

Document of  
The World Bank

**FOR OFFICIAL USE ONLY**

**Report No. 29925-TZ**

**SUPPLEMENTAL CREDIT DOCUMENT**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**PROPOSED SUPPLEMENTAL CREDIT**

**IN THE AMOUNT OF SDR 2.4 MILLION  
(US\$3.5 MILLION EQUIVALENT)**

**TO THE UNITED REPUBLIC OF TANZANIA**

**FOR THE**

**LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT**

**September 17, 2004**

**ESSD Operations for Eastern Africa  
Country Department 4  
Africa Region**

**This document has a restricted distribution and may be used by recipients only in the performance  
of their official duties. Its contents may not otherwise be disclosed without World Bank  
authorization.**

## **CURRENCY EQUIVALENT**

Currency Unit = Tanzanian Shilling (Tsh)

**US\$1 = 1075 Tsh (as of September 4, 2004)**

## **WEIGHTS AND MEASURES**

**Metric System**

## **FISCAL YEAR**

**July 1 – June 30**

## **ABBREVIATIONS AND ACRONYMS**

<b>BMU</b>	<b>Beach Management Unit</b>
<b>CAS</b>	<b>Country Assistance Strategy</b>
<b>GOT</b>	<b>The United Government of Tanzania</b>
<b>IDA</b>	<b>International Development Association</b>
<b>GEF</b>	<b>Global Environment Facility</b>
<b>EU</b>	<b>European Union</b>
<b>LVEMP</b>	<b>Lake Victoria Environmental Management Project</b>
<b>EAC</b>	<b>East African Community</b>
<b>TAFIRI</b>	<b>Tanzania Fisheries Research Institute</b>

<b>Vice President:</b>	<b>Callisto Madavo</b>
<b>Country Director:</b>	<b>Judy O'Connor</b>
<b>Sector Manager:</b>	<b>Karen Brooks</b>
<b>Task Team Leader:</b>	<b>Ernst Lutz</b>

**FOR OFFICIAL USE ONLY**

**THE UNITED REPUBLIC OF TANZANIA  
SUPPLEMENTAL CREDIT  
FOR  
THE LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT  
CREDIT AND PROJECT SUMMARY**

**Borrower:** The United Republic of Tanzania

**Implementing Agencies:** Office of the Vice President (Environment and Poverty Eradication)

**Beneficiaries:** The Ministry of Agriculture and Food Security; The Ministry of Natural Resources and Tourism; The Ministry of Water and Livestock Development; President's Office – Regional Administration and Local Government; The University of Dar es Salaam, The National Environmental Management Council; and The Tanzania Fisheries Research Institute

**Credit Amount:** SDR 2.4 million (US\$3.5 million equivalent)

**Terms:** Standard IDA terms, with 40 years maturity

**Financing Plan:** IDA: US\$3.5 million  
Government: US\$0.1 million

**Economic Rate of Return:** Not applicable

**Poverty Category:** Not applicable

**Project ID Numbers:** P046837/P090680

**Map:** IBRD 27780R

There is no Project Appraisal Document. This memorandum is based on the findings of the supervision mission of the ongoing operation, April 19-26, 2004, and discussions on a work plan for the extension period conducted during subsequent weeks. The Bank supervision team included Messrs. Ernst Lutz, Senior Economist (Team Leader); Mary Bitekerezo (Senior Social Development Specialist; Co-Team Leader); Ladisy Chengula (Rural Development Specialist), Mercy Sabai (Senior Financial Management Specialist), Pascal Tegwa (Senior Procurement Specialist), and Robert Hecky (Consultant). Negotiations by exchange of facsimiles were held during the period of September 1-3, 2004.

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.



**SUPPLEMENTAL CREDIT DOCUMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
PROPOSED SUPPLEMENTAL CREDIT  
TO THE UNITED REPUBLIC OF TANZANIA FOR  
THE LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT**

