

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE



**GENERAL INFORMATION ABOUT THE MILLENNIUM CHALLENGE
ACCOUNT PROGRAMME IN TANZANIA**

**DAR ES SALAAM
MARCH, 2007**

1.0 INTRODUCTION

1.1 Eligibility

Tanzania became eligible for Millennium Challenge Account (MCA) Support in November 2005 and became the 23rd country selected to join the MCA Programme. Consequently, the country had to prepare an MCA Compact proposal in line with the funds objectives and guidelines i.e. identification of projects with a high potential for reducing poverty through economic growth.

1.2 Compact Development

Preparation of the Country Compact Proposal (CCP) started in February 2006 with the appointment of an MCA Coordinator for Tanzania. A Steering Committee for the process was also formed in February 2006. The Steering committee is assisted by a Technical Committee. A Secretariat with a few people seconded from Government Ministries, under the MCA Coordinator, is also in place. The Secretariat, the Technical Committee and the Steering Committee, all as one Team spearheaded the development of the Country Proposal.

The Millennium Challenge Account –Tanzania (MCA –T) programme was developed through a consultative process that involved all key stakeholders including Parliamentarians, Government Ministries, Departments and Agencies (MDAs) and some Regional and District Authorities. Others were Research and Academic Institutions, Civil Society Organization (CSOs), the Private Sector, Gender and Advocacy Groups, and Development Partners.

1.3 The Threshold Programme

Despite eligibility to the MCA process Tanzania has a Threshold Programme that runs alongside with the Country Compact Proposal development. The Threshold Programme amounting to US \$ 11.15 million was signed by the President of the United Republic of Tanzania and The Millennium Challenge Corporation (MCC) Chief Executive Officer on 17th May 2006 in Washington D.C. As per the implementation agreement, funds are managed by USAID in close collaboration with respective sector Ministries. Sectors that are taken on board are mainly the Legal Sector, Police, NGOs, the Media, PCB, the Public Procurement and Regulatory Authority (PPRA), and agencies involved in anti-money laundering, among others.

It is important to note that, MCA eligible countries are expected to continue to adhere to the agreed performance indicators.

1.4 Composition of the Steering Committee

To date, our Steering Committee has 14 members drawn from the Government, Civil Society Organisations, and the Private Sector. Members are as follows:

- (a) The Permanent Secretary Ministry of Finance - Chairman
- (b) The Permanent Secretary Ministry of Planning, Economy and Empowerment
- (c) The Permanent Secretary Ministry of Energy and Minerals
- (d) The Permanent Secretary Ministry of Infrastructure Development

- (e) The Permanent Secretary Ministry of Water
- (f) The Permanent Secretary Prime Minister's Office
- (g) The Permanent Secretary Regional Administration and Local Government
- (h) The Permanent Secretary Ministry of Foreign Affairs and International Cooperation
- (i) The Permanent Secretary Finance and Planning Zanzibar
- (j) Executive Secretary – Tanzania Business Council (TNBC)
- (k) Chief Executive Officer – Confederation of Tanzania Industries (CTI)
- (l) The President of the Tanzania Chamber of Commerce, Industries and Agriculture (TCCIA)
- (m) Executive Director – TANGO
- (n) Techno Serve/Tanzania (an International – NGO)

There is some concern that the Committee is too big. It has therefore been recommended by MCC that it be reduced to a minimum of 9 members and a maximum of 11 members. We are still consulting.

1.5 Technical Committee

The Technical Committee has a similar institutional representation as the Steering Committee. The aim is to ensure that the Country Proposal is a result of a wide involvement of stakeholders. In doing its work, the Technical Committee involves Research on Poverty Alleviation (REPOA) and Economic and Social Research Foundation (ESRF) consultants.

