

Document of
The World Bank

Report No: ICR0000501

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-37720 IDA-37721 IDA-H0400)

ON A

CREDIT

IN THE AMOUNT OF
US\$ 272 MILLION EQUIVALENT

TO THE

UNITED REPUBLIC OF TANZANIA

FOR A

A FIRST SERIES OF

POVERTY REDUCTION SUPPORT CREDITS (PRSC1-3)

June 12, 2007

Poverty Reduction and Economic Management 2
Eastern Africa 1
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective *April 20, 2007*)

Currency Unit = Tanzania Shilling (TSh)
US\$ 1.00 = TSh 1,270.50

FISCAL YEAR
July 1 June 30

ABBREVIATIONS AND ACRONYMS

AAP	Annual Assessment and Action Plan	PCR	Primary Completion Rate (PCR)
ALDB		PEDP	Primary Education Development Program
ASDP		PEFAR	Public Expenditure and Financial Accountability Review
CEM	Country Economic Memorandum	PER	Public Expenditure Review
CFAA		PER-MTEF	Public Expenditure Review and Medium Term Expenditure Framework
CPAR	Country Procurement Assessment Report	PFMRP	Public Financial Management Reform Program
DHS	Demographic and Health Survey	PFMRP	Public Financial Management Reform Program
DP	Development Partners	PO-RALG	President Office, Regional Administration and Local Government
GDP	Gross Domestic Product	PRBS	Poverty Reduction Budget Support
GoT	Government of Tanzania	PRS	Poverty Reduction Strategy
HIV/AIDS	Human Immune Deficiency Virus/Acquired Immune Deficiency Syndrome	PRSC	Poverty Reduction Support Credit
ICA		PSAC	Programmatic Structural Adjustment Credit
IMF	International Monetary Fund	PSIA	
KfW	Kreditanstalt fuer Wiederaufbau (KfW Development Bank)	SME	Small and Medium Enterprises
M&E	Monitoring and Evaluation	TSMP	Tanzania Statistical master Plan
MDA	Ministry Department and Agency	UPE	
MDG		VPO	Vice President Office?
MKUKUTA	Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania	WBI	World Bank Institute
A			
MMS	Mkukuta Monitoring System		
MTEF	Medium Term Expenditure Framework		
PAF	Performance Assessment Framework		

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Country Director:	Judy O'Connor
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Task Team Leader:	Robert Johann Utz
ICR Team Leader:	Paolo Zacchia

Tanzania
First Series of Poverty Reduction Support Credits (PRSC1-3)

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A. Basic Information			
Program 1			
Country	Tanzania	Program Name	Tanzania First Poverty Reduction Support Credit
Program ID	P074072	L/C/TF Number(s)	IDA-37720,IDA-37721,IDA-H0400
ICR Date	04/23/2007	ICR Type	Core ICR
Lending Instrument	PRC	Borrower	REPUBLIC OF TANZANIA
Original Total Commitment	XDR 96.4M	Disbursed Amount	XDR 96.5M
Implementing Agencies			
Ministry of Finance			
Cofinanciers and Other External Partners			
<i>Official Cofinanciers:</i>			
KfW (Germany)			
<i>PRBS partners:</i>			
African Development Bank (AfDB)			
European Union (EU)			
Canada			
DENMARK			
FINLAND			
JAPAN			
Netherlands			
NORWAY			
SWEDEN			
SWITZERLAND			
IRELAND			
UK-funded DFID			
Program 2			
Country	Tanzania	Program Name	Second Poverty Reduction Support Credit
Program ID	P074073	L/C/TF Number(s)	IDA-39650,IDA-H1180
ICR Date	04/23/2007	ICR Type	Core ICR
Lending Instrument	PRC	Borrower	UNITED REPUBLIC OF TANZANIA
Original Total Commitment	XDR 102.6M	Disbursed Amount	XDR 102.6M

Implementing Agencies			
Ministry of Finance			
Cofinanciers and Other External Partners			
<i>Official Cofinanciers:</i>			
KfW (Germany)			
<i>PRBS partners:</i>			
African Development Bank (AfDB)			
European Union (EU)			
Canada			
DENMARK			
FINLAND			
JAPAN			
Netherlands			
NORWAY			
SWEDEN			
SWITZERLAND			
IRELAND			
UK-funded DFID			
Program 3			
Country	Tanzania	Program Name	Tanzania Poverty Reduction Support Credit 3
Program ID	P087256	L/C/TF Number(s)	IDA-41100
ICR Date	04/23/2007	ICR Type	Core ICR
Lending Instrument	DPL	Borrower	THE REPUBLIC OF TANZANIA
Original Total Commitment	XDR 103.8M	Disbursed Amount	XDR 103.8M
Implementing Agencies			
Ministry of Finance			
Cofinanciers and Other External Partners			
<i>Official Cofinanciers:</i>			
KfW (Germany)			
<i>PRBS partners:</i>			
African Development Bank (AfDB)			
European Union (EU)			
Canada			
DENMARK			
FINLAND			
JAPAN			
Netherlands			
NORWAY			
SWEDEN			
SWITZERLAND			
IRELAND			
UK-funded DFID			

B. Key Dates				
Tanzania First Poverty Reduction Support Credit - P074072				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/08/2002	Effectiveness:	07/18/2003	07/18/2003
Appraisal:	02/26/2003	Restructuring(s):		
Approval:	05/29/2003	Mid-term Review:		
		Closing:	06/30/2004	03/31/2006

Second Poverty Reduction Support Credit - P074073				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	11/18/2003	Effectiveness:	09/15/2004	09/15/2004
Appraisal:	03/29/2004	Restructuring(s):		
Approval:	07/29/2004	Mid-term Review:		
		Closing:	06/30/2005	06/30/2005

Tanzania Poverty Reduction Support Credit 3 - P087256				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	02/01/2005	Effectiveness:	10/20/2005	10/20/2005
Appraisal:		Restructuring(s):		
Approval:	09/08/2005	Mid-term Review:		
		Closing:	06/30/2006	06/30/2006

C. Ratings Summary	
C.1 Performance Rating by ICR	
Tanzania First Poverty Reduction Support Credit - P074072	
Outcomes	Satisfactory
Risk to Development Outcome	Moderate
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

Second Poverty Reduction Support Credit - P074073	
Outcomes	Satisfactory
Risk to Development Outcome	Moderate
Bank Performance	Satisfactory
Borrower Performance	Satisfactory

Tanzania Poverty Reduction Support Credit 3 - P087256	
Outcomes	Moderately Satisfactory
Risk to Development Outcome	Moderate
Bank Performance	Moderately Satisfactory
Borrower Performance	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Tanzania First Poverty Reduction Support Credit - P074072			
Bank	Ratings	Borrower	Ratings
Quality at Entry	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance	Satisfactory	Overall Borrower Performance	Satisfactory

Second Poverty Reduction Support Credit - P074073			
Bank	Ratings	Borrower	Ratings
Quality at Entry	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance	Satisfactory	Overall Borrower Performance	Satisfactory

Tanzania Poverty Reduction Support Credit 3 - P087256			
Bank	Ratings	Borrower	Ratings
Quality at Entry	Satisfactory	Government:	Moderately unsatisfactory
Quality of Supervision:	Moderately Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Tanzania First Poverty Reduction Support Credit - P074072			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

Second Poverty Reduction Support Credit - P074073			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

Tanzania Poverty Reduction Support Credit 3 - P087256			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem Program at any time (Yes/No):	No	Quality at Entry (QEA)	None
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA)	None
DO rating before Closing/Inactive status	Satisfactory		

D. Sector and Theme Codes		
Tanzania First Poverty Reduction Support Credit - P074072		
	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	40	40
General agriculture, fishing and forestry sector	20	20
Micro- and SME finance	10	10
Sub-national government administration	20	20

