MANDATORY) (IF NOT AVAILABLE, PLEASE FILL CDS ACCOUNT OPENING FORM)**

CDS Account Number (No leading zeros) _____

Branch/Agent Name:	
Branch/Agent Code Number:	
Applicant's ID/Passport Number:	
Funds Submitted: (TZS)	

Branch /
Agent Stamp

1. APPLICATION DETAILS

Applicant Type (Tick your Application Type):

Individual Joint Company Minor

Gender:

Male Female

Country of Residence: _____

Citizenship: Tanzania SADC
 EAC International

a. First Applicant (Individual) Details: (Names as per ID/Passport)

First Name _____ Middle Name _____ Surname _____

ID/ Passport Number (Copy of ID/ Passport must be attached) _____ Country of Issue _____

b. Second Applicant (If Joint) Details: (Names as per ID/Passport)

First Name _____ Middle Name _____ Surname _____

ID/ Passport Number (Copy of ID/ Passport must be attached) _____ Country of Issue _____

c. Parent or Legal Guardian (For applicants below 18 years) Details: (Names as per ID/Passport)

First Name	Middle Name	Surname
_____	_____	_____
ID/ Passport Number (Copy of ID/ Passport must be attached)		Country of Issue
_____		_____

d. Company Name/QII (Copy of Certificate must be attached)

Registration / Incorporation Number	Country of Registration / Incorporation
_____	_____

e. Next of Kin

First Name	Middle Name	Surname
_____	_____	_____
Email Address:	Mobile Number:	
_____	_____	

f. Full Mailing Address and Contact Details (If applicable)

P. O. Box	Street Address	City/Town
_____	_____	_____
Country	Mobile No. International Format (e.g., +255)	Telephone No. (Landline) International Format (e.g., +255)
_____	_____	_____
Email Address	Country	
_____	_____	

2. APPLICATION & PAYMENT DETAILS

a. Amount Applied for (TZS)

b. Mode of Payment

Please Tick Where Applicable

Cash
 Banker's Cheque
 TISS Transfer
 Mobile Money

Payment Reference: _____

Bank Name:	Branch Name:
_____	_____

Account Name:	Account Number:
_____	_____

Swift Code (if outside Tanzania)	Country
_____	_____

c. Receipt of Refunds and Future Payments

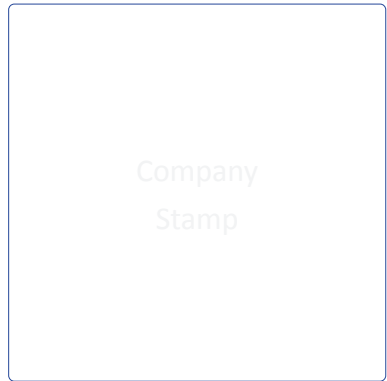
- i. Send refund if any to: Electronic Funds Transfer through the authorized selling agent
 Electronic Funds Transfer to the bank above
- ii. Send future interest & principal through:
 Electronic Funds Transfer to the bank above (as per CDS account details)

3. SIGNATURES: (COMPULSORY FOR ALL APPLICANTS)

Signature 1 _____

Signature 2 _____

Date (DD/MM/YYYY) _____
 e.g. 31/01/2000



TEAR HERE

4. INVESTOR'S RECEIPT

Serial No: _____

Full Name: _____

Amount paid: _____

CDS Account Number (No leading zeros) _____

Signature 1 _____

Signature 2 _____

Date (DD/MM/YYYY) _____

Appendix 4: Pricing Supplement

PRICING SUPPLEMENT

TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY

TZS 53,120,000,000 13.50% Water Infrastructure Green Revenue Bond Issue Due April 2034

This document constitutes the Pricing Supplement relating to the issue of Bond described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Information Memorandum dated on or about 22 February 2024. This Pricing Supplement must be read in conjunction with such Information Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and such Information Memorandum, the provisions of this Pricing Supplement shall prevail.

