



September 13, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

***Tanzania: World Bank Country Assistance Evaluation and IFC Country Impact Review\****

These reports on the Bank's and IFC's work in Tanzania are independent, parallel evaluations by the World Bank's Operations Evaluation Department (OED) and IFC's Operations Evaluation Group (OEG). Taken together, this is the first time that OED and OEG have had parallel evaluations of the World Bank's and IFC's programs.

***World Bank Country Assistance Evaluation***

The World Bank has supported Tanzania's development strategy for almost four decades. In the first two decades, the Bank's Tanzanian strategy was in line with the development thinking of that time. The strategy was flawed. The outcome of the majority of Bank projects approved through 1985 was rated unsatisfactory by OED.

In the late 1970s the Bank restructured its development assistance strategy. Most bilateral donors were not immediately supportive. Eventually, a consensus emerged and the Bank assisted in the preparation of an economic recovery program (ERP) in 1985. Subsequently, Bank support intensified. OED rated the outcome of 75 percent of the projects approved during 1986-95 as satisfactory. Good progress was made through sector adjustment lending in liberalizing imports and food crop marketing.

In the early 1990s relations between the donor community and Tanzania became strained as the fiscal situation deteriorated and governance concerns emerged. By the middle of the decade, the challenges facing Tanzania were major: slow growth; re-emergence of macroeconomic imbalances; a slowdown in structural reforms; stagnant social indicators; neglect of gender issues; poorly utilized and uncoordinated aid and severe data gaps.

Since 1996 the Bank has supported IMF-led stabilization efforts with structural reforms in the financial sector, parastatals and in the civil service. It helped the Government address the issue of stagnant social indicators with high quality ESW, and increased its attention to gender issues. It assisted in country-led donor coordination, encouraged transparency in aid flows and promoted harmonization of donor procedures. It supported a country-driven formulation of the development strategy through the PFP and PER processes. However, weaknesses in public expenditure management have remained. Macroeconomic stability was pursued, but operations and maintenance expenditures were not protected, efficiency and equity of social spending did not improve, and gender was not mainstreamed in the Bank's assistance. Also, still lacking is a focus on strategic selectivity vis-a-vis other donors and support for building monitoring and

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\* The OEG evaluation referred to in this report is posted on the IFC external website.

evaluation capacity. In addition, a well articulated strategy for agriculture and for private sector development has yet to be developed.

After 35 years of Bank (and donor) assistance to Tanzania, poverty alleviation remains an elusive goal. The outcome of the Bank's assistance strategy during the first 20 years (1964-85) was unsatisfactory, primarily because the strategy lacked relevance and was not sustainable. During the next 10 years (1986-95) the Bank took effective steps to increase the relevance of its assistance and improve the policy environment. Project outcomes improved substantially. Institutional development, however, lagged behind the changes in economic policy and the results were not sustainable. By the end of 1995, Tanzania's economic situation was difficult. It is too early to judge the outcome of the Bank's strategy since 1996, but the initial results are encouraging. Wherever the Bank has put its focus, the outcomes have improved. The Bank's assistance has improved in relevance, and in the process has helped to generate substantial institutional development. But much remains to be done. The analyses suggests that the Bank's lending program and ESW should be centered around the key constraints to private sector and rural development,

### ***IFC Country Impact Review***

OEG found that Tanzania has been difficult for private investors. It is getting better, but many investors still describe it as hostile, particularly toward foreign investors. There are five principal obstacles to private sector development: (1) slow pace of privatization, (2) delays in financial sector reform, (3) weak infrastructure and human resources, (4) social and governmental ambivalence toward private sector development, and (5) aid dependence.

Since 1986, IFC has approved and disbursed \$53 million of financing in 28 projects – 23 in the last five years. OEG evaluated 20 projects and, weighted by size, 65% had satisfactory development outcomes and only 35% had satisfactory investment outcomes to IFC. OEG found that in terms of volume of investments, IFC has had a solid performance in Tanzania. In a difficult environment, IFC has invested in priority sectors: financial sector, privatization, infrastructure, and tourism. Most investments have been in SMEs. IFC has not missed investment opportunities where it should have been present.

OEG's principal recommendations to improve IFC's effectiveness in Tanzania are to strengthen IFC's contribution to Bank Group activities in private sector development and to take actions to improve development outcomes from existing investments.

Report No. 20902-TA

# Tanzania

## Country Assistance Evaluation

**September 13, 2000**

Operations Evaluation Department



Document of the World Bank

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## Acronyms

APPI	Aggregate Project Performance Indicator
BOT	Bank of Tanzania
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative Group
ERP	Economic Recovery Project
ESW	Economic and Sector Work
FIAS	Foreign Investment Advisory Service
FIDP	Financial Institutions Development Project
GAP	Gender Action Plan
GOT	Government of Tanzania
HNP	Health, Nutrition and Population
ID	Institutional Development
IER	Impact Evaluation Report
IRP	Integrated Roads Project
MOW	Ministry of Works
NBC	National Bank of Commerce
NGO	Nongovernmental Organizations
ODA	Official Development Assistance
OED	Operations Evaluation Department
OEG	Operations Evaluation Group
PAR	Performance Audit Report
PCR	Project Completion Report
PER	Public Expenditure Review
PFP	Policy Framework Paper
PIM	Performance Improvement Model
PIU	Project Implementation Unit
QAG	Quality Assurance Group
SAC	Structural Adjustment Credit
SECAL	Sector Adjustment Loan
SSA	Sub-Saharan Africa
TAG	Tanzania Advisory Group
TAS	Tanzania Assistance Strategy
TM	Task Manager

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## Preface

Tanzania is one of the very poorest countries in the world with a GNP per capita in 1997 estimated at about \$210. It has a population of about 30 million growing at 2.8 percent a year. The economy is highly dependent on agriculture; the manufacturing sector is small and its share in GDP has shrunk over the past decade. The best available estimates suggest that per capita income today is certainly no higher than it was four decades ago. On the political front, Tanzania has enjoyed a high degree of political stability, with no military coups or other forcible change of government in contrast to many other countries in Africa. Until the early 1990s Tanzania was a one-party state. Multi-party elections were held at the local level in late 1994, and presidential and parliamentary elections in November 1995.

The World Bank has supported Tanzania's transition from a market to a socialist economy during the late 1960s and 1970s, and then back to a market economy. In the first two decades of independence (1961-80) Bank commitments totaled about \$1 billion. In the next two decades (1981-99), Bank assistance tripled to \$3 billion. Total Bank support since 1960 has however been only about 15 percent of total net official development assistance to Tanzania.

The objective of this evaluation is to examine the role of the Bank's assistance strategy in the economic and social development of Tanzania. Within the context of the Bank's long-term assistance program, the focus is on the 1995-99 period. Political instability in neighboring countries in this period has led to an influx of refugees but this evaluation was unable to assess its social, environment and economic implications. The evaluation has been prepared in close partnership with the Government. It draws on extensive interviews with other donors and Bank staff at headquarters and in the country office (see Annex A), on past OED work (in particular, the audits; the Impact Evaluation of Agriculture; the 1990 report on World Bank/ Tanzania Relations, 1961-87; and the Evaluation of the Bank's Rural Development Strategy, From Vision to Action) and major evaluations done by other donors. This report has been prepared in parallel with an evaluation by the IFC's Operations Evaluation Group (OEG).

The evaluation is organized as follows: Chapter 1 provides background on Tanzania's economic history from 1960 to 1995 and the Bank's contribution; Chapter 2 sets out the relevant economic and social issues in Tanzania as of end-1995; Chapter 3 describes the main achievements and shortcomings of the Bank's assistance program since 1995; Chapter 4 presents conclusions and recommendations.

# 1. Background

## 1960-1985

1.1 At independence in 1961 Tanzania was mainly an agricultural country, producing food for domestic use, and sisal, coffee and cotton for export. The economic system was based on private enterprise with minimum Government regulation and limited protection from foreign competition. Economic growth during the first decade after independence was fairly rapid at about 6 percent per annum.<sup>1</sup>

1.2 In 1967 Tanzania's policies shifted away from free enterprise toward "African Socialism" which aimed at self-reliance and equity. This led to substitution of local manufactures for imports, and a shift from individual to communal and state farming, with associated changes in institutions from voluntary cooperatives to parastatals. The Bank along with other donors initially supported this strategy uncritically and enthusiastically through a pipeline of projects. Other donor lending programs also expanded rapidly. Economic growth slowed during the 1970s to 2.3 percent and the economy began facing serious problems, reflected, among others, in a stagnation of output and a decline in export earnings. A 1974 report on agriculture strongly criticized the major features of agricultural policy. But the major bilaterals remained sympathetic to the socialist experiment and committed to the vision of President Nyerere. Despite misgivings by some Bank managers, annual commitments increased until they peaked in FY80 at \$140 million.<sup>2</sup>

**Table 1.1a: World Bank Commitments by Period**

<i>FYs:</i>	<i>1964-85</i>		<i>1986-95</i>		<i>1996-99</i>	
	<i>US\$m</i>	<i>%</i>	<i>US\$m</i>	<i>%</i>	<i>US\$m</i>	<i>%</i>
Infrastructure <sup>a</sup>	360.8	30	905.1	47	-	0
Agriculture	393.1	33	352.0	18	79.2	20
Education/HNP	72.4	6	85.9	4	20.9	5
Urban/Water Supply & Sanitation	76.0	6	11.2	1	105.0	26
Finance/Industry	233.0	19	369.1	19	10.9	3
Other <sup>b</sup>	68.3	6	219.6	11	183.1	46
Total	1,203.6	100	1,942.9	100	399.1	100
Memo items:						
Adjustment	95.0	7.9	748.7	38.5	133.0	33.3
Commitments per year	55		194		100	

<sup>1</sup> Tanzania joined the World Bank in 1962 and the first Bank project was approved in December 1963.

<sup>2</sup> Tanzania was a blend country until FY80, after which it became IDA only.



**Table 1.1b: OED Ratings, by Sector**

<i>FYs:</i>	<i>1964-85</i>			<i>1986-95</i>		
	<i>Outcome</i> % <i>satis.</i>	<i>ID Impact</i> % <i>substantial</i>	<i>Sustain.</i> % <i>likely</i>	<i>Outcome</i> % <i>satis.</i>	<i>ID Impact</i> % <i>substantial</i>	<i>Sustain.</i> % <i>likely</i>
Infrastructure <sup>a</sup>	94	37	37	81	8	8
Agriculture	22	18	40	94	94	94
Education/HNP	88	67	87	100	0	100
Urban/Water Supply & Sanitation	28	0	0	100	100	100
Finance/Industry	6	0	0	42	0	42
Other <sup>b</sup>	77	0	0	100	0	0
Total	46	19	25	74	30	49
Memo item: Adjustment	47	n.a.	n.a.	72	31	51

a. Electric Power, Oil and Gas, Telecommunications, Transport.

b. Multisector, Environment, Public Sector Management, Mining.

Source: World Bank. Details in Statistical Table 4d.

1.3 The outcome of the majority of Bank projects approved in the FY64-85 period was rated unsatisfactory by OED. In agriculture, only 22 percent had satisfactory outcomes; in industry and finance, only 6 percent had satisfactory outcomes.

1.4 In 1979 the Bank signaled a major revision in its assistance strategy in the form of support for a comprehensive restructuring of the economy. Tanzania, however, was unable to design an adequate package of adjustment measures. It was also not willing to accept the Bank's diagnosis and advice. The Bank's response was to continue to lend for those projects which it believed could be undertaken irrespective of the policy environment and to give non-project assistance only if there were agreement on appropriate reforms.

1.5 In early 1981, the Bank proposed to provide a team of independent experts knowledgeable about, and acceptable to, Tanzania to help develop its own program of adjustment measures. The report of the Tanzania Advisory Group (TAG) in April 1982 corroborated Bank views on needed adjustment. However, instead of waiting for the TAG report and for the Government to fully absorb it, the Bank tried to press for policy changes by attaching to its Export Rehabilitation Credit of FY81 numerous conditions. But genuine agreement between the Bank and the Tanzanians on the structural measures needed had not been reached. The Tanzanian view was that poor economic performance was due to exogenous shocks—a temporary stabilization problem which could be solved with a large injection of resources, whereas the Bank was convinced that the poor performance was mainly a result of inappropriate economic policies. Because the reforms were imposed, Tanzania failed to fulfill many of the conditions of the credit.

1.6 In mid-1983, the Bank's management decided not to process any further projects for Tanzania until there was significant progress on an effective economic adjustment program. The linking of project lending to macro-conditionality was justified on the grounds that it was no longer possible to isolate projects from the general economic environment. The virtual cessation of Bank aid at a time of extreme foreign exchange shortage was perceived by Tanzania to be designed to ruin the economy; it led to an estrangement in Bank/Tanzania relations. However,

Tanzania could still rely on significant bilateral aid. Some donors were unwilling to accept the Bank's diagnosis. Their aid commitments were also guided by considerations other than those related to economic policy. Bank disbursements also continued at a rapid pace.<sup>3</sup> This may have been a factor in delaying adjustment at least until 1984.

1.7 Eventually all bilateral supporters agreed that Tanzania should undertake a comprehensive structural adjustment program. This was combined with an acceptance by Tanzania of the key findings of the TAG report, and of the Bank's technical advice through its economic and sector work. At the request of the Government, the Bank organized a mission in 1985 to assist the Government in the preparation of a medium term Economic Recovery Program (ERP) and established a timetable for a meeting of the Consultative Group.

### **1986-1995**

1.8 The program adopted by the Government emphasized market based producer and consumer prices, and liberalization of trade, exchange rates and interest rates. It was presented at the June 1986 consultative group meeting in Paris and received wide support from the international community. Net official development assistance (ODA) from donors increased to \$806 million in 1987 from \$598 million in 1986 and \$401 million in 1985. The Bank supported the ERP with four sector adjustment credits (SECALs) for \$749 million, \$1.2 billion of investment credits and 18 pieces of economic and sector work in the FY87-95 period. The Bank's program was conceived as a series of integrated, complementary operations.

1.9 The outcomes of the SECALs for multi-sector rehabilitation (FY87), industry and trade (FY89), agriculture (FY90), and finance (FY92) were mixed. The FY87 and FY89 credits successfully supported the liberalization of the import regime, and the rationalization of the tariff structure, and the FY90 credit the liberalization of food crop marketing. The outcome of these three credits was rated satisfactory by OED. But this assessment may have been too optimistic as parastatal rehabilitation and divestiture proved to be slow. The average capacity utilization of parastatals was estimated at about 25 percent and net losses at the equivalent of 8 percent of GDP in 1988. The industry and trade credit of FY89 had made no provision during program design for setting up an institutional mechanism to organize, coordinate, and prioritize the implementation process for parastatal reform.<sup>4</sup> Thus, OED rated the institutional development impact of the FY87 and FY89 credits as modest.

1.10 The financial sector adjustment credit had a wide range of financial reform objectives.<sup>5</sup> In the end little was achieved because the operation sought to support competition in the financial system while maintaining the National Bank of Commerce (NBC) as a dominant financial institution. Tanzania's National Banking Commission recommended splitting NBC in 1990. The IMF too strongly supported the breakup of NBC, not only on the grounds of improving competition, but also because they thought that the Central Bank would be unable to exert its supervisory and regulatory functions properly over such a large and influential government bank. But the Bank argued against splitting up NBC because it was not a viable institution and needed

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<sup>3</sup> Net ODA disbursed from DAC to Tanzania averaged \$400 million annually in 1982-85, compared to \$60 million from the Bank. See also Evaluation of Swedish Development Cooperation with Tanzania, A Report for the Secretariat for Analysis of Development Assistance, Ministry of Foreign Affairs, Sweden, 1994.

<sup>4</sup> OED, PAR, *Industrial Rehabilitation and Trade Adjustment Program*, Report No. 12139, June 1993. The Parastatal Sector Reform Commission was established in 1993.

<sup>5</sup> OED, PAR, *Tanzania: Financial Sector Adjustment Credit*, Report No. 12139, June 1997.

to be reformed first: thus the credit focused narrowly on financial restructuring. Ultimately, the project did not achieve its objectives and the OED audit rated the outcome as unsatisfactory and institutional development impact as negligible. NBC restructuring was delayed until 1999 with adverse consequences for parastatal reform, financial intermediation and the environment for private sector development.

1.11 Borrower ownership of the Economic Recovery Program can be characterized as mixed. Although the Bank was able to reach agreement with the Government on significant policy changes in a number of areas, the process was one of “negotiation” rather than “dialogue”, with the Government often feeling that it was being forced to make policy changes because the country needed financial assistance.<sup>6</sup> The Bank's involvement in the 1970s with a number of large and failed projects, which were still being amortized, was not conducive to a constructive dialogue.<sup>7</sup> Government ownership of the Policy Framework Paper (PFP) was also limited; the Government's aim was to reduce the PFP to the minimum conditions necessary to obtain approval of the IMF's Structural Adjustment Facility, and to make these conditions as ambiguous as possible.<sup>8</sup>

1.12 There were problems of sequencing of reforms, in part due to Tanzania's reluctance to implement critical actions. While the international trade and payments regime had been liberalized in many ways—abolishment of the system of export licensing for traditional crops, requirement of registration for exporting companies, administrative allocation of foreign exchange, import licensing—demonopolization of the agricultural export trade (even partial) was slow in coming. The Bank recognized the importance of radically altering the export marketing structure early on in the ERP, but the Tanzanians were opposed to major institutional changes.<sup>9</sup> Later, the Letter of Development Policy for the Agricultural Adjustment Credit of FY90 indicated that the three marketing boards (cashew, coffee, and cotton) would stop the purchase of crops, but the legislation introduced by the Government in July 1993 that eliminated the three marketing boards' monopolies in handling export crops also permitted the boards to compete with traders. This conflict of interest—the boards were both regulators and competitors of those that they regulated—reduced marketing efficiency.<sup>10</sup>

1.13 The Bank also did not adequately take into account the linkages between reforms in different sectors; for instance, between banking sector reform and public enterprise reform and between bank restructuring and reform of the judicial system. NBC continued to lend to loss making parastatals and slow progress in privatizing parastatals in turn contributed to a further build up of bad loans in NBC. In FY94 alone, the NBC's bad loans totaled more than TSh 100 billion (more than 4 percent of GDP) and half of it owed by parastatals. As a result, there was a succession of recapitalization exercises in 1993-95 that involved issuance of government bonds-equivalent to 8 percent of GDP in 1995. Despite these actions, NBC continued to incur substantial losses until late 1995. The Bank and the IMF lacked a clear picture of the fiscal costs of bank restructuring although their importance and the need to integrate them into the financial medium-term framework was recognized in a 1990 internal Bank memo.<sup>11</sup> This together with the inadequacy of budgetary resources played an important role in delaying reform in the financial

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<sup>6</sup> Internal Memo, November 2, 1987.

