I. Project Context

Country Context

1. Tanzania is on a strong economic growth trajectory but poverty rates, particularly among rural households, are still high. Tanzania has experienced strong and rapid economic growth, with annual gross domestic product growth averaging about 7 percent in the last decade. It is expected that this growth trajectory will be sustained in the years to come. Tanzania is aiming to reach middle-income status by 2025. Despite the strong economic growth, Tanzania is one of the poorest countries in Africa with approximately 13 million people (28 percent of the population) still living below the basic needs poverty line. Tanzania’s economy is highly dependent on natural resources, including water. The majority of the population, mainly rural, rely on agriculture for their livelihood. The Government is increasingly prioritizing agriculture as a means of economic empowerment. Given its economic and social importance for national growth and development, it is critical that the country’s development plans factor in competing demands for water.

2. Tanzania is endowed with relatively abundant freshwater sources but these are unevenly
distributed and increasingly at risk. On average, Tanzania’s renewable freshwater per capita per year is estimated at about 1,952 m³ in 2014, however this is projected to drop to 1,500 m³ by 2025. Currently, water resources are not well harnessed and many demands are unmet. Uneven development in key sectors such as hydropower and irrigation has led to underutilization of the resource for economic growth while at the same time there are temporal and spatial demand challenges. In addition, population pressure, deforestation, and unsustainable land and water management in fragile catchment areas have led to degradation of the resource base and the livelihoods of the people that depend on it. Tanzania also faces increased risks due to climate variability, which is a growing threat to the sustainability of critical water-using sectors: hydropower, irrigation, mining, tourism, livestock, urban and rural water supply, and the environment. Managing its water resources more sustainably is therefore an urgent priority and is increasingly recognized as such from different water dependent sectors.

3. Rapid urbanization increases the pressure on water resources, and raises the complexity of improving and sustaining access to water and sanitation services. Although still largely rural in nature, Tanzania’s population of 45 million (Census 2012), is rapidly urbanizing. The country is expected to become increasingly an urban economy, with approximately 54 percent of its population living in primary and secondary cities by 2030, up from 24.4 percent (11 million) in 2012. With 4.4 million inhabitants in 2012, Dar es Salaam accounts for 40 percent of the urban population and is expected to continue to absorb the bulk of new urban residents. Given its role as the engine of the economy housing the bulk of industries and commerce, the port and rail and road transport center, it will continue to grow. By 2030 it is expected to have over 10 million inhabitants, many of whom will reside in peri-urban areas that are currently underserved. Keeping up with the demand for provision of sustainable infrastructure, including water supply and sanitation (WSS), is therefore a critical challenge for the city.

Sectoral and institutional Context

4. Tanzania has developed a clear policy and legislative framework that places water resources management at the center of planning and decision making. The 2002 National Water Policy and subsequent water legislation, and regulation stipulate that water resources management (WRM) follows a basin wide approach: management responsibility is devolved to river/lake basins, catchments, and water user groups through a collaborative cooperative and multi-sectoral approach. Through its Ministry of Water and Irrigation (MOWI), the Government of Tanzania (GoT) has made good progress in developing a sound WRM framework. While most of the responsibility for WRM is with the Ministry of Water and Irrigation (MOWI) and the river and lake basin offices, it is being increasingly recognized that an integrated WRM approach is required for effective, equitable, and sustainable utilization of water resources. Basin Water Boards (BWB) for each of the nine basins in Tanzania have therefore been established and the GoT is providing support to enhance their capacity and financial sustainability to manage water resources. To do so, Integrated Water Resources Management and Development (IWRMD) plans have been completed for six basins (Internal Drainage, Lake Nyasa, Ruvuma and Southern Coast Rivers, and Lake Tanganyika, Rufiji River, and Lake Rukwa), and plans are underway for the remaining three: Wami-Ruvu, Pangani and Lake Victoria. These IWRMD plans aim to reduce the current fragmentation in water resources planning and management, which results in water resources development and use from being seen narrowly as a sectoral issue to being recognized as multi-sectoral issue central to the performance and long-term sustainability of many sectors of the economy.
5. Better coordination between competing water resource users is a critical issue that must be addressed at both national and local level. The implementation of IWRMD plans will require greater capacity to be developed in BWBs. To deliver on their mandates, BWOs require adequate resources, modern information databases, as well as an effective mechanism for supporting management decisions across key sectors. GoT has therefore established a National Water Board (NWB), constituting key water resource-related sectors (agriculture, energy, industry, forestry, environment, livestock, wildlife, lands, mining, irrigation, fisheries, and infrastructure), and representatives of local government administrations, basin water boards, private sector, and nongovernmental organizations (NGOs), to provide strategic advice to the minister of the MOWI on matters related to multi-sectoral coordination in integrated water resources planning and management as well as resolution of water conflicts. However, the NWB currently lacks the necessary resources and will therefore depend on strengthened BWBs (and support from MOWI) for information and data, technical backstopping and multi-sectoral diagnostics to support cross-sectoral decision-making. Ultimately, implementation of these IWRMD Plans will depend on decisions regarding the allocation of water resources across sectors and the willingness and ability to enforce. A high level multi-sectoral taskforce has been set up to help improve the intersectoral collaboration and help inform decision making at the NWB and help shape an improved institutional framework for decision making. This follows high level dialogue initiated by sector Ministers and the World Bank realizing that critical action is required to address the issue.