1.6 Accomplishments

The following activities have been accomplished:

- a) The Millennium Challenge Account Tanzania (MCA T), coordinating office has been established. It is located at the Water Front Building, 2nd floor, near the Traffic Police Offices along the Sokoine Drive. Tel. No. 022 2124634; Fax. No. 022 2124644.
- b) Close consultations between the MCA T Coordinator and MCC Washington have been maintained. The MCC Transaction Team for Tanzania has visited Tanzania ten times between January 2006 and February 2007.
- c) Inter-Institutional Steering Committee is functioning well under the Chairmanship of the Permanent Secretary to the Treasury.
- d) A Technical Committee Team made up of experts from respective institutions represented in the Steering Committee is also operational and has been a driving force in the development of the Country Compact Proposal.
- e) The Compact proposal for Tanzania has been completed, approved by the Government and submitted formally to MCC Washington late August 2006.
- f) The Country Proposal was approved for due diligence by the Investment Committee of the MCC-Washington D.C. in September 2006. Following the approval, a pre – due diligence mission visited Tanzania as part of preparations for the rigorous analysis of our Proposal. A due diligence mission focusing on procurement, fiscal accountability and governance matters, visited Tanzania in October and November 2006. A follow – up Mission (on procurement and fiscal accountability) was here from 11th – 19th February 2007. Also a Mission focusing

on legal matters of the compact visited Tanzania from 20th to 24th February 2007. All these missions paved way for the current one which will dwell on a full appraisal of all of the proposed projects.

2.0 PROGRAMME DESCRIPTION

The proposed MCA-T Programme compliments initiatives addressing critical impediments for pro- poor growth and reduction of poverty in areas with high potential for growth. The primary focus of the programme is on infrastructure given its relative importance in mitigating supply side constraints, accelerating growth and reducing income poverty in Tanzania.

2.1 Overall Programme Goal

The overall goal of the Compact is to stimulate broad based economic growth, enhance income earnings of households, and raise quality of life and social wellbeing in programme areas through improvement of transport, energy and water supply infrastructure.

2.2 Objectives

Given the above overall goal, the MCA-T programme has the following three objectives:-

a) To expand and strengthen transport infrastructure so as to stimulate economic activities in rich agricultural areas, improve access to basic services and enhance exploitation of tourism potential in key tourist destinations in Tanzania Mainland and Zanzibar.

Interventions under this objective are expected to result in the following outputs and outcomes:

- i) Increased incomes of households in potentially rich but inadequately exploited agricultural areas;
- ii) Reduced proportion of the population below the poverty line in the programme areas;
- iii) Improved access and delivery of social services; and
- iv) Increased contribution of the tourism sector to rural growth and the national gross domestic product (GDP).

b) To improve water infrastructure networks so as to ensure adequate availability of clean and safe water for both domestic and the productive areas in specific urban and rural areas of Tanzania Mainland and Zanzibar.

Interventions under this objective are expected to result in the following outputs and outcomes:

- i) Reduced time spent by women and children to collect water in rural areas with severe water shortage;
- ii) Reduced water borne diseases in both urban and rural areas with most critical clean water supply problems; and

- iii) Increased and sustained supply of water for businesses and investments in key sectors.

c) To increase the capacity of supplying power to consumers in both rural and urban areas through improvement of the energy infrastructure (generation, transmission and distribution systems) so as to facilitate rapid socio-economic development in Tanzania Mainland and Zanzibar.

Interventions under this objective are expected to result in the following outputs and outcomes:

- i) Increased proportion of the population in urban and rural areas with reliable supply of electricity;
- ii) Increased investments and economic activities as a result of regular, reliable and accessible energy; and
- iii) Improved social well being of communities living in project areas.

3.0 PROPOSED PROJECTS:

3.1 Selection Criteria

The process of selecting projects was based on an agreed set of criteria as outlined below:

- i) Having feasibility or pre-feasibility study with sufficient information;
- ii) Having direct link to growth and poverty reduction;
- iii) Having strong linkages with other sectors;
- iv) Emanating from national/sector strategies and master plans;
- v) To be implemented/ completed within 5 year period;
- vi) No donor conflicts; and
- vii) Having a sustainability strategy.

3.2 Proposed projects for Water sector:

The proposed projects for water sector are:-

Urban Water supply:

- i) Construction of Kidunda Dam for supply of water to Dar es Salaam;
- ii) Construction of Bunena and Kagemu Water Intakes, Treatment Plants and a 12.3 km Transmission Main for Bukoba town;
- iii) Rehabilitation of Mambogo water intake and Mafingo Treatment Plant for Morogoro Municipality;

Small towns and rural water supply:

- iv) Misungwi Town Water Supply Project,
- v) Bunda Town Water Supply Project;
- vi) Bariadi Town Water Supply Project;
- vii) Tarime Water Supply Project;
- viii) Geita Town Water Supply Project;

Zanzibar Water Supply and Sanitation:

- ix) Rehabilitation of Urban and Rural Water Supply Systems In Zanzibar; and
- x) Zanzibar Town Sanitation Project.