<sup>7</sup> Internal Memo, February 12, 1990.

<sup>8</sup> Internal Memo, December 9, 1987.

<sup>9</sup> Memo of January 8, 1986.

<sup>10</sup> OED, PCR, *Tanzania: Agriculture Sector Adjustment Credit*, Report No. 13741, December 1994, and OED, IER, *Tanzania, Agriculture and the World Bank: An OED Review*, Report No. 18111, June 1998.

<sup>11</sup> Internal memo, February 12, 1990.

sector in Tanzania.<sup>12</sup> Another factor that delayed effective financial sector reform was the lack of parallel action to reform a judicial and legal system under which it was difficult to enforce a court injunction to repay or to get a court decision to liquidate a business. The collection of bad bank loans and the realization of collaterals were hampered, which in turn increased the budget costs of bank restructuring.<sup>13</sup>

1.14 Equally, the Bank and the donors did not take into account the extent to which severe weaknesses in the civil service would hinder implementation of structural reforms. Real wages in the civil service had declined sharply, and the pay scales had become severely compressed. Operation and maintenance resources available to them were inadequate. These developments, combined with deteriorating personnel management, led to a decline in staff morale, high rates of absenteeism and the departure of skilled and experienced staff. The civil service reform program launched in 1991 offered little in terms of concrete outputs and objectives for training civil servants.<sup>14</sup> Reform efforts became focused more on control of the wage bill than on efficiency improvements. Inadequate civil service pay and inefficiencies led to problems in all sector ministries, and reduced the efficacy of foreign assistance. This has been most evident in the roads sector (under the Ministry of Works) where the Bank and other donors financed over \$1 billion for integrated roads projects during the 1990s. The Warioba Commission (1996) reported that staff of the ministry accepted bribes routinely to approve upward variation orders and to conceal weaknesses in contractors. Donors, including the Bank, dealt with low pay and poor capacity in the civil service to manage their projects by setting up project implementation units and paying the staff in these units much higher salaries than the civil servants in the Government. This had the effect of further inhibiting capacity building in key ministries.

1.15 In the FY86-95 period, the infrastructure and agriculture sectors received the largest shares of Bank commitments for investment credits (see Table 1.1a). The Integrated Roads Projects (IRP I and II) accounted for 40 percent of total infrastructure sector commitments. These projects have not yet been rated by OED. The ratings for infrastructure for FY86-95 in Table 1.1b cover only 13 percent of the total commitments. The OED mission found that IRP I (FY90) suffered from several problems: a poor strategy for building capacity in the Ministry of Works (MOW); an overambitious design; a strategy to address the problem of road maintenance by creating a Roads Fund which in turn raised broader issues of earmarking and created the potential for misuse of funds because it was not ring-fenced; and, inadequate borrower ownership in addressing corruption issues in MOW, at least until 1998. Donor coordination and aid modalities were also a problem as this project was supported by 18 donors and too few resources for donor coordination. The quality at entry of IRP II, approved in FY94, was rated marginally unsatisfactory by QAG because problems in IRP I (slow disbursements, problems in procurement, lack of improvement in the institutional capacity of the borrower, and a breakdown in donor coordination) had not been addressed.<sup>15</sup> The physical targets set under the IRPs were only partially achieved. By 1997, 44 percent of the trunk road network (compared to a target of 60 percent by 1996) and 30 percent of the regional road network (compared to a target of 50 percent of the regional road network by 1996) were in good condition.<sup>16</sup>

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<sup>12</sup> 1997 IMF Internal Review of the ESAF.

<sup>13</sup> In Ghana, a higher recovery rate (of loans not written off) was in part due to the granting of special judicial powers to speed up the process of loan work-outs.

<sup>14</sup> Civil Service Reform in Tanzania. A Case Study Prepared by NORAD, May 1995.

<sup>15</sup> QAG, In-Depth Assessment Supervision Africa Highways Projects, May 12, 1999.

<sup>16</sup> Based on a note prepared for this review by OED.

1.16 In the agricultural sector six investment projects were approved, of which OED rated four that were completed at the time of this review. The outcome of one project—the National Agricultural and Livestock Extension Rehabilitation Project (FY89)—was rated fully satisfactory by OED. The project revitalized the extension service, built capacity to manage extension and integrated crop and livestock services. But it failed to build monitoring and evaluation capacity so that measurement of benefits and program adjustments proved hard to effect. The other three projects had limited impact on improving productivity in export and tree crops (two projects were rated marginally satisfactory and one was rated unsatisfactory). Although, the National Agricultural and Livestock Research Project of FY89 established a consolidated research structure, trained research staff, and enhanced the prospects of financial sustainability by developing sources of funding other than from the government budget, priority research programs (for example in the major export crop, cotton) did not get off the ground. The Tanzania Agricultural Export Rehabilitation project (FY88) failed in its goal to increase agricultural export earnings. Among the tree crops, cashew production did increase but this could not be attributed to the Cashew and Coconut tree crops project of FY89 (OED audit); the project's impact on the coconut subsector was less than satisfactory in terms of both research and propagation; in fact, research output for both crops fell short of appraisal expectations. The OED audit noted that in the absence of dramatic changes in productivity of tree crops, low input/low output smallholder production was likely to continue.

1.17 One project in education and one in health were approved in FY90. The education project strengthened sector planning and management, privatized textbook production and mobilized community resources. Two pilot components (community contributions to develop primary schools and secondary school scholarships for poor girls) formed the basis for the human resource development project (HRDP I) approved in FY98. However, according to the ICR, the credit had been only a partial answer to the challenges facing education; if the Government wanted to address the issues appropriately, it needed to adopt a broad-based approach including (a) developing a policy framework, sector strategy, and detailed plans for the implementation of the strategy and (b) building institutional capacity, including salary incentives for education sector staff. The project included a subcomponent to improve the information base which led to improvements in the statistical information systems of the Ministry of Education, but primary education data were still not available at the central level. In addition, the capacity for linking data on educational expenditures with education outcomes had not been developed.<sup>17</sup> QAG rated the quality at entry of the health project as unsatisfactory. The project design was too complex and ownership by the government of the project was very limited. Supervision in the initial years was weak and was rated unsatisfactory, although it improved substantially after 1993. The problems resulted, in part, from a high turnover of task managers, with at least five different task managers during the first three years. One major donor had a strong local presence, including expatriates in line Ministry positions but coordination with other donors was weak.<sup>18</sup>

1.18 In the FY86-95 period there were 18 pieces of economic and sector work. The industrial, parastatal, and transport sector work guided subsequent lending, but the parastatal review did not explore how consensus for parastatal reform could be built, given the legacy of socialism and the Bank's own past support of the very parastatals that it was now asking to reform. It also did not emphasize the need to link parastatal reform with financial sector reform and with the development of an appropriate regulatory framework. The Women in Development work had little impact on the Bank's work in Tanzania. There was no follow up of the FY92 Local

<sup>17</sup> ICR, *Tanzania: Education Planning and Rehabilitation Project*, Report No. 18137, June 1998.

<sup>18</sup> QAG Final Report. Quality of Supervision Assessment. Tanzania Health and Nutrition Project, April 7, 1997.

Government Reform Study in subsequent PERs or in civil service reform; local government is the main provider of public services and employs more than half the civil servants: task managers affected by recent rapid decentralization efforts of the government were unaware of the existence of the study. The ESW on AIDS has led, after several years, to some Bank initiatives (para. 3.30). In contrast to the above, a FY95 Social Sector Review appears to have had substantial impact (para. 3.9). An analysis of the agricultural sector (Agriculture Sector Memorandum) was produced only in FY95. The work diagnosed the many constraints on agricultural development. It listed the factors constraining agricultural growth but lacked clear suggestions for mitigating them, for instance, improving the workings of input and output markets, and increasing the access and availability of credit. It assumed that by reducing government control and interventions the private sector would fill the gap. It failed to anticipate that the private sector may not step in and that the government may have a legitimate role in improving the functioning of markets (as in the case of inputs). It also failed to identify measures to meet grower needs in the transition to a competitive environment. It acknowledged the importance of credit in bringing subsistence farm families into the market economy (subsequently reaffirmed by the Bank's 1995 rural participatory poverty assessment) but in the end placed too much faith on the private sector. The role of the government in the development of rural financial markets was noted but given low priority. Thus the relevance of the Bank's agricultural strategy was low. A generic problem across many of the reports during FY86-95 was that data limitations, which reduced the validity of conclusions, were not flagged.

1.19 Between 1993 and 1995 Tanzania's fiscal performance deteriorated (Table 3.1). Reductions in tax rates were not accompanied by commensurate improvements in tax administration or by the elimination of exemptions, and expenditure control was poor. Plans for a World Bank structural adjustment credit and a PFP were put on hold. The Government of Tanzania's (GOT) failure to collect, as agreed, all the counterpart funds arising from donor import support programs generated suspicions of corruption and difficulties with bilaterals. Events came to a head in November 1994, at which time the newly introduced systems of information collection (pre-shipment inspection records) and disclosure generated information on tax performance and tax evasion which led to the replacement of the Finance Minister, and to a postponement of a planned meeting of the donor Consultative Group.<sup>19</sup> Annual net ODA from bilateral donors declined in 1993-95 from its levels in 1987-92 but aid was still substantial; total disbursements from bilaterals were \$1.8 billion in the 1993-95 period.

1.20 The Bank's dialogue with the GOT in this period was also adversely affected by organization changes within the Bank. On July 1, 1992, the Tanzania program was moved from Southern Africa to East Africa. The change in leadership resulted in a lack of continuity in strategic thinking and loss of institutional memory.<sup>20</sup> In lending, conflicts arose within the Bank over how to sequence a second industrial adjustment credit, a public sector adjustment credit and a financial sector adjustment credit: no consensus on sequencing was reached.<sup>21</sup>

1.21 Because of the lack of a coherent strategy some important reforms were not pushed hard enough: for example, in export administration, the prevalence of hard-to-come-by export permits, and inordinate delays in obtaining duty drawback rebates from the Treasury; in agriculture, restructuring of the input supply system, and the remaining inefficiencies in

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<sup>19</sup> Report of the Group of Independent Advisors on Development Cooperation Issues between Tanzania and its Aid Donors (called the Helleiner Report), June 1995.

<sup>20</sup> Based on staff interviews conducted for the Financial Sector Adjustment Credit audit.

<sup>21</sup> Internal Memo, April 13, 1993.

agricultural marketing; and in the power sector, the reform of the Tanzania Electricity Supply Company.

1.22 In over 30 years of Bank assistance, IDA disbursed only an average of \$5 million annually in the social sectors, or 25 cents per capita.<sup>22</sup> Between FY82 and FY95 only one project in education and one in health were approved, although it is doubtful whether additional projects would have helped given the problems in these two (para. 3.9). In large infrastructure projects where poverty and gender issues could have been taken into consideration, they were not; IRP II (US\$170.2 million, approved in FY94) is one example: no more than 50 kilometers of road in some selected regions was set aside for labor based contractors in 1995.<sup>23</sup> Officials in the MOW did not consider short-term employment generation as an important spin-off from large infrastructure projects. Thus they could provide no data on the direct impact of infrastructure projects on employment and household income. Given the severe deficiencies in rural infrastructure, and the highly variable incomes in rural areas, labor-based public works could have provided an effective safety net in Tanzania, helping to smooth consumption of poor households over time.

## 2. Major Issues in 1996

2.1 The preceding chapter's review of economic developments in Tanzania through 1995 and of the efficacy of the Bank's assistance efforts suggests a decidedly mixed outcome on many counts. The development issues facing the country by 1996 were many and severe, ranging from low growth and macro-instability, to pervasive poverty, a poor enabling environment for private enterprise, inadequate domestic ownership and weak donor coordination.

2.2 **Long-term growth has not kept pace with population growth.** It is difficult to make an accurate assessment of the long-run performance of the Tanzanian economy. Severe problems in Tanzania's database were exacerbated by the dismantling of some of the traditional sources of national accounts data, such as the large trading corporations, without being replaced by centralized reporting requirements. GDP growth rates in standard Bank databases (for example, the World Development Indicators) are available only from 1989 on, and even these data are often inconsistent with data derived from other sources.<sup>24</sup> Data for past periods (1981-89) also vary significantly across documents. Estimates compiled from a variety of sources suggest that, for the 1961-96 period, GDP in Tanzania probably grew by about 2.9 percent per annum. Since population growth averaged 3.1 percent, per capita income growth was negative. A comparison of Tanzania with four other sub-Saharan African countries shows that, since 1961, it has fared considerably worse than three of them (Table 2.1). For the decade (1986-96) when Tanzania and its four comparators were under adjustment, Tanzania had the highest level of investment but the lowest efficiency of this investment as measured by the capital-output ratio.<sup>25</sup>

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<sup>22</sup> Internal Memo, April 27, 1994.

<sup>23</sup> Internal Memo, June 5, 1995.

<sup>24</sup> As one example, 1992 and 1993 GDP growth rates in WDI (1999) are -8.9 percent and 12.2 percent, respectively, whereas in the IMF Recent Economic Developments (1999) they are 0.6 percent and 1.2 percent respectively.

<sup>25</sup> See Agrawal et al, *Structural Adjustment, Economic Performance, and Aid Dependency in Tanzania*, WPS 1204, October 1993, for an analysis of the 1986-90 period.

**Table 2.1: GDP Growth (%) and Population Growth, 1961-96**

Country	GDP growth						Population growth	
	1961-66	1967-72	1973-78	1979-84	1985-90	1991-96	1961-96	
Tanzania	6.0	4.0	2.3	-1.0	4.0	1.8	2.9	3.1
Ghana	1.9	3.7	0.8	-1.4	4.9	4.3	2.4	2.6
Kenya	5.4	9.0	4.9	3.0	5.4	2.0	4.9	3.4
Malawi	7.0	5.7	5.9	1.9	1.9	4.4	4.4	2.9
Uganda	n.a	n.a	n.a	n.a	3.7	7.4	5.6	3.1

Source: WDI; for Tanzania, *Bank/Tanzania Relations, 1990*, PFPs, IMF RED (1999).

2.3 It is equally difficult to find reliable sectoral growth rates, but both agriculture (which employs 80 percent of the labor force and accounts for about half of GDP) and manufacturing appeared to have performed poorly.<sup>26</sup> Reports indicate that after a strong performance in the agricultural sector in the 1961-66 period, agricultural growth rates were poor for almost two decades. Between 1967 and 1984, agriculture grew at only about 2 percent.<sup>27</sup> Between 1985-96, according to a recent OED review, agricultural production grew “slowly”, consistent with the Food and Agriculture Organization’s estimate of an annual growth of agricultural output at 1 percent for this period and official grain production data of the Ministry of Agriculture which show stagnation.<sup>28</sup> However, tentative estimates in a 1999 review of agriculture by IFPRI suggest that between 1985-96 agricultural GDP grew by 3.3 percent. Even then, over a 30-year period, average agricultural growth per capita was negative.<sup>29</sup>

2.4 Data on export crop volumes in the OED review show that the production of sisal and pyrethrum were considerably below the volumes of the late 1960s. Production volumes of coffee and cotton, the major export crops (together accounting for one-third of traditional export crops), were unchanged. Tobacco and tea increased in production volume, but from very low levels. The production of cashew nuts increased in the 1990s, because of the government’s “Cashew Nut Improvement Program,” which provided inputs to farmers. In constant values (base year 1990), agricultural exports dropped by two-thirds from the late 1960s to the first half of the 1990s. Considering population growth, the contraction in agroexports was from US\$64 per person (1966-69) to US\$9 (1992-96), a drop of over 85 percent. The important aspect of this contraction is that poverty alleviation was adversely affected because export production is overwhelmingly dominated by small farmers, among the poorest of the population.

<sup>26</sup> A 1987 FAO report stated that Tanzania was unusual, even for a developing country, in that there is a general shortage of reliable statistical information, and an almost complete lack of statistics on crop acreages.

<sup>27</sup> U. Lele and L.R. Meyers cited in OED, *World Bank/Tanzania Relations, 1961-87*, Report No. 8329, January 1990.

<sup>28</sup> A 1996 World Bank report estimates the growth of agriculture at 5 percent per year. World Bank, *Tanzania: The Challenge of Reforms: Growth, Incomes and Welfare*, Report No. 14982, May 1996. Although the report states that the growth rate of agricultural production was 5 percent, examination of crop data in the report indicate that agricultural production had been decreasing since the mid-1980s (OED, *Tanzania, Agriculture and the World Bank* (op. cit.), pp. 32-33).

<sup>29</sup> International Food Policy Research Institute (IFPRI), *Agriculture in Tanzania Since 1986: Handmaiden or Engine of Growth*. Discussion draft, August 30, 1999.



