

**PROJECT INFORMATION DOCUMENT (PID)  
CONCEPT STAGE: UPDATE**

Report No.: AB2029

<b>Project Name</b>	Sustainable Management of Mineral Resources Project
<b>Region</b>	AFRICA
<b>Sector</b>	Mining and other extractive (100%)
<b>Project ID</b>	P096302
<b>Borrower(s)</b>	GOVERNMENT OF TANZANIA
<b>Implementing Agencies</b>	Ministry of Energy and Minerals Sokoine/Mkwepu Street P.O. Box 2000/9152 Tanzania Tel: (255-61) 324943 Fax: (255-61) 234943
	Ministry of Finance and Economic Development P.O. Box 9111 Tanzania
<b>Environment Category</b>	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	December 19, 2008
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**1. Key development issues and rationale for Bank involvement**

Poverty remains widespread in Tanzania, with higher levels of poverty concentrated in rural areas. The slow evolution of export agriculture, with low productivity of subsistence agriculture and overall lack of non-farm income generating activities, has limited opportunities for rural populations to secure and/or increase cash income significantly. One exception has been the area of mechanized and artisanal mining. Mining is a priority sector for growth and poverty reduction in Tanzania's 2005 National Strategy for Growth and Reduction of Poverty (MKUKUTA). Updating mining policy and legislations and developing and promoting an enabling environment for investment in mineral value-addition have been identified as paramount actions in MKUKUTA.

Mining and agriculture have been key sectors of the Tanzanian economy for many decades. However, mining declined progressively after the 1950s, despite a rich endowment of diverse mineral resources and a long tradition of gold, diamond, and gemstone mining. Since the late 1990s, mining has rebounded, due to strong government leadership and a market-based approach. Annual gold output increased from 5 to 50 tons between 1999 and 2005, making Tanzania the fourth largest African gold producer. The value of formal exports of gold and total minerals has also increased steadily. Although its contribution to GDP is still small, at 3.5 percent, mining is the single most important foreign exchange earner for Tanzania. About 50 percent of export earnings accrue from minerals, mainly gold mining by large-scale foreign owned operations. Tanzania has substantial potential to produce precious and semi-precious metals, base-metals, and ferrous metals, industrial minerals to satisfy domestic demand and for export; Tanzania is also capable of producing a large quantity of colored gemstones and semi-precious minerals for foreign exchange earnings. However, sector capacity and performance needs to be strengthened and modernized to incorporate improved technologies and equipment, mining and processing methods, and business practices.

Tanzanian mining is characterized by large-scale mechanized mines and small-scale operations that include local entrepreneurs and artisans. Small scale operations are rudimentary and conducted in an ad-hoc manner; lack adequate controls and monitoring; have minimal adherence to safety and environmental standards; and face a virtual absence of supporting physical or institutional infrastructure. A 1994 World Bank-supported Mineral Sector Development Technical Assistance Project helped to attract investments for mineral exploration and mine development, through a first generation of improvements to the frameworks of the mineral sector, including improvements of institutions and agencies administering the sector. However, the rapid growth of the sector, particularly small-scale, artisanal mining swiftly overextended existing institutional capacity. Government institutions remain under-funded and lack the instruments, know-how, and organization required to oversee and support a modern, market-driven mineral sector. Thus, the proposed project would extend further support to Tanzania as it continues to develop a modern mining sector.

In addition, in February 2004 the Prime Minister of Tanzania constituted a Mineral Policy Committee to prepare an in-depth review of the mineral sector, with a view to improving the capacity of this sector to stimulate additional economic growth. The Committee's final report is an important step towards a sector policy review strategy, placing high priority on small-scale miners as part of the country's broader emphasis on poverty reduction and rural economic renewal. The report emphasizes the urgent need to build capacity, within government institutions and agencies so as to (a) enable sustainable development of a modern, market driven sector, with adequate benefits for the country; (b) establish a modern and transparent administrative and oversight setup for the sector; (c) consolidate the mineral sector growth achieved since the late 1990s; and (d) continue developing basic geo-information to sustain investment promotion.

