

UNITED REPUBLIC OF TANZANIA



MINISTRY OF FINANCE

**SUMMARY-MILLENNIUM CHALLENGE
COMPACT PROPOSAL**

Dar-es-Salaam, 5th December 2006

1.0 INTRODUCTION

1.1 The Millennium Challenge Corporation (MCCC) is an independent U.S Government corporation established on 23rd January, 2004 to administer the Millennium Challenge Account (MCA). The MCA is a new model of providing assistance to countries that have taken greater responsibility for their own development and demonstrated commitment to ruling justly, investing in people and promoting economic freedom. It fulfils President's Bush commitment in the Monterrey Summit (2002), of providing more resources to countries undertaking major reforms in the three identified areas.

1.2 Eligible countries are given responsibility to develop own MCA compact proposals in line with MCC guidelines and agreed set of criteria. The MCA compact proposal identifies projects to be funded by the facility and has to demonstrate the potential of each project, and the country programme in general, to reduce poverty through economic growth.

1.3 On the 8th of November, 2005 the MCC Board of Directors approved Tanzania as the 23rd country, eligible to apply for Millennium Challenge Account (MCA) medium term funding in fiscal year 2006. Consequently, preparation of the country proposal began in February 2006, with the appointment of the MCA Tanzania Coordinator. The MCA Compact Proposal for Tanzania is designed to contribute to a transformational change by addressing key impediments to economic growth. The proposal is based on the National Strategy for Growth and Reduction of Poverty (MKUKUTA) for Tanzania Mainland and the Zanzibar Strategy for Growth and Reduction of Poverty (MKUZA). The MCA Tanzania Programme (MCA-T) was also informed by the most recent Poverty and Human Development Report (PHDR) 2005, and recent policies and strategic frameworks that put the fight against poverty high in the country's development agenda.

1.4 The MCA-T programme has been developed through a consultative process that involved all key stakeholders including Parliamentarians, Government Ministries Departments and Agencies (MDAs). Others were; Research and Academic Institutions, Civil Society Organizations (CSOs), the Private Sector, Gender and Advocacy Groups, and Development Partners.

1.5 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.

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, water and 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 the rural growth and to the national gross domestic product (GDP).

b) To improve water infrastructure networks so as to ensure clean and safe water supply, for domestic and productive use, 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 Proposed Projects in the Identified Priority Areas.

3.1. Transport Sector

Tanzania, a country covering 945,087 square km, has a total road network of approximately 85,000 km in Tanzania Mainland, and 1,450 km in Zanzibar out of which, only 6.6 percent is bitumen surfaced. Poor condition of road network has led to high transport costs, thus constraining economic activities.

To address this constraint the following Transport projects are proposed;

- 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

The impact of these improvements can be measured by reduction of vehicle operating costs and reduced travel time between the areas and major market centres. These improvements will also spur businesses and investments in the respective areas and will strengthen forward and backward linkages between agriculture, tourism and other productive sectors. Furthermore, these improvements will reduce workload in ferrying goods to and from markets.

3.2. Water Sector

Tanzania Mainland has a population of 36.2 million of which 42 percent has no access to safe water. Zanzibar has a population of 1.1 million of which 35 percent has no access to safe water. This affects quality of life notably through high incidence of water borne diseases and high cost of health care. Poor water supply also affects productivity through time wasted by women and children in fetching water and by increasing costs of utilities for commercial activities.

The water projects selected for this programme are based on their importance in addressing constraints to economic growth, stimulating income generating activities and enhancing well being of households.

The proposed projects for water sector are:-

- 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 for Morogoro Municipality;
- 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;
- ix) Water Resources Management Project;
- x) Rehabilitation of Urban and Rural Water Supply Systems In Zanzibar; and
- xi) Zanzibar Town Sanitation Project.

3.3. Energy Sector

Adequate power supply is critical for achievement of MKUKUTA and MKUZA targets. The proposed interventions will lead to additional power generation, stabilized power supply and expanded coverage in urban and rural areas.

The proposed projects are:-

- i) Electrification of 12 district headquarters;
- ii) Development of Malagarasi mini hydropower plant (8 MW);
- iii) Development of Nakatuta mini hydropower plant (12 MW); and
- iv) Improvement of Zanzibar – Mainland submarine cable (100 MW).