**Table 2.2: Traditional Exports, Volumes Per Year** (metric tons, annual average per period)

	1966-69	1984-88	1989-91	1992-96	1997	Memo Item: Export Value (\$M)		
						1995	1996	1997
Cashew Nuts	84,191	40,521	10,655	51,638	100,800	64.0	97.8	73.4
Coffee	48,756	45,168	62,473	47,955	46,600	142.6	136.1	117.4
Cotton	66,689	35,369	46,052	55,469	77,300	120.2	125.3	116.5
Tea	6,860	11,416	17,024	20,863	20,400	23.4	22.5	30.1
Tobacco	4,641	7,175	7,597	14,345	6,200	27.1	49.2	12.9
Pyrethrum	187	57	25	34		n.a.	n.a.	n.a.
Sisal	203,230	31,226	21,568	19,486	13,700	6.3	5.3	8.5

Sources: Tanzania, Agriculture, and the World Bank: An OED Review, June 30, 1998. Volume for 1997, and export value data, are from Tanzania-Recent Economic Developments, IMF, Jan. 1999.

**2.5 Re-emergence of macroeconomic imbalances:** The macroeconomic stability achieved in the period of the ERP (1987-91) was reversed so that it again became a top policy priority. The average current account deficit excluding government transfers in 1992/93-94/95 was 26 percent of GDP and the overall central government deficit (including grants) was 3.9 percent of GDP. The macroeconomic imbalances reflected deficiencies in budgetary management. The GOT reduced tax rates in the 1992/93 and 1995/96 budgets without base broadening and developing tax administration.<sup>30</sup> To compensate for shortfalls in domestic tax revenues GOT increased custom duty rates in 1993/94 and 1994/95, delaying further liberalization of trade. On the expenditure side, weaknesses in expenditure controls were a key shortcoming of budgetary management. Total expenditures as a percent of GDP increased from 15.9 percent in 1991/92 to 18.3 percent in 1994/95 due to the rising share of the wage and salaries bill and domestic interest payments in total expenditures. The share of expenditures on other goods and services (as percent of total expenditures, as percent of GDP and as a percent of recurrent expenditures) declined; as a percent of total expenditures it declined from 51.9 percent in 1991/92 to 41.2 percent in 1994/95 (Table 2.3).

**Table 2.3: Tanzania: Composition of Expenditures as a Percent of Total Expenditures**

	91/92	92/93	93/94	94/95	95/96	96/97	1997/98 ( <i>prel.</i> )
Recurrent expenditure	83.3	78.8	76.6	82.4	79.6	82.7	74.2
Wages and salaries	19.2	19.0	21.0	22.9	26.2	31.2	28.6
Interest payments	12.2	12.9	13.9	18.4	18.9	17.4	15.1
Domestic	5.4	7.5	8.5	11.8	13.0	11.5	6.6
Foreign	6.7	5.4	5.3	6.6	5.9	5.9	8.5
Other goods and services and transfers	51.9	46.9	41.7	41.2	34.6	34.1	30.4
Development Expenditure and net lending	16.7	21.2	20.1	17.6	20.4	17.3	25.8

Source: IMF, Recent Economic Developments, January 1999.

**2.6** With the emergence of fiscal deficits and tight IMF targets for domestic credit, the Treasury bill auction introduced in 1993 became a major and costly source of financing for the

<sup>30</sup> Some Bank staff have commented that the Bank could have played a stronger role in 1990 when the Tanzania Investment Center was established, and prevented the creation of large tax exemptions used as incentives for investors.

government.<sup>31</sup> In FY92/93, Treasury bills (TSh 4.7 billion) made up only 4.3 percent of total government domestic debt. By 1994/95 the share of treasury bills (TSh 41.3 billion) increased to 12.9 percent and by 1996/97 (TSh 208 billion) to 30 percent.

**2.7 Slow progress in structural reforms-privatization of parastatals, civil service reform and financial sector reform.** In 1993, the government established the Parastatal Sector Reform Commission (PSRC) to coordinate and implement the privatization of parastatals. Only about one-fourth of the public enterprises that existed in 1991 had been disposed of by the PSRC in 1995.<sup>32</sup> Although some steps had been taken in infrastructure, significant privatization (in telecommunications, power generation and transmission, water, ports, airports, Air Tanzania, railways) had barely begun. Civil service retrenchment targets were missed because of inefficient personnel management and control systems which allowed “ghost” workers to remain on the payroll and because priority sectors were excluded from the retrenchment effort and the hiring freeze. Development of an efficient financial system was impeded by slow progress in the reform of state-owned financial institutions—most importantly, the dominant NBC. The lack of operational reforms at the NBC and inadequate policies of its management resulted in repeated accumulation of losses. Financial performance of the Cooperative and Rural Development Bank (CRDB) also fell short of expectations. Bank supervision was weak and there was no regulatory structure for securities markets and insurance.

**2.8** Treasury bill yields were expected to provide market-determined benchmark interest rates for the banking system. Although Treasury bill yields fluctuated, NBC rates rarely changed. Under these circumstances the effect of Treasury bill yields on private savings was very limited. The effect of Treasury bill yields on credit activity was even more limited as lending by the state-owned banks was restricted by the Bank of Tanzania (BOT) in the context of the stabilization program.

**2.9 Stagnant social indicators.** On the social side, although some indicators showed an improvement in the 1990s when compared to the 1980s, others stagnated or worsened. Life expectancy at birth increased from 46 years in the 1970s to 51 years in the early 1980s, but since then it has declined to 48 years in the 1990s. Primary gross enrollment rates were estimated at 66 percent in the 1990s, down from 93 percent in 1980.<sup>33</sup> The gross enrollment rate for secondary education was only 6 percent, a rate well below all its comparators. Tanzania ranked 150th (out of 174 countries) on both the Human Development Index, and the Gender-Related Development Index.<sup>34</sup> While national poverty lines are not strictly comparable, by the early 1990s Tanzania had 51 percent of its population below the national poverty line compared to 54 percent in Malawi and 55 percent in Uganda. With the re-emergence of macroeconomic imbalances in the early 1990s, however, by 1995 Tanzania appeared to have the largest percent of population below the poverty line, among its comparators (about 58 percent). Analysis of trends in poverty is difficult because the last survey covering all regions, and including Zanzibar, was done in 1993.<sup>35</sup>

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<sup>31</sup> Evaluation of Swedish Assistance (op. cit.).

<sup>32</sup> ESAF Review (1997).

<sup>33</sup> It should be noted that during the period of socialism both health and education services were provided free of charge, but the costs to the Government were unsustainably high.

<sup>34</sup> See UNDP, 1998 Human Development Report. The indices are calculated using 1995 social data.

<sup>35</sup> There were four household surveys in the last two decades (1983, 1991, 1993 and 1995) but welfare indicators used and the scope of the surveys differed.

**Table 2.4: Selected Social Indicators for Tanzania and Its Comparators: Latest Single Year**

	<i>Tanzania</i>	<i>Ghana</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Uganda</i>
Illiteracy rate	28	34	21	42	36
Primary Enrollment Rate (% gross)	66	75	85	89	74
Secondary school enrollment (% gross)	6	36	24	17	12
Child malnutrition (% under 5 yrs)	31	27	23	30	26
Life expectancy at birth (years)	48	60	52	43	43
Infant mortality (per thousand live births)	85	66	74	132	99

*Source:* Social Indicators, 1999.

2.10 Intra-regional comparisons of the burden of disease (percent of life years lost by cause of death) showed that in the 1990s, although perinatal and maternal conditions dominated mortality in Tanzania as in other countries in Africa, malaria and AIDS were important killers (see Appendix Table 1b).<sup>36</sup> More recent data on AIDS indicates that the adult HIV-1 seroprevalence rate (per 100 adults) had increased from 6.4 in 1994 to 9.4 in 1997. This rate was the same as in Uganda and higher than the Sub-Saharan average of 7.5.

2.11 **Constraints on women:** Tanzania's health, literacy and primary school enrollment indicators for women were similar to its comparators. However, these indicators did not reflect the widespread and pervasive gender inequalities facing women. Most significant were the lack of ownership and control of productive assets. Women comprised 60 percent of the agricultural labor force and were the main producers of food crops but the majority of land was controlled by men, women had only secondary use rights. They lacked credit and had little influence over decision-making at any level. In education, although there was no bias at the primary level, illiteracy rates were double those of men, suggesting that enrollment rates may not reflect real differences between girls' and boys' educational experience. At the secondary school level, girls' participation, performance, and completion rates were even lower than the very low rates for boys.<sup>37</sup>

2.12 The way men and women spent their time on certain activities provided additional insights into the constraints they faced and opportunities that existed for mitigating such constraints. Village transport surveys in Tanzania showed that women spent nearly three times as much time in transport activities as did men, and they transported about four times as much in volume.<sup>38</sup> Water, firewood, and crops for grinding were transported predominantly by women on foot. The SSA report estimated that reducing time burdens of women in Tanzania could increase household cash incomes for smallholder coffee and banana growers by 10 percent, labor productivity by 15 percent, and capital productivity by 44 percent.

<sup>36</sup> African Development Indicators, 1997, 1998/99.

<sup>37</sup> The 1998 status report on poverty in Sub-Saharan Africa (SSA) prepared for the Special Program of Assistance for Africa estimated that gender inequality in education and employment in SSA reduced per capita growth in the 1960-92 period by 0.8 percentage points per year.

<sup>38</sup> 1998 status report (op. cit.).

**Table 2.5: Gender Issues, 1990s, Latest Year Available**

	<i>Tanzania</i>	<i>Ghana</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Uganda</i>
Illiteracy rate: female(male)	38 (18)	43 (24)	28 (13)	56 (27)	47 (25)
Net primary school enrollment: % female(male)	48 (47)	-	-	71 (66)	-
Secondary school enrollment: % gross female (male)	5 (6)	28 (44)	22 (26)	12 (21)	9 (15)
Total fertility ratio	5.5	4.9	4.7	6.4	6.6
Maternal mortality rate, per 100,000	530	n.a.	n.a.	620	550
Life expectancy at birth: female (male)	49 (47)	62 (58)	53 (51)	43 (43)	42 (43)

Sources: WDI, 1999, and Social Indicators Datasheet, 1999.

2.13 **Corruption:** Tanzania suffered from widespread corruption. In 1996, the Warioba Commission presented a comprehensive and detailed survey of corruption. It documented incidences of corrupt practices in the judiciary, the police, the civil service, the revenue authority, including the customs service; in public procurement and resource management, in the issuance of licenses and permits for all types of business operations, and in providing access to public services such as health and education. It concluded that the spread of corruption was not due to the absence of appropriate policies, institutions, rules, regulations and procedures, but rather to the non-observance of established rules and the ineffectiveness of the established institutions.

2.14 **Constraints on private sector development:** Among the more obvious constraints were high lending rates, even as deposit rates were negative in real terms, and a complex and burdensome administrative and regulatory structure. The large spreads between lending and deposit rates resulted from delays in rehabilitating the state-owned National Bank of Commerce. NBC maintained relatively high lending and low deposit rates to enhance profitability. Given its dominant position in the banking sector, its rates determined those of other commercial banks. IFC's Country Impact Review also cites the financial sector as a primary obstacle to private sector development. In 1996, the Investor Roadmap study documented the nature of controls facing the investor in obtaining access to land and utilities, building and work permits, import clearances, and other licenses and permits.<sup>39</sup> Of the four countries where "Roadmap" exercises were carried out—Ghana, Namibia, Tanzania, and Uganda—Tanzania had the most extensive and time-consuming and least transparent regulatory framework.

2.15 The supply of credit was adversely affected by the restructuring efforts for NBC and the Cooperative and Rural Development Bank (CRDB) which had been the Government's main rural banking vehicle. Beginning in 1993, the CRDB, as part of its restructuring, suspended all lending operations. In June 1996 the NBC also was required to stop lending. Private banks hesitated to expand lending activity to areas other than trade financing because the collection of debts from defaulting customers was difficult and because of a lack of information on borrowers' past performance which increased risks. Firm level surveys in Tanzania identified the lack of formal credit to be the most important obstacle to firm expansion.<sup>40</sup>

2.16 **Poorly utilized and uncoordinated aid:** Donor assistance financed 85 percent of Tanzania's Gross Domestic Investment in the mid-1990s compared to 30 percent in SSA and

<sup>39</sup> The Investor Roadmap of Tanzania prepared for USAID Tanzania by Coopers and Lybrand, December 1996.

<sup>40</sup> Tyler Biggs and Pradeep Srivastava. *Structural Aspects of Manufacturing in Sub-Saharan Africa Findings from a Seven Country Enterprise Survey*. World Bank Discussion Paper No. 346, The World Bank, Washington D.C, 1996.

about 15.5 percent in low income countries (Table 2.6). At least 2,000 projects from over 50 different donors were identified in 1994.<sup>41</sup> The magnitude of project assistance made it unlikely that the Government would have undertaken all these projects on its own. Donor project assistance may therefore have undermined the Government's own articulation of strategic priorities. Excessive time was devoted to fulfilling separate accounting, reporting, procurement and auditing requirements, at the expense of policy making and implementation. Conversely, aid flows, including from the Bank, may have sustained an otherwise unsustainable policy environment during the early 1980s and during 1993-95.<sup>42</sup>

**Table 2.6: Aid Dependency, 1996**

	<i>Tanzania</i>	<i>Low-income</i>	<i>SSA</i>	<i>Ghana</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Uganda</i>
Aid (% of GNP)	13.7	3.5	5.7	9.7	6.8	22.4	11.3
Aid (% of Gross Domestic Investment)	84.7	15.5	30.4	44.0	32.5	17.8	69.8
Aid (% of imports of goods and services)	39.4	12.6	14.3	25.6	16.6	37.6	41.0
Aid per capita (current US\$)	29.3	12.7	28.9	37.4	21.9	50.0	34.6

Note: Aid includes official development assistance and official aid. The data covers aid disbursements of bilateral loans and grants from DAC countries, multilateral organizations and Arab countries.

Source: WDI, 1999.

2.17 Various donor practices also helped to undermine local capacity building. Most major bilateral donors prepared medium-term country strategies or programs, to which their specific project and technical cooperation decisions could be related, without substantive policy input from the Tanzanians.<sup>43</sup> Their technical assistance supported mostly foreign consultants. Many donors were giving salary supplements sometimes through indirect means (such as allowances for attending meetings and workshops).<sup>44</sup>

2.18 Donors exacerbated budgetary and expenditure control problems by providing off-budget assistance and by not making explicit the size of forward commitments or type of aid (program versus project) at the appropriate time in the budget cycle. Seventy percent of aid did not pass through the budget, and there was incomplete information on these off-budget donor supported projects.

2.19 The sectoral distribution of aid commitments by the eight major bilateral donors during 1986-97 showed that they intervened in all the eight sectors (in addition to providing multisector assistance), although they had special knowledge of certain sectors. Concentration of aid in a few sectors, whether based on comparative advantage or for the sake of efficiency, is not noticeable even in the last six years, 1992-97 (see Appendix Tables 6c and 6d). As mentioned in para. 2.16, the presence of virtually all donors in all sectors has placed an overwhelming burden on the Government and on aid coordination. On the other hand, because of strong historical interest of donors in certain geographic regions, different regions were generally associated with particular donors.

<sup>41</sup> Evaluation of Swedish Assistance (op. cit.).

<sup>42</sup> These findings parallel those of the recent Bank report on *Aid and Reform in Africa* (CODE99-77).

<sup>43</sup> Evaluation of Tanzania-Norway Development Cooperation 1994-1997.

<sup>44</sup> The Bank approved an Institutional Development Facility in September 1995 to build analytical capacity in the social sectors. The Advisory Board, the local supervisory body for the grant, had frequent meetings at the beginning of the project, but when the World Bank decreased payment for attending meetings to only one every four months, the Advisory Board completely stopped its supervision activity. See, PCR, IDF Grant to Build Capacity in the Social Sectors, draft, April 1998.

**2.20 Poor Government ownership:** The Government's lack of commitment was reflected in its failure to exercise fiscal control, its slow and uneven implementation of structural reforms, and its failure to enforce the laws and regulations intended to prevent corruption. Civil service reform was very much a donor driven process with little or no backing at the political level. Despite two public expenditure reviews and the report on corruption of the Warioba Commission, the Government failed to follow up on comprehensive recommendations for the strengthening of public expenditure management systems.

**2.21 Poor monitoring of social and economic developments:** No effective action was taken to remedy severe weaknesses in Tanzania's statistical database even though it continued to complicate economic and social management. The 1994 CAS, e.g., and the Progress report in 1996 included no monitorable indicators and no support for developing monitoring and evaluation capacity in Tanzania.

### Issues and the CDF Themes

**2.22** The various issues reviewed above, some hardy perennials; others chronically recurrent, can be easily catalogued under the Bank's Comprehensive Development Framework (CDF). The review in this chapter suggests that, by 1996, Tanzania needed support based on all four basic principles of the CDF—a holistic, balanced and long-term approach; domestic ownership by government, the private sector and civil society; partnerships; and a focus on results.

## 3. The Bank's Role Since 1996

### A New Beginning: Good Progress But Much Remains to be Done

#### Box 3.1: Tanzania: 1997 CAS

In view of the re-emergence of fiscal imbalances in the 1992/93-95/96 period, the primary focus of the Bank's dialogue with the new government that assumed power in November 1995 and of the CAS Progress Report (April 1996) was on stabilization and largely complementary structural reforms. The CAS presented to the Bank's Board in June 1997 followed up on many of the same issues. It reaffirmed the importance of fiscal actions to increase revenue, holding down expenditures on wages and salaries through reform of public administration, ensuring that O&M is adequately funded, that the composition of social sector spending is changed to improve efficiency and equity, that parastatals are reorganized and divested, and that the financial institution, NBC, is broken up, reorganized and then privatized. The CAS proposed a lending program of \$200 million per year for FY98-00 in agriculture, finance, power, human resource development and adjustment, together with complementary ESW. In addition, a poverty assessment was planned as well as a PER and PFP.