While Tanzania has been successful in attracting investment, recently Government and mining communities have become increasingly dissatisfied that the level of expected benefits from the sector have not materialized. This concern prompted the formation of a Presidential Commission of the Mining Sector, which conducted a review in 2008 and produced a report, known as the Bomani Report. The report's recommendations serve as input into the Government's process of policy formulation, which is currently under way. The Commission's recommendations were broadly in line with the previous review and include additional recommendations to improve the management and increase the benefits of the sector. The proposed project would help the Government of Tanzania address these issues and therefore has an important focus on improving benefits through improved linkages to the local and regional economy and on artisanal and small scale mining, which employs an estimated one million Tanzanians. The project is aligned with the 2007 Joint Assistance Strategy for Tanzania (JAST) and the Bank's program of support within the JAST, which includes protecting and developing in a sustainable way Tanzania's natural resource base.

## **2. Proposed objective(s):**

The development objectives of the proposed project are to:

- Improve the overall governance and related long-term institutional and technical capacity of the Government to manage the mineral resources of Tanzania in a sustainable manner; and
- Support poverty reduction and stimulate economic growth in selected rural areas of the country, through development of non-farm income generating opportunities based mainly on small-scale and artisan mining activities and improving the linkages of mining to the local economy.

## **3. Preliminary description**

The proposed project includes four components:

## **A. Component I – Improving the Benefits of the Mineral Sector for Tanzania: Small-scale and Artisanal Mining, Local Economic Development and Skills Development**

Further to the recommendations of the Mineral Policy Review Committee, the Ministry of Energy and Minerals (MEM) is preparing and implementing programs to modernize and improve the formalization and promotion of artisanal and small-scale mining. In addition, efforts will be made to improve the local and regional development benefits of mining for Tanzanians. These actions aim at having positive impacts and benefits to the mining industry and mining communities.

***A.1 Baseline Studies.*** This sub-component would support: (a) updating artisanal and small-scale mining baseline studies, including rapid assessment and mapping exercise to determine the extent of artisanal and small-scale mining activities and its impacts, and the poverty/income levels of mining communities; (b) a Strategic Environmental and Social Assessment (SESA) of the sector; (c) benefits studies of each of the large-scale mines to determine the current level of benefits (economic, social and infrastructure) generated by the mines, to serve as a baseline for measurement of results under the project and as input for project communications activities. The benefits study will build on the example of the North Mara mine benefits study by the International Council of Metals and Mining and use the existing Resource Endowment methodology.

***A.2 Extension Services and Coordination and Training for Artisanal and Small-scale Mining.*** This sub-component will provide technical assistance to support the design and implementation of the pilot sub-projects, training, extension services, and good practice manuals for artisanal and small-scale miners. Extension services involve strengthening existing regional or district offices to build trust with artisanal mining communities and provide extension services, demonstrate different strategic and technical approaches in a holistic manner to stimulate legal and responsible artisanal mining activity, associated economic development and favorable impacts on community conditions, and to address specific artisanal mining-related issues, including mining and processing technology, management, health, and formalization of artisanal mining activities. This sub-component would support the strengthening of a few regional centers of excellence for training and outreach in the area of small-scale and artisanal mining, building on previous initiatives and current projects, such as activities in Arusha, Geita and Mwadui; it would not involve the acquisition of new land or engagement in actual mining activities, but rather would promote training and technical skills enhancement. The project would support related diversification and training initiatives for Tanzanians, including short-term courses for small entrepreneurs and work with educational institutions, including vocational and technical schools, and training authorities.

***A.3 Targeted Programs for the Development of Specific Industrial Minerals and Value-added in Gemstones.*** This sub-component will support technical assistance programs for domestic entrepreneurs to further develop the production and marketing of industrial minerals, importantly construction materials. It will also support the manufacturing of value-added in gemstones and semi-precious minerals and the establishment of an integrated pilot breeder for downstream products, which would serve as training, industrial and marketing center, with the aim to develop a competitive small-scale industry for stone carving and lapidary, and gold based jewelry. Training and support will enable Tanzanian's to work independently in value added activities and become investors in this sector.

***A.4 Small Grants Program.*** Matching grants will be used to provide individual businesses with financial skills to manage self-employment and micro-enterprises; training and assistance to engage marketing and advisory services, and to select and purchase equipment; and help communities in selecting community-level investments in productive infrastructure, including hubs for marketing and/or mineral transformation, processing and downstream production, and businesses to supply mines and miners with goods and services.