1. The following report proposes a supplemental credit to the United Republic of Tanzania, for SDR 2.4 million (US\$3.5 million equivalent). The proposed credit will be on standard IDA terms, with a maturity of 40 years. It will supplement the ongoing Lake Victoria Environmental Management Project (Credit Numbers 2908-0 and 2908-1, and GEF Grant Number 23817). The original Development Credit Agreement for SDR 7.0 million (USD 9.3 million equivalent), was signed on July 30, 1996, and became effective on March 5, 1997, of which approximately USD 9.1 million have been disbursed to date. Supplemental funding in the amount of SDR 4.0 million (USD 5.0 million equivalent) was approved on December 13, 2001, of which approximately USD 4.7 million (94 percent) has been disbursed to date. The GEF Grant in the amount of SDR 7.2 million (USD 10.3 million) is fully disbursed.
2. The additional finance is considered necessary because of unforeseen cost overruns associated with Project execution which were beyond the borrower's control, given that the Lake Victoria Environmental Management Project (LVEMP) is a **regional project**. In particular, significant delays have been experienced with project implementation in Uganda and in Kenya over the course of the last two years. During that period Tanzania continued to implement project activities in a fully satisfactory manner and per its work plans. It financed them largely with its first Supplemental. Due to the unanticipated delays in the Partner countries, Tanzania is now facing a cost overrun, and if the Government of the United Republic of Tanzania (GOT) is to continue implementation alongside Uganda and Kenya, additional resources will be required. The GOT has therefore requested supplemental funding from IDA in the amount of US\$3.5 million. This would finance LVEMP work between now and December 31, 2005. Note that the closing date for LVEMP in Uganda has been extended to December 31, 2005, and that the GEF Grant in Kenya has been extended from December 31 2004 to December 31, 2005. If the requested supplemental funding is granted and the closing date is also concurrently extended as requested to December 31, 2005, the three Partner countries could conclude Phase 1 of the project in unison.
3. The project is being carried out under a Joint Project Agreement, dated September 10, 1996, involving Kenya, Tanzania, and Uganda. Lake Victoria is the second largest freshwater lake in the world. The countries' respective shares in the Lake surface are as follows: Tanzania: 49 percent; Uganda 45 percent; and Kenya 6 percent. The Lake also holds the world's largest freshwater fishery, mainly based on the introduced Nile perch and Tilapia. Catches amounted to around 500,000 tons annually during the late 1980s and 1990s, and they therefore contribute enormously to the local/national economies including exports of the Partner States. Kenya has an estimated 33,000 fishers, Uganda an estimated 35,000, and Tanzania about 56,000 fishers. Considering backward and forward linkages including processing and export is it likely that over one million people benefit directly from this subsector alone.

4. The development objectives under the LVEMP -- remain unchanged. They are to:
  - (a) maximize the sustainable benefits to riparian communities from using resources within the basin to generate food, employment and income, supply safe water, and sustain a disease-free environment; and
  - (b) conserve biodiversity and genetic resources for the benefit of the riparian countries in particular and the global community in general.

5. The Staff Appraisal Report also states that the project is the first phase of a longer term program with the broad objectives as stated above. It further states that the first phase will: (a) provide the necessary information to improve management of the lake ecosystem; (b) establish mechanisms for cooperative management by the three countries; and (c) identify and demonstrate practical, self-sustaining remedies, while simultaneously building capacity for ecosystem management. These objectives also remain, and the additional finance requested would help achieving them.

## I. Country Context and Sectoral Background

6. *Country Context.* Tanzania is one of the poorest countries of the world. Per capita income is estimated at about \$280 per year. Covering an area of 945,000 square kilometers (i.e. larger than Kenya and Uganda combined), it has a population of about 35 million, growing at about 3 percent a year. The economy is heavily dependent on agriculture (primarily coffee, cotton, tea, cashew nuts, sisal, maize, rice, wheat, cassava, tobacco, and fish), which accounts for about 45 percent of GDP, provides 80 percent of exports, and is by far the largest employer. From 2000 to 2004, agricultural growth has been within a range of 3.5 to 5.5 percent annually. Industry accounts for some 15 percent of GDP and is mainly limited to processing agricultural products and light consumer goods. The mining sector has good potential and is being developed in part with Foreign Direct Investment such as from South Africa.

7. A Country Assistance Strategy (CAS) for Tanzania was approved by the Bank's Board on June 15, 2000. A new assistance strategy is in the process of being prepared jointly with other donors and in line with Government's new PRSP. Based on the analysis in the last Country Economic Memorandum for Tanzania, *Tanzania at the Turn of the Century: From Reforms to Sustained Growth and Poverty Reduction*, a consensus exists on the key constraints limiting growth and the expansion and efficiency of Tanzania's private sector. The policy priorities to address these constraints are improving economic governance, providing a conducive business environment, and supporting privatization.