DESCRIPTION OF THE BONDS

1	Issuer	Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA)
2	Specified Office of the Issuer	Tanga UWASA P.O. Box 5011 Tanga Tanzania
3	Status of Bond	Senior Unsecured
4	Aggregate Principal Amount:	TZS 53,120,000,000
5	Bond are freely transferable and fully paid up	Yes
6	Interest	Interest-bearing
7	Interest/Payment Basis	Fixed Rate
8	Form of Bond	Listed Book-entry Bond
9	Automatic/Optional Conversion from one Interest/Payment Basis to another	Not Applicable
10	Issue Date	24 April 2024
11	Business Centre	Tanga
12	Principal Amount per Note	TZS 500,000
13	Specified Denomination	TZS 100,000
14	Issue Price	At par
15	Redemption Price	100%
16	Interest Commencement Date	24 April 2024
17	Maturity Date	24 April 2034
18	Specified Currency	Tanzanian Shillings

19	Applicable Business Day Convention	Following Business Day
20	Calculation Agent	CSD and Registry Company Limited
21	Specified office of the Calculation Agent	2nd Floor, Kambarage House, 6 Ufukoni Street, P. O. Box 70081, Dar es Salaam, Tanzania
22	Paying Agent	CSD and Registry Company Limited
23	Specified office of the Paying Agent	2nd Floor, Kambarage House, 6 Ufukoni Street, P. O. Box 70081, Dar es Salaam, Tanzania
24	Trustee	National Bank of Commerce Limited
25	Specified Office of the Trustee	NBC House, Sokoine Drive/Azikiwe Street Dar es Salaam Tanzania
26	Registrar	CSD and Registry Company Limited
27	Specified office of the Registrar	2nd Floor, Kambarage House, 6 Ufukoni Street, P. O. Box 70081, Dar es Salaam, Tanzania
28	Final Redemption Amount	TZS 53,120,000,000
29	Sinking Fund	Shall be progressively built up to cover an amount equivalent to not less than six (6) months of interest and the Final Redemption Amount as defined in the Trust Deed

FIXED RATE BOND

30	Fixed Interest Rate(s)	13.50 percent per annum payable semi-annually in arrear
	Interest Payment Date(s)	means 24 April, and 24 October in each year up to and including the Maturity Date/other, or, if such day is not a Business Day, the Business Day on which interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in the Pricing Supplement)
	Fixed Interest Period	means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
	Initial Broken Amount	Not Applicable
	Final Broken Amount	Not Applicable
	Day Count Fraction	Actual/365
	Any other terms relating to the particular method of calculating interest	Not Applicable
	Default rate	Interest Rate + 2% per annum

PROVISIONS REGARDING REDEMPTION/MATURITY

31	Issuer's Optional Redemption:	Not applicable
	If yes:	
	Optional Redemption Date(s)	Not applicable
	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	Not applicable
	Minimum Period of Notice	Not applicable
	If redeemable in part:	
	Minimum Redemption Amount(s)	None
	Higher Redemption Amount(s)	None
	Other terms applicable on Redemption	None

32	Redemption at the option of the Noteholders:	No
33	Early Redemption Amount(s) payable on redemption for taxation reasons	Not applicable
34	Other terms applicable on Redemption	Not applicable

GENERAL

1	Additional selling restrictions	[None]
2	Securities Exchange	Dar es Salaam Stock Exchange
3	Allotment Policy	In the event of an oversubscription, allotment will be at the discretion of the Issuer. In consultation with the Arrangers, the Issuer reserves the right to decline any application in whole or in part and, to make the allotment as it deems fit in accordance with the applicable. The Issuer shall provide reasons of all applications not accepted.
4	Exchange Control Approval	Not Applicable
4	Credit Rating assigned to Bond, the Programme and/ or the Issuer as at the Issue Date (if any)	Not Applicable
5	Governing law	Tanzanian
6	Use of proceeds	The net proceeds of the issue of the Bond will be used in accordance with the Issuer's Green Bond Framework and as specified in the Information Memorandum
7	Last Day to Register	9 April and 9 October each year, or if such day is not a business day, the business day before each books closed period;
8	Books Closed Period	The Register will be closed from 10 April to 24 April, and from 10 October to 24 October (all dates inclusive) in each year until the Maturity Date
9	Stabilisation Manager (if any)	Not Applicable