Water supply	10	10
Theme Code (Primary/Secondary)		
Environmental policies and institutions	Secondary	Secondary
Municipal finance	Primary	Primary
Public expenditure, financial management and procurement	Primary	Primary
Rural markets	Primary	Primary
Tax policy and administration	Secondary	Secondary

Second Poverty Reduction Support Credit - P074073		
	Original	Actual
Sector Code (as % of total Bank financing)		
Agricultural marketing and trade	20	20
Central government administration	20	20
General agriculture, fishing and forestry sector	20	20
General public administration sector	20	20
Other domestic and international trade	20	20
Theme Code (Primary/Secondary)		
Administrative and civil service reform	Primary	Primary
Environmental policies and institutions	Primary	Primary
Other financial and private sector development	Primary	Primary
Public expenditure, financial management and procurement	Primary	Primary
Rural policies and institutions	Primary	Primary

Tanzania Poverty Reduction Support Credit 3 - P087256		
	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	45	45
General agriculture, fishing and forestry sector	35	35
General industry and trade sector	15	15
Law and justice	5	5
Theme Code (Primary/Secondary)		
Export development and competitiveness	Secondary	Secondary
Legal institutions for a market economy	Primary	Primary

Personal and property rights	Secondary	Secondary
Public expenditure, financial management and procurement	Primary	Primary
Regulation and competition policy	Secondary	Secondary

E. Bank Staff

Tanzania First Poverty Reduction Support Credit - P074072

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Callisto E. Madavo
Country Director:	Judy M. O'Connor	Judy M. O'Connor
Sector Manager:	Kathie L. Krumm	Frederick Kilby
Task Team Leader:	Robert Johann Utz	Benno J. Ndulu
ICR Team Leader:	Paolo B. Zacchia	
ICR Primary Author:	Paolo B. Zacchia	

Second Poverty Reduction Support Credit - P074073

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Callisto E. Madavo
Country Director:	Judy M. O'Connor	Judy M. O'Connor
Sector Manager:	Kathie L. Krumm	Kathie L. Krumm
Task Team Leader:	Robert Johann Utz	Robert Johann Utz
ICR Team Leader:	Paolo B. Zacchia	
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Tanzania Poverty Reduction Support Credit 3 - P087256

Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Gobind T. Nankani
Country Director:	Judy M. O'Connor	Judy M. O'Connor
Sector Manager:	Kathie L. Krumm	Kathie L. Krumm
Task Team Leader:	Robert Johann Utz	Robert Johann Utz
ICR Team Leader:	Paolo B. Zacchia	
ICR Primary Author:	Paolo B. Zacchia	

F. Results Framework Analysis

Program Development Objectives (from Program Document)

(i) Sustain and accelerate economic growth and broaden its impact: Reducing income poverty is one of the key focus areas of the MKUKUTA. Private sector and rural development are the two areas where reforms are expected to have the biggest impact on reducing income poverty in Tanzania. Reforms in the areas of agricultural and rural development are intended to improve producer incentives and raise agricultural profitability and thus enhance incomes in rural areas, where poverty is most widespread and most deeply entrenched. Measures include improving export crop quality, reducing marketing cost and the tax burden on farmers and improving access to markets and finance. With respect to private sector development, the focus will be on strengthening of the business environment, in particular for SMEs, and legal and administrative reforms to enhance the functioning of land, credit, and labor markets.

(ii) Support results orientation of public service delivery: The second area of impact is through monitoring and leveraging progress in the implementation of sectoral programs to reduce poverty, covering the priority sectors identified in the first Poverty Reduction Strategy (PRS), i.e., primary education, basic health, water, rural roads, agricultural research and extension, the judiciary, and HIV/AIDS. The PRSC-3 policy dialogue focuses on the establishment of a robust monitoring and evaluation system that allows an assessment of the impact and results of sectoral programs. The information derived from the monitoring and evaluation system will then feed into the assessment of progress towards the MKUKUTA objectives. Finally, the resources provided through the PRSC-3 complement government and other donor resources in financing priority programs for poverty reduction. The well developed participatory Public Expenditure Review and Medium Term Expenditure Framework (PER-MTEF) process provides a mechanism for the monitoring of the use of resources.

(iii) Enhance public sector performance: Measures in this area will have a direct impact on poverty reduction as they enhance public sector capacity to implement poverty reduction programs in the priority sectors and generate additional funds for poverty reduction by reducing leakages in the form of low allocative or operational efficiency of public expenditures. Key areas of reform include strengthening of financial management through the implementation of the public financial management reform program, strengthening of the national audit office, implementation of pay reform coupled with improved performance management in the public sector, procurement reform, the implementation of anti-corruption strategies, and enhanced efficiency in the use of development assistance.

(iv) Strengthen environmental management: Finally, the PRSC-3 also supports government's efforts to enhance the environmental sustainability of Tanzania's development program. The MKUKUTA identifies this as an important element of efforts to improve the quality of life and social well-being.

Revised Program Development Objectives (as approved by original approving authority)

Note on the results-framework

The Development Objective indicators presented below apply to the whole medium-term program of three PRSC as laid out in the PRSC 1 program document. The program PDO are recorded under the PRSC 1 box below, while the PRSC 2 and 3 boxes are left void. Intermediary indicators were not laid out in PRSC 1, and a list was devised under PRSC2 and 3, but never really owned by government. Therefore, only the intermediary indicators which are system generated are reported.

To assess the PRSC1-3 according to the new ICR standards, a results framework based on the current specifications had to be retro-fitted. This has entailed certain choices as to the selection of specific PDO indicators, extrapolating from the relevant sections in the PRSC 1 document, as well as the adjustment to certain elements of the results framework that were not fully aligned with the current standards. In particular, in order to measure the impact of the program, the ICR uses, for flow variables, three-year average of the indicator over the program period with a one year lag, while for stock variable, it uses values achieved after the end of the program period. For the baseline values to be comparable, it uses for flow variables, three-year average for the period preceding the program. This may contradict at times the baseline indicated in the PRSC documents, but given the volatility inherent in single year figures, and the need to consistently compare the baseline with the achieved target value, the use of three-year averages for flow variables is considered most consistent and sound.

The PDO retained for the series of programmatic PRSC1-3 have been structured to cover: (i) the overarching objective of the PRSC1-3, (ii) PDOs under the specific pillars of the PRSC1-3 program (with the exception of pillar 2 and 4, where it proved excessively complex to define a good PDO indicator).

(a) PDO Indicator(s)

Tanzania First Poverty Reduction Support Credit - P074072				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Broad based progress on PRS indicators assessed through PRSP progress reports			
Value (quantitative or Qualitative)	Satisfactory	Satisfactory		Satisfactory
Date achieved	10/01/2001	10/01/2005		10/01/2005
Comments (incl. % achievement)	Annual PRS progress reports have documented a satisfactory progress of PRS implementation from 2003-2005.			