**3.1** The focus of the 1997 CAS was relevant for improving the quality of fiscal adjustment in Tanzania in the context of IMF-led stabilization but the CAS failed to move beyond these specific reforms to articulate a strategy that would stimulate growth. It emphasized the importance of agriculture in increasing growth but did not show specifically what was needed. Sectoral strategies for power, transport, and finance were not mentioned at all. Domestic ownership, partnerships and a focus on results were also neglected. In the end, the outcome was mixed; there were some major achievements, including in areas not covered by the CAS, and some major shortcomings.

## Strengths

3.2 **Support for macroeconomic stabilization with structural reforms-improvements in tax administration, parastatal, financial and civil service reform:** The Bank along with the IMF and other donors supported tax administration reform with the establishment of the Tanzania Revenue Authority.<sup>45</sup> The Bank approved an IDF grant for this purpose in FY96. The Bank then followed up with a Tax Administration Project in FY99. This project seeks to improve tax revenues without increasing tax rates by: (i) improving the legal framework; (ii) broadening the tax base; (iii) strengthening the Tanzania Revenue Authority; and (iv) improving the administrative infrastructure.

3.3 The Bank has further supported parastatal reform. Divestiture of parastatals has progressed from about 100 in 1995 to 239 in June 1998, of the 410 entities involved.<sup>46</sup> Transfers from the budget to parastatals declined from TSh 20 billion in 1992/93 to TSh 7 billion in 1997/98. The Bank's main vehicles of support have been the still ongoing Private Public Sector Management Project (FY93) and a Structural Adjustment Credit (SAC, FY97). The SAC entered the difficult area of restructuring the major enterprises and public utilities (telecommunications, harbors, shipping, freight, and railways). Delays are being experienced in three of these (telecommunications, harbors, and freight). Divesting holdings to the point of sale in large public enterprises was a condition of tranche release. Here the main issue has been to find a buyer. Controversies over asset valuation, unresolved issues with respect to retrenchment and severance packages, and settlement of debts of highly indebted enterprises have delayed their sale.

3.4 The Bank continued to push for financial sector reform through its Financial Institutions Development Project (FIDP, FY96) and the FY97 SAC. Under the FIDP bank supervisors in the Bank of Tanzania have shown substantial improvement in their reporting but follow-up action has been weak. Reform of NBC figured prominently in both the FIDP and the SAC. One of the conditions for SAC tranche release was dissolving NBC. In September 1997, the GOT decided to split NBC into two banks: a National Microfinance Bank (NMB) and a single full-service bank, the National Bank of Commerce, as a prelude to privatization. But there were delays associated with the privatization of NBC and NMB which have postponed the restructuring of the remaining financial institutions, and also the development of a nationwide competitive and efficient banking system. Finally, in April 1999, negotiations with a South African bank regarding privatization of NBC were completed successfully. NMB also was expected to be put under private management soon.

3.5 On civil service reform, the GOT adopted many elements of pay policy reform: a reduction in pay scales, grades and compression ratios; monetization of allowances and increases in salaries as well as the establishment of a Personnel Management and Information Unit in the Civil Service Department. However, civil service salaries remain low and far behind those in the private sector and the market in general. While retrenchments have proceeded well, the wage bill remains too high relative to O&M, which has further decreased from 41 percent to 30 percent of total expenditures between 1994/95 and 1997/98. Additional retrenchments are still needed. Organizational and efficiency reviews of ministries had somewhat mixed results; only a few underwent restructuring as a result of the reviews, and recommended manpower reductions were less than anticipated. Civil service reform has also been largely confined to the central

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<sup>45</sup> The Authority (substantially independent of the Government) was considered critical to increasing public sector revenues and reducing opportunities for tax evasion and corruption.

<sup>46</sup> IMF document from 1999.

administration with local government reform still in the beginning stages. The impact of the reforms on capacity-building in the civil service so far has been limited.

3.6 A Public Service Reform Project under preparation envisages a public sector that is client oriented, and is buttressed by institutional arrangements that encourage accountability and innovation. It is a programmatic credit structured in three phases over a 12-year period, each triggered by a set of performance criteria. The credit's longer-term perspective of public sector reform is a marked departure from the piecemeal approach to civil service reform that characterized much of earlier Bank lending. The triggers mark transitions to successive phases of the operation, following a logical sequence from piloting through mainstreaming. But the triggers are defined too vaguely and client orientation and accountability will be difficult to achieve if actual O&M spending falls short of the budget, as often occurred in the past.

3.7 As a result of all of these actions, macroeconomic indicators improved substantially: the government recurrent balance turned positive, inflation was in single digits and the current account deficit narrowed, Table 3.1. Renewed donor confidence was reflected in higher levels of external assistance. The share of Treasury bills in domestic debt was expected to decline to 19 percent and domestic debt service to 12 percent of GDP in 1997/98. The programmed debt service ratio shown in Table 3.1 for 1998/99 has been reduced to around 23% following rescheduling. Now that Tanzania has become HIPC eligible, the country's future debt service will be reduced further.

**Table 3.1: Tanzania: Selected Economic Indicators**

	1992/93- 94/95	1995/6- 97/98	1998/99 (prog.)
Real GDP growth	1.6	3.8	4.3
Real GDP per capita	-1.2	1.0	1.5
Inflation (Consumer price index)	27.7	18.7	10.1
Government recurrent savings (% of GDP)	-3.2	0.4	1.1
Government balance including grants (% of GDP)	-3.9	-0.3	0.9
Current account deficit (excl. official transfers as % of GDP)	-26.0	-14.1	-14.1
Current account deficit (incl. official transfers as % of GDP)	-11.5	-4.7	-5.5
External assistance(millions of U.S. dollars),latest single year	755.9	1,104.8	1,296.6
External debt service (% of exports of goods and non-factor services)	43	39	29.3

Note: External assistance is official transfers and loans including IMF disbursements.

Source: IMF.

3.8 Bank portfolio performance also improved. The percent of projects at risk declined from 43 percent to 24 percent between May 1998 and March 1999. The problems flagged in 21 active projects (as of March 1999) reflected the general progress in macroeconomic management. In April 1998, the most frequently flagged problems in all of 21 active projects was the weak macroeconomic setting (project located in a country with weak macroeconomic management).<sup>47</sup> The second most frequently flagged problems were disbursements delays (6 projects)<sup>48</sup> and a shortage of counterpart funds (6 projects). In March 1999, a weak macroeconomic setting was not flagged at all. Slow disbursement continued to be a problem but counterpart funding was

<sup>47</sup> Based on DEC country performance ratings with a three-year average of less than 3 on a scale of 1 to 5.

<sup>48</sup> Significant disbursement delays were 18 months or more for investment operations or six months or more for adjustment and emergency operations.



flagged in 3 projects down from 6 projects in the previous year. By July 1999 (the latest available information) disbursement delays were reported in only one project and no project reported problems in counterpart funding.

3.9 Internal Bank ratings of Country Policy and Institutional Assessment show a substantial improvement for Tanzania between 1995 and 1998, more than for its comparators (Kenya, Uganda, Ghana and Malawi). Still, its absolute rating had only returned to the 1992 level and was below that of 1991. The improvement since 1995 is primarily because of macroeconomic stabilization. Many structural and social constraints remain, especially in the enabling environment for private enterprise.

3.10 **A start in addressing the issue of stagnant social indicators:** The Government's new Education and Training Policy (March 1995) and Health Sector Reform proposal (October 1995) were consistent with the recommendations in the Bank's 1995 Social Sector Review. A National Poverty Eradication Strategy was also drawn up. Some restrictions on nongovernment suppliers of education and health services were reduced. The two troubled Bank projects in health and education were restructured and pilot projects were included to test new approaches to financing basic health and education services. The Bank's work also formed the basis of the Government's social sector strategy and for pilot project components in Community Education and in Girls Scholarships for secondary education (HRDP I of 1998). In the area of AIDS, the Bank has been leading a recent effort to engage the Tanzanian leadership in the fight against AIDS, and has offered financial assistance to the UNAIDS effort. The Bank has also participated in the "Roll Back Malaria" effort with WHO. Finally, the PERs have drawn continuous attention to misallocations of government spending in the social sectors.

3.11 **Increased attention to gender issues:** The 1991 Green Cover gender review raises a number of key relevant issues facing women in Tanzania, reflected in the 1994 and the 1997 CASs, both of which discuss the need to address gender issues and to increase women's time for productive activities. The Bank sponsored a "Gender Responsiveness" workshop in February 1996 ensuring the participation of NGOs, donors, government agencies and the media. Based on the workshop's recommendations, the Bank developed a Gender Action Plan (GAP) for projects already in the Tanzanian portfolio and suggestions for improving the gender responsiveness of the Bank's assistance program (including gender-awareness training and an evaluation of gender responsiveness in IDA projects). The GAP was also referred to in the 1997 CAS. The efforts of the Tanzania team to prepare a gender action plan with wide country participation and in consultation with other partners is notable. The GAP went a long way to putting together a framework for the country team.

3.12 One example of a comprehensive effort to mainstream gender concerns is the Bank's Human Resource Development Project (HRDP I). The Girls Secondary Education Support (GSES) program offers scholarships to low-income girls to attend day or boarding schools for up to four years. Although girls are reported to be performing well and dropout rates among them are lower than among non-GSES girls, it is too early to evaluate the impact of the program. While the relevance of this project component could be questioned given the minor difference between secondary enrollment rates for girls (5 percent) versus boys (6 percent), it does give a message about the importance of girls' education, and could potentially have important demonstration effects (see also Box 3.2).

**Box 3.2: Gender and Land Law**

A significant Bank contribution to policy formulation occurred outside of traditional activities in the recent land reform legislation in Tanzania. The groundwork was laid through the Bank's involvement in a regional project on gender, land reform and law, involving eight East African countries, including Tanzania. In Tanzania, several NGOs together with the Government created a task force to ensure that women's right were taken into account in land reform legislation. The Bank provided a small grant to undertake a comprehensive participatory assessment to help understand and feed the views of poor men and women into the formulation of the legislation. This assessment helped to create a link between the parliamentarians and their constituencies. Eventually the majority of the task force's recommendations were included in the law. The impact on women now depends on effective implementation.

**3.13 Support for the development of an anti-corruption program, though effective implementation remains problematic:** The Bank produced a frank report in early 1998 that assessed the effectiveness of the Government's anti-corruption program and suggested areas for World Bank assistance.<sup>49</sup> Recommendations were prioritized. The Government responded by developing an action plan but it is too early to assess implementation. A recent mid-term evaluation by the WBI of its past efforts in Tanzania to address corruption issues showed that, in the two key areas of enforcement, progress in implementation had been limited: reform of public procurement and registration requirements for civil society organizations.<sup>50</sup>

3.14 The lack of enforcement shows that the Bank in partnership with the government may benefit more by focusing on the soundness of the system of public financial accountability rather than narrowly on one aspect—corruption. The elements that drive the quality of public financial accountability prevent fraud and abuse. Although the Bank's report touched on many important aspects of public accountability, future work could cover in greater depth the accountability chain between the citizens and the legislature, the legislature and the executive, and the executive and citizens/businesses and probe where the breakdown occurs. It could examine the terms of accountability established in the legislation for holding the Executive arm of the government to account, the effectiveness of the legislature (the quality of the budget, reporting on performance and the operations of the oversight committees), the public accountability of line ministries for service delivery and central agencies for coordination and regulation, and the effectiveness of external critics such as the Comptroller and Accountant General, the media and civil society.

**3.15 Support for a country-driven formulation of the development strategy:** This has been an important achievement as bilateral donors have traditionally been reluctant to shift aid management responsibilities to the Tanzanian Government.<sup>51</sup> Under Bank guidance and in partnership with other donors, the Government has gradually assumed ever-increasing ownership, a marked departure from past practice (see Box 3.3).<sup>52</sup> The process was greatly facilitated by the appointment of a Tanzanian Bank staff member in a senior position to lead the Bank effort. The Government has now begun to develop its own strategy, the Tanzania Assistance Strategy (TAS), to which donor strategies, including the Bank's, will have to conform. Thus, a major objective of CDF is being promoted effectively.

<sup>49</sup> Tanzania Report of a World Bank Mission to Support the Government of Tanzania's Anti-Corruption Program, June 1998.

<sup>50</sup> EDI's Anticorruption Initiatives in Uganda and Tanzania: A Midterm Evaluation, July 1998.

<sup>51</sup> Aid and Reform in Africa (op. cit).

<sup>52</sup> See Helleiner, *Changing Aid Relationships in Tanzania (December 19, 1997 through March 1999)*, May 1999.

**3.16 Assistance in country-led donor coordination, encouraging transparency in aid flows and promoting harmonization of donor procedures:** As reported in the 1999 Helleiner Report, progress in all of the above areas has been significant. An important development was the transparent and participatory character of the 1997 Consultative Group (CG) meeting which, for the first time, was held in Dar es Salaam.<sup>53</sup> Recently, another major step was taken when, in the 1999 Government-led PER exercise, it was agreed that donor support would gradually be more fully integrated in the budget process (from 30 percent currently to 55 percent within three years). Still, interviews with donors indicated residual and understandable reluctance to do this unless the Government's financial management and accountability systems are strengthened. The PER identified five priority sectors: health, education, transport, agriculture and water. In the health sector, a number of donors have now agreed in principle to pool their resources and support a Government-led sector-wide development program although the modalities to do this are still at an early stage. The Bank's 1990 Health Reform project facilitated this process. In transport, the Bank has been instrumental in getting the Government to agree on a Road Fund managed by an independent Road Agency to ensure the availability of funds for O&M. Country leadership in education and agriculture still needs strengthening.

**3.17** On civil service reform, the Tanzanian cabinet approved in January 1999 a medium-term strategy for pay policy (so as to phase out salary supplements) and some important donors have bought into it. Still, agreement on pay policy will have to be reached by all donors, at the overall and sectoral levels.

### **Weaknesses**

**3.18 No tangible strategy yet to address the factors constraining long-term growth, particularly in agriculture:** The Bank has supported macro-stabilization and is dealing with the issue of poor institutional quality through specific projects. But it has yet to map out a concrete strategy for mitigating the constraints to growth, especially in agriculture. The draft IFPRI report (para 2.3) is a step in the right direction: it highlights the crucial role of agriculture in Tanzania's overall development, with special focus on the incentive framework. But the knowledge base for developing an agricultural strategy is still incomplete. Facts and analysis are needed on the constraints, with tangible suggestions for phased action within the framework of a comprehensive approach to the sector.

**3.19** While the inefficient agricultural parastatals in Tanzania were not sustainable, and therefore dismantled, they did provide credit to farmers and inputs on the basis of produce that was marketed through them. At the present time, marketing has broken down and farmers are not getting inputs or credit. Following its privatization in 1996, CRDB no longer lends to the rural sector. Other commercial banks also play a limited role in the rural areas. Between June 1994 and June 1998, bank lending for agricultural production has declined from 8.5 to 6.1 percent of total lending; for marketing of agricultural produce, from 22.9 percent to 1.7 percent, and for export of agricultural produce, from 2.9 percent to 1.5 percent. Efforts are being made by the Bank to put in place a framework for microfinance, including to serve rural areas (para 3.34), and the Bank has been concerned about declining fertilizer use and intends to address it through a future operation.

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<sup>53</sup> The 1999 CG meeting was held in Paris.

3.20 For agriculture, and for private sector development generally, the Bank's strategy appeared to be based on the assumption that once prices were liberalized and parastatals dismantled, the private sector would step in automatically to fill the vacuum (see e.g., Agricultural Sector Memorandum of FY95). This has not occurred. This problem is not unique to Tanzania: parallel reviews in other countries by OED are arriving at similar conclusions and the Bank as an institution needs to grapple with this problem.

3.21 The Bank's FY96 CEM highlighted several needed actions for agricultural development: increasing land tenure security of smallholders; improving farm technology through extension; developing rural financial services; improved rural education; privatizing parastatal farms; building input supply; rural road construction. The Bank has pursued these objectives mainly through individual projects (para. 3.23) but the approach was not yet part of a comprehensive agricultural strategy.<sup>54</sup>

3.22 The 1997 CAS also lacked a well articulated rural development strategy. It should have given priority attention to increasing exports, particularly agricultural exports. It noted economic improvements, notably in coffee, because of market liberalization and improved world prices. It saw great potential for expansion of the planted area. But it did not follow up with a strategy for export crops. The CAS cited prospects in cotton, high valued horticulture, and tobacco. The CAS' matrix recommends giving priority to the rural sector and lists several strategies/actions including research and extension, rural roads, rural credit schemes, but the recommendations were not grounded in facts or analysis, with concrete ideas for implementation.<sup>55</sup> In 1996, the Ministry of Agriculture's draft *Medium Term Agricultural Development Strategy* was completed, revised, and then discussed in a two-day workshop, but it was not considered in the CAS.<sup>56</sup>

3.23 The Bank's agricultural lending in FY96-99 concentrated on research, extension, and the management of water resources. The three agricultural projects approved in this period were consistent with the Agriculture Sector Memorandum. The agricultural extension project (FY97) provided resources to improve the linkages between research, extension and farmers, thus incorporating important lessons from earlier projects. However, the agricultural research project (FY98) provided funds only for research on food crops. It was not clear from the project's documents whether adequate resources were being generated to meet the needs of important export crops. In coffee, for instance, the development of disease free varieties is considered to be critical. A key objective of the agricultural research project was to reduce the role of the government in research. This failed to recognize that the government may have a role in providing a strategic framework for research activities. The impact indicators focused rightly on yield increases but because yields can improve on account of a number of factors including research, it was important to also specify intermediate indicators, such as those reflecting the extent of adoption of new technologies. All projects claimed to reduce poverty, but in contrast to yield impact indicators, none included any impact indicators which could demonstrate their contribution to poverty alleviation.