4.0 IMPLEMENTATION ARRANGEMENTS

4.1 Institutional Linkages

The MCA-T programme will be implemented by the United Republic of Tanzania under the guidance and supervision of the Ministry of Finance of the Union Government which will be the Accountable Entity. To ensure smooth and effective management, the MoF will create a programme management unit called MCA-T Programme Unit. In Zanzibar, a coordination unit that will work closely with MCA-T Programme Unit has been formed and placed in the Ministry of Finance and Economic Affairs (MoFEA). The Zanzibar coordinator shall receive guidance and directives from the overall MCA-T Programme Unit Coordinator and give input to and feed back from Zanzibar implementing agencies.

The Ministry of Finance will have principal responsibility for overall oversight and management of programme implementation. Specifically, this programme will be implemented in accordance to the terms specified in this proposal, applicable laws of the United Republic of Tanzania (URT), and in a timely and cost effective manner in line with best management practices. The URT will liaise with MCC to ensure conformity with MCC's applicable guidelines and regulations, and to ensure that implementation meets the provisions of the agreement between the URT and MCC.

The Ministries responsible for Transport, Water, and Energy in the Tanzania Mainland and Zanzibar will be responsible for implementation of MCA-T projects that fall under their respective jurisdiction. On the side of Zanzibar, the MoFEA will provide oversight to the management and implementation of the programme. The MoFEA will work closely with the overall MCA Coordinator while the Zanzibar coordinator will remain the overall liaison person to the MCA-T Programme Unit. Specifically, the Zanzibar coordinator will be the link person between the Zanzibar sector ministries and MoFEA on one hand and the overall MCA Coordinator on the other.

4.2 MCA-T Institutional Arrangement

The institutional arrangement of the Accountable Entity for the MCA-T programme is as follows:

- i) Ministry of Finance;
- ii) Inter-Institutional Steering Committee;
- iii) Inter-Institutional Technical Committee;
- iv) MCA-T Programme Unit; and
- v) MCA-T Technical Working Groups.

4.3 Procurement

Procurement of all goods, services and works by the government for implementation of the MCA-T programme will be guided by both the MCC procurement guidelines and the Tanzania Public Procurement Act of 2004.

4.4 Financial Accountability

The Ministry of Finance will be the Accounting Entity to administer the MCA funds. The MCA-T Programme Unit will develop an MCA financial management manual to guide financial transactions of the programme.

4.5 Financial Management and Control of MCA Funds

The Accountant General as Assistant Paymaster General and manager of the Integrated Financial Management System will be responsible for ensuring that in the course of implementation of the Compact, all information related to the MCA funds is available for scrutiny and audit. The Zanzibar Coordinator, through the Principal Secretary – Ministry of Finance and Economic Affairs, shall be the link person with MCA-T Programme Unit. The Integrated Financial Management System has a commitment control facility that sets ceilings to the Accounting Officer not to spend beyond the budgetary amounts. A similar arrangement will be applied for Zanzibar.

4.6 Banking Arrangements

The Ministry of Finance of the Union Government will instruct the Bank of Tanzania to open an MCA-T US Dollar account specifically for MCA-T programme funds in which inflows and outflows of the MCA-T funds will be processed.

4.7 Auditing Arrangement

The Controller and Auditor General (CAG) will be responsible for annual financial and procurement audits for the MCA-T funds. CAG may appoint or endorse an external reputable international audit firm to perform the audit.

5.0 MONITORING AND EVALUATION

5.1 The Monitoring and Evaluation (M&E) plan for Tanzania Compact is guided by both the national poverty monitoring system and the economic analysis that identified beneficiaries and provided economic rationale for the MCA-T programme. Based on the economic assessment and available baseline data, performance targets during implementation have been set and others will be determined as the program develops, and indicators have been identified at each of the three levels below:

- i) Programme outcome level;
- ii) Programme objective/output level;
- iii) Programme activity level.

Monitoring at goals, objectives, and outcome levels shall be done through an institutional set up for monitoring which is linked with the National MKUKUTA/MKUZA monitoring

system. Monitoring of activities will be undertaken through the MCA-T Programme Unit and sector focal persons/managers. The evaluation of the programme will be undertaken periodically at intervals to be agreed between the URT and MCC Management, and in line with the principles of Joint Assistance Strategy for Tanzania (JAST).