6. Over the past few decades the GoT has invested considerable finances in the development of the water sector, gradually consolidating approaches and broadening impact across the country. The Bank has supported this process through a series of investments, including: The Rural Water Supply and Sanitation Project (RWSSP) (P047762-TZ) implemented between 2002 and 2008. The Project piloted community-based rural WSS service provision; established the institutional framework for decentralized planning and implementation of rural water WSS projects; and scaled up community-based rural water supply and sanitation for 500,000 people in 12 pilot districts. In parallel with the RWSSP, the World Bank supported the Dar es Salaam WSS Project (P059073) between 2003 and 2010, which aimed to strengthen institutional capacity building and reform the utility; introduce pro-poor community WSS delivery mechanisms; and rehabilitate and extend critical water supply and wastewater facilities. These interventions fed into the development of the GoT’s WSDP in 2006. The WSDP introduced a multi-donor supported sector-wide approach (SWAp) that encompassed the entire water and sanitation agenda, and was designed to be implemented in several 5 year phases, covering a period of 20 years (2006–2025). The first phase of WSDP (WSDP-I), implemented from 2006 to 2015, focused on rolling out legal and institutional reforms, setting the basis for integrated WRM. It also strengthened the basis for improved access to WSS across rural and urban local governments, including regional centers, urban and municipal towns, and the Dar es Salaam metropolitan area. Through these efforts, the Government has made steady progress in increasing access to services across the country. In urban areas, by September 2015, MOWI reported that 7.9 million people had access to safe water through 584,473 household connections, 5,836 kiosks, and public taps; and 527,000 people were connected to the sewerage system. In Dar es Salaam in particular, 2.8 million people had access to safe water supply through 152,000 domestic connections and 203 kiosks/public standpipes; and about 326,130 people were connected to the sewer network.

7. Despite commendable achievements to date, the sector continues to face considerable challenges particularly in rapid urbanizing areas, including Dar es Salaam. Due to inadequate coordination among sector institutions, weak data management and reporting mechanism, and
operational inefficiency - as evidenced by the high rate of nonrevenue water (NRW) - levels of access to urban water supply and sanitation service are declining. In Dar es Salaam NRW rates are as high as 53 percent and water service coverage is about 55 percent. Furthermore with the completion of the ongoing and planned water supply projects under the WSDP, daily water production is expected to more than double from the current 300,000 m³ to 756,000 m³. This will exacerbate the level of non-revenue water as greater pressure is added to the aging distribution system. For sanitation, the focus on sewer systems, which currently serve only 10 percent of the city’s population has led to more than 50 percent of the fecal waste being disposed without treatment, illegally (emptied into storm water drains) or through the largely informal service providers. In some instances this has led to contamination of groundwater supplies and recurrent incidences of diseases such as cholera.

