

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA17351

Project Name	TZ Sustainable Management of Mineral Resources (P151124)
Parent Project Name	Sustainable Management of Mineral Resources (P096302)
Region	AFRICA
Country	Tanzania
Sector(s)	Other Mining and Extractive Industries (74%), Public administration- Energy and mining (26%)
Theme(s)	Other public sector governance (65%), Micro, Small and Medium Enterprise support (18%), Other Private Sector Development (11%), Administrative and civil service reform (4%), Participation and civic engagement (2%)
Lending Instrument	Investment Project Financing
Project ID	P151124
Parent Project ID	P096302
Borrower(s)	THE UNITED REPUBLIC OF TANZANIA
Implementing Agency	Ministry of Energy and Minerals
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	25-Feb-2015
Date PID Approved/Disclosed	12-Mar-2015
Estimated Date of Appraisal Completion	13-Feb-2015
Estimated Date of Board Approval	23-Apr-2015
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

The GoT, under its National Strategy for Growth and Poverty Reduction (MKUKUTA), is committed to economic growth and reduction of income poverty, improvement in the quality of life and social well-being, and improved national governance and accountability to its current population and future generation. Tanzania has known strong, relatively steady economic growth over the last decade, with GDP growth anchored at an average of 7% per annum. Mining has been a strong contributor to this remarkable growth, particularly in the period from 2000-2005, and again since 2012.

Sectoral and institutional Context

The World Bank has been supporting Government reforms in the sector over the past four decades. In the mid-1980s, support focused on geological infrastructure required to identify the mineral resources of the country. This was followed by a loan in the early 1990s to attract Foreign Direct Investment (FDI) through necessary regulatory changes. The current loan in 2009 has supported a focus on further geological knowledge, strengthened government capacity to monitor in the districts, and better provisions for social and environmental management.. Due in part these sector reforms, Tanzania has experienced strong, relatively steady FDI in mining, which in turn fueled a robust sector and macro-economic performance over the last decade, with GDP growth anchored at an average of 7% per annum Mining contributes about 3.5% to GDP but the sector is expected to grow by 7.7% and contribute 10% to GDP by 2025. The proposed Additional Financing focuses on translating mining-induced macroeconomic growth into broad-based socio-economic development and shared growth particularly at the sub-national levels.

Foreign direction investment (FDI) from the mid-1990s is attributable to much of the earlier growth (period from 200-2005). Six large-scale gold mines were commissioned during this period: Nzega, Geita, Bulyanhulu, North Mara, Buhemba, and Tulawaka. As a result of these new industrial mining projects, Tanzania's gold sector rose to become one of the largest in Africa, from roughly 0.13 million toz in 1999 to roughly 1.3 million toz in 2012. By consequence, the percentage share of mineral exports to GDP has gone from 1.5% in 2000 to 3.4% in 2012.

National revenues derived from the sector have more recently started to flow, following the end of the tax holidays granted to many of the first foreign investors in the late 1990s. Figure 1 below details annual government revenues (taxes plus royalties): reaching US\$ 410 million in 2012, equivalent to 5.9 percent of the annual budget. Notwithstanding remarkable improvements in terms of tax contributions from the sector—in the form of mining royalties, PAYE, withholding tax, etc—perception remains that industrial mining in Tanzania has not sufficiently played a role in poverty-alleviation, particularly in the rural areas where mining occurs. Two commissions led by government concluded with a new resolve to intensify efforts to leverage mining for development. Revision of Tanzania's Minerals Act was passed in 2010 to adopt provisions around local content, beneficiation, and development contributions by companies. The SMMRP project has facilitated transforming these government commitments, as set forth in policy and legislation, into practical applications in key mining areas.