Indicator 2 :	Agriculture GDP growth rate			
Value (quantitative or Qualitative)	4.6%	5%		5%
Date achieved	01/01/2002	01/01/2005		01/01/2005
Comments (incl. % achievement)	baseline indicator is calculated as period average from 2000 to 2002; target and actual indicators are calculated as period average from 2003 to 2005			
Indicator 3 :	Industry GDP growth rate			
Value (quantitative or Qualitative)	7.8%	8-10%		10.3%
Date achieved	01/01/2002	01/01/2005		01/01/2005
Comments (incl. % achievement)	baseline indicator is calculated as period average from 2000 to 2002; target and actual indicators are calculated as period average from 2003 to 2005			
Indicator 4 :	Percentage of population below income-poverty line ¹			
Value (quantitative or Qualitative)	38%	19%		19-32%
Date achieved	01/01/1991	2010		2010
Comments (incl. % achievement)	Date for the "target" is 2010, indicator value for "actual at target date" is projection for 2010 as of April 2007			
Indicator 5 :	Progress on efficiency of government systems (financial management, procurement, public sector)			
Value (quantitative or Qualitative)	not applicable	Good progress		Good progress
Date achieved	01/01/2002	10/01/2005		10/01/2005
Comments (incl. % achievement)	indicator based on assessments contained in the annual Public Expenditure Review , the CFAA, and the IMF's Public Expenditure Management Annual Assessment and Action Plan (AAP)			

¹ See Annex 7 for a technical discussion

Tanzania Second Poverty Reduction Support Credit - P074073				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

Tanzania Third Poverty Reduction Support Credit - P087256				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

(b) Intermediate Outcome Indicator(s)

Tanzania First Poverty Reduction Support Credit - P074072				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	This ISR covers only the IDA reflows attached to PRSC-1. Outcome indicators discussed in PRSC-2 ISR			
Value (quantitative or Qualitative)	Disbursement of IDA reflows of US\$ 190,000	Disbursement of IDA reflows		
Date achieved	06/30/2004	06/30/2004		
Comments (incl. % achievement)				

Tanzania Second Poverty Reduction Support Credit - P074073				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

Tanzania Poverty Reduction Support Credit 3 - P087256				
Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years

G. Ratings of Program Performance in ISRs

Tanzania First Poverty Reduction Support Credit - P074072				
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	11/08/2004	Satisfactory	Satisfactory	132.56
2	06/29/2005	Satisfactory	Satisfactory	132.56

Tanzania Second Poverty Reduction Support Credit - P074073				
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	09/28/2004	Satisfactory	Satisfactory	150.54
2	05/12/2005	Satisfactory	Satisfactory	150.54

Tanzania Third Poverty Reduction Support Credit - P087256				
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/28/2005	Satisfactory	Satisfactory	149.59
2	10/04/2006	Satisfactory	Satisfactory	149.59

H. Restructuring (if any)

1. Program Context, Development Objectives and Design

In view of the commitment of the Tanzania Country Team to the donor harmonization process in Tanzania, this evaluation builds as much as possible on the assessments and evaluations carried out jointly by the donors involved in the Poverty Reduction Budget Support group (PRBS), in particular the “Joint Evaluation of General Budget Support Tanzania 1995 – 2004” of November 2004, and the PRBS Annual Review Reports for FY 2003, 2004 and 2005. It also incorporates the findings of the simplified ICRs for PRSC 1 and 2. It introduces new elements to the assessment only in as much new information has become available since the joint reports were prepared.

1.1 Context at Appraisal

(brief summary of country macroeconomic and structural/sector background, rationale for Bank assistance)

Starting in the late 1980s, but implemented with vigor mainly since the mid-1990s, Tanzania carried out a broad structural and social reform agenda. After the initial objectives of macrostabilization and removal of key distortions in the economy had been attained, reforms focused on improving economic governance, providing an enabling environment for private sector activities, and enhancing public service delivery for poverty reduction. As a consequence of its strong performance, Tanzania gained access to irrevocable debt relief by reaching the completion point under the enhanced HIPC Initiative in December 2001.

Tanzania’s macroeconomic performance improved during the second half of 90s, with GDP growth reaching on average almost 4 percent per annum, and picked up further to 5.1 percent in 2000, 6.2 percent in 2001, and 7.2 percent in 2002.

It does not appear from the best available data that the incidence of income poverty fell significantly between the early 1990s and 2000/01. The national poverty headcount declined from about 38 percent to 35 percent. However, because the 1991/92 survey had a small sample size and the 2000/01 survey had some sampling issues, that difference is within the margin of error for the two surveys and, therefore, we cannot conclude that poverty declined. It was only in Dar es Salaam that the measured change was statistically significant, reducing the proportion of those in poverty from 28 to 18 per cent. The lack of real progress on poverty in the 90s was due mainly to 2 factors: the lackluster growth performance in the first half, and the concentration of growth in Dar es Salaam in the later 90s. Poverty in Tanzania was therefore still at unacceptably high levels and the HIV/AIDS pandemic posed a major threat to the achievements made on all fronts.

The programmatic series of PRSC 1 to 3 were build on previous reforms undertaken by the United Republic of Tanzania with the aim of supporting the implementation of Tanzania’s Poverty Reduction Strategy (PRS). The first PRSC covering FY03 would

deepen the reform agenda defined under the Programmatic Structural Adjustment Credit (PSAC) and lay the ground for attacking income poverty more aggressively through at least two further single-tranche PRSCs covering FY04 and FY05. The switch from a PSAC to a PRSC also addresses several lessons learned during the implementation of the PSAC. Key among these is the adoption of a single tranche, an ex-post conditionality framework, which avoids uncertainty in disbursement linked to within-year conditionality.

Tanzania launched the participatory PRS process in 1999 with the preparation of an interim PRS, followed by the approval of a full PRS in 2000 (PRS1), covering FY02 to 04, which was then extended through progress report in the following two fiscal year, until a new PRSP became effective in FY07. The programmatic series of PRSC1-3 did overlap only for two year with the original time span of the PRS1 (one year in terms of disbursement, since they are ex-post instruments). This is most evident in the dating of the PRS1 target year for indicators which is 2003, i.e. the period covered by the second PRSC.

The PRSC1-3 were the first policy lending instruments fully integrated in a harmonized donor support mechanism, the Poverty Reduction Budget Support (PRBS), established in October 2001 by 9 DPs. The principles of PRBS were a single assessment process and a unified performance assessment process, from which all DPs would draw their policy matrix and result framework. The motivation for this effort derives from the clear desire of both GoT and the development partners to ensure that all operations adopt:

- a clear poverty focus guided by the homegrown PRS,
- coherence in policy dialogue at cross-cutting levels and in sector wide programs,
- enhanced efficiency in policy dialogue and performance assessment and
- enhance flexibility and predictability of resource flows.

The Performance Assessment Framework (PAF)/Policy matrix, including the set of prior actions and triggers for PRSC1-3 was developed in close cooperation with the government, the PRBS donors and the Bank.

1.2 Original Program Development Objectives (PDO) and Key Indicators *(as approved)*

(i) Sustain and accelerate economic growth and broaden its impact: Reducing income poverty is one of the key focus areas of the MKUKUTA. Private sector and rural development are the two areas where reforms are expected to have the biggest impact on reducing income poverty in Tanzania. Reforms in the areas of agricultural and rural development are intended to improve producer incentives and raise agricultural profitability and thus enhance incomes in rural areas, where poverty is most widespread and most deeply entrenched. Measures include improving export crop quality, reducing marketing cost and the tax burden on farmers and improving access to markets and finance. With respect to private sector development, the focus will be on strengthening of the business environment, in particular for SMEs, and legal and administrative reforms to enhance the functioning of land, credit, and labor markets.

(ii) Support results orientation of public service delivery: The second area of impact is through monitoring and leveraging progress in the implementation of sectoral programs to reduce poverty, covering the priority sectors identified in the first Poverty Reduction Strategy (PRS), i.e., primary education, basic health, water, rural roads, agricultural research and extension, the judiciary, and HIV/AIDS. The PRSC-3 policy dialogue focuses on the establishment of a robust monitoring and evaluation system that allows an assessment of the impact and results of sectoral programs. The information derived from the monitoring and evaluation system will then feed into the assessment of progress towards the MKUKUTA objectives. Finally, the resources provided through the PRSC-3 complement government and other donor resources in financing priority programs for poverty reduction. The well developed participatory Public Expenditure Review and Medium Term Expenditure Framework (PER-MTEF) process provides a mechanism for the monitoring of the use of resources.

