



# The United States and Tanzania Building a Dynamic Partnership for Success

## Millennium Challenge Poverty Reduction Grant Signed

President Bush and Tanzanian President, Jakaya Kikwete signed a five-year, \$698 million Millennium Challenge Corporation (MCC) agreement with the United Republic of Tanzania. This grant will reduce poverty, stimulate economic growth and increase household incomes through targeted investments in transportation, energy, and water.

## Background

Tanzania, comprised of the mainland and Zanzibar, is located in East Africa bordering the Indian Ocean and eight other African nations. Tanzania plays an important role in the region as an economic trade partner and stands out as a proponent of peace and security. In a region that has historically been divided by violent ethnic and religious conflict, Tanzania is a peaceful country with a religiously diverse population, abundant natural resources, and a distinct sense of national pride and identity. Using this stability, Tanzania seeks to broaden economic opportunity and prosperity among its people, as nearly 36 percent of the mainland population and 49 percent of the Zanzibar population live below the national poverty line. An inadequate transportation network, an insufficient and unreliable supply of energy, and a shortage of clean and safe water are three key constraints to economic growth and private sector investment in Tanzania. The MCC compact with Tanzania is designed specifically to address each of these constraints.

## Transport Sector Project (\$373 million)

Transport infrastructure in Tanzania is inadequate to meet the needs of the country's widely dispersed population. Roads are essential for commerce, especially agricultural commerce, and trade between Tanzania and its neighbors. Improved roads will also help connect communities with schools and health clinics and promote the expansion of economic opportunities by reducing transport costs and thus increasing the incomes of local farmers. The Transport Sector project also includes funds for technical assistance to enhance Tanzania's capacity to maintain its road network, and will support strategic maintenance planning and the management of routine and periodic maintenance of contracts. The components under the Transport Sector project include:

- The Mainland Trunk Roads activity will rehabilitate and upgrade three trunk roads on the mainland.
- The Zanzibar Rural Roads component will improve up to five rural roads on Pemba Island.

- The Mafia Island Airport activity will provide aviation and public safety related facilities at the airport, which is located off the east coast of Tanzania.

## Energy Sector Project (\$206 million)

Currently in Tanzania, industry, businesses, and households suffer from either a lack of energy services or unreliable service. Where electricity is available, the quality of supply is poor, and blackouts and other service interruptions are common. The Energy Sector project will improve electricity service and coverage in Tanzania through the addition of new power generation, transmission and distribution capacity, as well as through much needed reinforcement of the existing network. The project will also extend service to communities and businesses receiving electricity for the first time. The components of the Energy Sector project include:

- The Zanzibar Interconnector activity includes laying a submarine electric transmission cable from the mainland to Unguja Island, along the path of the existing submarine cable that is reaching its limits in both capacity and lifespan. This activity is expected to provide a reliable and non-polluting power supply to Unguja Island, the largest island in the Zanzibar archipelago, which is entirely dependent on power supply from the mainland.
- The Malagarasi Hydropower and Kigoma Distribution activity includes the construction of a small hydropower plant on the Malagarasi River, and the extension of a mini-grid system in the Kigoma region. This activity seeks to replace costly, inefficient, and polluting diesel power generation with affordable, reliable, and clean renewable small-scale hydropower. The expanded distribution system will also facilitate the electrification of rural villages and towns.
- The Distribution Systems Rehabilitation and Extension activity will rehabilitate distribution infrastructure to unserved areas in six regions that were identified by the Government of Tanzania as priority areas for investment. This activity will address the growing demand and the corresponding strain on the network to deliver reliable and quality power to industrial and commercial users, as well as to households, in these regions.

## Water Sector Project (\$66 million)

MCC's compact with Tanzania addresses a serious shortage of access to clean and safe water, which impacts the health and productivity of Tanzanians, particularly children. Designed to increase the quantity and reliability of potable water for domestic and commercial use, the Water Sector project focuses on improving water supply infrastructure in the two cities of Dar es Salaam and Morogoro. The project is expected to reduce the prevalence of water-related disease, increase time available for productive activities such as education, and promote greater investments in physical capital. The components of the Water Sector project include:

- The Lower Ruvu Plant Expansion activity will expand of the capacity of the Lower Ruvu water treatment plant from about 180 million liters per day to approximately 270 million liters per day and better serve Dar es Salaam, Tanzania's largest city and commercial center.
- Currently, approximately 60 percent of Dar es Salaam water is lost due to physical leakages and commercial losses. The Non-Revenue Water activity aims to improve the system efficiencies by determining the locations and volumes of physical losses through leaks, and commercial losses as a result of deficiencies in billing and collection and theft. This activity will substantially reduce water resource waste and the need to develop new water sources through reduction of physical and commercial losses.
- The Morogoro Water Supply component will improve the water supply in Morogoro, a city that, due to a growing population coupled with its aging water infrastructure, faces water supply deficiencies and increased health risks for its population. MCC assistance will be used to rehabilitate water intake and water treatment plants, and improve the existing distribution network.

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*Millennium Challenge Corporation, a U.S. government corporation designed to work with developing countries, is based on the principle that aid is most effective when it reinforces sound political, economic, and social policies that promote poverty reduction through economic growth. For more information about MCC, visit [www.mcc.gov](http://www.mcc.gov).*