8. In the area of economic governance the focus is to sustain macroeconomic stability, improve public services delivery through improved management of the budget, and lower business costs and risks associated with corruption and excessive bureaucracy. Regarding the business environment the main target is to remove policy-related and institutional impediments to private investment and efficient business operations. In the area of privatization and regulation, there is a need to complete the privatization of Tanzania's commercial, agricultural, and industrial public enterprises (PEs), as well as all that of major infrastructure PEs. The LVEMP complements these thrusts by promoting sustainable rural development to improve the livelihood of the majority of the poor who live in rural areas adjacent to the Lake or in its watershed, which is one of the four focal areas of Bank support to the GOT identified in the CAS; it of course also supports sustainable management of the Lake basin and its natural resources.

9. *Sustainable Rural Development as Promoted through the LVEMP.* Most of the rural poor rely on subsistence use of natural resources by farming on land or by fishing in Lake Victoria or by using wetlands, forest reserves, and satellite lakes of the Lake. The LVEMP has been designed to support sustainable management of fisheries (benefiting the estimated 56,000 fishers and their families), increase productivity on land (while reducing environmental impacts), and do research to gather information for improved resource management in Tanzania and the two Partner countries Kenya and Uganda. The fishery has not only benefited the poor by providing incomes to fishermen and animal protein to the local population, but it has also been a significant earner of foreign exchange.

## II. The Lake Victoria Environmental Management Project (LVEMP)

10. The environmental quality of the Lake has declined during the past several decades. At the same time fish output increased and remained high, possibly implying overfishing and the risk of a later decline. During the 1990s water hyacinth invaded the lake, which reduced the efficiency of operation of the Owen Falls hydroelectric plant and blocked access to ports, fish landings, and watering points.

11. To address these problems, the three riparian countries around Lake Victoria (Kenya, Uganda, and Tanzania) initiated regional cooperation in 1994 through a Tripartite Agreement to work together to solve the environmental problems of the Lake and its Basin. This led to a joint request by the three governments in 1996 for funding assistance from the GEF and IDA. The result was the preparation and implementation of the LVEMP.

12. In Tanzania, the LVEMP is executed by a National Secretariat reporting to the Office of the Vice President, Environment and Poverty Eradication, which is in charge of the environment and poverty eradication portfolios. The Tanzanian National Secretariat also serves as the Regional Secretariat for purposes of coordination among the countries. The Secretariat works through various implementing agencies that carry out most of the work.

13. The Project consists of ten components, including fisheries management, fisheries research, wetlands management, soil conservation, catchment afforestation, water quality and ecosystem management, water hyacinth control, industrial and municipal waste management, university capacity building, and microprojects with local communities. There is also a significant effort to develop both institutional and staff skills. Natural resource management laws and regulations have been strengthened and harmonized between the riparian countries. Human capacity has been built: Over 34 staff have been supported by the project to undertake MSc and PhD degree programs and 140 staff attended short courses that focused on natural resource management research within the Lake Victoria Basin.

14. In particular, the following has been achieved in Tanzania:

- In Fisheries Management, a co-management system has been introduced into the Lake Victoria fishing communities by creating Beach Management Units (BMUs). The Fisheries Act of 1970 has been reviewed and a new one issued, which incorporates and legitimizes the BMUs. A fisheries licensing database to help monitor and regulate fishing effort has been developed, and an extensive monitoring, control, and surveillance programme has been put in place. Fishing communities in collaboration with LVEMP and TAFIRI staff, have identified 141 new fish breeding areas and 53 fish landing sites. A public awareness campaign involving radio and TV programmes as well as seminars/workshops has helped communities better to

understand the issues and to reduce illegal fishing activities. Harmonization of fisheries legislations in the three Partner States has been submitted to the East African Community for a decision. A Fish Levy Trust Study was completed in 2002. The study recommends giving some percentage of the fish royalties to BMUs and Local Authorities to enable them to better manage the fishery in the Lake Victoria Basin. Information on fish once feared disappeared has been collected and documented. Studies show that Lake Victoria Fisheries contribution to the national economy was 1.8% of GDP in 1998 and that the value of Nile Perch export to total exports was 12.7% in 1998. Also, it has been shown that local fish are an important source of nutrition for the local population.