***A.5 Local and Regional Economic Development Planning for Mining Regions.*** In order to help improve the development impact and benefits of large and small-scale mining to Tanzania, the proposed project will support government in strategic planning for local and regional economic development with the participation of the miners, mining companies and communities in the planning process, in three to four selected mining areas. Through this process the local and regional economies are expected to take advantage of mining investment as a catalyst for broader development in the region including links to infrastructure, supply chain opportunities, skills transfer and diversification.

***A.6 Technical Skills Development for Large Scale Mining.*** This sub-component will support vocational and technical training of Tanzanians to develop their skills for employment in large scale mining technical positions and to provide services to mines. The component will benefit Tanzania through increases opportunities for Tanzanians in higher value occupations, increasing the benefits to Tanzania and building the skills base for the future. The project will work closely with the large mining companies in such a program.

## **B. Component II - Strengthening Governance and Transparency in Mining**

***B.1 Legal and Fiscal Reform.*** This sub-component will build on the previous studies and experience such as the Mineral Policy Reform Report (2004), the Bomani Report (2008) and government negotiating team, and support the review and updating of the legal, fiscal and regulatory frameworks for this sector; and the preparation of an updated statement of Government objectives and policy to promote mineral development, covering both small-scale and large-scale mining. These would incorporate international best practice, adjusted to the conditions of Tanzania, and they would follow a participatory approach including stakeholders, other Government institutions and agencies, the private sector and civil society. Particular attention will be devoted to the roles and responsibilities of central and regional/district authorities, and sharing of benefits from mining with local governments and communities, and resettlement and compensation framework, by applying adequate governance and transparency approaches. Support for Tanzania to implement the Extractive Industries Transparency Initiative (EITI) will also be included.

***B.2 Institutional Capacity Building.*** This sub-component will support an institutional analysis to identify any gaps and assess the needs for capacity building. It will support the strengthening of the central and regional/district mineral administrations and mineral right registries through training; and modernizing working tools and equipment to be capable of employing state of art technology/cutting edge technology. It will support the clarification of their roles/mandates. The need to strengthen the auditing and inspection functions of MEM has also been identified, including in the areas of (i) environmental impact assessment review and compliance monitoring; (ii) mine occupational health and safety; and (iii) technical audits for royalty payments and fiscal issues. The staff under these units shall be provided with necessary skills and equipments to execute their functions at international standards and in undertaking necessary legal measures. The project will also strengthen the Communications Unit to raise awareness of the minerals sector, its issues and benefits for Tanzania including development of a communications strategy and related information materials.

***B.3 Mining Cadastre.*** This sub-component will build on the new mineral cadastre currently under development with support from the Nordic Development Fund. It will support the incorporation of cadastral aspects and operations into mineral law and regulations, and support the independence of regular control/monitoring work from the cadastre/registry activities. It will also support the full incorporation of the small-scale mining sub-sector into the cadastre and provide required technology, skills and equipment to the regional offices. Finally, it will support the examination and revision of the currently employed geodetic network so as improve the currently employed algorithmic formula for conversion of geographical coordinates between two geographical projections. The task shall be

coordinated with the Ministry of Lands, and Human Settlements Development, which has the jurisdiction of administering the geodetic networks infrastructure.

***B.4. Environmental and Social Management.*** Based on the findings of the Environmental and Social Impact Assessment (ESIA) to be undertaken as part of project preparation, and the SESA to be undertaken under the project, this sub-component will support (i) updating of existing environmental policy, law, regulations and relevant standards in order to reflect the actual conditions identified from the large-scale mines in Tanzania and its expanding small-scale and artisanal mining sub-sector; (ii) establishment of an environmental management section for MEM; (iii) the preparation of a comprehensive guidelines and codes of practice for permitting, managing, monitoring, compliance and enforcement, inclusive consultation (including gender) and communication and information access; and (iv) establishment of environmental database to compile environmental analyses and assessments for mining activities, linked to mining cadastre and Geological and Mineral Information System (MIS). It will also support an assessment of the past environmental legacy of mining, which would include a prioritized inventory of abandoned sites, the environmental legacy of “unauthorized” artisanal (larger impacted areas, e.g. gold and gem rush areas) and small-scale mining, and the legacy of closure of past state-owned mining operations. Mine closure policies and procedures including requirements for mine closure planning and financial surety mechanisms will be considered, and capacity for reviewing mine closure plans will be built.