10	Material Change Statement	The Issuer hereby confirms that as at the date of this Pricing Supplement, there has been no material change in the financial or trading position of the Issuer and its subsidiaries since the date of the Issuer's latest audited annual financial statements for the twelve months ended 30 June 2022. This statement has not been confirmed nor verified by the auditors of the Issuer.
11	Other provisions	Not Applicable

SALIENT DATES

Offer Open	08:00 a.m. on Thursday 22 February 2024
Offer Close	05:00 p.m. on Thursday 4 April 2024
Allotment Date	05:00 p.m. on Monday 22 April 2024
Announcement Date	10:00 a.m. on Tuesday 23 April 2024
Issue Date	Wednesday 24 April 2024
Listing Date	One week after Issue Date
Maturity Date	Monday 24 April 2034

RESPONSIBILITY

The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as that the pricing supplement contains all information required by law. The Issuer accepts full responsibility for the accuracy of the information contained in the Information Memorandum and the annual financial statements and the pricing supplements and the annual report of the Issuer and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.

Application is hereby made to list the Bonds one week after Issue Date.

SIGNED at TANGA this 16 day of FEBRUARY 2024.

For and on behalf of:

TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY



Name: ENG. GEOFREY HILLY

Capacity: MANAGING DIRECTOR

Who warrants his/her authority hereto



Name: ALAWI AHMADI

Capacity: DIR. OF CUSTOMER SERV.

Who warrants his/her authority hereto

Appendix 5: Disclosure Letter



THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF WATER
TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY



In reply please quote :

Ref. No: DC. 147/245/01/67

Date: 23/11/2023

Anjarwalla & Khanna Tanzania
 The Address, Ground Floor
 1 Bains Singh Avenue
 Msasani Peninsula
 P.O. Box 79651
 Dar-es-Salaam
 Tanzania

RE: DISCLOSURE LETTER WITH RESPECT TO THE LEGAL OPINION IN RELATION TO THE GREEN REVENUE BOND BY TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY (THE ISSUER)

We refer to the trust deed to be entered into, *inter alia*, between the Issuer and the Note Trustee (the **Trust Deed**).

2. Words and expressions defined in the Trust Deed shall, unless the context otherwise requires, have the same meaning when referred to in this Disclosure Letter.

The Issuer's counsel, Anjarwalla & Khanna Tanzania (**the Issuer's Legal Counsel**), is required to issue a legal opinion for the Green Revenue Bond issue. The Issuer has agreed to issue this Disclosure Letter to AKT to enable them to issue their legal opinion.

1 ACKNOWLEDGEMENT

- 1.1 This letter together with all the matters and documents referred to herein (which documents have been provided to the Issuer's Legal Counsel and which constitute the Disclosure Bundle).
- 1.2 This Disclosure Letter, the contents hereof and the information and the documents included in the Disclosure Bundle constitute the disclosure documents (the **Disclosure Documents**).
- 1.3 The Issuer confirms that the information and/or confirmation provided by the Issuer in this Disclosure Letter is true, complete and valid and the Issuer's Legal Counsel may rely on such information to issue their legal opinion.

2 GENERAL DISCLOSURES

- 2.1 By way of general disclosure, the following matters are Disclosed or deemed Disclosed to the Issuer's Legal Counsel:
 - 2.1.1 All information contained or referred to in the Trust Deed and any documents to be entered into pursuant thereto;
 - 2.1.2 All matters shown in any accounts or financial documents to the extent that the accounts or the financial documents are available to the Issuer Legal Counsel for review; and
 - 2.1.3 All matters which are a matter of public record or within the public domain.