- The Project has collected data to derive a more accurate water balance of Lake Victoria. The data show that the inflows and outflows are dominated by the rain and evaporation respectively. The sum of inflows from rain is 82% and from rivers 18%. Outflows from evaporation are 76% and the outflow through the Nile is 24%.
- On non-point pollution loading studies indicate that the Kagera subcatchment contributes the highest total Phosphorus and total Nitrogen loads to the lake which flow from urban waterways tend to be polluted with domestic and industrial wastes.
- An industrial directory has been prepared for non-point source pollution loading. An assessment of the treatment efficiency reveals that most industries have no treatment systems, and the few that have them are inefficient and produce effluents that do not comply with national effluent standards.
- Studies on Eutrophication carried out show that in-shore areas are more affected by eutrophication than the offshore areas due to high nutrient inputs from land based sources. In the offshore water, transparency remains high, but some oxygen deficits occur. In the near-shore areas water transparency can be very low with strong oxygen deficits in the hot spot areas.
- The contribution of the sedimentation process to the eutrophication of the lake is more significant in near shore areas than in open waters. The average sedimentation rate in the lake is generally low, about 1mm/year, showing that the lake is in no danger of being filled with sediment in the near future.
- Using integrated manual and biocontrol agents the project was able to reduce the amount of water hyacinth in Lake Victoria by between 80% and 90%. Water hyacinth quarantine regulations have been prepared and approved by the National Assembly and are operational.
- A National and a Regional Water Hyacinth Surveillance Systems have been prepared and operationalized.
- The LVEMP has involved Rwanda in the control of water hyacinth to a some extent.
- Data has been collected and research conducted on the buffering capacity of wetlands has been collected. The report shows the importance of using wetlands to sieve effluents. From the study, a Duflow Model has been developed.

- A cost-benefit analysis of the Lake Victoria Basin wetlands has been done.
- Training of farmers on soil and water conservation and other appropriate land management practices has enabled them to increase crop production. Some have increased yield of maize from 500 to as much as 1000kg/ha and of paddy from 450 to 1350 kg/ha, while at the same time reducing erosion/sedimentation.
- Communities in 64 villages in Mwanza and Mara Regions have been mobilized to conserve 36 forests by preparing management plans.
- A total of 8.5 million tree seedlings have been planted with an average survival rate of 85 percent.
- The LVEMP has supported 26 people to obtain Masters Degrees, 8 to obtain PhDs, and to obtain Diplomas, while 140 have attended short courses. Many villagers have attended sensitization meetings and workshops.
- A total of 82 demand-driven microprojects have been implemented in 15 districts in Mwanza, Kagera and Mara Regions.

### **III. Description of the Proposed Supplemental Credit**

15. The proposed Credit would contribute towards achieving the above objectives and support activities that are of direct and indirect relevance for the joint resources of Lake Victoria and its watershed. Specifically, the agreed work program includes the following items:

- (a) Fisheries Research: Rapid assessment of satellite lakes, monitoring and mapping of main lake, information dissemination, publishing of two regional books (on fisheries and biodiversity), and updating the fisheries data base;
- (b) Fisheries Management: Reduce illegal fishing practices, disseminate aquaculture technology to farmers, data processing and analysis of lake-wide frame survey, reduce post-harvest losses, harmonize fish inspection, work towards and complete a quality assurance and certification agreement among Partner countries, and operationalize the Fisheries Development Fund;
- (c) Water Hyacinth control: Continued rearing and release of weevils, preparing a joint plan with Kenya and Uganda for technical assistance to Rwanda and Burundi (with the expectation that a reduction of hyacinth infestations in the upstream countries would reduce the inflow of the weed via the Kagera river), research on weevil performance in rivers, continued research and information dissemination;
- (d) Water Quality and Ecosystem Management: Translate research findings into management actions, continue water quality monitoring;
- (e) Wetlands Management: Continue with the rehabilitation of degraded wetlands, support socio-economic conservation activities, disseminate research findings, develop management plans;