3.24 **A lack of balance between the attainment of fiscal discipline and protection of operations and maintenance spending or improvements in the efficiency and equity of social spending:** The cash management system introduced in 1995 successfully reduced fiscal imbalances but the brunt of the adjustment has fallen on recurrent expenditure, and within those on other goods and services. Preliminary estimates for 1997/98 suggest that the share of other

<sup>54</sup> OED, *Tanzania, Agriculture and the World Bank* (op. cit.), paras. 4.22-4.25.

<sup>55</sup> OED, *Rural Development: From Vision to Action?*, Report No. 19448, June 1999.

<sup>56</sup> OED, *Tanzania, Agriculture and the World Bank* (op. cit.).

goods and services in recurrent expenditures has fallen further to 30 percent (Table 2.3). Although the PERs have given much attention to weaknesses in the budgetary processes, Bank ESW should have focused more sharply on how the cash management system has achieved fiscal discipline but at the expense of service delivery.<sup>57</sup> It should have shown how “useful” expenditures within the broad category of other goods and services have been squeezed by monitoring the deviations between planned and actual expenditures for the priority sectors.<sup>58</sup> Success could then have been judged by smaller and smaller deviations over the medium-term horizon.

3.25 A number of factors besides Government spending policy affect social indicators, particularly in Tanzania where 85 percent of development spending is foreign financed, and nongovernmental organizations play an important role in the provision of social services. But the low level of Government spending also contributed to the stagnation in social indicators. According to the 1998 Public Expenditure Review (PER), public expenditure on education (recurrent and development) declined from 3.5 percent of GDP in 1994/95 to 2.6 percent in 1996/97, and on health remained at about 1 percent of GDP.

3.26 The problem of low levels of spending has been compounded by their inefficiency and inequity. Although allocations to primary education in recurrent expenditures have increased since the early 1990s, this expansion has occurred at the expense of secondary school allocations. At the same time, the share of expenditure on higher and technical education rose significantly despite the needs of primary and secondary. In health, curative services dominate recurrent expenditures. Also, within recurrent budgets, the relative share of non-personnel expenditures has continued to decline. As discussed earlier (para. 3.10), these problems were brought out in both the 1997 and 1998 PERs.

3.27 The emphasis in PERs and in the Social Sector Review of 1995 on sectoral and intrasectoral allocations in the social sectors was not mirrored in the SAC of 1997. The conditions did not address declining allocations for secondary school budgets, allocations between O&M and wages and salaries within the recurrent budget for education, and increasing the allocative efficiency and equity of spending on health (for example increasing spending on preventive health services and primary care, including family planning, and reducing spending on selective curative care). Many of the conditions were focused less on operational achievements that would represent effective progress and more on devising action plans and issuing circulars. Of the seven social sector tranche conditions, four asked for preparation of action plans and two asked for ministerial circulars. Moreover, conditionality was based on budgetary allocations

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<sup>57</sup> Under Tanzania’s cash management system, the aggregate level of the monthly expenditure ceiling (based on revenue collected) is allocated among three main elements: Consolidated Fund Services, mainly interest payments; Personnel Emoluments, mainly wages and salaries; and Other Charges, including purchase of goods and services and counterpart funds. If debt is underestimated or if expenditures on wages is more than budgeted, then other charges get squeezed. There are also damaging consequences on how line ministries choose to allocate their resources. Since they cannot rely on the Ministry of Finance for releases of O&M but they can rely on the Ministry of Finance for wages and salaries, the incentive is to maximize the budget on the payroll and not O&M.

<sup>58</sup> Expenditures on other goods and services is used as proxy for productive O&M. But other goods and services includes many expenditures that may not all be productive O&M. For example, the 1997 PER estimates that in public secondary education, in 1995/96, other charges represented 48 percent of recurrent allocations of which operations and maintenance and school materials was 10 percent, exam expenses were 3 percent, and 33 percent was allocated to student board/welfare. For National Referral Hospitals, 17 percent of recurrent (included under other charges) in 1994/95 was for overseas treatment. According to an IMF report another favored category included in other charges was travel.

which was not very meaningful not only because this does not capture results but also because in Tanzania the deviation between actual and budget allocation is very large, with actuals consistently falling short of budgeted amounts.

3.28 Given the magnitude of the AIDS problem, the Bank, in coordination with other donors, could have (i) assisted in developing country-wide surveillance systems; (ii) focused on prevention by promoting screening of blood and blood products, and preventing sexually transmitted diseases; and (iii) emphasized community interventions (health education through classes and mass information campaigns) since they were found to be the most effective means of addressing AIDS. The Bank could also have examined the gender issues involved in the AIDS epidemic since little attention was paid to this in the otherwise comprehensive AIDS Assessment and Planning Study of FY92.<sup>59</sup> A Tanzanian Ministry of Health study cites WHO statistics which show the number of AIDS cases in Tanzania, by December 1997, to be an estimated 1.4 million. AIDS was affecting the most productive age group ranging from 20 to 49 years for males and from 15 to 44 years for females. With regard to malaria, one of the Bank's tranche conditions in SAC 1997 was preparation of an action plan to reduce life years lost to malaria. Tranche release documents show that this plan was prepared, but it remains to be seen how effectively it will be implemented.

3.29 **Inadequate Gender Mainstreaming in ESW and Lending:** The Bank's policy requires that the overall assistance to a country be designed with a full understanding of the differential impact of development interventions on men and women. Attention to these issues is therefore required in economic and sector work and the PFP. *The Challenge of Reforms* (May 1996) addressed gender issues quite comprehensively. It raised them with respect not only to education but also inheritance and land rights, political participation, health, and the potential favorable effects of market liberalization on women's small enterprises. However, the PFP for 1998/99-2000/01 did not mention gender at all except for the objective of targeting secondary school scholarships for poor girls. Yet there was potential for addressing gender in a wide range of issues such as smallholder agriculture, poverty reduction, civil service reform, health and health sector financing and improved statistics.

3.30 At the project and program level, overall, the Bank's portfolio did not lead to results on the ground. Despite the fact that the CASs identified gender issues and established a GAP for Tanzania, the linkages with the lending program were weak. Mainstreaming at the project level was much more sporadic despite the country director's efforts to establish a monitoring system and make it a regular part of his portfolio review.<sup>60</sup> The 1996 Gender Action Plan (GAP) recommended four actions for execution under the ongoing SAC: the expenditure program to give priority to the social sectors, monitoring of female staffing under parastatal and civil service reform, strengthening basic data collection, and studying/monitoring of the impact of the SAC on income and employment at the household level. Although the SAC had conditions for social sector spending, these were not adequate. The other three actions were not pursued and reasons

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<sup>59</sup> In Tanzania, 7 percent of women are infected with the HIV virus as compared with 5 percent of men. Women are also infected at a younger age than men (peak transmission years being 20-24 years), and risk infecting their children. Further, there are complex interlinkages between poverty, inequality and, in particular, gender inequality and the AIDS epidemic that should be addressed in prevention and care.

<sup>60</sup> Of the 11 projects approved for Tanzania between FY94-98, more than half had some reference to gender issues; this was an improvement over the previous five years, when only 25 percent did. Tanzania's performance was the same or better than 3 of its 4 comparators. Its performance also improved in terms of the percent of projects with an analysis of gender issues and specific actions to be initiated (projects rated a 2) (Annex Table 1c). But clearly there was room for improvement.

were not provided. Similarly, the GAP made recommendations for gender-based actions on 15 of the 18 on-going or upcoming project activities, most being connected with agriculture, but action was taken or planned only in five cases. There has been an improvement in the design of the later projects. For example, the two agricultural projects (National Extension Project II, FY97, and Agriculture Research Project II, FY98) explicitly reflected gender considerations in their objectives but supervision reports do not systematically report and monitor progress on gender components. Overall thus, attention is minimal, although it is increasing, and there needs to be greater emphasis on monitoring and evaluation of project outcomes and impact in a gender disaggregated manner. Where mainstreaming took place like in the education sector, the efforts were so small that they could not meaningfully influence results on the ground. The region is of the view that resources have not been adequate to meet the demands of integrating gender effectively in lending operations.

3.31 The mission found that there are important opportunities for improving the Bank's impact in five areas. The first is investments to reduce women's time burdens in both domestic and productive work, an area that has implications for ongoing projects, particularly in agriculture, and for projects under preparation in rural water supply, sanitation and roads as women spend large amounts of time collecting water and transporting goods. The second is the ongoing democratization and decentralization process which has potential to draw women and men equally into decision making. This will require explicit efforts because women are currently grossly underrepresented in decision-making processes at all levels. The problem is particularly acute at the village level where, in 1993, women represented just 6 percent of councilors. The third is strengthening and clarifying the role of the Department of Community Affairs, Women and Children. The Department has the mandate to act on gender issues but lacks both clout and capacity. The fourth is the public expenditure review process. The Bank could support making the budget process more responsive to gender and poverty concerns. The fifth is donor coordination on gender issues. The management and Board will have to provide resources to the country team to fully take advantage of these opportunities.

3.32 **Limited focus on private sector development:** Tanzania ranks low on the five measures of private sector development developed in a 1994 OED study: depth and vitality of the local private sector; level of development of the country's legal system; level of development of the local stock market; level of development of the private banking system; and the ability of the local private sector to manage large businesses.<sup>61</sup> The concerns expressed to the OED mission in interviews echoed some of these indicators. The suggestions made to strengthen the environment for the private sector included: (i) strengthening the commercial courts to facilitate collection of debts from defaulting customers; (ii) rationalizing taxes; (iii) developing accounting and auditing at the firm level; (iv) creating an information base on borrowers' past performance; (v) developing the indigenous private sector (for instance via training, incentives for joint alliances, and publishing the brochures for the investment code of 1997 in the indigenous language also rather than only in English); and (vi) rationalizing the myriad of regulations discussed in the Roadmap study. For its part, IFC, in its Country Impact Review, identifies five major constraints to private sector development: the slow pace of privatization, delays in financial sector reform, weak infrastructure and human resources, government ambivalence about the private sector, and aid dependence. (These IFC findings are consistent with the findings of

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<sup>61</sup> These indicators were developed in OED, *World Bank Assistance to Privatization in Developing Countries*, Report No. 13273, August 19, 1994. This concluded that while a well-developed local private sector can help realize the promise of privatization, it is less clear that privatization can help create a strong private sector where one does not already exist.

this evaluation: see, the earlier discussion on parastatal and financial sector reform, transport, education, excessive and uncoordinated aid.)<sup>62</sup>

3.33 The absence of a strong framework for private sector development is not only inhibiting this development, but also domestic pressures are emerging to resort to protection for selected manufactured goods (for example, sugar) and to grant generous incentives for certain sectors (mining). There is concern that some of the past gains in lowering effective rates of protection could be eroded.

3.34 The Bank's role and impact on the enabling framework for private sector development have been limited. To be sure, macro-stabilization was a condition *sine qua non* to restore private sector confidence. Also, structural reforms in the financial sector did bring about an increase in private sector credit during 1997/98, but resource mobilization and financial sector intermediation continue to be adversely affected by the long delays in reforming NBC. In the area of micro finance, the Bank has been supporting reform of the National Microfinance Bank and is helping through a new project to develop a common policy framework for development activities of the Government agencies and donors active in the sector (Rural and Micro finance Services Project of August 1999). More recently, the Bank is (or will be ) addressing, in varying degrees many of the issues cited in para. 3.32 above through both lending and non-lending activities. But these are piecemeal efforts. The important question to be answered is what is the proper role of Government in making the private sector the engine of growth. The challenge for the Bank is to help define that role, and accordingly, suggest regulatory and institutional frameworks to be developed and undertake complementary investments in infrastructure and human resource development. In this endeavor, Bank and IFC staff should complement one another. Bank staff should draw on IFC's experience and lessons learned from IFC activities, while IFC staff should be kept abreast by the Bank of developments in the overall policy environment.

3.35 **No emphasis on strategic selectivity in donor assistance:** Distribution of sectoral commitments by eight bilaterals traditionally very active in Tanzania showed that by 1996-97, of the six with sizeable commitments, only Denmark appeared to be moving towards engagement in fewer sectors.<sup>63</sup> A recently completed evaluation of Norway's assistance to Tanzania for 1994-97 showed that fragmentation of their assistance had increased even as funding fell by 45 percent in nominal terms; the number of sectors had increased with average amounts of resources going to each sector declining. There is a good working relationship between the World Bank and UNDP and this should be used to move the selectivity process forward. Other than alternatively chairing the monthly DAC meetings, there has been little substantive discussion of joint programs and of their areas of comparative advantage. It was suggested that the World Bank's advantage lies in providing a sound strategy and that of UNDP's in helping the government implement this strategy at the lower levels of Government.

3.36 **Limited assistance in building monitoring and evaluation capacity:** In 1999, Tanzania has very few statistical publications, and no fully articulated publication policy. Key data problems include significant amounts of aid-financed capital spending not captured by the fiscal

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<sup>62</sup> The fact is that, as reported by the "Institutional Investor" (1999) Tanzania offers an unwelcome climate for foreign private investment and this situation has not changed materially during the past five years. Twenty-six countries in Africa were rated including Tanzania. Between September 1995 and March 1999 Tanzania's rating improved by 9.6 percent. The rate of improvement was higher in seven other countries in Africa, and the absolute level was better in 13 of the 26 countries in March 1999.

<sup>63</sup> The numbers in the Annex tables are those reported by bilaterals to DAC and may differ from numbers currently available from head offices.



accounts, lack of information on the financial position of parastatals and provincial governments, relatively poor foreign trade statistics, poor external debt data, poor data on social indicators (including population growth), and few statistics differentiated by gender. Important social data (for example, percent of population with access to health care, population below the poverty line, disaggregated by rural and urban areas) is not available. The Private Public Sector Management Project of FY93 included a component for improving the data base but it was not successful. A national welfare monitoring component to be funded under HRDP I (1998) has yet to be implemented.

**Box 3.3: Tanzania: Good Practice**

**Support for a country-driven formulation of the development strategy:** This has been reflected most dramatically in the recent PFP (1998/99-2000/2001) and PER (1998 and 1999) processes. The Government took the lead in the preparation of the PFP and effectively involved both the line Ministries and the entire cabinet in the process. The World Bank staff were highly supportive of this new PFP process and backed the effort to ensure maximum Tanzanian ownership. The contents were more widely discussed within the Government than ever before. In contrast to the situation at the start of adjustment when the PFP was a secret document, the last two PFPs have been published. The Bank sought increased Government participation in PERs starting with the 1998 PER, and for the 1999 PER, a Working Group was led by the Government, with the secretariat situated in the World Bank country office. Tanzanians were involved in many of the studies conducted by the Working Group; sector ministries as well as donors were closely associated with the process. One major outcome has been that the number of public development projects has been significantly reduced, via prioritization and rationalization. In the end, a government-owned PER process should provide an alternative to complex conditionality in donor lending programs to induce policy change. For this to occur, the PER process should be used as an opportunity to continuously review the progress made in establishing sound budgetary policies, a major source of concern for donors.

## 4. Conclusions and Recommendations

4.1 Over the four decades of Bank assistance to Tanzania, the relevance and efficacy of the Bank strategy have improved slowly, but the impact on growth and poverty reduction has been limited: this, in spite of several positive factors, including political stability, freedom from ethnic/tribal unrest and war, no policy reversals, access to the sea, high levels of investment and donor support. In the first phase (1961-85), the Bank supported a flawed Tanzanian strategy: the outcome was unsatisfactory; the strategy lacked relevance and was not sustainable. In the second phase, 1986-95, the Bank's strategy became more relevant. It addressed severe economic policy distortions and project outcomes were much improved. But the strategy was not sustainable as institutional development lagged: parastatal reform, financial sector reform, civil service reform had barely started; public expenditure management was poor; tax administration was weak and corruption was widespread. Poor fiscal management in 1992-95 derailed the Bank's program. Major sectors-agriculture and manufacturing performed poorly. Private sector development was constrained. Social, gender and AIDS issues were neglected. Monitoring of social and economic developments was complicated by severe weaknesses in Tanzania's database. Borrower ownership was limited. Salary supplements by donors distorted wage structures and modalities of bilateral assistance exacerbated budgetary and expenditure control problems. Many donors intervened in all sectors without an attempt to be selective.

4.2 It is too early to judge the outcome of the new Bank's strategy initiated in 1996. None of the projects approved since then have as yet been rated by OED. But the initial results are encouraging. Wherever the Bank has put its focus outcomes have improved. The Bank's assistance has become more relevant, and, in the process, has helped to generate substantial institutional development. The Bank supported stabilization with reform of parastatals, the civil service, the financial sector, and tax administration. It assisted in donor coordination and encouraged donors to pass greater amounts of their assistance through the budget. It also promoted borrower ownership. In several of these areas, progress has been remarkable, given past history. But much remains to be done to begin to address the interrelated objectives of poverty alleviation, growth and private sector development. Stabilization was achieved but there has been little improvement in the composition or quality of public spending, and there is as yet no tangible strategy for agricultural development. Accordingly, the sustainability of the substantial achievements is not secure. The analysis in this report suggests a need to intensify efforts on the following issues in the future:

### **Balanced, Long-Term Growth**

#### *Growth*

- **Supporting a strategy for private sector development:** While the reform of NBC should improve financial intermediation, strengthening institutions (e.g., commercial courts, accounting and auditing frameworks), rationalizing taxes and regulations, and infrastructure development are key for private sector development. Support for the indigenous private sector will create a broader constituency for reform. Bank efforts in these areas should be closely coordinated with IFC and MIGA, and private sector development should be made an integral part of the CAS.
- **Developing a rural strategy:** A key focus of the economic and sector work should be an analysis of the constraints to increasing agricultural export production, where there is significant potential for poverty reduction.