1

Street No. 3/Swahili
 S.L.P. 5011,
 21103 Tanga,
 Tanzania

Tel: +255 27 264426/7
 +255 27 2647045
 Toll-Free : 0800 110 111

Email: info@tangauwasa.go.tz
 Website: www.tangauwasa.go.tz



All Correspondences should be addressed to the Managing Director

3 SPECIFIC DISCLOSURES

3.1 The issuer has further disclosed (without prejudice to the generality of the foregoing) the matters set out below.

NO.	Question	Disclosure	Documents
1.	<p>Licenses consents and permits</p> <p>Ownership of Project assets-</p> <p>(a) Please confirm that all material Project assets used by Tanga UWASA are either owned, leased/licensed or subject to a hire purchase agreement; and</p> <p>(b) Please also confirm that there are no encumbrances whatsoever over any of the assets of Tanga UWASA related to the Project and Issue.</p>	<p>We confirm that we have all necessary licences to conduct all our business.</p> <p>We confirm we are the sole legal and beneficial owner of the Project assets.</p>	<p>EWURA Business Licence</p> <p>We have annexed the schedule of assets for the Project hereto.</p>
2.	<p>Material contracts- Please provide a list of material contracts including the following contracts.</p> <p>(a) underwriting contracts; ,</p> <p>(b) agreements or contracts with any securities exchange, registrar and trustees of bonds</p> <p>(c) overdrafts and other loan facilities;</p> <p>(d) (bill facilities);</p> <p>(e) letter of credit and guarantee facilities;</p> <p>(f) trade credit arrangements;</p> <p>(g) deferred payment arrangements; and</p> <p>(h) bonds and other financial facilities.</p>	<p>We confirm we have certain loan facilities from TIB Development Bank, formerly known as Tanzania Investment Bank, a government-owned development bank in Tanzania (TIB Loan).</p>	<p>We have annexed the loan documents and contracts in respect of the TIB Loan hereto.</p>
2.	<p>Material litigation-</p> <p>(a) Please provide details of any current litigation or other disputes (including employment and property disputes) where the value exceeds USD 10,000 in which Tanga UWASA is involved (whether as claimant or defendant) or which may be pending or threatened together with details or statements of claim; and</p> <p>(b) Please provide details of any past litigation or disputes (as above) which may have had a significant effect on Tanga UWASA financial position or reputation in the last 12 months.</p>	<p>We confirm we have no material litigation disputes.</p>	<p>N/A</p>

4 GENERAL

4.1 This Disclosure Letter may be executed in counterparts, each of which shall be an original but all of which shall together constitute one and the same agreement.

Yours faithfully,

Signed for and on behalf of
**TANGA WATER SUPPLY AND
SANITATION AUTHORITY**



A handwritten signature in blue ink, appearing to read 'A. Kelly', written over a dotted line.

Authorised Signatory

Signed for and on behalf of
**TANGA WATER SUPPLY AND
SANITATION AUTHORITY**



A handwritten signature in blue ink, appearing to read 'M. Kelly', written over a dotted line.

Authorised Signatory

ACKNOWLEDGEMENT

We acknowledge receipt of the Disclosure Letter and acknowledge and accept the contents thereof.

Signed for and on behalf of
**ANJARWALLA AND KHANNA
TANZANIA**

}



.....
Authorised Signatory

Appendix 6: Water Supply License issued by EWURA



**THE ENERGY AND WATER UTILITIES REGULATORY AUTHORITY
(EWURA)**

**WATER SUPPLY AND SANITATION SERVICES LICENCE
(CLASS I)**

LICENCE NO.WSSSL/02/2016

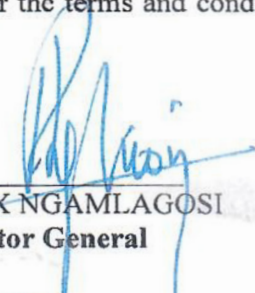
(Issued pursuant to Section 28(1) of the Water Supply and Sanitation Act, Cap. 272)

A licence to provide Water Supply and Sanitation Services is hereby granted to **TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY** with its registered office in **TANGA CITY** subject to the terms and conditions in the Appendix.


