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| 1. Project Data: | | Date Posted : 08/13/2002 | |
| PROJ ID: P002812 | | Appraisal | Actual |
| Project Name: Mineral Sector Development Technical Assistance Project | Project Costs (US\$M) | 13.9 | 12.54 |
| Country: Tanzania | Loan/Credit (US\$M) | 10.29 | 11.58 |
| Sector(s): Board: EMT - Central government administration (60%), Law and justice (40%) | Cofinancing (US\$M) | 1.37 | 0.94 |
| L/C Number: C2648; CP818 | | | |
| | Board Approval (FY) | | 95 |
| Partners involved : Nordic Development Fund (NDF) | Closing Date | 12/31/1999 | 12/31/2001 |
| Prepared by : | Reviewed by : | Group Manager : | Group: |
| Ramachandra Jammi | Andres Liebenthal | Alain A. Barbu | OEDST |
| 2. Project Objectives and Components | | | |
| a. Objectives | | | |
| The principal objectives of the project are to : <ul style="list-style-type: none"> • support Tanzania's private sector-oriented mining development policy and to expand private investment in mining; • strengthen the capacity of mining institutions to efficiently administer and regulate the sector; and • improve productivity, and environmental and social viability of artisanal and small -scale miners. | | | |
| b. Components | | | |
| The project had three main components : <ol style="list-style-type: none"> 1. <u>The legal, regulatory, fiscal and environmental component</u> to help introduce appropriate mining laws and regulations, and fiscal and environmental framework to promote and guide private investment in mining; 2. <u>The institutional strengthening component</u> to improve organizational, manpower, and logistical capacity of the Mineral Resource Department (MRD), help reactivate MRD's environmental and mine safety inspection, and strengthen MRD's geological services including publication of geological maps and improvements of its mineral laboratory; and 3. <u>The small-scale mining component</u> covering a baseline data survey, the dissemination of information and demonstration of simple and environmentally-sensitive technologies, and training and capacity building support to small-scale miners through the Regional Miners Associations . | | | |
| c. Comments on Project Cost, Financing and Dates | | | |
| Cost and Financing: The total cost of the project was US\$ 12.5 million, US\$1.4 million below the US\$13.9 million estimated in the MOP. A credit balance of US\$0.9 million -- relating to certain small-scale mining activities which were delayed in 2000-2001 -- remained to be cancelled at the end of the disbursements of the IDA credit on April 30, 2002. | | | |
| Dates: The project closed two years behind schedule on 12/31/2001. Initial delays in establishing an adequate Project Implementation Unit (PIU) accounted for slippage of 5 months before credit became effective, while other project components were affected by delays in initiating cofinancing arrangements with NDF . Ministerial and other high-level changes contributed to lowered commitment and consequent delays in mineral sector initiatives and implementation since 2000. Insufficient funding for civil works and lack of counterpart funding through 1997 added to the delays. | | | |
| 3. Achievement of Relevant Objectives: | | | |
| The following are the main outcomes/achievements corresponding to the three major objectives : <ul style="list-style-type: none"> • A modern mineral policy and strategy was prepared under the project and approved by the government in 1997, followed by a new Mining Act of 1998. These included laws and regulation for SSM, and environmental controls | | | |

and management. While the regulatory package is considered satisfactory after three years of functioning, there is a need for second generation reforms to adjust and improve the package, particularly for SSM and environmental issues. The outcome under this objective is considered *Satisfactory*;

- The responsibilities of the State as a mining operator were eliminated and the institutional setup of the mining sector was restructured for stimulating private investment, regulating mineral activities, compiling and disseminating geo-information, and providing extension services to SSM. However, the comprehensive cadastral system for mineral rights and an aerial survey for developing basic promotional information were not yet implemented. Also, few details are provided on the specifics of institutional restructuring and its performance. The outcome under this objective is considered *Moderately Satisfactory*; and
- Under SSM activities, only one of the eight pilot demonstration plants was undertaken and completed due to higher than anticipated costs and delays in procurement. Significant progress was made in involvement of local communities and miners in addressing mineral rights and mining "rushes" through stakeholder meetings, though there is no mention of a long term mechanism having been created for this purpose. With regard to environmental issues, progress was reported in introducing practices to decrease adverse environmental impacts involving better mining equipment, reductions in mercury use and improved tailing disposals. The outcome under this objective is considered *Moderately Satisfactory*.

4. Significant Outcomes/Impacts:

- The number of prospecting and mining licenses increased from 9 to 250 from 1990 to 2001. Total mineral exports increased from US\$ 15 million to US\$312 million between 1990 and 2001, and are anticipated to exceed US\$400 million in 2002. Revenues from gold exports rose from virtually nil to US\$ 120 million between 1996 and 2000, and are expected to rise to US\$ 326 by 2002;
- The Tanzanian Women's Miners Association was formalized, for advocacy of womens miners issues; and
- Significant stakeholder consultation -- including government, miners, representatives from local communities and traders -- took place in the form of workshops and roundtables in the course of formulating policy for the mineral sector and well as for SSM issues including environmental and safety concerns.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- Progress on the institutional front was affected by fluctuating commitment from mineral authorities though it gained momentum towards the end of the project.
- Only one of the eight pilot demonstration plants was undertaken and completed; and
- The project design did not adequately consider the risks related to downturns in commodity prices, even though this did not appear to have impacted project outcomes significantly due to a combination of factors including favorable geological conditions.

| 6. Ratings: | ICR | OED Review | Reason for Disagreement /Comments |
|----------------------------|---------------------|--------------|---|
| Outcome: | Highly Satisfactory | Satisfactory | While the project contributed significantly to increases in revenue from mineral and metal (gold) exports, and generated significant stakeholder participation and consultation, outcomes in respect of institutional development and SSM were lower than expected. |
| Institutional Dev.: | Substantial | Substantial | |
| Sustainability: | Likely | Likely | |
| Bank Performance: | Satisfactory | Satisfactory | |
| Borrower Perf.: | Satisfactory | Satisfactory | |
| Quality of ICR: | | Satisfactory | |

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Consistent ownership and commitment from governmental authorities is essential for success of institutional reform;
- An integrated approach is necessary for the mineral sector because of the strong interrelationships between a stronger legal, regulatory and fiscal framework, improved information systems, promoting investments, and the interests of small-scale miners and local communities;
- Effective mechanisms and processes for stakeholder participation are essential for sustainable and improved contributions from mining activities to society; and
- Options for diversification must be pursued to ensure sustainability of local economies beyond the life of mining activity.

8. Assessment Recommended? Yes No

Why? There are several significant outcomes in terms of increases in production and investment, improvements in environmental and working conditions, and stakeholder involvement, which have resulted from the institutional and process changes attempted in the project . However, the causal links between the project components and the outcomes is not always clear . It would be highly instructive to study these in detail in order to clarify the linkages as well as to yield lessons for countries in similar developmental situations .

9. Comments on Quality of ICR:

The ICR covers all important issues in considerable detail . However, some assertions -- especially in respect of various aspects of institutional development and SSM issues -- are not backed up by reference to tangible achievements . In some cases there are inconsistencies between assertions and related statements in other parts of the ICR. While the ICR does not deserve an Unsatisfactory rating, it is considered only marginally Satisfactory .