#### *Social Policy and the Budget*

- **Protecting productive operations and maintenance expenditures:** Essential O&M spending needs to be separated out from the category of government spending on "other goods and services." The Bank could then assist in helping safeguard these expenditures by monitoring the deviations between budgets and actuals.
- **Leveraging Bank assistance to address distortions in social policy and improve the poverty focus of projects in other sectors:** The Bank has an advantage over bilateral donors in addressing the efficiency and equity aspects of government social spending via its policy loans. Bank projects in Tanzania, particularly in agriculture and transport should have a strong poverty and gender focus, e.g., in transport, by promoting labor-intensive methods.

#### *Structural Reform*

- Bank strategy should be conscious of the linkages between different reforms: public enterprise/financial/judicial/regulatory. It should also guard against the possibly perverse impact of foreign assistance on domestic capacity building and the integrity of the budget system.

- Implementing a corruption strategy: Although the onus of implementing a corruption strategy lies with the Government, the Bank should closely monitor good governance, conditioning the level of its assistance on effective implementation of specific actions to improve governance, such as those contained in the Bank 1998 Report, rather than on programs instituted or action plans adopted.<sup>64</sup>

### *Gender*

- The Bank should follow through on its analyses with appropriately designed credits. As discussed in para. 3.31, there are good opportunities for improving the Bank's gender impact.

### **Ownership and Partnership**

- The Bank, the donors and the Government could use the PERs as an opportunity to review the progress made in strengthening weak financial management and accountability systems at the central and decentralized levels, a key donor concern impeding greater integration of their support in the budget process. Implementation of pay policy reform and phasing out of salary supplements, as a means to avoid the need for PIUs, would also need to be continuously monitored by all development partners.

### **Aid Coordination**

- The Bank should allocate resources to assist the Government in carrying through with its planned "Tanzania Assistance Strategy" (TAS). Given that major TAS objectives include removing inefficiencies of fragmented and parallel aid delivery systems and strengthening monitoring and evaluating mechanisms, the Bank has an opportunity to assist the Government and, through example and dialogue, to encourage other donors to adhere to country efforts to increase the coherence, selectivity, and harmonization of donor resources.

### **Data**

4.3 The Bank could assist Tanzania in helping to improve its social and economic database. Without reliable baseline data, neither the Government nor donors will be able to monitor and assess outcomes, or focus on results.

### **Other**

4.4 In addition to the recommendations for improving the substance and focus of the Bank's assistance to Tanzania, there are a number of housekeeping issues that need attention. They are presented below together with recommendations.

4.5 **Increase familiarity with Bank procedures:** Senior civil servants expressed dissatisfaction and insufficient knowledge of Bank procurement procedures.

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<sup>64</sup> Op. cit (footnote 49).

4.6 **Devote more resources to supervision in sectors where donor coordination needs are the greatest:** Among the more than 100 donor-assisted countries, Tanzania was surpassed only by Mozambique in having the most donors active in the education (14) and health (16) sectors.<sup>65</sup>

4.7 **Improve incentives/budgets to put together cross-sectoral teams.** Civil service reform and the public expenditure review process were perceived to be extremely important by sectoral task managers (health, education, transport) and could therefore draw on the collective expertise of sectoral managers who spend a significant amount of their time working on Tanzania. But work programs generally did not allow for this.

4.8 **Improve incentives to undertake gender training and monitoring:** Most staff in the country office were unaware that there was a “GAP” and what it meant for their work. A workshop designed for project coordinators attracted one person. Gender sensitization was perceived by many as another “fad”. Only four task managers inputted the gender monitoring system developed in mid-1998 for Tanzania. Supervision documents, even for post-1996 projects, did not report systematically on gender issues although data were available. A full-time gender coordinator, and dedicated resources for gender efforts, may be necessary.<sup>66</sup>

4.9 **Reduce loss of institutional memory.** Some task managers were not aware of critical ESW on Tanzania, the importance of Tanzania’s long legacy of socialism, what had worked in the past and what hadn’t. ESW references to progress made since the last ESW in the same area were sketchy (see CASs, PERs). Regional staff were only vaguely aware of WBI’s work in addressing corruption issues and of the work by the Capacity Building Technical Group.

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*Note: Recommendations for which a Management response is sought are presented in Annex B.*

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<sup>65</sup> Based on information collected by DANIDA for DAC Working Party on Aid Evaluation Meeting on January 1999.

<sup>66</sup> A number of task team leaders cited having to raise funds for specific gender-related actions they wished to take.

## List of Persons Met

### ON MISSION:

#### **Resident Mission staff:**

Mr. Ron Brighish  
 Dr. Emmanuel Gaudensio Malangalila  
 Prof. Benno J. Ndulu  
 Rakesh Nangia  
 Donald Sungusia  
 Rest Lasway

#### **Government Officials and Others:**

Ms. Mwatumu J. Malale, Principal Secretary, Ministry of Community Development,  
 Women Affairs & Children  
 Mr. Charles Mutalemwa, Permanent Secretary, Planning Commission  
 Mr. J. Rugumyamheto, Permanent Secretary, Civil Service Department  
 Mr. Ngemera and four staff members, Ministry of Industry and Trade  
 Mr. Bagenda, Ministry of Education  
 Technicians from the Treasury  
 Permanent Secretary, Ministry of Agriculture  
 Prof. Idris A. Mtulia, Permanent Secretary, Ministry of Water  
 Dr. Swai, Programme Manager, National AIDS Control Programme-Tanzania  
 Mr. Ngumbullu, Permanent Secretary, Office of the Vice President and four staff  
 Mr. Peniel M. Lyimo, Deputy Permanent Secretary, Ministry of Finance  
 Ambassador Joshua W. Opanga, Head, East African Co-operation Unit , Ministry of  
 Foreign Affairs and International Co-operation  
 Mr. C. S. Kimei, Managing Director, CRDB  
 Mr. Ali Mufuruki, Chairman, InfoTech Investment Group  
 Mr. A.B.S. Kilewo, Chairman, Tanzania Private Sector Foundation  
 Mr. Peter E.M. Noni, Director of Economic Policy, Bank of Tanzania  
 Dr. A. Zuberi, Program Development Specialist, Tanzania Private Sector Foundation  
 Mr. Wilyam Kleiman, Chief Technical Advisor, Civil Service Reform Programme  
 Prof. Joseph Semboja, Executive Director, REPOA, Research on Poverty Alleviation  
 Prof. Lipumba, Former Prof in University of Dar es Salaam

#### **Donor Agencies**

##### *Denmark*

Danish Ambassador to Tanzania  
 Mr. Torben Lindqvist, Counsellor (Development), Royal Danish Embassy

##### *European Union*

Mr. Klaus Schmidt, First Counsellor (Economic)  
 Mr. Ranieri Sabatucci, First Secretary (Development)

*Germany*

Mr. Klaus Wendelberger, Economic Counsellor and Consul, Deputy Head of Mission,  
German Embassy

*Japan*

Mr. Yuzo Ota, Minister, Embassy of Japan  
Mr. Shinya Nakai, Resident Representative, JICA Tanzania Office

*Netherlands*

Mr. Frans van Rijn, First Secretary, Economic Affairs, Royal Netherlands Embassy

*Royal Norwegian Embassy*

Mr. Arne Hollerud, First Secretary (Infrastructure)  
Mr. Morten Heide, Resident Economist  
Ms. Inger Sangnes, Second Secretary (Education)

*Sweden*

Dr. Jorgen Levin, Economist, Embassy of Sweden

*Switzerland*

Mr. Olivier Burki, Deputy Head, Swiss Agency for Development and Cooperation in  
Tanzania  
Mr. Nicholas Zingg, Swiss Agency for Development and Cooperation in Tanzania

*UNDP*

Ms. Sally Fegan-Wyles, UNDP Resident Representative

*USAID*

Ms. Sherry Lewis

**HEADQUARTERS:**

Over 40 people were interviewed at Headquarters.

## Tanzania: Country Assistance Evaluation

### MANAGEMENT ACTION RECORD OF OED RECOMMENDATIONS, MANAGEMENT RESPONSES AND ACTIONS

Major OED Recommendations	Management Response
<p><i>Growth:</i> Agriculture and private sector development are key to Tanzania's future. The Bank should closely coordinate with IFC and MIGA in identifying the major constraints in these areas, develop a strategy for mitigating the constraints, and outline a specific role for the Bank Group in these strategies.</p>	<p>While we believe the report does not fully acknowledge the amount of change (and progress) in Tanzania in both of these areas over the past 3 years, we agree with their priority as stressed by OED. In respect to agriculture (or, more accurately, rural development) we are expecting to take the recent IFPRI work and develop an analytic work program and operation focusing on key constraints. We would like to acknowledge that the OED work and follow-up interactions on it have contributed to the focus and intensity of our effort here; we would also highlight it's general observation that the existing strategies in low income countries have not had the impact envisioned. On private sector development we believe that the present strategy can be defended and that many of the problems highlighted in the OED report reflect the inevitable difficult transition from a state-led to market-based economy. The private sector will be the focus of our next SAC and privatization and reform will remain key components of our program.</p>
<p><i>Social Policy and the budget:</i> For the poverty reduction strategy to produce desired results, it is critical that actual recurrent social spending on health and primary and secondary education is adequate. The share of essential O&amp;M spending should be increased to improve the efficiency and equity of existing social programs. The appropriate vehicle for the Bank to achieve these objectives would be policy-based lending with specific timetables for action.</p>	<p>We agree with this recommendation and expect to move to a greater emphasis on policy based lending in the social sectors. We do believe that the time we have taken to assess social sector issues and work on implementation capacity is paying off and that it is important that this recommendation not be taken to suggest that we provide resources to these sectors in the absence of sustaining this progress.</p>
<p><i>Gender:</i> Reducing the time burden on women in Tanzania has the potential to increase household incomes, and labor and capital productivity quite significantly. The Bank should invest in projects that reduce women's burden in both domestic and productive work, e.g. rural roads, water supply and agriculture.</p>	<p>We agree with this recommendation.</p>

<b>Major OED Recommendations</b>	<b>Management Response</b>
<p><i>Follow-thru:</i> The Bank should monitor the implementation of the action plans that it helped formulate, specifically in the areas of corruption, gender and malaria, and report on progress in its next CAS.</p>	<p>We agree but would note that the total burden being placed on the program (with these issues as well as the HIPC, PRSP, an expanded lending program, a greater role in donor coordination, etc.) will not be feasible in the absence of additional resources.</p>
<p><i>Data:</i> The Bank should identify data weaknesses, most urgently in areas related to poverty reduction, and assess the scope for technical assistance, giving due attention to data generation efforts of other donors and civil society.</p>	<p>We agree and are working on this with the Government and interested donors.</p>



Table 1a: Tanzania: Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1992-97	Sub-Saharan Africa	Low-income
<b>POPULATION</b>					
Total population, mid-year (millions)	15.9	21.8	31.3	612.4	2,035.6
Growth rate (% annual average)	3.0	3.2	2.4	2.2	1.7
Urban population (% of population)	10.1	17.6	25.6	32.3	28.4
Total fertility rate (births per woman)	6.8	6.7	5.5	5.5	4.0
<b>POVERTY</b>					
<i>(% of population)</i>					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
<b>INCOME</b>					
GNP per capita (US\$)	..	..	210	510	350
Consumer price index (1995=100)	1	8	139	118	122
Food price index (1995=100)	..	10	141	..	..
<b>INCOME/CONSUMPTION DISTRIBUTION</b>					
Gini index	..	..	38.2	..	..
Lowest quintile (% of income or consumption)	5.0	..	6.8	..	..
Highest quintile (% of income or consumption)	53.0	..	45.5	..	..
<b>SOCIAL INDICATORS</b>					
<b>Public expenditure</b>					
Health (% of GDP)	..	..	1.1	2.5	1.0
Education (% of GNP)	..	..	..	4.3	..
Social security and welfare (% of GDP)	..	..	..	..	..
<b>Net primary school enrollment rate</b>					
<i>(% of age group)</i>					
Total	..	56	48	..	..
Male	..	55	47	..	..
Female	..	56	48	..	..
<b>Access to safe water</b>					
<i>(% of population)</i>					
Total	39	52	49	47	69
Urban	88	85	65	74	80
Rural	36	47	45	32	66
<b>Immunization rate</b>					
<i>(% under 12 months)</i>					
Measles	..	66	69	58	74
DPT	..	67	74	53	76
Child malnutrition (% under 5 years)	..	..	31	..	..
<b>Life expectancy at birth</b>					
<i>(years)</i>					
Total	46	51	48	51	59
Male	45	49	47	49	58
Female	48	53	49	52	60
<b>Mortality</b>					
Infant (per thousand live births)	125	102	85	91	82
Under 5 (per thousand live births)	218	166	136	147	118
<b>Adult (15-59)</b>					
Male (per 1,000 population)	513	451	502	428	274
Female (per 1,000 population)	419	370	460	375	255
Maternal (per 100,000 live births)	..	370	529	..	..

**Table 1b: Intra-Regional Comparison of the Burden of Disease**

(Results from a study conducted from June-August 1994)

<i>Cause of death</i>	<i>% of Life Years Lost by Cause of Death</i>			
	<i>Tanzania</i>	<i>Kenya</i>	<i>Uganda</i>	<i>Eastern Africa</i>
Perinatal	<b>21.7</b>	24.1	18.4	21.1
Maternal	<b>1.2</b>	3.1	2.0	2.0
Malaria	<b>18.2</b>	12.2	15.4	11.3
AIDS	<b>6.0</b>	3.5	9.1	4.7

*Source:* Health Policy in Eastern Africa: A Structured Approach to Resource Allocation, April 1996. The method of calculation is discussed in the paper.

**Table 1c: Distribution of Gender Ratings (WID) in Comparator Countries, % of projects, 1988-93 and 1994-98<sup>a</sup>**

	<i>1988-93</i>					<i>1994-98</i>				
	<i>Tanz.</i>	<i>Ghana</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Uganda</i>	<i>Tanz.</i>	<i>Ghana</i>	<i>Kenya</i>	<i>Malawi</i>	<i>Uganda</i>
% 0	<b>75</b>	60	48	35	42	<b>46</b>	63	45	37	47
% 1	<b>0</b>	9	13	6	25	<b>18</b>	11	9	38	6
% 2	<b>25</b>	31	39	59	33	<b>36</b>	26	46	25	47

a. A rating system (WID) has been used since FY88 to track the Bank's progress in incorporating gender in its work. Operations are rated "0" if they make little or no reference to gender issues; "1" if they discuss or analyze gender issues but do not include specific actions; and "2" if gender issues are analyzed and specific actions are initiated. The ratings are based on a desktop review and reflect only the extent and depth of gender discussion in project documents.

*Source:* Monitoring Unit, Poverty, Gender and Public Sector Management group, The World Bank.