- (f) Intergrated Soil and Water Conservation: Update data base on agrochemicals, train extension staff, disseminate information, continue on-farm demonstration of various effective technologies, conduct farmer study tours, and support women's groups to adopt more efficient wood burning stoves;
- (g) Catchment Afforestation: Complete activities in and around Magana village forest, manage two additional forest reserves, raise and plant an additional 1,000,000 trees in central and community-based nurseries, train farmers to develop local seed sources;
- (h) Support to Riparian Universities: procurement of textbooks, chemicals and office supplies; training incl. field trips, rehabilitation of aquatic science laboratory and establishment of field station in Mwanza;
- (i) Micro projects: Completion of four projects, making full use of created assets in some underutilized ones, build local capacity, and orient existing micro projects toward conservation of Lake Victoria (through tree planting, soil conservation, and energy saving stoves);
- (j) Community Participation: Publish strategy, create further awareness and capacity; and
- (k) National/Regional Secretariat: Organize and participate in Project Implementation Committee Meetings with its Partners, attend regional workshops, harmonize regional work and in particular legislation, support Regional Policy Steering Committee meetings for Lake Victoria, develop data bases, disseminate information, assist all components with procurement.

16. The GOT as well as the Governments of Kenya and Uganda have reconfirmed their long term commitment to managing the fisheries resources sustainably and to resolving environmental and social issues in the Lake Basin, and they have requested additional IDA/GEF assistance with a follow-on project. PHRD grant resources are being used for the preparation of LVEMP2, and a GEF Medium-Size (grant-funded) Project is supporting the preparation of a transboundary diagnostic analysis and a corresponding strategic action plan, involving also Rwanda and Burundi.

#### **IV. Rationale for a Supplemental Credit**

17. The proposed Supplemental Credit meets the requirements of OP13.20 on supplemental financing as follows:

18. *Cost Overrun Due to Exceptional Circumstances Beyond the Borrower's Control.* The additional finance was found to be necessary because of unforeseen cost overruns associated with Project execution which were beyond the borrower's control. In particular, significant delays have been experienced with project implementation in Uganda and in Kenya during the last year.

19. In Kenya, the IDA portion closed in December 2002, while the GEF portion was extended. Also, to enhance efficiency in project implementation, the project was moved from the Ministry of Environment to the Kenya Agricultural Research Institute. The latter has a good track record, and indeed it has shown during the last several months that it can manage the project well. But the transfer from the Ministry to KARI during the first half of 2003 took longer than

expected, which is why the project there almost came to a standstill. A supervision mission in April 2004 confirmed that all components are now again moving forward with project implementation as planned.

20. In Uganda there was a long delay in the approval of its Supplemental IDA Credit by the Parliament. Because of this delay there was also a significant slowdown in 2003 of project activities that depend on IDA funding. Parliamentary approval was obtained in November 2003, and the Supplemental became effective on December 17, 2003. Work has picked up since then and was assessed to be satisfactory again by a mission in April 2004.

21. Both Uganda and Kenya expect satisfactory project performance from now on, and they are both keen to see Tanzania succeed in getting additional finance to carry out its part in the joint work. Therefore, due to the unanticipated delays in the Partner countries, Tanzania is facing a situation of cost overrun, since certain activities, such as monitoring water quality, water hyacinth control, fisheries management and enforcement, or working toward an agreement on a regional fish quality standard, can either not be undertaken by only two of the three Partner countries, or cannot be considered complete until all parties have taken the agreed upon actions. An absence of planned actions in The Republic of Tanzania would result in a "drag" on the other two countries if they were not undertaken or would hinder both Tanzania and/or its two partner countries from achieving progress, given that they all contribute to improved management of a jointly-owned resource. GOT is willing to borrow the additional supplemental funds, and Kenya and Uganda are keen to see Tanzania succeed in its request to IDA. The cost for the Government of the United Republic of Tanzania to continue to do its part in a synchronized manner with its Partner States, is US\$3.5 million.

22. *The Loan is being Implemented in Compliance with Covenants.* The LVEMP is being implemented in compliance with all covenants set forth in the Project's Development Credit and GEF Grant Agreements.

23. *It is Impossible to Reduce the Scope of the Project to Fit the Available Resources.* It is impossible to reduce the scope of the LVEMP to fit the available resources (about US\$0.2 million, when annual disbursements have historically been about US\$4 million) without significantly impairing the project's economic viability or capacity to achieve its objectives, because all activities are regionally relevant.

24. *The Borrower is Unable to Finance the Additional Costs and to Obtain Additional Funds from Other Lenders on Reasonable Terms or in Reasonable Time.* The GOT continues to operate under macroeconomic constraints, and local finance is limited. The only other possible source of finance would be from bilateral donors. All of those participating in the Partnership Consultative Committee for Lake Victoria were contacted but were unable to provide the additional funds.