(iii) Enhance public sector performance: Measures in this area will have a direct impact on poverty reduction as they enhance public sector capacity to implement poverty reduction programs in the priority sectors and generate additional funds for poverty reduction by reducing leakages in the form of low allocative or operational efficiency of public expenditures. Key areas of reform include strengthening of financial management through the implementation of the public financial management reform program, strengthening of the national audit office, implementation of pay reform coupled with improved performance management in the public sector, procurement reform, the implementation of anti-corruption strategies, and enhanced efficiency in the use of development assistance.

(iv) Strengthen environmental management: Finally, the PRSC-3 also supports government's efforts to enhance the environmental sustainability of Tanzania's development program. The MKUKUTA identifies this as an important element of efforts to improve the quality of life and social well-being.

1.3 Revised PDO (if any, as approved by original approving authority) and Key Indicators, and Reasons/Justification

1.4 Original Policy Areas Supported by the Program (as approved):

- Rural Development
- Private sector Development
- Debt management
- Domestic revenue
- Budget formulation and management
- Public Service reform
- Financial Management
- Procurement
- Anti-corruption
- Aid management
- Environment
- Poverty Monitoring and Evaluation

1.5 Revised Policy Areas (if applicable)

1.6 Other significant changes

(in design, scope and scale, implementation arrangements and schedule, and funding allocations)

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance (supported by a table derived from a policy matrix)

Overall program performance, as described in the PAF, has generally been sound, with broad-based progress on most fronts, as reported in the General Budget Support Annual Review reports for FY 03, 04 and 05, as well as in the ICRs for PRSC1 and 2. Two main areas of the program have shown less than anticipated progress: anti-corruption, and crop board reform, the latter issue prompting a reduction in the amount of PRSC3 by US\$ 25 million. Those 2 issues were certainly difficult ones, since as of April 2007, crop board reform is still in the works, and a new anti-corruption law is still in discussion in parliament.

PRSC 1	
<i>List prior actions from Legal Agreement/ Program Document</i>	Status
PRS	
1. Published a stakeholder-reviewed PRS progress report for 2001/02 and the PHDR, including HBS and ILFS findings.	<i>Completed</i>
2. Presented the second annual PRS progress report for 2001/02, which was satisfactory to IDA.	<i>Completed</i>
Debt Management	
3. Presented the amended Loans, Guarantees and Grants Act Number 30 of 1974 for parliamentary approval to ensure a prudential debt contracting and management system for government and independent public institutions.	<i>Completed</i>
Financial Management	
4. Approval by the GOT of the revised PFM RP, which includes the key agreed recommendations of the CFAA.	<i>Completed</i>
Rural Development	
5. Finalized the ASDP framework and process document and adopted it for implementation.	<i>Completed</i>
Institutional Reforms	
6. Implemented pay enhancement for civil servants in line with the approved budget for 2002/03.	<i>Completed</i>
PSD	
7. Approval of an implementation plan for the BEST program by the integrated framework steering committee.	<i>Completed</i>

PRSC 2	
<i>List prior actions from Legal Agreement/ Program Document</i>	Status
1. Drafted amendments to the Land Act and presented them to parliament.	<i>Completed</i>
2. Phase labor legislation (Employment Relations, Collective Labor Relations, Dispute Resolutions, and Labor Market Institutions) presented to parliament.	<i>Completed</i>
3. Reviewed the business licensing system after consultation with stakeholders, prepared a position paper on business licensing reforms, and submitted to Parliament amendments to the Business Licensing Act 1972, introducing reforms of the business licensing system.	<i>Completed</i>
4. Local government taxes and levies rationalized.	<i>Completed</i>
5. Approved budget 200314 in line with PRS objectives, delineating budget codes for priority sectors and items.	<i>Completed</i>
6. Budget execution for 2002103 and 2003104 (FQ1 and FQ2) in line with the approved budget and with PRS priorities, consistently reported as per identified expenditure budget codes for priority sectors, and in 2003104 also by identified codes for priority items.	<i>Completed</i>
7. Pay enhancement in line with the approved budget for FY04.	<i>Completed</i>
8. Joint PFMRP Steering Committee reviewed (i) the establishment of a management structure and (ii) the detailed annual work plan and budget for the first phase of implementation of the PFMRP.	<i>Completed</i>
9. Prepared a draft bill amending the Public Procurement Act of 200 1 reflecting the CPAR recommendations, and submitted a letter from the Attorney General confirming that said bill will be presented for parliamentary approval during the 2004 budget session.	<i>Completed</i>
10. Local Government Authority Tender Boards constituted and established under the new Regulations.	<i>Completed</i>
11. Prepared annual borrowing and repayment plan (both concessional and non-concessional loans), inclusive of borrowing limits, and presented it to Parliament as part of the annual budget.	<i>Completed</i>
12. Progress in strengthening and sustaining capacity of the VPO secretariat to support and monitor implementation of the PRS according to an updated action plan to be approved by Government.	<i>Completed</i>
13. Progress in strengthening and sustaining capacity of PO-RALG for collecting, collating, and analyzing administrative data according to an updated action plan to be approved by Government.	<i>Completed</i>

PRSC 3	
<i>List prior actions from Legal Agreement/ Program Document</i>	Status
Finalized and obtained Government approval of the strategic plan for operationalization of the Land and Village Land Acts.	<i>Completed</i>
New business licensing framework under implementation in a phased strategy.	<i>Completed</i>
Building on the results of the Crop Boards review, Government approval of a strategy to reform two crop boards consistent with ASDS.	<i>Partially completed</i>
Approved budget 2004/05 in line with PRS objectives, delineating budget codes for priority sectors and items.	<i>Completed</i>
Budget execution for 2003/04, and 2004/05 (FQ 1 and FQ 2), in line with approved budget and with PRS priorities, consistently reported as per identified expenditure budget codes for priority sectors and items.	<i>Completed</i>
Pay enhancement consistent with the approved budget for 2004/05, and the overall thrust of the pay reform strategy.	<i>Completed</i>
Progress in the implementation of the PFMRP.	<i>Completed</i>
The Government establishes the Regulatory Authority for procurement and decentralizes procurement to Procurement Authorities.	<i>Completed</i>

2.2 Major Factors Affecting Implementation:

Government ownership of the program and its commitment to the joint PRBS process have been strong, and a key factor ensuring prompt implementation. In situation where delays in the implementation of policy actions occurred, as under PRSC2, the Government, under leadership of the Ministry of Finance, took swift action to bring back the program on track.

Domestic political considerations rightly appear to have a dominant influence in the choice and implementation of reforms, and while the yearly selection of triggers, and the ex-post nature of financing allow for a more flexible matching of PRSC policy areas with the government policy choices, there is still considerable scope for divergence.

The capacity of government in policy and planning is limited, with key senior policy staff lacking strong institutional and technical backing, and being swamped by administrative tasks. The ability to analyze policy options or convince the political level is therefore problematic with respect to complex reform agendas, and can sometime lead to hesitation in implementation, or to unsuccessful policy choice (e.g. in agriculture). In some cases, this may also have led to misread the real commitment of the Authorities to implement the reforms under PRSC.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization:

Underlying processes for monitoring the PRSCs were the yearly PER process, and the establishment of a poverty monitoring system that regularly reported on the implementation of the PRS through yearly Poverty and Human Development Reports. The specific monitoring of the PRSC was harmonized within the Annual Review process which involved a mid-term review around March-April and an Annual Review in October, which included inputs from various parts of government, civil society and the PRBS donors.

The PRSC results framework was rudimentary by today's standards, and although it has evolved over the three operations, it still left much to be desired in tracking program implementation, especially with respect to the ultimate development objectives.