### **C. Component III – Stimulating Mineral Sector Investment**

***C.1 Strengthening of the Geologic Infrastructure.*** This component would support the provision of basic and reliable geological information necessary to facilitate the promotion of private investments in explorations and mine development, to foster future small-scale and artisanal mining, and to support adequate planning of the socio-economical development of the country. This includes (i) completing the regional airborne geophysical coverage of selected areas; (ii) completing the update and publication of the existing coverage of geological maps for selected sub-areas; (iii) upgrading and computerizing existing MIS; (iv) restructuring and strengthening the Geological Survey of Tanzania and the Dodoma laboratory; (v) completing/establishing map archives, and core and rock archives; and (vi) making geological data readily accessible to investors.

***C.2. Future Role of State Mining Corporation (STAMICO).*** This sub-component will finance a strategic assessment of STAMICO, exploring existing institutional capacity and options for self-financing, as a pre-condition for its future role with the private sector for both, large-scale and small-scale opportunities.

***C.3. Mineral Sector Investment Information and Promotion.*** This sub-component will strengthen the Promotion and Statistics Unit of MEM to carry out sector promotion and provide investors with all necessary information for investment in the mineral sector. The unit will link with information from the Geologic Survey of Tanzania and the mineral rights registry and licensing unit.

### **D. Component IV - Project Coordination and Management**

Project implementation, including coordination, procurement, financial management and disbursement, will be managed by the existing unit at MEM. Additional staff may be hired to join the unit, but, as with existing unit staff, they will be MEM staff paid by the Ministry in accordance with applicable Ministry standards. A project steering committee will also be formed, consisting of the Commissioner of Minerals, the Chief Executive Officer of the Geological Survey, the Director for Administration and Human Resources, the Director of Planning under MEM, the Director of the Department of Environment, and other representatives from major stakeholders within Government.

#### 4. Safeguard policies that might be triggered

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment (OP/BP/GP4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Cultural Property (OPN 11.03, being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OD 4.20, being revised as OP 4.10)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Projects in Disputed Areas (OP/BP/GP 7.60)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Projects in International Waterways (OP/BP/GP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

The proposed Project has been rated environmental category B under the Bank's Environmental Assessment Policy (OP/BP 4.01). As part of the project design, an ESIA will be undertaken to identify issues in need of attention during project implementation and measures aimed at mitigating any potentially adverse impacts and enhancing positive impacts. The assessment will consider large, small, and artisanal mining. A more comprehensive SESA will be conducted under project implementation.

The project is expected to strengthen Tanzania's capacity to address environmental and social impacts of mining through the relevant policy/regulatory framework and enhancement of institutional and human resource capacity to implement the policies and regulations. Although the proposed project includes support to artisanal and small scale mining activities, the actions aim at having positive impacts to the environment by way of implementing programs to modernize and improve the formalization and promotion of artisanal and small-scale mining (at the moment, such activities are often undertaken informally, and thus environmental standards are difficult to impose). Interventions will focus on mitigating impacts of artisanal and small scale activities on the environment, including "hot spot" areas such the Lake Victoria basin. Further, the project seeks to provide an impetus to initiatives (for instance, started by GEF) on mercury abatement in artisanal and small scale gold extraction.

In accordance with the Bank's Involuntary Resettlement Policy, OP/BP 4.12, during project preparation a resettlement framework will also be developed. While no resettlement is envisaged as a result of the project, should there be a need for relocation and compensation during project implementation, the Resettlement Framework will be available to the Government of Tanzania to address the situation and needs of the people who may be affected.

Potential impacts on natural habitats or indigenous people are not expected but will be assessed in the Environmental and Social Impact Assessment after considering the geographical areas of project implementation.

#### 5. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	6
INTERNATIONAL DEVELOPMENT ASSOCIATION	50
Total	56

## **6. Contact point**

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