The goal, outcomes, objectives, and outputs of the programme are summarized in the attached Logical Framework Figure below:

SUMMARY OF THE PROPOSED MCA-T PROJECTS

	NAME OF PROJECTS	LEVEL OF PROJECT PREPARATION	ESTIMATED NUMBER OF BENEFICIARIES
Tanzania Mainland	Tunduma – Sumbawanga (224.5 km)	Feasibility Study completed in 2004. Detail Design to be completed by June 2007	6.1 Million People
	Tanga – Horohoro (68km)	Feasibility Study and Detail Design Completed in early 2006	6.5 Million People
	Tunduru - Songea (263 km)	Feasibility Study completed in November 2003. Detail Design to be completed by April 2007	5.9 Million People
	Songea (Peramiho)-Mbamba Bay (144.5 km)	Feasibility Study completed in November 2003. Detail Design to be completed in April 2007.	5.9 Million People
	Upgrading the Kigoma Airport	Economic Report Phase I of 1997 updated in 2006.	2.1 Million People
	Upgrading the Mafia Airport	Economic Report Phase I of 1997 updated in 2006	60,000 People
Zanzibar	Zanzibar Rural Roads (142.7 km)	Feasibility study done in November 1999; Costs updated 2006; Detailed design to be completed in April 2007.	657,093 People
Total			

	NAME OF PROJECTS	LEVEL OF PROJECT PREPARATION	ESTIMATED NUMBER OF BENEFICIARIES
Tanzania Mainland	Kidunda Dam, Augmenting Treatment Plant and Transmission Main Project	Feasibility study completed in July 2006. Environmental Impact Assessment (EIA) to be completed by September 2006.	5.0 Million people
	Construction of Bunena and Kagemu Water Intakes, Treatment Plants and a 12.3km Transmission Main for Bukoba Town.	Feasibility study done in 2004	150,000 People
	Rehabilitation of Mambogo water intake; Treatment works and improvement of the distribution network of Morogoro water supply systems	Feasibility study done in 2003	350,000 People
Zanzibar	Urban water supply (Pemba)	Feasibility study done in 1990, costs updated 2005	61,798 People
	Zanzibar Town sanitation	Feasibility study done 1993, updated in June 2003	217,945 People
Sub total			

	NAME OF PROJECTS	LEVEL OF PROJECT PREPARATION	ESTIMATED NUMBER OF BENEFICIARIES
Tanzania Mainland	Misungwi Town Water Supply Project	Feasibility study done in 2004	50,000 People
	Bunda Town water supply project	Pre-feasibility study done in early 2006. Feasibility study to be completed by September 2006.	100,000 People
	Bariadi Town water supply project (Phase II)	Feasibility study done in 2002, Phase I has been implemented	100,000 People
	Tarime Water Supply Project	Pre-feasibility study done in 2004. Feasibility study to be completed by December 2006.	50,000 People
	Geita Town Water Supply Project	Pre-feasibility study done in 2004. Feasibility study to be completed by December 2006.	150,000 people
Zanzibar	Rural water supply (Unguja and Pemba)	Feasibility study done in 1991, costs updated 2005	83,041 People
Sub total			
	Strengthening water resources monitoring and assessment	Preliminary write up completed in June 2006	Multi Sector beneficiary
	Strengthening and establishment of water quality laboratories	Preliminary write up completed in June 2006	Multi Sector beneficiary

	NAME OF PROJECTS	LEVEL OF PROJECT PREPARATION	ESTIMATED NUMBER OF BENEFICIARIES
	Strengthening river basin organizations and institutions	Preliminary write up completed in June 2006	Multi Sector beneficiary
Sub total			
Total			

	NAME OF PROJECTS	LEVEL OF PROJECT PREPARATION	ESTIMATED NUMBER OF BENEFICIARIES
Tanzania Mainland	Electrification of 12 District Headquarters	Updated TANESCO study 2005	2.0 Million People
	Nakatuta small hydropower plant	Pre-feasibility done in 2006	1.0 Million People
	Malagarasi small hydropower plant	Pre-feasibility done in 2006	1.3 Million People
Zanzibar	Improvement of Zanzibar – Mainland submarine cable interconnection.	Feasibility study to be completed by September 2006	710,102 People
Total			
Total for all sectors			
MCA-T Programme Management			
GRAND TOTAL			

Logical Framework for Monitoring MCA-T Programme Implementation