25. *The Time Available is too Short to Process a Further Freestanding Bank Loan.* The total time to process a freestanding Bank Loan to continue LVEMP activities would take significantly longer to prepare and be made "effective" than would a Supplemental Credit for the existing Project. Speed is of the essence, since funds are running out, while both Uganda and Kenya have sufficient funding for operations up until the end of 2005.

26. *The Borrower is Committed to the Project, and the Implementing Agencies have Demonstrated Competence in Carrying it out.* Government is committed to the Project, and implementing agencies have shown capacity to implement the project fully satisfactorily.

## **V. Benefits of the Supplemental Credit**

27. To manage Lake Victoria, non-performance or hindered performance by one country is a “drag” or cost on the two other countries and their jointly-owned resource. With the requested supplemental funding, such costs would be avoided. Note that the main economic benefits<sup>1</sup> of the overall LVEMP derive from avoiding the losses that can be anticipated if effective action is not taken. The benefits from the supplemental would be a portion of the estimated benefits for the overall project.

28. The proposed Supplemental Credit would help ensure realization of the expected benefits of promoting sustainable use of the natural resources of the Lake and its catchment. Successful implementation of the Project is expected to:

- Help avoid a decline in the overall fishery as a result of overfishing and (to a lesser extent) deterioration of Lake water quality;
- Maintain the water hyacinth infestation at a non-nuisance level of around 20 percent of the original coverage (with the exception of some nutrient-rich hotspots); at that level no or only small amounts need to be removed at Owen dam (to avoid impairing the electricity generation) and lake transport is not hindered significantly;
- Increase productivity on the land while reducing nutrient loss through erosion; this is achieved through integrated land and water management as well as agroforestry and/or afforestation;
- Complete microprojects that support communities around the Lake and in its watershed;
- Limit degradation of the wetlands so that they can continue to fulfill their function of buffering effluents; and
- Limit loss reductions in specific fish populations and restore unique fish fauna and other important terrestrial and aquatic biodiversity.

## **VI. Activities to be Financed**

29. As referred to in paragraph 15 above, and as specified in much more detailed in the agreed work plan with the Borrower, the Supplemental Credit will mainly finance work on fisheries management and research, water hyacinth control, water quality and ecosystem data collection and management, wetland management, integrated soil and water conservation, catchment afforestation, human resource development, community driven microprojects, and national/regional project management. Many of these need coordination/collaboration of the three countries.

---

<sup>1</sup> A conservative estimate of the main quantifiable benefits of undertaking the Project, and costs should the Project not be undertaken, were done at Appraisal of the LVEMP. These include direct positive effect on sustainable fisheries exploitation, and the costs of the water hyacinth infestation assuming no action, and further deterioration of water quality. The benefits to the fishery accruing through proper management were estimated to be \$600 million at a discount rate of 12% of present value of the revenue stream for total exports. The costs of not managing the water hyacinth infestation of the Lake were estimated to be US\$6-10 million/year, while likely costs attributable to costs associated with additional treatment of domestic water supply alone from the Lake in general at a minimum of US\$3.5 million/year. It was felt that these estimates of cost and benefit would fully justify, alone, the LVEMP cost of US\$25 million in Tanzania.

30. The following procurement of civil works, goods, and consultancies/training are needed, including:

**Civil works:**

Construction of one weevil rearing unit (facility) at Rubafu;  
Museum construction (for fisheries education and information dissemination);  
Bukoba Water Quality Laboratory rehabilitation; and  
Construction of Dar es Salaam University Marine Biology Laboratory in Mwanza.

**Goods and equipments:**

Replacement of old office equipment including laptops and computers; and  
Laboratory equipment.

**Consultancies and training:**

Various local consultancies for biodiversity, water quality, database management support;  
Ongoing university degree courses or short courses;  
Workshops;  
Short courses and study tours;  
Printing and disseminating information on stakeholders; and  
Regional Policy Steering Committee (RPSC) meetings.

## **VII. Implementation Arrangements**

31. The proposed Supplemental Credit does not require additional implementation capacity beyond what is already in place. The LVEMP project is executed by the Regional/National Secretariat reporting to the Office of the Vice President, Environment and Poverty Eradication, which is in charge of environment and poverty eradication portfolios. The Secretariat has performed satisfactorily and will oversee the execution of the Supplemental Credit. The Supplemental Credit will be subject to the same monitoring and reporting requirements of the project. No changes are needed in the Project Implementation Manual.