Whereas Tanzania's mining sector is commonly associated with industrial mining projects, nationals participate primarily as Primary Mining License (PML) holders and mineral traders. Described as artisanal or small-scale in nature, PMLs are now considered an effective instrument for further distributing economic and social benefits from Tanzania's mineral endowments to its population. Over the course of the last decade, the government has actively encouraged entry into mining by its citizens, simplifying procedures for acquiring PMLs and decentralizing the Ministry of Energy and Minerals (MEM) inspections functions to zonal and district offices. As a result of these efforts, PMLs have risen to reach roughly 14,880 as of 2014. Figures provided by the MEM would indicate that upwards of 690,000 persons labor in this sector across the 8 zones delineated by the government. Roughly half of this total labor figure can be found in two key gold belt areas: Lake and Central Western zones. Accordingly, to date the SMMRP project has focused a critical number of activities to support the government's ASM strategy in these areas. However over the last 1.5 years, through various Project Team missions to other mining zones, it is evident that resources are required to support ASM regulation in new burgeoning areas such as South Western

and Southern zones. Whereas government emphasis on national participation in mining has catalyzed a new generation of economic actors, lack of enforceability of environmental and labor standards on many PMLs could induce significant negative impacts, and requires, by consequence, more robust regulation efforts by the government. New inspections manuals and best practice guidelines for ASM developed under the SMMRP provide the foundation for this to occur.

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

To strengthen the Governments capacity to manage the mineral sector to improve the socioeconomic impacts of large and small-scale mining for Tanzania and Tanzanians and enhance private local and foreign investment.

III. Project Description

Component Name

Component A: Improving the Benefits of the Mineral Sector for Tanzania: Artisanal and Small-Scale Mining, Local Economic Development Planning, and Skills Development.

Comments (optional)

Sub-components will comprise:

- a. Centres of Excellence
- b. Geological Ground Works
- c. Small Grants Program for Small-Scale Miners
- d. Value Addition
- e. Linkages between Mining and Local Development

Component Name

Component B: Strengthening Governance and Transparency in Mining

Comments (optional)

Sub-components will comprise:

- a. Addressing regulatory gaps
- b. Improving transparency

Component Name

Component C: Stimulating Mineral Sector Investment

Comments (optional)

No further activities are envisaged under the Additional Financing.

Component Name

Component D: Project Coordination and Management

Comments (optional)

Procurement, financial management, and disbursement support will be sustained, managed by the Ministry of Energy and Mining staff through a Project Management Unit. An additional person will be seconded from the Ministry to provide Monitoring and Evaluation support.

IV. Financing (in USD Million)

Total Project Cost:	50.00	Total Bank Financing:	45.00
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Financing Gap:	0.00	
For Loans/Credits/Others		Amount
BORROWER/RECIPIENT		5.00
International Development Association (IDA)		45.00
Total		50.00

V. Implementation

Following remedial actions initiated in late 2012, implementation progress for the original project improved dramatically, with cumulative disbursements increasing from US\$9.9 million at the end of 2012 to US\$45.9 million at the time of this request. Total cumulative disbursements have now reached over 90% of the original project funds and are expected to be fully disbursed by June 2015. The Project has maintained over the last one year Moderately Satisfactory (MS) or better ratings for both progress in achieving the Development Objective and implementation progress.

Project Coordination. Continued support will be provided, including procurement, financial management, and disbursement, which will be managed by Ministry of Energy and Mining staff organized into a Project Management Unit. The project team will be strengthened with the secondment of a staff member from the ASM Unit in the MEM, and a part-time Monitoring and Evaluation expert to manage the ASM database and the Project's Results Framework.

The Additional Financing does not anticipate further changes to the Implementation arrangements with the Client, given the strong performance of the Project at present.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

The Environmental and Social Management Framework (ESMF) designed under the Original Project has undergone a series of revisions including incorporation of comments received during a public consultation held by the Client with stakeholders in Tanzania in December 2014. The revised ESMF reflects the scope and nature of activities proposed under the Additional Financing and therefore the mitigation and management measures to be put in place by the Project. The Resettlement Policy Framework has also been updated to reflect the Additional Financing scope and design.

VII. Contact point

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Borrower/Client/Recipient

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