2.4 Expected Next Phase/Follow-up Operation (if any):

The PRSC 1-3 are being followed up by another set of programmatic PRSC that support the implementation of a second PRS, labeled MUKUKUTA, that was approved in 2005. PRSC4 was approved by the Board on April 10, 2006, and PRSC5 on April 24, 2007.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

(to current country and global priorities, and Bank assistance strategy)

Rating: Highly satisfactory

PRSC1: highly satisfactory; PRSC2: highly satisfactory; PRSC3: highly satisfactory

PRSC1 to 3 were highly relevant to the country's objectives, and to the specific circumstances of aid coordination in the country. Based on the analysis of poverty trends in the 90s, the PRSC medium-term framework rightly focused on strong rural growth as a way to attack poverty, while maintaining strong momentum in the modern economic sector, through an improved investment climate. It also rightly complemented sectoral social programs by focusing on result-oriented monitoring, and on the improved performance of government systems, as another critical condition for productive use of budget support funding. The focus on Environment, given the high reliance of Tanzania on natural resources and tourism, was also highly relevant.

The integration of PRSC with the harmonized process for budget support (PRBS) was also important in implementing the Bank's institutional commitment towards harmonization, reducing transaction costs for the government, and simplifying policy dialogue.

3.2 Achievement of Program Development Objectives

(including brief discussion of causal linkages between policy actions supported by operations and outcomes)

The review of the program development objectives covers: (i) the overarching objective of the PRSC1-3, (ii) the specific evaluation of PDOs under each of the four specific pillars of the PRSC1-3 program

Overarching objective: Broad-based progress toward achieving the PRS objectives

The PRSC1 program documents states that “Broad-based progress toward achieving the PRS objectives is the key results area against which the effectiveness of PRSC support should be judged”. The lack of specificity with respect to baseline and target values of indicators, and of the timing of the objectives in the PRSC1-3 results-framework, however, makes it difficult to precisely assess the achievements of the program development objectives. Whether progress or achievement is the key criteria of evaluation remains therefore ambiguous.

The annual PRSP progress reports and other assessments emanating from the Poverty Monitoring System all point to significant progresses that have been made with respect to the overall PRS objectives (a list of indicators covering PRS key indicators was included in Annex 7 of the PRSC1 program document). The large increase in donor assistance, and in budget support, accompanied by a significant increase in domestic revenues, has allowed a rapid expansion of public expenditure in key areas targeted by the PRS, and has supported broad progress in the underlying indicators towards the PRS objectives.

However, in several critical areas where progress has been realized, such as income poverty, universal primary education², or infant and under-five mortality, the country appears unlikely to come close to achieving the PRS objectives by 2010, or even of the MDGs by 2015.

Sustain and accelerate economic growth and broaden its impact

The objective of poverty reduction supported by the program was rightly predicated on an increase in GDP growth in agriculture. That increase, over the implementation period, has been on target, but overall quite moderate. The role of the policy impulse in increasing agriculture growth is doubtful. The policy supported by PRSC1-3 was predicated upon a package of measures to “improve agricultural productivity and profitability, the key objectives of the Agricultural Sector Development Strategy”. Agricultural growth appears, however, to have been driven mainly by an extension of cultivated areas rather than increases in land yields, which have been in most cases declining moderately, in many cases stable, and in a very few cases having impressive increases. On the policy front, although important achievements in agricultural reforms

² See Annex 7 for a technical discussion

were achieved under the PRSC1-3 supported program, such as the operationalization of the new land legislation, reform of microfinance legislation and regulations, removal of local government 'nuisance' taxes, progress has been slow on some of the key reforms in the sector, in particular crop board reform which was a key trigger for PRSC, and was only partially completed under PRSC3 (and not yet fully achieved as of April 2007).

The PRSC1-3 also targeted higher growth in the industrial sector. Industrial growth has been strong, driven by the mining sector and by manufacturing. The good dynamism of exports and private investment testify to the solidity of growth in the sector, and it stems partly from some progress in improving the business environment, which however still ranks quite low internationally, according to the latest Doing Business rankings. Significant achievements in this area include the rationalization of the business licensing regime, including the abolition of licensing fees for small enterprises and the removal of annual licensing requirements. Revised labor legislation is another important element of the reforms undertaken as part of Tanzania's efforts to improve the functioning of factor and product markets. This has led to significant improvement from 2003 to 2005 in the Doing Business indicators for the cost and capital requirements for opening a business, although indicators on rigidity of labor or on contract enforcement have not shown any improvements. It has also led to a positive reform momentum in this area, with Tanzania, still in low rankings but qualifying as one of the top reformers in 2005/06 Doing Business report.

The impact of industrial sector growth on overall poverty is however limited, given the low labor intensity of the mining sector, the still relatively small scale of the manufacturing sector, and its geographical concentration in the capital area.

More generally, overall growth of 6.8 percent of GDP at market prices during the period from 2000 to 2005 has been strong. However, increased government spending has been an important engine of economic growth on the demand side, contributing 3.8 percentage points to the annual average of 6.8 percent overall GDP growth. The net demand impact of government spending has been mostly spurred by a large increase in development aid. It is therefore likely that part of the increase in GDP growth has been driven by the demand effect of donor financial support, rather than by supply side response to policy reforms.

Lack of up-to-date poverty data prevents a precise assessment of poverty trends over the period in consideration. The 2007 Household Budget Survey will allow to have a clearer picture of poverty by mid 2008. Assessment of poverty trends therefore has to be based on projections.

Notwithstanding robust GDP growth from 2001 to 2005, growth in per-capita private consumption may have been quite moderate, due to still large population growth and to the large increase in the share of investment and public consumption in GDP (data on private consumption in the National Accounts are uncertain because of a significant statistical discrepancy). Therefore, the estimated poverty evolution over the PRSC1-3 implementation period, and consequently the projection over the 2010 or 2015 horizon,

vary greatly depending on the measure of income used, whether per capita GDP or per capita private consumption. Given that income poverty is measured on the basis of household consumption, using per-capita private consumption is the standard accepted method. Poverty projections for Tanzania using the higher measure, i.e. GDP per capita, and assuming no significant worsening of income distribution, entail that the projected per capita GDP growth of rate of 4 percent would result in a decline in poverty to 19 percent by 2010 and to 11 percent by 2015, which would be consistent with achieving Tanzania's poverty reduction targets. The projection using the more conservative per-capita private consumption, even with no degradation in income distribution, indicates, however, that it is highly unlikely that the PRS objective of halving income poverty by 2010 will be reached, and neither the MDG date of 2015 seems attainable. In the event of worsening distribution, the poverty objectives would be even more difficult to achieve. The PRSC 1 program document diplomatically stressed the somewhat unrealistic nature of that objective. On balance, although poverty appears to be on the retreat, it is unlikely that Tanzania is on a path of sustained poverty reduction close to the levels envisaged by the PRS, particularly in rural areas where most of the poor are concentrated.

Support results orientation of public service delivery

A regular system of reporting on both the PRS and sectoral outcomes has been introduced under the Mkukuta Monitoring Master Plan, and with partial exceptions, Tanzania can now count itself quite well served in terms of the reporting of comparable data on impacts, while the analysis of those data by the Research and Analysis Working Group may be considered one of the successes of the Mkukuta Monitoring System.

There remains a serious lack of data on the outputs and outcomes of government services. The picture may differ between sectors and sub-sectors (e.g. education and health are positive exceptions) but observations made by informed Tanzanian practitioners and researchers within and outside of government suggest that administrative data systems remain weak. More significantly, the analysis of the quality of underlying processes is consistent with the judgments on the raw numbers. For the purposes of policy making and monitoring, this is a worrying gap. It is partly being addressed through ongoing work on strengthening the Mkukuta Monitoring System (MMS) and the Tanzania Statistical Master Plan (TSMP).