32. *Extension of the existing Credit:* As part of this request for a supplemental credit, a concomitant extension of the closing date from November 30, 2004 to December 31, 2005 was requested by Government and is hereby recommended.

## **VIII. Project Cost and Financing**

33. The total project cost, net of taxes and duties, is estimated at US\$3.6 million equivalent, of which an IDA Supplemental Credit of US\$3.5 million equivalent is proposed. The Government contribution is estimated at US\$100,000 equivalent, representing about 3% of the total project cost. The breakdown of the project's costs and its financing plan and disbursement schedule are shown in Annex 1. Management of the Supplemental Credit will be through the existing National Project Secretariat for the LVEMP.

34. The Borrower shall, for the purposes of making available its counterpart contribution for the financing of the Project:

- (a) Open, and thereafter maintain until the completion of the Project, a Project Account in a Commercial Bank on terms and conditions satisfactory to the Association;
- (b) Deposit into the Project Account an initial contribution of US\$20,000;

- (c) Thereafter replenish the said account up to the initial amount of US\$20,000 at the end of each Project Quarter until the completion of the Project, or whenever its balance shall be less than US\$5,000; and
- (d) Ensure that amounts deposited into the Project Account shall be used exclusively to make payments to meet expenditures made or to be made in respect of the reasonable cost of goods, works and services for the Project in addition to those financed from the proceeds of the Credit.

## **IX. Procurement Accounting, Financial Reporting and Auditing Arrangements**

35. The Credit will follow the procurement and disbursement procedures applied under the original Credit. Prior review thresholds for IDA/GEF Prior Review as defined in the original Project Credit Agreement will remain in place. The civil works will be awarded on the basis of National Competitive Bidding (NCB). The Supplemental Credit will be executed and closed by December 31, 2005.

36. The LVEMP National Secretariat has established an acceptable accounting and reporting system for the Project, which will continue for the Supplemental Credit, including the Special Account and the statements of expenditures. Continued compliance is being closely monitored by Accredited Financial Staff of IDA in the Tanzania Country Office.

37. Independent auditors acceptable to IDA will audit the use of all funds available under the Supplemental Credit, including the Special Account and the statements of expenditures. Audit reports will be submitted to IDA no later than six months after the end of the fiscal year. The format and the frequency of periodic reporting will be maintained as defined in the project implementation manual. An Implementation Completion Report (ICR) will be prepared within six months after Credit closing for Tanzania as well as its Partner countries Kenya and Uganda.

## **X. Environmental and Social Aspects**

38. As part of preparation and design of the Project in 1995-1996, an Environmental Analysis (EA) was conducted, the conclusion of which was that the LVEMP was an environmentally positive activity and was not expected to generate any significant adverse environmental impacts. A few project activities could cause adverse effects, which are readily manageable. For example, large-scale control of water hyacinth in Tanzanian waters has been limited to biological and manual control methods, which have proven effective and environmentally benign. An ISDS has been completed, reviewed and cleared by ASPEN for the proposed Supplemental Credit. The original EA category "B" has been maintained, and the proposed Credit has been assigned a safeguard classification of "S2 – One or more safeguard policies are triggered, but effects are limited in their impact and are technically and institutionally manageable". The original EA remains relevant and applicable and has been re-disclosed.

## **XI. Sustainability**

39. The Government has in the past few years supported fisheries management (and thereby helped to reduce the risks of overfishing), and watershed management in various forms, and rural development. It also has made use of the information generated by the LVEMP. The Project's ability to control water hyacinth infestations, respond quickly to the requirements of the EU to improve the quality and certification process of fish exports to the Community, and to provide scientifically supportable recommendations to GOT queries regarding management of the Lake has established a strong base upon which to proceed with additional investments. Tanzania

is one of three countries (Kenya and Uganda being the other two) that have participated in the re-establishment of the East African Community. The East African Community has created, as one of its major permanent organs, the Regional Policy and Steering Committee, consisting of three Permanent Secretaries from each of the three countries. It has further created a Ministerial-level Committee for the Lake Victoria and signed a Protocol (November 2003) under which a Lake Victoria Basin Commission will be established.

## **XII. Project Risks**

40. No significant risks are foreseen. The Government is committed to the project and the integrated approach managing the water and land resources and to addressing environmental and social problems in the Lake Basin.