**TABLE 2: TANZANIA: KEY ECONOMIC INDICATORS, 1988 - 1997**

Indicator												Comparator Countries						
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Tanzania Average 1988-1997	Uganda Average 1988-1997	Mozambique Average 1988-1997	Malawi Average 1988-1997	Kenya Average 1988-1997	Ghana Average 1988-1997	Burkina Faso Average 1988-1997	
GDP growth (annual %)	..	3.9	5.4	4.5	-8.9	12.2	1.4	2.6	4.1	4.1	3.3	7.1	5.2	4.2	2.9	4.4	3.4	
GNP per capita growth (annual %)	..	0.2	2.1	1.6	-12.5	9.5	-0.8	5.0	1.7	1.2	0.9	3.9	3.7	1.6	0.1	1.6	1.0	
GNP per capita, Atlas method (current US\$)	..	..	190	180	160	170	160	170	180	210	178	291	128	191	329	399	264	
GNP per capita, PPP (current international \$)	490	490	510	530	490	540	550	600	610	620	543	900	538	589	1062	1406	884	
Population growth (annual %)	3.1	3.1	3.1	3.1	3.1	3.1	3.0	2.9	2.8	2.7	3.0	3.1	1.9	2.9	2.9	2.9	2.4	
Agriculture, value added (% of GDP)	53.1	52.4	48.0	47.2	48.1	48.1	46.3	46.2	47.6	47.3	48.4	51.4	36.0	40.3	29.9	42.2	33.8	
Manufacturing, value added (% of GDP)	8.1	8.1	8.9	9.1	8.5	7.8	7.4	7.3	7.3	..	8.1	6.5	8.5	17.0	10.9	9.4	17.4	
Services, etc., value added (% of GDP)	26.9	27.9	30.5	30.7	30.9	31.9	32.4	32.1	31.2	..	30.5	35.4	41.7	35.7	52.3	37.0	42.3	
Exports of goods and services (% of GDP)	9.8	14.6	13.2	8.5	8.4	15.2	18.5	20.5	21.5	..	14.5	9.1	16.6	23.7	29.8	20.5	12.0	
Imports of goods and services (% of GDP)	27.3	30.7	35.5	35.3	36.8	44.0	45.4	42.4	36.2	..	37.1	20.6	46.3	36.6	32.7	30.8	26.9	
International tourism, receipts (% of total exports)	7.9	11.3	12.1	18.8	20.8	19.2	20.5	20.4	23.5	30.0	18.5	11.4	..	2.3	18.4	12.7	7.0	
Current account balance (% of GDP)	-7.0	-7.0	-13.2	-15.5	-14.6	-19.7	-15.1	-12.7	-7.1	-7.9	-12.0	-8.9	-21.7	-12.4	-3.0	-4.2	-1.1	
Resource balance (% of GDP)	-17.4	-16.1	-22.3	-26.8	-28.4	-28.9	-26.9	-21.9	-14.7	..	-22.6	-11.5	-29.7	-12.9	-2.9	-10.3	-14.8	
Agriculture, value added (annual % growth)	..	3.0	4.7	4.5	-8.4	14.2	2.6	4.0	4.8	4.0	3.7	4.2	3.2	9.3	1.9	2.6	4.4	
Manufacturing, value added (annual % growth)	..	7.4	2.4	4.4	7.7	-1.8	0.2	0.7	3.2	..	3.0	12.8	24.1	5.9	3.5	3.1	1.6	
Services, etc., value added (annual % growth)	..	3.8	3.4	3.7	-8.3	13.4	-1.0	1.3	3.2	..	2.4	7.8	11.9	2.0	4.1	6.4	3.4	
Exports of goods and services (annual % growth)	..	32.9	-7.9	-34.9	-8.3	74.2	30.6	18.0	17.1	17.0	15.4	13.7	15.7	4.9	5.4	9.2	3.0	
Aid (% of GNP)	20.6	20.1	30.3	25.9	28.8	21.9	23.8	16.7	13.7	13.1	21.5	15.6	63.3	28.0	10.9	10.7	17.4	
Aid (% of gross domestic investment)	107.1	110.7	127.2	90.2	102.6	80.4	92.5	87.1	84.7	68.4	95.1	105.2	221.7	148.1	49.9	64.0	81.1	
Aid per capita (current US\$)	42.5	37.2	47.7	42.8	49.8	34.1	33.6	29.8	29.3	30.8	37.8	37.3	73.1	52.0	33.5	40.0	41.8	
World Bank Net Disbursements (US\$ million)	110.1	86.8	154.4	137.3	195.6	103.8	139.8	114.0	93.9	147.4	128.3	143.7	112.7	83.9	65.5	188.3	43.9	
World Bank Net Disbursements per capita (current US\$)	4.6	3.5	6.1	5.2	7.2	3.7	4.9	3.9	3.1	4.7	4.7	8.0	7.3	9.2	2.7	11.8	4.6	
Money and quasi money (M2) as % of GDP	18.5	18.0	19.2	19.8	21.1	23.4	24.6	25.0	23.3	20.6	21.4	8.3	27.4	18.2	33.2	14.4	21.0	
Money and quasi money growth (annual %)	32.8	32.1	41.9	30.1	40.6	39.2	35.3	33	8.4	12.9	30.6	49.2	47.7	25.4	21.9	38.4	11.1	
Inflation, consumer prices (annual %)	31.2	25.8	35.8	28.7	21.8	25.3	33.1	29.8	19.7	16.1	26.7	41.0	42.6	29.9	18.5	30.8	4.5	
Domestic credit prov. by banking sector (% of GDP)	28.7	29.3	39.2	34.0	32.7	36.2	31.0	26.1	17.4	13.8	28.8	8.7	12.7	20.7	51.9	21.2	10.3	
Gross domestic savings (% of GDP)	1.3	1.3	0.3	-0.6	-1.6	-2.8	-2.0	0.0	3.4	..	-0.1	2.8	-3.0	5.7	18.2	7.7	6.7	
Gross domestic investment (% of GDP)	18.7	17.4	22.6	26.2	26.8	26.1	24.9	21.9	18.0	20.4	22.3	14.3	26.7	18.6	21.1	17.9	21.6	
Gross international reserves in months of imports	0.6	0.4	1.4	1.4	2.1	1.1	2.0	1.4	2.3	3.5	1.6	2.3	2.5	1.8	1.5	3.4	5.6	
Private investment (% of GDFI)	..	..	..	..	..	..	..	..	..	..	..	56.5	51.5	41.9	57.7	39.6	63.4	
Total debt service (% of exports goods and services)	31.9	33.0	32.9	40.3	40.4	26.9	19.0	17.9	18.9	12.9	27.4	48.5	27.1	24.1	31.3	33.2	9.7	
Overall budget deficit, including grants (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	-3.5	-3.3	-0.8	0.4	
Expenditure, total (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	27.8	28.2	15.6	16.1	
Current revenue, excluding grants (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	21.2	23.3	13.9	12.9	
Tax revenue (% of GDP)	..	..	..	..	..	..	..	..	..	..	..	..	..	19.1	20.9	12.2	9.2	
Trade (% of GDP)	37.1	45.3	48.6	43.8	45.2	59.2	63.9	62.9	57.7	..	51.5	29.7	62.9	60.3	62.5	51.2	38.9	
Foreign direct investment, net inflows (% of GDI)	0.4	0.7	0.0	0.0	0.9	1.7	4.8	11.8	14.2	11.2	3.6	7.1	4.3	0.2	1.1	6.1	0.3	
Illiteracy rate, adult total (% of people 15+)	..	..	36.9	..	..	..	..	..	30.7	..	42.0	39.4	62.6	44.9	24.1	37.5	81.4	
Immunization, DPT (% of child. under 12 months)	85.0	77.0	78.0	81.0	82.0	77.0	83.0	82.0	70.0	74.0	78.9	69.3	50.9	87.1	48.3	45.9	45.0	
Life expectancy at birth, total (years)	..	..	50.1	..	49.4	..	..	..	..	47.9	49.1	45.0	44.1	44.0	55.3	58.4	45.0	
Mortality rate, infant (per 1,000 live births)	..	101.5	98.7	..	93.0	..	87.5	..	..	85.0	93.1	100.1	145.1	134.1	67.7	72.4	102.5	
Safe water (% of population with access)	..	..	..	..	..	49.0	..	..	..	..	49.0	41.8	21.5	62.7	46.9	61.0	35.0	
Sanitation (% of population with access)	..	..	..	..	..	86.2	..	..	..	..	86.2	66.8	30.3	64.2	57.8	32.6	8.0	
School enrollment, primary (% gross)	69	69	70	70	69	69	68	67	66	..	68.5	74.9	61.9	75.1	92.1	73.7	34.9	
Population density (people per sq km)	27.1	27.9	28.8	29.7	30.7	31.6	32.6	33.6	34.5	..	30.7	87.5	18.9	95.5	44.0	69.2	34.1	
Urban population (% of total)	19.5	20.2	20.8	21.5	22.2	22.8	23.5	24.2	24.9	25.6	22.5	11.9	30.2	12.7	26.4	35.0	14.8	

**Table 3: ESW List (1980-1999)**

<b>Report title</b>	<b>Economic or Sector Report</b>	<b>Date</b>	<b>Report #</b>
<b>Economic Reports</b>			
Public Expenditure Review	ER	8/11/1997	16578
The Challenge of Reforms: growth, income, and welfare	ER	5/31/1996	14982
Role of government: Public Expenditure Review	ER	6/17/1994	12601
Economic Report: Towards Sustainable Development in the 90s	ER	6/11/1991	9352
Public Expenditure Review	ER	5/22/1989	7559
Tanzania - Country Economic Memorandum	ER	8/1/1984	5019
Economic Memorandum - Tanzania	ER	1/1/1981	3086
<b>Sector Reports</b>			
Peri-Urban Development in the African Mirror (green cover)	SR	6/29/1996	19526
Post-Primary Education and training in Tanzania: investment returns and future opportunities (green cover)	SR	6/12/1996	15327
Social Sector Review (yellow cover)	SR	4/1/1995	14039
Agriculture Sector Memorandum	SR	7/29/1994	12294
A poverty profile (green cover)	SR	12/1/1993	12298
AIDS assessment and planning study	SR	6/1/1992	9825
Local government: a system in distress	SR	5/16/1992	10623
Teachers and the financing of education (green cover)	SR	12/1/1991	9863
Women in Development (green cover)	SR	6/14/1991	9108
Food Security (white cover)	SR	12/8/1990	9284
Mining Sector Review (yellow cover)	SR	9/19/1990	9007
Population, Health, and Nutrition Sector Review	SR	10/1/1989	7495
Financial Performance of the Public Transport System	SR	1/31/1989	7610
Air Tanzania Corporation: Strategic Evaluation and corporate restructuring	SR	1/30/1989	7618
Parastatals in Tanzania: Towards a Reform Program	SR	7/1/1988	7100
Tanzania - An Agenda for Industrial Recovery	SR	6/1/1987	6357
Tanzania - Efficiency of the Trucking Industry	SR	5/1/1986	6175
Transport Sector Memorandum - Tanzania	SR	1/1/1985	4042
Agriculture Sector Report - Tanzania	SR	8/1/1983	4052

<b>TABLE 4a - OED SUMMARY: TANZANIA</b>				
<b>FY89-FY99</b>				
<b>TOTAL PROJECTS APPROVED</b>				
	<u>Number</u>	<u>Percent</u>	<u>Net Commit. \$m</u>	<u>Percent</u>
	<i>FY89-99</i>	<i>FY89-99</i>	<i>FY89-99</i>	<i>FY89-99</i>
Adjustment Loans	4	13%	728	35%
Non-Adjustment Loans	28	88%	1,327	65%
Total	32	100%	2,055	100%
<b>OED OUTCOME RATINGS *</b>				
<i>Satisfactory Outcome</i>				
Adjustment Loans	3	75%	568	73%
Non-Adjustment Loans	16	70%	379	64%
Total	19	70%	947	69%
AFR	506	56%	18,082	64%
Bank-wide	1542	66%	129,989	74%
<b>OED SUSTAINABILITY RATINGS *</b>				
<i>Likely Sustainability</i>				
Adjustment Loans	2	50%	397	51%
Non-Adjustment Loans	12	52%	224	38%
Total	14	52%	621	45%
AFR	224	51%	28,679	62%
Bank-wide	1066	46%	100,077	57%
<b>OED INSTITUTIONAL DEVELOPMENT RATINGS *</b>				
<i>Substantial ID</i>				
Adjustment Loans	1	25%	234	30%
Non-Adjustment Loans	9	39%	169	29%
Total	10	37%	403	29%
AFR	180	24%	7,243	26%
Bank-wide	732	31%	64,979	37%
<b>DISCONNECT FOR Tanzania**</b>				
	<u>Number of projects since FY89</u>	<u>ARPP % Sat</u>	<u>OED % Sat</u>	<u>Net disc. at exit</u>
Tanzania	27	78.0	70.0	8.0
AFR	744	74.0	56.0	18.0
Bank-wide	2,271	82.7	67.3	15.4
<b>OED AGGREGATE PROJECT PERFORMANCE INDICATOR (APPI) ***</b>				
	<u>90-94</u>	<u>95-98</u>	<u>90-98</u>	
Tanzania	5.6	7.0	6.7	
AFR	5.7	6.4	6.1	
Bank-wide	6.8	6.8	6.8	
<b>ARPP RATINGS OF ONGOING PROJECTS ****</b>				
	<u>Number</u>	<u>Percent</u>	<u>Net Commit \$m</u>	<u>Percent</u>
<i>Development Objectives Satisfactory</i>				
Adjustment	1	100%	132	100%
Non-Adjustment Loans	19	90%	974	82%
Total	20	91%	1,106	83%
AFR	307	77%	11,587	78%
Bank-wide	1,324	82%	104,145	81%
<i>Implementation Progress Satisfactory</i>				
Adjustment	1	100%	132	100%
Non-Adjustment Loans	19	90%	1,123	94%
Total	20	91%	1,255	95%
AFR	307	77%	11,906	80%
Bank-wide	1,324	82%	104,145	81%
<b>Footnotes:</b>				
* OED ratings as of September 1, 1999				
** The net disconnect is the difference between ARPP % SAT at exit versus OED % SAT outcome; for LCR and Bank-wide, the Net Disconnect is for FY90-97 (ARPP Review)				
*** By ARPP Exit FY				
**** ARPP ratings for ongoing projects as of June 30, 1999				

**Table 4b - TANZANIA: WORLD BANK PROJECT RATINGS, FY88-FY99 (Sorted by Sector)**

PROJECT DESCRIPTION					OED RATINGS						QAG	SUPERVISION	
<i>Project ID</i>	<i>Project Name</i>	<i>Net Commit. (US\$M)</i>	<i>Approval date</i>	<i>ARPP exit FY</i>	<i>Outcome</i>	<i>Sust</i>	<i>ID Impact</i>	<i>Dev. Effectiveness</i>	<i>Bank Performance</i>	<i>Borrower Performance</i>	<i>At Risk Rating</i>	<i>Latest DO Ratings</i>	<i>Latest IP Ratings</i>
<b>Agriculture</b>													
2749	Nat'l Agri. & Livestock Resch.	8.3	12/13/88	1998	S	LIK	SUB						
2772	Nat'L Agri & Livestock Rehab	18.3	03/21/89	1997	S	LIK	SUB						
2779	Cashew & Coconut Treecrops	17.7	06/27/89	1996	S	LIK	SUB						
2776	Agricultural sector adjustment credit	227.4	03/29/90	1994	S	LIK	SUB						
2785	Forest Resources Mgmt.	18.3	02/11/92									S	S
2801	ASMP	22.1	07/20/93								Non Risk	S	S
2753	Nat'l. Ext. Project Phase II	31.1	07/11/96								Actual	S	U
38570	River Basin Mgm.	26.3	07/11/96								Non Risk	S	S
2804	Agric. Research	21.8	01/29/98								Non Risk	S	S
<b>Education</b>													
2790	Education Planning & Rehab.	31.3	05/22/90	1998	S	LIK	MOD						
2789	Human Resource Devt. I	20.9	10/07/97								Non Risk	S	S
<b>Electric Power &amp; Other Energy</b>													
2811	Power Eng. & Tech. Assistance	10.0	01/14/92	1996	S	LIK	SUB						
2756	Power VI	200.0	05/06/93								Non Risk	S	S
<b>Environment</b>													
46837	Lake Victoria Env.	10.1	07/30/96								Non Risk	S	S
<b>Finance</b>													
2809	Financial Sector Adj.	211.3	11/14/91	1995	U	UNL	NEG						
35620	Financial Inst. Devt.	10.9	08/03/95									S	S
<b>Industry</b>													
2750	Industrial rehabilitation & trade adj.	154.5	12/13/88	1994	S	LIK	MOD						
<b>Mining</b>													
2812	Mineral Sector Devt.	12.5	07/28/94								Non Risk	S	S

**Table 4c: OED's Aggregate Project Performance Indicator**

	<i>Average APPI</i>		
	<i>Weighted by Net Disbursements</i>		
	<i>'90-'94</i>	<i>'95-'98</i>	<i>'90-'98</i>
<b>Tanzania</b>	<b>5.6</b>	<b>7.0</b>	<b>6.7</b>
Ghana	7.5	6.9	7.1
Kenya	4.8	6.1	5.5
Malawi	6.7	6.5	6.6
Uganda	4.8	7.3	6.2
<i>AFRICA</i>	<i>5.7</i>	<i>6.4</i>	<i>6.1</i>
<i>World Bank</i>	<i>6.8</i>	<i>6.8</i>	<i>6.8</i>

Note: project ratings at point of exit.

Source: Data collected for OED's Annual Review of Development Effectiveness.



**Table 4d: OED Ratings, by Sector**

	<i>Ratings</i>		<i>Inst. Devt. Impact</i>		<i>Sustainability</i>	
	<i>Total evaluated (US\$m)</i>	<i>% Satis.</i>	<i>Total evaluated (US\$m)</i>	<i>% Substantial</i>	<i>Total evaluated (US\$m)</i>	<i>% Likely</i>
<b>1964-85</b>						
Infrastructure <sup>a</sup>	284.0	94	144.8	37	144.8	37
Agriculture	344.0	22	125.9	18	125.9	40
Education/HNP	61.2	88	52.9	67	52.9	87
Urban/Water Supply & Sanit.	72.5	28	52.5	0	52.5	0
Finance/Industry	229.2	6	208.7	0	208.7	0
Other <sup>b</sup>	65.1	77	14.9	0	14.9	0
Total	1056.0	46	599.7	19	599.7	25
<u>Memo item:</u>						
Adjustment	95.0	47	-	-	-	-
<b>1986-95</b>						
Infrastructure <sup>a</sup>	121.5	81	121.5	8	121.5	8
Agriculture	289.1	94	289.1	94	289.1	94
Education/HNP	31.3	100	31.3	0	31.3	100
Urban/Water Supply & Sanit.	9.9	100	9.9	100	9.9	100
Finance/Industry	365.8	42	365.8	0	365.8	42
Other <sup>b</sup>	152.2	100	152.2	0	152.2	0
Total	969.8	74	969.8	30	969.8	49
<u>Memo item:</u>						
Adjustment	745.4	72	745.4	31	745.4	51

a. Electric Power, Oil and Gas, Telecommunications, Transport.

b. Multisector, Environment, Public Sector Management, Mining.

Source: World Bank.

**TABLE 5 - PBD INFORMATION - 1988-1998**

<i>Country</i>	<i>Average completion Cost (SWs per project)</i>	<i>Average completion cost per project (\$)</i>	<i>Supervision Intensity: Direct cost inputs divided by the no. of projects under active supervision (\$)</i>	<i>Supervision intensity: SW inputs divided by no. of projects under active supervision (SWs)</i>	<i>Average cost per dropped project (\$)</i>	<i>Cost per scheduled ESW report (\$)</i>	<i>Cost per unscheduled ESW report (\$)</i>
<b>Bank-wide</b>	<b>118</b>	<b>317,900</b>	<b>48,000</b>	<b>15</b>	<b>76,500</b>	<b>160,900</b>	<b>61,000</b>
Africa Region	112	303,886	48,891	17	71,265	163,746	90,096
Ghana	104	287,414	46,588	17	19,519	163,627	72,881
Kenya	120	315,821	57,957	20	57,991	70,263	69,932
Malawi	142	402,292	55,950	18	32,504	70,086	59,864
<b>Tanzania</b>	<b>124</b>	<b>318,310</b>	<b>63,797</b>	<b>19</b>	<b>189,601</b>	<b>77,385</b>	<b>90,275</b>
Uganda	93	262,905	54,304	17	36,042	107,835	76,312

**Table 6a: Yearly Average Disbursements in US \$ millions (Total Receipts Net)  
from All Donors**

<i>Donors</i>	<i>1967-85</i>	<i>1986-95</i>	<i>1996-97</i>
Bilateral	299.3	701.1	666.3
Multilateral	86.7	265.3	325.1
IDA	28.9	142.1	144.7
Arab Countries	11.3	2.5	-0.4
<b>TOTAL DONORS</b>	<b>397.3</b>	<b>968.8</b>	<b>990.9</b>

*Source:* OECD, Geographical Distribution of Financial Flows.