This licence shall be valid from this 10th day of February 2016 and shall remain in force for ten (10) years unless revoked or extended by the Authority under the terms and conditions provided in the Appendix.

10TH FEBRUARY 2016
Date of Issue

SEAL



FELIX NGAMLAGOSI
Director General



MIRIAM MAHANYU
Secretary to the Board

Appendix 7: Schedule of Material Contracts

SN	Document Name
1.	Credit Facility Agreement between TIB Development Bank Limited and Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) Dated 5th December 2020

Appendix 8: Schedule of Material Assets

i. Schedule of Material Land Plots

SN	Registered Holder of Right of Occupancy	Asset Description	Main Location Name
7	Tanga UWASA	Plot No.1 Neema,Tanga Municipality	Neema
8	Tanga UWASA	Plot No. 5 Maweni, Tanga Municipality	Maweni
9	Tanga UWASA	Plot No. 6 Pongwe, Tanga Municipality	Pongwe
10	Tanga UWASA	Plot No. 1 Tongoni- Tanga Municipality	Tongoni
11	Tanga UWASA	Plot B, Pangani, Block NO 50, SQ Mt 3,288.	Pangani
12	Tanga UWASA	Plot No. 1 Kisimatui- Tanga Municipality	Kisimatui
13	Tanga UWASA	Plot No. 2 Mabayani-Muheza- Tanga Municipality	Mabayani
14	Tanga UWASA	Plot No.22 Block 93A Ngamiani- Tanga Municipality	Ngamiani
15	Tanga UWASA	Plot No. 188 Gofu Chini Industrial Area, Tanga Municipality	Gofu Industrial
16	Tanga UWASA	Plot No. 42 Mwakidila, Tanga Municipality	Mwakidira
17	Tanga UWASA	Plot No. 1 Mowe,Tanga Municipality	Mowe
18	Tanga UWASA	Plot No.95/1 Gofu Chini, Tanga Municipality	Gofu Chini
19	Tanga UWASA	Plot No. 1 Mabayani, Tanga Municipality	Mabayani
20	Tanga UWASA	Plot No. 2 Block A Kiomoni- Tanga Municipality	Kiomoni
21	Tanga UWASA	Plot No. 772 New Nguvumali, Tanga Municipality	Nguvumali
22	Tanga UWASA	Plot No. Machui	Duga
23	Tanga UWASA	Plot No.65 Usagara, Tanga Municipality	HQ

ii. Schedule of Material Boreholes

SN	Asset Description	Main Location Name
1	Bore holes; capacity 160 cubic meter/hr, 60m depth, 300mm cas	Gofu Industrial
2	Installed Submersible Pump; 170m head, 160m ³ /hr	Gofu Mwakileo
3	Rising Main Pump; lengh 2400m, diameter 160mm UPVC	Kange

iii. Schedule of Material Dams

SN	Asset Description	Main Location Name
1	Pipe, DI, DN600, 3m long	Mabayani
2	Valve chamber, capacity 2.5m*2.5*3m	Mabayani
3	Butterfly valve, size DN600, CL	Mabayani
4	Butterfly valve, size DN600, CL	Mabayani
5	Spillway 20m deep, size of 14m*0.6m length and width	Mabayani
6	Deck 150m*6m*1m deep	Mabayani
7	Embankments, capacity 150m long, 1.2m*15m deep	Mabayani
8	Water dam, capacity 7.7cubic meter	Mabayani
9	Stone embankment capacity, 420m*20m *12m	Mabayani