8. Addressing these challenges will require renewed attention to the development of a new institutional framework for delivery of WSS services in Dar es Salaam. Currently, the Dar es Salaam Water and Sewerage Authority (DAWASA) is the asset holder and the Dar es Salaam Water and Sewerage Corporation (DAWASCO) operates as the service provider under a lease agreement signed between DAWASA and DAWASCO. Since 2014, the MOWI has embarked on an institutional reform initiative to improve the provision of WSS services in the city. The newly proposed institutional arrangement involves changing the mandate, accountability, and relationship between the two institutions, whereby DAWASA will become the bulk service provider and DAWASCO will be responsible for the downstream WSS service provision. The lease agreement will be replaced by a performance-based bulk supply agreement. The process of operationalizing this new model is underway, and in the interim, the lease agreement between DAWASA and DAWASCO has been extended and amended to reflect the proposed bulk and retail relationship and to establish the basis for the newly assigned roles and responsibilities of the two institutions. The Energy and Water Utilities Regulatory Authority (EWURA) which has the regulatory responsibility for monitoring utilities performance, and regular tariff reviews will play a key role in enforcing these mandates. In addition, it will also be instrumental in ensuring that sanitation services for which provision in urban centers is shared between multiple stakeholders: the city council, the water and sewerage authorities, the private sector, and, the community are adequately supported.

9. This Project will build on lessons learned from implementation of the first phase of WSDP, by focusing on two critical priorities: (i) the effective management of the country’s water resources, and (ii) improved access to water and sanitation services in the Dar es Salaam metropolitan area. With respect to water resources, the focus will be on improving: the capacity for planning and management of water resources in the nine basins. This will include strengthening institutions and establishing systems for collection, analysis, storage, advice, and dissemination of water resources data to coordinate and collaborate across critical sectors at national, basin, and local levels; and planning and implementing infrastructure investments as well as water allocation decisions based on sound analytics and improved monitoring of the resource base. In Dar es Salaam the focus will be on ensuring the efficient management of water and sanitation services, through greater operational and financial efficiency of the utility and its partners. This will require attention to developing institutional capacity to enable the utility to modernize systems, upgrade plant and networks, reduce non-revenue water, promote demand management, and scale up access to services.

II. Proposed Development Objectives
The Project Development Objective is to: (a) strengthen capacity for integrated water resources planning and management in Tanzania, and (b) improve access to water supply and sanitation services in an operationally efficient manner in Dar es Salaam.

III. Project Description

Component Name
Component 1: Integrated Water Resources Management

Comments (optional)
Sub-Component 1.1: Strengthening WRM Institutions: aims at strengthening institutions responsible for IWRMD, including BWBs, NWB, WUAs and MOWI, and other stakeholders to more adequately deliver on their mandate.
Sub-Component 1.2: Strengthening WRM Information- Strengthening Hydromet Services: to improve the knowledge base on water resources in Tanzania, collect, store, analyze and disseminate to the general public more credible data and information.
Sub-Component 1.3: Strengthening Water Security and Conservation . Support core functions of BWBs and WUAs on their conservation work program and priority investments in the Wami Ruvu basin, particularly in the field of sustainable watershed management interventions.

Component Name
Component 2: Dar es Salaam Water Supply (WS) Improvement

Comments (optional)
The Dar es Salaam component of WSSP-II comprises: Investments in Water Supply Distribution Network Expansion and water supply provision in Unserved Priority Areas (Sub-Component 2.1); Performance base NRW reduction in Dar es Salaam (Sub-Component 2.2); and institutional restructuring/reform and Utility modernization (Sub-Component 2.3).

Component Name
Component 3: Dar es Salaam Sanitation Improvement

Comments (optional)
This sub component will finance construction of a wastewater treatment plant and associated trunk sewer network at the Mbezi Beach area (Sub-Component 3.1); and a shift away from unimproved toilets to improved ones, safe emptying and transportation of the waste to a treatment facility, and treatment and safe disposal of the waste into the environment through off-grid sanitation (Sub-Component 3.2).

Component Name
Component 4: Project Management and Implementation Support

Comments (optional)
This component will provide capacity building and technical assistance to strengthen the ability of the Project Coordination Unit (PCU), the Procurement Management Unit (PMU) and departments in the MOWI and implementation agencies (DAWASA, DAWASCO, WBOs) to carry out and manage the project. Overall coordination of the project will be carried out by the Program Coordination Unit (PCU), which will be responsible for overall coordination of project planning, reporting, and supervision. The EWURA and regional secretariat will be provided with capacity building support. A Project Management firm will be hired to support implementation and build program implementation capacity in MOWI and implementing agencies (reporting, M&E, procurement, financial management).
IV. Financing (in USD Million)

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For Loans/Credits/Others

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V. Implementation

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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