Overall the ability to monitor and understand poverty trends in Tanzania is still weak, due to low frequency, and limited scope of poverty surveys. At this time, the available poverty surveys are the two Household Budget Surveys of 1991 and 2000. The latest HBS was fielded in 2007. The use of household budget surveys rather than more detailed Household Living Standards Measurement Surveys is a limiting factor. On the positive hand a number of sectoral surveys, such as the 2001 and 2006 Labor Force Surveys, the 2002 Agricultural Sample Census, the 2003 HIV Indicator Survey, the 2004 Demographic and Health Survey, bring useful, if not fully comparable, data for M&E.

Enhance public sector performance

The objective under this pillar was to enhance public sector capacity to implement poverty reduction programs in the priority sectors and generate additional funds for poverty reduction by reducing leakages in the form of low allocative or operational efficiency of public expenditures.

As mentioned earlier, the large increase in access to social services financed through increased revenue and foreign aid indicates that government systems have been able to translate higher resources into higher levels of service delivery, in particular in the social sectors. Citizen satisfaction as measured through Service Delivery Survey has increased significantly, although around 25 percent of all clients were still dissatisfied with central government services and 50-75 percent with local government services.

The Public Expenditure Review Process, the CFAA, and the IMF's Public Expenditure Management Annual Assessment and Action Plan (AAP) all document how government financial management systems have improved over time. The picture is undoubtedly positive, and the capacity of government institutions to manage public resources has undoubtedly increased.

There have been significant improvements in technical capacity in areas such as macroeconomic planning, sector strategic planning and performance budgeting, resulting from initiatives such as the PRSP, and the MTEF. The PER process has facilitated improvements in the analysis of budget performance, and has improved the quality of the overall budget process. However, it is unclear whether the improvements realized in budgeting are actually having the impact they should have in terms of better spending decisions across sectors and within sectors. The totality of these reforms does not amount, necessarily to a change in incentives for spending agencies.

The Country Procurement Assessment Report (CPAR) of 2003 highlighted significant problems in the procurement systems. Improvements in this area since then have been significant. A new procurement Act was approved in 2004, and has separated the regulatory function from the executive function, establishing a regulatory body, the Public Procurement Regulatory Authority, that started functioning in 2006. The Procurement function was decentralized to MDAs, and, at the local government, councilors have been excluded from the bidding process. Although weaknesses remain, the overall framework has improved considerably.

On public sector management, the government started implementing its pay reform strategy in the public service. The policy dialogue helped to elevate the dialogue on the issue of compensation beyond the technical level and to keep the momentum on pay increases. Although during that period progress in reaching the targets was below expectation, the focus remained on attracting and retaining key skills, namely professional, managerial and technical staff. Because of the dialogue under the three PRSCs, compensation has received high priority on both the political and technical agenda of government. Listening non-state actors on the performance of the public service has also become a more regular feature of the dialogue.

This progress has translated into a slightly improved perception of overall governance, as it is captured by the WBI's Worldwide Governance Indicators. However, most of these indicators show no significant progress between 2003 and 2005 in Tanzania, in particular with respect to Government effectiveness and control of corruption. On government effectiveness there has been slow but steady progress until 2004. On the control of corruption, there had been significant improvement in indicator for the period up to 2003, but is difficult to attribute the improvement in 2003 to the PRSC 1, since no prior action for that operation (approved April 2003) dealt directly with the issues, nor was there much substantive achievements on control of corruption in the broader policy framework for that operation (PAF) in FY03.

The extent of effective prioritization of public expenditures towards the PRS goals is also relative. Analysis has shown that while allocation towards PRS priorities in the budget has increased in absolute terms, in terms of relative share this has not been consistently the case over the period. In particular, there has been a relative expansion in the administration sector budget on the recurrent side, whilst the share of the budget going to local authorities has remained the same. In some sectors, most notably education, there has been a large increase in administrative overheads.

There are significant deviations between approved budget allocations and actual expenditures across and within spending agencies, indicating that the priorities articulated in the budget are not always followed through in terms of expenditures.

There also remains substantial scope for increasing the efficiency of public expenditure. While a major expansion in the levels of service delivery was achieved, it remains unclear whether efficiency has improved, as there have been limited changes in the patterns of expenditure in the sectors. The impression is "more of the same", and that some key constraints to service delivery have not been addressed, both in terms of quantity and quality.

Strengthen environmental management

Strengthen environmental management was the fourth pillar of PRSC1-3, although on the ground impact is difficult to measure because of the lack of definition of impact indicators and baselines. In terms of intermediate achievements, one should record the passing of the new National Environmental Management Act, 2004, and the establishment of an appropriate institutional framework, which provides the basis for improved environmental management in the future. There has been increased awareness of the linkages within the relevant institutions and initiation of policy dialogue between the Vice President's Office and relevant sectoral ministries having the mandate for natural resources management. While capacity building for environmental management and sustainable natural resources management remain challenges, several development partners and the Bank are providing support to the key government institutions to address these priorities. There are ongoing discussions regarding the potential for a Sector Wide Approach for environmental management with an annual environmental review process in support of implementing the National Environmental Management Act.

Overall assessment of achievement of Program Development Objectives

On balance, there has been significant progress in the implementation of the PRS, through the financing of scale-up access to social services within improving government management systems, although progress on the policy and efficiency front have not been sufficient to clearly put the country on track to reach its most ambitious PRS objectives. The programmatic series of PRSC 1-3 is assessed as moderately satisfactory with respect to the achievement of Program Development Objectives

Ratings: moderately satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: moderately satisfactory

3.3 Justification of Overall Outcome Rating

(combining relevance, achievement of PDOs)

Ratings: satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: satisfactory

The high relevance of the operation, coupled with the moderately satisfactory achievement of program development objective support an overall satisfactory rating of the PRSC 1-3 program.

3.4 Overarching Themes, Other Outcomes and Impacts

(if any, where not previously covered or to amplify discussion above)

(a) Poverty Impacts, Gender Aspects, and Social Development

(b) Institutional Change/Strengthening

(particularly with reference to impacts on longer-term capacity and institutional development)

There has been significant strengthening of government systems in macroeconomic planning, budgeting, financial management and procurement.

(c) Other Unintended Outcomes and Impacts *(positive or negative)*

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

(optional for Core ICR, required for ILI, details in annexes)

4. Assessment of Risk to Development Outcome

Ratings: Moderate

PRSC1: Moderate; PRSC2: Moderate; PRSC3: Moderate

The increase in economic growth has been significantly influenced by increased levels of foreign aid through higher government consumption and investment between 2000-2005.

Maintaining GDP growth rates in the order of 7% per year, in the absence of ever increasing foreign aid, could be problematic and consequently the poverty-reduction outlook is uncertain.

In the area of rural development and agriculture, which is key to rapid reduction of poverty, the lack of a dependable and clear policy stance, and the weak record on land productivity, all point out to risks to the sustainability of the positive achievements in terms of growth in the sector.

Relatively modest progress in the efficiency of public expenditures and in the quality of key public services, notwithstanding a big growth in the scale of services and, in access of the poor (in particular to primary education) mean that the impact of recent improvement on the well-being, and productivity of the poor might not materialize on a large scale.

BOX 1. THE JOINT EVALUATION OF GENERAL BUDGET SUPPORT- TANZANIA 1995 - 2004

SUMMARY AND COMMENTS

Methodology

The evaluation utilised the GBS Evaluation Framework recently approved by the OECD-DAC Evaluation Network. The Evaluation Framework distinguishes five levels:

- **Level One:** Inputs by GBS Donors.
- **Level Two:** Immediate effects (on the relationship between aid, the national budget and national policy processes).
- **Level Three:** Outputs (consequent changes in the financing and institutional framework for public spending and public policy).
- **Level Four:** Outcomes (interactions between the public sector and the wider economy and society, specifically with regard to the proximate determinants of poverty reduction).
- **Level Five:** Impacts (in terms of the empowerment of the poor and the improvement of their real incomes).