iv. Schedule of Material Dams

SN	Asset Description	Main Location Name
1.	Truck - Vaccum Tanker - Hino 500 Series	
2.	Toyota L/C Prado TXL	HQ
3.	Toyota Hilux D/C Pickup	HQ
4.	Toyota Hilux D/C Pickup	HQ
5.	Toyota Landcruiser, Registration No. SU42910, Model No. HZJ78R-R	HQ
6.	Toyota Landcruiser, Registration No. SU41200, Model No. HZJ79R-	HQ
7.	Toyota Hilux D/C Pickup	Muheza
8.	Toyota Hilux D/C Pickup	HQ
9.	Toyota Hilux D/C Pickup	Pangani
10.	Toyota RAV4, Registration No. SU41183, Model No. ASA4RANFXKQ	HQ
11.	Suzuki Gypsy King, Registration No. SU42550, Model No. G13BBN	HQ
12.	Suzuki Gypsy King, Registration No. SU42549, Model No. G13BBN	HQ
13.	Suzuki Gypsy King	HQ
14.	Suzuki Gypsy King	HQ
15.	Suzuki Gypsy King	HQ
16.	Suzuki Gypsy King, Registration No. SU41193, Model No. G13BBN	HQ
17.	Suzuki Gypsy King, Registration No. SU41194, Model No. G13BBN	HQ
18.	Suzuki Gypsy King, Registration No. SU41192, Model No. G13BBN	HQ
19.	Toyota RAV4, Registration No. SU41106, model No. ASA4RANFXKQ	HQ
20.	Toyota Landcruiser Prado, Registration No. SU40254	HQ
21.	Nissan J82, Registration No.SU37858, model No. QD32	HQ
22.	Nissan X33, Registration No.SU39387, model No. QD32	HQ
23.	Isuzu NKR, Registration No. SU37300, model No. JAANKR66L	HQ
24.	Nissan J83, Registration No.SU37862, model No. QD32	HQ
25.	Nissan J83, registration No. SU37863, model No. QD32	HQ
26.	NISSAN J83, Registration No. SU37437, model No. QD32	HQ

v. Schedule of Material Plants and Machinery

SN	Asset Description	Main Location Name
1.	Jetting Machine	HQ
2.	Submersible Pump	Pangani
3.	Submersible Pump	Pangani
4.	Generator: (Ghaddah Machinery Co) Olympian, Model/Type No P	HQ
5.	Generator: (Perkins England) Olympian, Model No GEP44-3, Yea	HQ
6.	Generator 135 KVA	HQ
7.	Forklift; Godray & Boyce Mfg Co Ltd Model No GX- 150D	Mowe
8.	Dosing Pump - Prominent - Dulcoflex Df Dg032	Mowe
9.	Cranes 3 Tons	Muheza
10.	Submersible Pump	Pangani
11.	Air Compressor	HQ
12.	Submersible Pump	Tanga
13.	Motor For Water Pump; 3 Phase, 0.75KW,	Duga
14.	Generator 11.4 KVA	HQ
15.	Water Pump; 3 Phase, 0.75kw, 10 Bars, Ger Nr, 20130/04B51/H	Neema

SN	Asset Description	Main Location Name
26.	NISSAN J83, Registration No. SU37437, model No. QD32	HQ

vi. Schedule of Material Sewer Facilities

SN	Asset Description	Main Location Name
1.	Sewer Rehabilitation	HQ
2.	Sewer Line Rehabilitation	HQ
3.	Rehabilitation Of Sea Outfall Pipe	HQ
4.	Makoko Road Rehabilitation	HQ
5.	NHC Chumbageni Project	HQ
6.	Sewer Line	HQ
7.	Sewerage Pipes System	HQ
8.	Rehabilitation of Sewerline at Usagara Amazon Road	HQ