Water Resources Management:

- xi) Strengthening water resources monitoring and assessment
- xii) Strengthening and establishment of water quality laboratories
- xiii) Strengthening river basin organizations and institutions

3.3 Proposed Projects For Energy Sector:

The proposed projects for the energy sector are:-

- i) Electrification of Remaining 10 District Headquarters;
- ii) Development of Malagarasi Mini Hydropower Plant (8 MW);
- iii) Development of Nakatuta Mini Hydropower Plant (12 MW); and
- iv) The Zanzibar – Mainland Submarine Cable (100 MW).

Current Situation

From extensive discussions held between MCC –Washington and MCA -Tanzania it seems that projects under the Energy Sector may have some significant changes. As such, the viable option was to revert to some addendum projects, but in conformity to item 3.1; i.e. those meeting the agreed criteria. Bearing this in mind the following project package seem to be a more acceptable alternative:-

- i) The Transmission & Distribution (T&D) Project
- ii) The Malagarasi Mini Hydro Project
- iii) The Sub-Marine Cable (Dar-es-Salaam – Zanzibar)

3.4 Proposed projects for Transport sector:

The proposed projects for the transport sector are:-

- i) Tunduma – Sumbawanga Road (224.5 km)
- ii) Tanga – Horohoro Road (68 km)
- iii) Tunduru –Songea Road (263 km)
- iv) Songea (Peramiho)-Mbamba Bay (144.5 km)
- v) Sixteen (16) Zanzibar rural roads (142.7 km)
- vi) Upgrading of the Kigoma Airport
- vii) Upgrading of the Mafia Island Airport

CONCLUDING REMARKS

All the above projects were identified and processed through a consultative process that involved many stakeholders including Sector Ministries, the Technical Committee, the Steering Committee, Advocacy Groups and interested parties in respective project areas. Initially, the process of selecting credible projects started with a long list whose budget was three times the size of the current proposal. The above mentioned final list of projects meets all the agreed selection criteria and comprises of sectoral priority projects. All are ready for implementation as soon as financial resources are secured. The stakeholders' consultations also confirmed that these are among the long awaited projects by communities in their respective areas.

It is the view of the MCA -T Coordinating Office that the selected projects make a very good package for fast tracking economic growth and poverty reduction. They are all feasible with reasonable (above 15%) economic rates of return (ERRs). We hope they will all pass the due diligence test and qualify for funding.

WATER SUPPLY PROJECTS:

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--------------------|---|--|--|-------------------------------------|-----------------------|---|
| URBAN WATER SUPPLY | | | | | | |
| Tanzania Mainland | Kidunda Dam, Augmenting Treatment Plant and Transmission Main Project | -Feasibility study completed in July 2006 and has been submitted to MCC. -ERR for the Treatment Plant and Trans. Main is 18%. | Not yet completed. A scoping study done in 2006. A detailed EIA will need fast tracking. Ministry informed of the urgency. | Design and construction stage | None | -The Dam may not be ready for due diligence. -However, the Treatment plant and the Trans. Main is ready. -Stakeholders want a multi-purpose dam |
| | Construction of Bunena and Kagemu Water Intakes, Treatment Plants and a 12.3km Transmission Main for Bukoba Town. | -Feasibility study done in 2004 and has been submitted to MCC. -ERR was recalculated and is 28% | | Design and construction stage | None | Ready for due diligence. |
| | Rehabilitation of Mambogo water intake; Treatment works and improvement of the Distribution Network of Morogoro water supply systems. | -Detailed study done in 2003 and has been submitted to MCC. -ERR was recalculated and is 49% | | Design and construction stage | None | -Ready for due diligence. |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--------------------------|--|--|---------------------------|-------------------------------|----------------|--|
| | (During the Sept. 2006 pre – due diligence mission the Mafingo Treatment Plant was added as it had been a serious omission for sustainability. | | | | | |
| Zanzibar | Urban water supply (Pemba) | -Feasibility study updated in 2005 and has been submitted to MCC. -ERR was recalculated and is 31.9% | | Design and construction stage | None | Ready for due diligence but without a sanitation component |
| | Zanzibar Town sanitation | -Feasibility study updated in June 2003 and has been submitted to MCC. -ERR was recalculated and is 42.5% | Done and submitted to MCC | Design and construction stage | None | Ready for due diligence |
| RURALWATER SUPPLY | | | | | | |
| Tanzania Mainland | Misungwi Town Water Supply Project. | -Feasibility study done in 2004 and has been submitted to MCC. -ERR was recalculated and is 15% | | Design and construction stage | None | Ready for due diligence. |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--|--|--|----------------------------|-------------------------------------|-----------------------|--------------------------|
| | Bunda Town water supply project. | -Feasibility study done in September 2006 and has been submitted to MCC. -ERR was recalculated and is 19% | | Design and construction stage. | None | Ready for due diligence. |
| | Bariadi Town water supply project (Phase II) | -Feasibility study done and has been submitted to MCC. -ERR was recalculated and is 29%. -Phase I has been implemented | | Design and construction stage | None | Ready for due diligence. |
| | Tarime Water Supply Project. | -Feasibility study completed in December 2006 and has been submitted to MCC. -ERR recalculated and is 19% | | Design and construction stage | None | Ready for due diligence |
| | Geita Town Water Supply Project | Feasibility study completed in December 2006 and has been submitted to MCC. -ERR was recalculated and is 18% | | Design and construction stage | None | Ready for due diligence |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|------------------------------------|---|---|----------------------------|-------------------------------------|-----------------------|--------------------------|
| Zanzibar | Rural water supply (Unguja and Pemba) | -Feasibility study updated in 2005 and has been submitted to MCC. -ERR was recalculated and is 27.6% | | Design and construction stage | None | Ready for due diligence. |
| WATER RESOURCES MANAGEMENT: | | | | | | |
| | Strengthening water resources monitoring and assessment | Project proposal submitted to MCC in November 2006 | | | None | Ready for due diligence |
| | Strengthening and establishment of water quality laboratories | Project proposal submitted to MCC in November 2006 | | | No | Ready for due diligence |
| | Strengthening river basin organizations and institutions | Project proposal submitted to MCC in November 2006 | | | None | Ready for due diligence |
| ADDENDUM PROJECTS: | | | | | | |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--|--|---|----------------------------|--|-----------------------|----------------|
| | Improvement of Water Supply in Coast Region and Dar es Salaam Peri – Urban | Feasibility study done but not submitted to MCC | | Design and construction stage | None | |
| | Same water supply | Feasibility study done in 2006 but not submitted to MCC | | Design and construction stage | None | |
| | Masasi – Nachingwea water supply and Sanitation. | Feasibility study done but not submitted to MCC | | -Detail design done. - construction stage | None | |

ENERGY PROJECTS AS PER COMPACT PROPOSAL:

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|-------------------|---|---|--|-------------------------------------|--|---|
| Tanzania Mainland | Electrification of remaining 10 District Headquarters | Updated TANESCO study 2005 covering 10 district headquarters (Kibondo, Kasulu, Namanyere, Isikizya, Namanga and Loliondo, Mangaka and Nanyumbu, Bahi, Mkinga) has been submitted to MCC | Included in the Updated TANESCO study 2005 | Design and construction stage | None | Ready for due-diligence |
| | Nakatuta small hydropower plant (...MW) | -Feasibility done in 2006 and has been submitted to MCC. -ERR was recalculated and is 21.32% | Included in the Feasibility Study | Design and construction stage | None | Ready for due-diligence |
| | Malagarasi Mini Hydropower Plant. (9 MW) | -Feasibility study done in 2006 and has been submitted to MCC. -ERR was recalculated and is 27.1% | Included in the Feasibility Study | Design and construction stage | ADB had agreed to finance the project. However, Ministry was directed to await the finalization of current due | -Ready for due diligence -Stakeholders want 40 MW. |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--------------------|---|---|---------------------------|--|----------------|--|
| | | | | | diligence. | |
| Zanzibar | Improvement of Zanzibar – Mainland submarine cable interconnection. | Feasibility study completed in September 2006 and has been submitted to MCC. -ERR is 38% | Done and submitted to MCC | -Preliminary design done. -Detailed design to be done during construction | None | Ready for due diligence |
| ADDENDUM PROJECTS: | | | | | | |
| | Upgrading, Rehabilitation and Network Expansion for Tanga, Mbeya, Mwanza, Iringa, Morogoro and Dodoma Regions | Pre- feasibility study submitted to MCC in November 06 | Done and submitted to MCC | Design and construction stage | None | Ready for Due Diligence if MCC decide to include them. |
| | Nzovwe Mini-hydro power project | -Feasibility study submitted to MCC in Nov. 06 -ERR is 16.42% | Done and submitted to MCC | Design and construction stage | None | |
| | Pinyinyi Mini-hydro power project | -Feasibility study submitted to MCC in Nov. 06 -ERR is 21.72 | Done and submitted to MCC | Design and construction stage | None | Ready for Due Diligence if MCC decide to include it. |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--|---|---|----------------------------|-------------------------------------|-----------------------|--|
| | Sunda Falls hydro power project | -Feasibility study submitted to MCC in Nov. 06 -ERR is 15.7% | Done and submitted to MCC | Design and construction stage | None | Ready for Due Diligence if MCC decide to include it. |
| | Transmission and Distribution Network for Kigoma – Kasulu, Nkasi – Rukwa, Pinyinyi – Loliondo and Tunduru | -Feasibility study submitted to MCC in Nov. 06 | Done and submitted to MCC | Design and construction stage | None | Ready for Due Diligence if MCC decide to include it. |

TRANSPORT PROJECTS:

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|-------------------|---------------------------------|--|---|---|-----------------------|-------------------------|
| Tanzania Mainland | Tunduma – Sumbawanga (224.5 km) | -Done and submitted to MCC; -ERR was recalculated and is 16.8% | Done and submitted to MCC | -Tunduma - Layela done; -Layela – S’wanga started in Dec. 06. To be completed by June 2007. | None | Ready for due-diligence |
| | Tanga – Horohoro (68km) | -Done and submitted to MCC; -ERR was recalculated and is 17.3%. | Done and submitted to MCC | Detailed design completed. | None | Ready for due-diligence |
| | Tundururu - Songea (263 km) | -Done and submitted to MCC; -ERR was recalculated and is 15.7%. | Preliminary EIA done and submitted to MCC: Detailed EIA to be completed during the detailed design. | BCEOM started work in Jan 07: To be completed by Jan. 2008 | None | Ready for due diligence |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|----------|---|--|---|--|----------------|---|
| | Songea (Peramiho)-Mbamba Bay (144.5 km) | -Done and submitted to MCC; -ERR was recalculated and is 15.7%. | Preliminary EIA done and submitted to MCC: Detailed EIA to be completed during the detailed design. | BCEOM started work in Jan 07: To be completed by Jan. 2008 | None | Ready for due diligence |
| | Upgrading the Kigoma Airport | -Economic Report Phase I of 1997 (updated in 2006) submitted to MCC; -ERR was recalculated and is 21% | Not yet done | Not yet done | None | Ready for due diligence; However, stakeholders want the Airport to be upgraded to accommodate bigger planes like Boeing 737 |
| | Upgrading the Mafia Airport | -Economic Report Phase I of 1997 (updated in 2006) submitted to MCC; -ERR was recalculated and is 19% | Not yet done | Not yet done | None | Ready for due diligence |
| Zanzibar | Zanzibar Rural Roads (142.7 km) | -Feasibility study updated in 2006 and submitted to | In progress; Expected to be | Detail design to be completed by | None | Ready for due diligence |

| | NAME OF PROJECT | STATUS OF FEASIBILITY STUDY | STATUS OF EIA STUDY | STATUS OF ENGINEERING DESIGN | DONOR CONFLICT | REMARKS |
|--------------------|--|---|-----------------------------|------------------------------|----------------|--|
| | | MCC; -ERR was recalculated and is 28.9% | completed by February 2007. | April 2007. | | |
| ADDENDUM PROJECTS: | | | | | | |
| | Kigoma – Kasulu – Kibondo - Nyakanazi Road Project (336.5 kms) | -Done and submitted to MCC in November 06 following an MCC request. | Done and submitted to MCC | In progress. | None | Ready for Due Diligence if MCC decide to include it. |