This ICR draws on the conclusions mainly under levels 3 to 5.

Synthesis of Conclusions

Notwithstanding the increased rates of GDP growth achieved in recent years in Tanzania, the country is not yet succeeding in reducing poverty. This is because the structure of growth is skewed towards urban rather than rural areas, towards mining and services rather than agriculture and towards the richer rather than the poorer. Without significant policy and institutional changes, this situation is likely to continue.

There is evidence of the sorts of changes required beginning to be put into place. In particular, there have been important changes to improve the business environment and to improve the administration of justice. Macroeconomic fundamentals are in place and improvements are being made within the financial sector. GBS has supported these improvements – by providing discretionary resources to facilitate macroeconomic management, by helping to strengthen the core agencies addressing these issues and by providing a framework for promoting dialogue on these questions and for exerting pressure for progress. On the other hand, the GBS contribution should not be overstated: fundamentally, progress has been driven by the internal political commitment to achieving change in these areas.

There are other outcome areas, where GBS is not successfully facilitating such changes. On the policy side, the constraints on agriculture sector growth remain to be properly addressed. On the service delivery side, while access has improved, the poor still predominantly fail to use government services and in large part this is due to shortfalls in efficiency and in quality. Poor service delivery outcomes can in turn be traced back to weaknesses at the output level: the efficiency of public expenditure remains low, intra-government incentives – in particular, the incentives for improved results, remain weak and the democratic pressure that might drive improvements is substantially absent.

Is it reasonable to assume that GBS – perhaps in increased volumes – might successfully facilitate change in these areas in the future? Clearly not, or at least not without parallel changes to strengthen policy making, budget formulation and scrutiny, and to improve internal incentives. Such internal changes would be facilitated considerably by a continued

reduction in the number of aid projects and programmes within the public sector.

The Bank PRSC team had a number of comments and reservation on the report which are succinctly reported below. It was thought that the quality of the assessment to be uneven across the five levels of assessment, with the analysis of levels four and five much weaker than that of the first three levels.

The report was also deemed to have used a generic evaluation framework for GBS, but without discussion of how the framework relates to the specific objectives of the PRBS. It was also observed that there is no discussion of the PRBS objectives in the report and at various places one gets the sense that the PRBS is assessed against objectives that were never part of the PRBS design.

5. Assessment of Bank and Borrower Performance

(relating to design, implementation and outcome issues)

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

(i.e., performance through lending phase)

Ratings: satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: satisfactory

PRSC1-3 were prepared by the country team with significant contributions from country office staff which played a crucial role in both substance (by providing local knowledge) and contribution (coordination with Government, donors and HQ). Under the direction of a proactive Country Director (based in the country office), the team has continued to strive to support Tanzania in the implementation of its poverty reduction strategy.

The Bank team had to face some of the trade-offs implied by the harmonization framework. The 2004 ICA for instance made clear the critical constraint represented by the energy sector, but it proved difficult to convince the other partners to introduce this policy area in the policy matrix.

The Bank showed both flexibility and resolve in dealing with delay or shortfall in program implementation. With both PRSC2 and PRSC3, the Bank delayed appraisal to allow government to fully implement its program under the credit, and for PRSC3 the Bank decided to cut the credit amount as a result of lack of satisfactory implementation in one of the key program areas.

(b) Quality of Supervision

(including M&E arrangements)

Ratings: satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: moderately satisfactory

Supervision of these operations was carried out with a high level of government involvement and leadership and harmonization with a group of 12 donors, using a

common performance assessment framework and a joint review process. In this context, the Bank's multisectoral team sustained a high-level and intense dialogue with the government and other development partners.

The detailed PAF underpinning the first three PRSCs has, however, led to a greater focus on whether actions contained in the PAF have been completed or not, with relatively less dialogue on results and limited flexibility to acknowledge changing priorities or strategies.

There may have however been insufficient focus on the implementation through public expenditures of the policy supported by PRSC1-3. The PER process which initially supported a strong substantive dialogue between the Government, the Bank and other Development Partners has become more process-oriented, and gradually weakening into more of a routine activity.

Regarding the partial completion of the crop board reform benchmark, which led to a reduction of USD 25 million of the PRSC 3 amount, the Bank built a solid dialogue by carrying out a PSIA that was widely discussed and led to a good understanding with government on specific reform needs, while underscoring continued differences in a few areas. Although the government demonstrated its commitment by starting to implement key PSIA recommendations, a downward adjustment of the loan amount came in response to partial achievement of the policy benchmark. This was a measured response to the partial policy achievement, with the size of the reduction reflecting the relevance of the reforms in the overall program. The Bank may have underestimated the political economy complications of such reform and consequently, the time required to develop constituencies for change.

(c) Justification of Rating for Overall Bank Performance

Ratings: satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: moderately satisfactory

Solid institutional arrangements for preparation and supervision of the PRSC operations with key leadership from the Government, and a high level of harmonization with other Development Partners providing budget support have resulted in overall good performance by the Bank.

5.2 Borrower Performance

(a) Government Performance

Ratings: Satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: moderately unsatisfactory

The Government of the United Republic of Tanzania played an active role in the preparation of the Credits, under the direction of the Permanent Secretary of the Ministry of Finance, and the sense of program ownership was strong among the government officials. Reflecting this strong ownership, government implementation of the program

was effective and satisfactory. The Government of Tanzania was proactive in meeting the requirements called for by the Credit, although delay in program implementation occurred under PRSC 2 led to a postponement of appraisal and negotiations to allow for more time to complete the prior-actions.

Under PRSC 3, timing was extended to allow for completion of the prior actions, but eventually resulted in the prior action on crop boards not being met. The GoT was committed to address the issues of the enabling environment in agriculture and engaged positively with the Bank on the PSIA and follow up dialogue. It, however, committed to a course of action on which it was unable to deliver. In subsequent years, it actively engaged in an approach that gave more attention to the stakeholder process, and covered all crop boards at the same time, rather than the previous, more selective approach. This demonstrates both the government's persistence and reflects the complexity of the issues and the ability of the government to learn from, and build on, partially successful approaches.

(b) Implementing Agency or Agencies Performance

Ratings: Satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: satisfactory

The Ministry of Finance under the direction of the Senior Permanent Secretary coordinated PRBS donors, including the Bank, and monitored the policy program underpinning the PRSC1-3. MoF took the lead in trying to remedy slow implementation by line ministries. The MoF was generally effective in doing so, although there is a sense that in some instances, intervention could have occurred earlier in the process and that a more continuous monitoring of the program in difficult areas might have been warranted.

(c) Justification of Rating for Overall Borrower Performance

Ratings: Satisfactory

PRSC1: satisfactory; PRSC2: satisfactory; PRSC3: moderately satisfactory

The strong program ownership by the government at large, and the effective leadership of the ministry of Finance as the implementing agency, notwithstanding occasional slippages, supports an overall satisfactory rating of borrower performance.

6. Lessons Learned

(both operation-specific and of wide general application)

Government ownership of the reform agenda is the single most important factor determining the success of reforms. The performance assessment framework has proven useful for the monitoring of reforms, but linking disbursement decisions to specific actions has been a two edged sword. While in some cases this has helped to accelerate the pace of reaching a specific milestone, in other instances, the processes of dialogue and conditionality have become closely interwoven, crowding out the space for a dispassionate, objective and non-committal sharing of views.