vii. Schedule of Material Distribution Facilities

SN	Asset Description	Main Location Name
1.	Water Network Rehabilitation	HQ
2.	uPVC Pipes 12.8 Km	MUHEZA
3.	Water Network Addition 2019-2020	HQ
4.	Water Tank 700 M ³	MUHEZA
5.	Steel Pipes 4.2 Km	MUHEZA
6.	Pipe Laying Pongwe - Kitisa 16.9 Km	MUHEZA
7.	Supply water along 300mm PVC pipeline	TANGA
8.	Supply water along 500mm DI pipeline	TANGA
9.	SURFACE PUMP	MUHEZA
10.	Ground Tank-Capacity 4500m ³	TANGA
11.	Supply water along 400mm DI pipeline	TANGA
12.	Supply water along 200mm PVC transmission line	TANGA
13.	Water Tank 01	MUHEZA
14.	Ground Tank-Capacity 2425m ³	TANGA
15.	Supply water along 150mm PVC pipeline	TANGA
16.	Tapped from Kange bus stand to kange TANESCO	TANGA
17.	Water Tank 02	MUHEZA
18.	Water Meters	HQ
19.	Supply water along 700mm DI pipeline	TANGA
20.	Water Tank 01	PANGANI
21.	Supply water along 500mm DI pipeline	TANGA
22.	DI 8"	MUHEZA
23.	DI Pipe 200mm	PANGANI
24.	Supply water along 200mm PVC pipeline	TANGA
25.	PVC Pipe 100mm	PANGANI
26.	GS Pipe 150mm	PANGANI
27.	PVC PIPE 200mm	PANGANI
28.	Supply water along 90mm PVC pipeline	TANGA
29.	Water Tank 03	MUHEZA
30.	Water Tank 04	MUHEZA

SN	Asset Description	Main Location Name
31.	Water Meters	HQ
32.	GS PIPE 6"	MUHEZA
33.	Line Rehabilitation	HQ
34.	Reservoir Tank-Capacity 1000m ³	MOWE
35.	Supply water along 150mm CI pipeline	TANGA
36.	Supply water along 100mm PVC pipeline	TANGA
37.	Supply water along 400mm DI pipeline	TANGA
38.	PVC Pipe 6"	MUHEZA
39.	PTH PIPE 50mm	PANGANI
40.	PVC Pipe 75mm	PANGANI
41.	Supply water along 225mm DI pipeline	TANGA
42.	PVC Pipe 150mm	PANGANI
43.	Supply water to storage tanks	TANGA
44.	Supply water along 225mm AC pipeline	TANGA
45.	PTH PIPE 2"	MUHEZA
46.	Supply water along 250mm DI pipeline	TANGA
47.	CI Pipe 4"	MUHEZA
48.	Supply water along 200mm AC pipeline	TANGA
49.	Join From 100mm PVC Pipeline	TANGA
50.	At the bridge from 150mm GS to 100mm pvc	TANGA
51.	Tapped from Jeshini-chamber to Kange bus stend	TANGA
52.	GS Pipe 100mm	PANGANI
53.	Main Line Extension	HQ
54.	UPVC PIPES, DN 100 3160No	PANGANI
55.	GS PIPE 100mm	PANGANI
56.	UPVC Pipes, DN 90 3,740m	PANGANI
57.	PVC Pipe 8"	MUHEZA
58.	PTH Pipe 37mm	PANGANI
59.	Supply water along 300mm DI pipeline	TANGA
60.	Supply water along 50mm PE pipeline	TANGA
61.	PVC Pipe 4"	MUHEZA
62.	Water Tank 03	PANGANI
63.	Supply water along 50mm PE pipeline	TANGA
64.	Tapped from 150mm CI to 150 mm CI Majani mapana	TANGA
65.	HDPE Pipes, DN 150, 673 No	PANGANI
66.	Water Meter 1/2"	PANGANI
67.	Water Tank 02	PANGANI
68.	UPVC Pipes, DN 90,375 No	PANGANI

viii. Schedule of Material Production Facilities

SN	Asset Description	Main Location Name
1.	Dionizer Machine-Boeco, Serial No. 7167, Type 11042506	Mowe
2.	Grundfos Online Residue Chlorine Ph Meter	Mowe
3.	Speetophotometer Dr 3900	Mowe
4.	Promnet DFDA 032 Pump Hose	Mowe