## **XIII. Effectiveness Conditions and Agreements**

41. No additional actions are required except for the submission of a satisfactory legal opinion on the Agreement Amending the Development Credit Agreement as a condition of effectiveness.



**ANNEX 1**  
**Page 1 of 4**

THE REPUBLIC OF TANZANIA  
SUPPLEMENTAL LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT  
ESTIMATED ADDITIONAL PROJECT COSTS AND FINANCING PLAN  
(in US\$ million)

**Estimated Costs:**

COMPONENTS	LOCAL	FOREIGN	TOTAL
1. Fisheries Management	0.28	0.05	0.33
2. Fisheries Research	0.22	0.05	0.27
3. Water Hyacinth Control	0.21	0.05	0.26
4. Water Quality/Ecosystem Mgt	0.48	0.29	0.77
5. Wetland Management	0.19	0.05	0.24
6. Integrated Soil and Water Conservation	0.12	0.05	0.17
7. Catchment Afforestation	0.22	0.01	0.23
8. Human Resource Development	0.14	0.05	0.19
9. Microprojects	0.20	0.01	0.21
10. Community Participation	0.03	0.01	0.04
11. National and regional coordination	0.69	0.10	0.79
Physical Contingencies	0.04	0.01	0.05
Price Contingencies	0.03	0.02	0.05
<b>Total Project Costs</b>	<b>2.85</b>	<b>0.75</b>	<b>3.60</b>

**Financing Plan (in USD million):**

COMPONENTS	LOCAL	FOREIGN	TOTAL
Government of Tanzania	0.10	0.00	0.10
IDA	2.75	0.75	3.50
<b>Total Project Costs</b>	<b>2.85</b>	<b>0.75</b>	<b>3.60</b>

THE UNITED REPUBLIC OF TANZANIA  
SUPPLEMENTAL LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT

**SUMMARY OF PROPOSED PROCUREMENT ARRANGEMENTS**

(US\$ million)

Project Element	Procurement Method			TOTAL
	ICB	NCB	OTHER	
1. Civil Works		0.22		0.22
GOT		0.01		0.01
IDA		0.21		0.21
2. Equip & vehicles		0.15	0.08	0.23
GOT		0.01		0.01
IDA		0.14	0.08	0.22
3. Training			0.57	0.57
GOT			0.57	0.57
IDA				
4. Consultants			0.51	0.51
GOT			0.51	0.51
IDA				
5. Microprojects			0.21	0.21
GOT			0.21	0.21
IDA				
6. Operating Costs			1.87	1.87
GOT			0.09	0.09
IDA			1.78	1.78
<b>TOTAL</b>		<b>0.37</b>	<b>3.24</b>	<b>3.61</b>
<b>IDA</b>		<b>0.35</b>	<b>3.15</b>	<b>3.50</b>

Procurement thresholds established for the LVEMP will be maintained for the Supplemental Credit.

**ANNEX 1**  
**Page 3 of 4**

**ALLOCATION AND DISBURSEMENT OF IDA SUPPLEMENTAL CREDIT**

(US\$ Million)

<b>Category</b>	<b>Amount</b>	<b>Percentage Financed</b>
1. Civil Works	0.21	100% of foreign expenditures and 95% of local expenditures
2. Goods	0.22	100% of foreign expenditures and 95% of local expenditures
3. Consultancy & Training	1.08	100%
4. Goods Works & Services for Microprojects	0.21	95%
5. Operating Costs	1.78	95% (maintaining existing definition of operating costs in respect to Project Secretariat)
<b>TOTAL</b>	<b>3.50</b>	

**Estimated Disbursement Schedule: (US\$ million)**

	FY05	FY06
Total	2.50	1.0
Cumulative	2.50	3.5

THE UNITED REPUBLIC OF TANZANIA  
SUPPLEMENTAL LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT  
**TIMETABLE OF KEY PROJECT PROCESSING EVENTS**

- |                                    |                                |
|------------------------------------|--------------------------------|
| (a) Time taken to prepare:         | Four months                    |
| (b) Prepared by:                   | Government with IDA assistance |
| (c) Appraisal/Negotiations:        | April-August 2004              |
| (d) Planned Date of Effectiveness: | November 2004                  |
| (e) Completion of works:           | July 2005                      |
| (f) Closing Date:                  | December 31, 2005              |

MAP SECTION