**Table 6b: Bilateral ODA Commitments**

(Data in US\$ million)

<i>Year</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>TOTAL</i>
<i>Donor</i>										
AUSTRALIA	1.8	0.7	1.2	1.8	2.0	1.0	1.1	1.9	0.8	12.4
AUSTRIA	0.8	11.1	8.9	18.6	25.7	3.6	0.7	5.2	2.8	77.3
BELGIUM	4.3	14.3	12.5	14.3	12.0	9.2	13.3	11.8	8.7	100.4
CANADA	4.5	29.3	59.7	28.4	2.7	-6.5	22.5	10.0	6.3	157.0
DENMARK	98.9	57.3	109.3	84.7	12.7	66.8	13.3	76.5	114.6	634.1
FINLAND	64.0	51.5	73.3	17.0	21.6	13.8	7.0	1.3	13.3	262.7
FRANCE	16.4	1.4	1.1	1.2	1.4	1.9	2.3	2.3	81.5	109.6
GERMANY	59.1	88.0	74.6	69.2	72.9	86.9	39.8	57.4	69.1	616.9
IRELAND	3.4	3.9	4.0	5.0	5.3	0.0	0.0	9.7	12.5	43.8
ITALY	28.6	79.3	52.4	96.1	266.7	5.6	3.3	1.9	1.8	535.7
JAPAN	68.1	62.1	62.1	78.5	90.3	93.8	132.8	119.4	108.8	815.9
LUXEMBOURG	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
NETHERLANDS	73.3	80.0	55.1	85.6	69.1	17.2	77.0	64.6	161.1	683.0
NEW ZEALAND	0.0	0.0	0.1	0.1	0.2	0.2	0.0	0.2	0.0	0.8
NORWAY	29.6	54.7	231.3	32.7	45.8	26.9	92.5	41.3	14.1	568.8
PORTUGAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SPAIN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	1.3	6.4
SWEDEN	89.5	92.7	93.9	95.7	58.1	48.0	38.9	38.8	23.6	579.0
SWITZERLAND	10.2	26.1	13.9	35.6	12.2	8.5	3.0	31.1	24.3	164.9
UNITED KINGDOM	33.4	76.3	35.0	133.3	130.1	150.4	31.2	67.3	67.8	724.6
UNITED STATES	11.5	118.2	138.1	17.9	26.4	24.7	33.8	11.6	19.5	401.7
TOTAL, DAC DONORS	597.3	846.9	1026.3	815.9	855.0	551.8	512.4	557.4	731.9	6494.9

*Source:* OECD, Geographical Distribution of Financial Flows.

**Table 6c: Sectoral Commitments by Eight Major Bilateral Donors, 1986-97**  
(millions of US Dollars)

	<i>Denmark</i>	<i>Finland</i>	<i>Germany</i>	<i>Japan</i>	<i>Nether-lands</i>	<i>Norway</i>	<i>Sweden</i>	<i>UK</i>	<i>Total</i>
Education	81.9	2.8	36.3	14.2	4.8	68.3	50.4	26.0	284.7
Health	148.4	1.5	28.3	59.3	10.4	10.4	7.6	18.5	284.4
Water supply & sanit.	50.7	44.2	42.0	25.9	37.0	17.9	66.9	2.4	286.9
Energy	42.4	66.0	70.0	48.0	14.3	183.6	121.3	5.2	550.8
Transport & commun.	218.1	33.5	108.3	137.8	26.2	154.3	54.3	57.0	789.6
Agriculture, forestry & fishing	112.1	53.7	83.1	158.0	105.4	49.8	22.6	125.8	710.4
Industry, mining & construction	36.6	28.0	11.5	13.0	66.9	28.7	102.9	7.7	295.2
Trade & tourism	43.8	14.0	25.9	2.3	297.3	112.4	99.7	130.5	726.0
Multisector	22.8	61.1	51.3	7.6	135.0	49.4	5.5	21.5	354.1
Total	756.9	304.7	456.6	466.0	697.3	674.7	531.3	394.7	4,282.1

**Table 6d: Sectoral Commitments by Eight Major Bilateral Donors, 1992-97**  
(millions of US Dollars)

	<i>Denmark</i>	<i>Finland</i>	<i>Germany</i>	<i>Japan</i>	<i>Nether-lands</i>	<i>Norway</i>	<i>Sweden</i>	<i>UK</i>	<i>Total</i>
Education	46.2	1.2	36.3	14.2	4.8	38.9	5.1	11.8	158.5
Health	94.7	0.4	28.3	45.5	8.9	8.3	3.4	13.8	203.3
Water supply & sanit.	12.2	4.1	34.1	25.9	29.5	-	26.0	2.4	134.2
Energy	42.4	7.0	38.5	32.3	14.3	103.9	71.6	1.3	311.3
Transport & commun.	80.8	3.5	32.5	97.7	17.2	28.1	32.0	27.9	319.7
Agriculture, forestry & fishing	51.6	11.5	38.1	89.3	47.9	28.8	2.0	70.6	339.9
Industry, mining & construction	-	0.0	4.9	7.9	36.9	15.2	0.2	6.2	71.1
Trade & tourism	1.0	-	1.9	2.3	47.3	19.0	1.4	53.8	126.7
Multisector	8.4	28.7	50.1	7.6	122.5	20.1	0.8	13.9	252.2
Total	337.2	56.5	264.7	322.6	329.3	262.2	142.5	201.7	1,916.9

**Table 6e: Sectoral Commitments by Eight Major Bilateral Donors, 1996-97**  
(millions of US Dollars)

	<i>Denmark</i>	<i>Finland</i>	<i>Germany</i>	<i>Japan</i>	<i>Nether-lands</i>	<i>Norway</i>	<i>Sweden</i>	<i>UK</i>	<i>Total</i>
Education	9.1	0.2	8.3	5.6	0.8	20.1	0.0	3.3	47.4
Health	50.0	0.3	12.7	14.7	2.3	1.8	0.0	0.9	82.6
Water supply & sanitation	6.6	0.0	17.7	18.8	0.3	0.0	0.0	1.3	44.7
Energy	0.0	1.9	16.2	22.6	2.2	13.5	0.0	0.3	56.8
Transport & communications	70.9	0.0	3.8	43.6	1.8	11.3	0.0	0.0	131.3
Agriculture, forestry & fishing	34.7	0.9	10.1	36.4	4.3	7.4	0.0	9.7	103.4
Industry, mining & construction	0.0	0.0	2.7	2.6	13.4	7.9	0.0	4.4	31.0
Trade and tourism	0.0	0.0	0.0	1.3	16.2	4.2	0.0	39.6	61.3
Multisector	3.2	1.9	11.5	3.6	79.2	2.5	0.0	9.2	111.2
Total	174.5	5.1	82.9	149.2	120.5	68.6	0.0	68.9	669.6

Source: OECD, Geographical Distribution of Financial Flows.

**Table 6f: World Bank Commitments, by Sector, 1964-99**

(million US\$)

	64	65	66	67	68	69	70	71	72	73	74	75
Electric Power					5.2			30.0			5.0	
Oil & gas												
Telecoms				2.0			2.3			8.3		
Transport	16.9		7.3		3.5	16.7	25.2		6.5	6.7		10.2
Water Supply/Sanit.												
Urban												8.5
Environment												
Education	5.5					5.3		3.3		10.3		
Pop./Health/Nut.												
Agriculture			6.1			1.5		9.1	10.9	18.5	38.5	28.0
Finance											6.0	
Industry												15.0
Multisector												30.0
Public Sector Mgmt.												
Mining												
<b>Total</b>	<b>22.4</b>	<b>0</b>	<b>13.4</b>	<b>2.0</b>	<b>8.7</b>	<b>23.5</b>	<b>27.5</b>	<b>42.4</b>	<b>17.4</b>	<b>43.8</b>	<b>49.5</b>	<b>91.7</b>
Memo: Adjustment	0	0	0	0	0	0	0	0	0	0	0	30.0
	76	77	78	79	80	81	82	83	84	85	86	87
Electric Power		30.0							35.0		40.0	
Oil & gas					30.0		20.0			8.0		
Telecoms							27.0					23.0
Transport			15.0	20.5	2.5					27.0	50.0	
Water Supply/Sanit.		15.0					4.0	22.5				
Urban			12.0	14.0								
Environment												
Education	11.0			12.0		25.0						
Pop./Health/Nut.												
Agriculture	28.0	31.2	53.5		77.0	56.8	24.0			10.0		
Finance	15.0		15.0	11.0	25.0							
Industry		23.0	45.0	60.0				18.0				
Multisector		15.0				11.0						96.2
Public Sector Mgmt.	6.0											
Mining								6.3				
<b>Total</b>	<b>60.0</b>	<b>114.2</b>	<b>140.5</b>	<b>117.5</b>	<b>134.5</b>	<b>92.8</b>	<b>75.0</b>	<b>46.8</b>	<b>35.0</b>	<b>45.0</b>	<b>90.0</b>	<b>119.2</b>
Memo: Adjustment	0	15.0	0	0	0	50.0	0	0	0	0	0	96.2
	88	89	90	91	92	93	94	95	96	97	98	99
Electric Power					10.0	200.0						
Oil & gas				44.0								
Telecoms						74.5						
Transport			217.4	76.0			170.2					
Water Supply/Sanit.												
Urban					11.2				105.0			
Environment										10.1		
Education			38.3								20.9	
Pop./Health/Nut.			47.6									
Agriculture	30.0	51.8	200.0	16.1	29.6		24.5			57.4	21.8	
Finance					200.0	11.3			10.9			
Industry		147.5	10.3									
Multisector	56.0									128.9	2.6	41.5
Public Sector Mgmt.						54.9						
Mining								12.5				
<b>Total</b>	<b>86.0</b>	<b>199.3</b>	<b>513.6</b>	<b>136.1</b>	<b>250.8</b>	<b>340.7</b>	<b>194.7</b>	<b>12.5</b>	<b>115.9</b>	<b>196.4</b>	<b>45.3</b>	<b>41.5</b>
Memo: Adjustment	56.0	147.5	210.3	16.1	211.3	11.3	0	0	0	128.9	2.6	1.5

**TABLE 7 - BANK MANAGEMENT FOR TANZANIA: 1990 - 1999**

<i>Year</i>	<i>Vice President</i>	<i>Country Director</i>	<i>Country Operations Division Chief</i>	<i>Resident Representative</i>
1990	Edward V.K. Jaycox	Sven Sandstrom	Harold W. Messenger	Ian C. Porter
1991	Edward V.K. Jaycox	Stephen M.Denning	Praful C. Patel	Ian C. Porter
1992	Edward V.K. Jaycox	Stephen M.Denning	Praful C. Patel	Ian C. Porter
1993	Edward V.K. Jaycox	Francis X.Colaco	Michael F. Carter	Motoo Konishi
1994	Edward V.K. Jaycox	Francis X.Colaco	Michael F. Carter	Motoo Konishi
1995	Edward V.K. Jaycox	Francis X.Colaco	Michael F. Carter	Motoo Konishi
1996	Callisto Madavo	James W. Adams	n.a.	Ronald P. Brigish
1997	Callisto Madavo	James W. Adams	n.a.	Ronald P. Brigish
1998	Callisto Madavo	James W. Adams	n.a.	Ronald P. Brigish
1999	Callisto Madavo	James W. Adams	n.a.	Ronald P. Brigish

\* Regional Implementation Mission

**Table 8: TANZANIA: PREM/DEC Indicators****Institutional Quality**

	Year	Value	Refer.	Rating	Change
ICRG Law and order	1998	5.0	3.2	A	S
ICRG corruption	1998	2.0	2.5	C	S
TI corruption	1998	1.9	3.0	C	..
ICRG bureaucratic quality	1998	1.0	1.4	B	S

**Poverty & Employment**

	Year	Value	Refer.	Rating	Change
Population below nat. pov. line (%)	a/	51.1	34.5	C	..
Population below \$1 a day (%)	a/	10.5	24.5	A	..
Population below \$2 a day (%)	a/	45.5	51.9	B	..
Poverty gap (%)	a/	15.3	24.4	B	..
Gini index	a/	38.1	40.3	B	..
% Population with access to health care	a/	93.0	56.1	A	..
Child malnutrition (%)	a/	30.6	35.0	B	D
Under-5 mortality rate	a/	144.0	149.1	B	D
Access to safe water (% pop.)	a/	49.0	45.6	B	..
Access to sanitation (% pop.)	a/	86.2	30.4	A	..
Adult illiteracy rate, male	a/	20.6	40.9	A	..
Adult illiteracy rate, female	a/	43.2	63.7	A	..
Gross primary enrollment ratio	a/	66.0	76.3	B	D
% of cohort reaching grade 4 - male	a/	86.6	85.4	B	..
% of cohort reaching grade 4 - female	a/	86.6	85.0	B	..
Child labor (% of 10-14 years group)	a/	38.4	29.3	C	I

**Financial Sector**

	Year	Value	Refer.	Rating	Change
Banking develop. index (LAC only)	..	..	-0.1	..	..
Domestic credit/GDP (%)	1998	12.7	38.4	C	D
Interest rate spread (lending-deposit.) (%)	1997	21.4	10.2	C	I
Lending rate spread over LIBOR (%)	1997	23.5	18.3	B	I
Banking index (Heritage)	1998	3.0	3.1	B	S

**Private Sector Framework**

	Year	Value	Refer.	Rating	Change
Private investment/GDP (%)	1998	12.1	16.0	B	D
Stock market capitalization/GDP (%)	..	..	29.0	..	..
Govt. intervention index (Heritage)	1998	3.0	2.9	B	S
Regulation index (Heritage)	1998	4.0	3.6	C	S
Wage & price control index (Heritage)	1998	2.0	2.9	A	S

a/ Latest year available since 1990.

Rating: A = High outlier, B = Medium, C = Low outlier (shaded cell).

Change : I = Improvement, S = Stationary, D = Deterioration (shaded cell).

**Macroeconomic & Fiscal Policies**

	Year	Value	Refer.
GDP per cap.ann. ave.growth rate (%)	1996-98	1.1	2.0
Inflation (%)	1998	10.4	17.5
Real interest rate (%)	1998	-8.5	
Gross national savings/GNP (%)	1997	3.8	17.6
Current account bal./GNP (%)	1998	-14.5	-2.8
Fiscal balance/GDP (%)	1998	-2.9	-4.0
Central govt. expenditure/GDP (%)	1998	17.1	32.2
Tax revenues/GDP (%)	1997	12.1	
Public sector debt/GDP (%)	1997	85.7	58.3
Govt. debt interest/revenue (%)	1998	18.7	19.1
Aid dependence (% of GNP)	1996	15.7	10.3

**Trade Policies & Competitiveness**

	Year	Value	Refer.
WTO member		YES	n.a.
Trade/GDP (%)	1998	41.5	79.0
Mfrg. exports/Merchandise exports (%)	1998	10.6	33.7
Mean tariff (%)	1996	21.6	14.1
Trade policy index (Heritage)	1998	3.0	3.8

**Access to Capital**

	Year	Value	Refer.
Euromoney creditworthiness rating	Sep. '98	21.0	42.5
Moody's LT foreign currency debt rating	Nov. '98	..	n.a.
Dunn & Bradstreet Risk Rating	Oct. '98	DB4d	n.a.
Arrears/DOD (%)	1997	25.0	6.1
Pres. val., debt/GNP (%)	1997	76.9	59.0
Short-term debt/Total debt (%)	1997	11.7	14.8
Short-term debt/Gross reserves (%)	1997	134.5	64.4
M2/(Total reserves minus gold)	1997	2.4	n.a.
Gross reserves, mth. of imp	1997	3.4	3.9
Date of last rescheduling		Jan. 97	n.a.
Foreign invest. index (Heritage)	1998	3.0	2.8
Integration of priv. cap. flows	1992-94	Low	n.a.

**Gender**

	Year	Value	Refer.
Total fertility rate	a/	5.5	3.8
Maternal mortality ratio	a/	530.0	815.9
Gross primary enroll. ratio gap (M-F)	a/	2.0	8.2
Secondary school pupils - % females	a/	..	38.4
Life expectancy at birth, male	a/	48.9	51.6
Life expectancy at birth, female	a/	51.4	54.4
Life expectancy at birth gap (F-M)	a/	2.6	
Females as % of labor force	a/	49.2	43.4

Notes: This table is derived from publicly available data. The use of this table does not necessarily imply endorsement of the indicators by OED or the World Bank. The table will not appear in the disclosed version.

For questions regarding the methodology please contact the PREM advisory service.



Rating	Change
B	I
B	I
C	n.a.
C	I
C	D
B	D
A	D
B	n.a.
B	I
B	I
B	I

Rating	Change
n.a.	n.a.
C	D
C	D
C	..
A	S

Rating	Change
C	D
n.a.	..
n.a.	n.a.
C	I
B	..
B	I
C	I
n.a.	D
B	I
n.a.	n.a.
B	S
n.a.	n.a.

Rating	Change
C	I
A	..
B	..
..	..
B	D
B	D
B	n.a.
A	D