SN	Asset Description	Main Location Name
5.	Spectrol Photometer-DR-2800 Lange, Serial No.1193900	Mowe
6.	Portable Colorimeter	Mowe
7.	Air Compressor; Max Press, Model Ab 300-515 Fiac, Capacity 4	Mowe
8.	Mixer Machine	Mowe
9.	PH-Meter Machine-Jen-Way,3510ph	Mowe
10.	Pump 01 - 15KW-20HP, Pedrollo	Pangani
11.	Spectrolphotometric Hach Lange-DR-2800 Light Shield	Mowe
12.	Turbidity Meter	Mowe

ix. Schedule of Material Buildings

SN	Asset Description	Sub Asset Category Name	Main Location Name
1.	Pump House	Water Distribution Building	Muheza
2.	Main Building (Administration)	Office Building	Mowe
3.	Planning Building	Office Building	HQ
4.	Mowe Servant Quarter (House Type 1)	Residential Building	Mowe
5.	Chlorination Plant Building	Water Distribution Building	Mowe
6.	Mwakidila Office	Office Building	Mwakidira
7.	Mowe Servant Quarter (House Type 2)	Residential Building	Mowe
8.	Mowe Residential Building Rehabilitation	Residential Building	Mowe
9.	Gofu Archive	Office Building	Gofu
10.	Pump House- Mwakileo	Water Distribution Building	Gofu Mwakileo
11.	Built Tank	Water Distribution Building	Mabayani
12.	Godown Gofu	Warehouse Building	Gofu
13.	Pumping Station Building (Basement and Ground Floor)	Water Distribution Building	Mabayani
14.	Rehabilitation Of Staff Houses - Mowe	Residential Building	Mowe
15.	Pongwe Main Building	Office Building	Pongwe
16.	Mwakidila Office	Office Building	Mwakidira
17.	Main Building	Office Building	Gofu Chini
18.	Administration Block	Office Building	HQ
19.	Guard House	Office Building	Muheza
20.	Customer Service Block	Office Building	HQ
21.	Containers (8)	Warehouse Building	HQ
22.	Social Hall Building	Office Building	Mowe
23.	Archives Block	Office Building	HQ
24.	Meter Testing Office	Office Building	HQ
25.	Servant Quarter (House type 1)	Residential Building	Mabayani
26.	Store Building	Warehouse Building	Mowe
27.	Reception Block	Office Building	HQ
28.	Water Production Building	Water Production Building	Mabayani
29.	Chemical Store Building	Warehouse Building	Mowe

Appendix 9: Authorised Collecting Agents

<p>FIMCO Limited Suite 205 – Jangid Plaza, 2nd Floor Plot No. G6, Chaburuma Road Ali Hassan Mwinyi Road Dar es Salaam, Tanzania Tel : +255 22 292 627/+255 767 211 690 E-mail: info@fimco.co.tz Website : www.fimco.co.tz</p>	<p>Vertex International Securities Limited Zambian High Commission Building Ohio St./Sokoine Drive Dar es Salaam, Tanzania Tel: 255 22 2116382 Fax: 255 222110387 E-mail: vertex@vertex.co.tz, operations@vertex.co.tz Website: www.vertex.co.tz</p>
<p>Orbit Securities Company Limited P. O. Box 70254, Dar es Salaam, Tanzania 4th Floor, Golden Jubilee Towers, Ohio Street, Tel: 255 22 2111758, Fax: 255 22 2113067 E-mail: orbit@orbit.co.tz</p>	<p>Core Securities Ltd P. O. Box 76800, Dar es Salaam, Tanzania First Floor – Karimjee Jivanjee Building, Sokoine Drive Tel: +255 22 2123103, Fax: +255 22 2122562 E-mail: info@coresecurities.co.tz Website: www.coresecurities.co.tz</p>
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