The focus on a large number of actions contained in the PAF may also have reduced the strategic focus of the budget support. There appears to be a tension between broad-based progress, which is necessary to ensure improvements of government institutions and systems, and more focused policy dialogue to align PRSC with the critical bottlenecks to growth and poverty reduction.

More focus on public expenditure efficiency and effectiveness, and implementation of policy through the budget may be required. This may require a significant revamping of the PER process, to bring it back to supporting effective and timely dialogue on key budget priorities between the government and the DPs.

On agricultural policy, or other complex issues which are critical to the achievement of the poverty-reduction objective, the Bank might also need to provide a higher degree of resources and attention. Sustainable achievements on economic growth will also depend on more incisive structural improvements on the supply-side to boost competitiveness and private consumption. Greater focus by the Bank on these, and some other key issues, is potentially easier in the current harmonization framework, where the follow-up on the broader agenda through the PAF is ensured. The issue of focus was raised repeatedly in ROC meetings.

The policy dialogue related to the PAF has not been accompanied by a significant extension of the scope of domestic accountability, and it has remained a dialogue between government and a group of donors, with little direct input from other stakeholders. This underlines the importance of linking PRSC support more strongly to domestic processes as a means to support government accountability to local stakeholders.

Following PRSC3, the wider PRBS group undertook an extensive redesign of budget support, in part drawing on experience with the earlier operations. There were three main elements of the redesign. First was to ensure a better match between the coverage of the PAF and the MKUKUTA – this element led to the widening of sector coverage in the PAF, removing some of the difficulties the Bank encountered in the earlier PRSC's over inclusion of key sectors such as energy. Second was a simplification of the PAF, including a drastic reduction in the total number of elements in the PAF from in excess of one hundred to not more than thirty. Thirdly, the review process was redesigned to draw as much as possible on national processes, open to domestic stakeholders, such as sector reviews and the annual PER process.

Following PRSC operations also improved on the quality and specificity of the results framework to allow a better tracking of the program effectiveness.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies

(b) Cofinanciers

Comments received from cofinanciers in annex 5.

(c) Other partners and stakeholders

(e.g. NGOs/private sector/civil society)

Annex 1 Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

P074073 – Tanzania Second Poverty Reduction Support Credit			
Names	Title	Unit	Responsibility/ Specialty
Lending			
Supervision			
Denis Maro Biseko	Public Sector Specialist	AFTPR	
Serigne Omar Fye	Sr Environmental Spec.	AFTS1	
Indumathie V. Hewawasam	Sr Environmental Spec.	AFTS2	
Manush A. Hristov	Counsel	LEGAF	
Rogati Anael Kayani	Consultant	SDNCA	
Marius Koen	Sr Financial Management Specia	OPCFM	
Allister J. Moon	Lead Economist	AFTP2	
Denyse E. Morin	Sr Public Sector Spec.	AFTPR	
Philip Isdor N. Mpango	Senior Economist	AFTP2	
Emmanuel A. Mungunasi	Research Analyst	AFTP2	
Mary-Anne D. Mwakangale	Program Assistant	AFCE1	
Vedasto Rwechungura	Program Officer	AFTPS	
Mercy Mataro Sabai	Sr Financial Management Specia	AFTFM	
Arlette Sourou	Program Assistant	AFTP2	
Pascal Tegwa	Sr Procurement Spec.	AFTPC	
Robert Townsend	Senior Economist	SASAR	
Michael D. Wong	Sr Private Sector Development	AFTPS	

P087256 - Tanzania Third Poverty Reduction Support Credit			
Names	Title	Unit	Responsibility/ Specialty
Lending			
Serigne Omar Fye	Sr Environmental Spec.	AFTS1	
Indumathie V. Hewawasam	Sr Environmental Spec.	AFTS2	
Manush A. Hristov	Counsel	LEGAF	
Rogati Anael Kayani	Consultant	SDNCA	
Marius Koen	Sr Financial Management Specia	OPCFM	
Allister J. Moon	Lead Economist	AFTP2	
Philip Isdor N. Mpango	Senior Economist	AFTP2	
Emmanuel A. Mungunasi	Research Analyst	AFTP2	
Mary-Anne D. Mwakangale	Program Assistant	AFCE1	
Vedasto Rwechungura	Program Officer	AFTPS	
Alema E. Siddiky	Consultant	AFCF2	
Arlette Sourou	Program Assistant	AFTP2	
Robert Townsend	Senior Economist	SASAR	
Michael D. Wong	Sr Private Sector Development	AFTPS	
Supervision			
Denis Maro Biseko	Public Sector Specialist	AFTPR	
Serigne Omar Fye	Sr Environmental Spec.	AFTS1	
Indumathie V. Hewawasam	Sr Environmental Spec.	AFTS2	

Johannes G. Hoogeveen	Senior Economist	AFTP2
Manush A. Hristov	Counsel	LEGAF
Allister J. Moon	Lead Economist	AFTP2
Denyse E. Morin	Sr Public Sector Spec.	AFTPR
Philip Isdor N. Mpango	Senior Economist	AFTP2
Emmanuel A. Mungunasi	Research Analyst	AFTP2
Mary-Anne D. Mwakangale	Program Assistant	AFCE1
Vedasto Rwechungura	Program Officer	AFTPS
Dieter E. Schelling	Lead Transport Specialist	AFTTR
Arlette Sourou	Program Assistant	AFTP2
Pascal Tegwa	Sr Procurement Spec.	AFTPC
Robert Townsend	Senior Economist	SASAR
Michael D. Wong	Sr Private Sector Development	AFTPS

(b) Staff Time and Cost

Supervision was carried out concurrently with Preparation of next operation in sequence.

P074072 - Tanzania First Poverty Reduction Support Credit		
Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY02	29	145.57
FY03	85	345.41
FY04	2	1.55
Total:	116	492.53
Supervision		
FY02		0.00
FY03		0.00
FY04	4	17.63
Total:	4	17.63

P074073 – Tanzania Second Poverty Reduction Support Credit		
Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY03		11.13
FY04		377.96
FY05		43.71
Total:		432.80
Supervision		
Total:		0.00

P087256 - Tanzania Third Poverty Reduction Support Credit		
Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY04		0.80
FY05	90	440.26
FY06	14	48.83
Total:	104	489.89
Supervision		
Total:		0.00

Annex 2. Beneficiary Survey Results
(if any)

Annex 3. Stakeholder Workshop Report and Results
(if any)

Annex 4. Summary of Borrower's ICR and/or Comments on Draft ICR

No comments were received from the borrower

Annex 5. Comments of Cofinanciers and Other Partners/Stakeholders

Comments from KfW:

General

1. The design of the PRSC accurately reflects Tanzania's development needs. Fully in line with Paris Agenda, it is fully integrated in the multi-donor Poverty Reduction Budget Support structure. This safeguards a harmonised conduct by Development Partners and a reduction of transactions costs. It also ensures valuable input by the World Bank to support the Government of Tanzania to implement the MKUKUTA effectively and to further strengthen the budget support instrument jointly with other budget support donors.
2. The German Government through KfW co-finances the World Bank's PRSC programme. This co-financing arrangement has proven to be mutually beneficial. The collaboration between the World Bank Task Team Leader and Members and KfW's Programme Manager has been exceptional and should be commended.

Specific Comments

3. **PER / MTEF:** The ICR Report rightly contains several references to the PER and MTEF process (p. 3, 11, 15f). However, it should be pointed out more explicitly that this process has not improved over the years. To the contrary, a worrisome deterioration can be noted. Ownership and credibility of the MTEF seems to be increasingly weak. The PER dialogue has not been effective for some time.
4. **Major Factors Affecting Implementation** (p. 6): We agree that limited capacity may have led to slow or even stalling reform implementation. However, vested interests and a lack of political will may also have contributed to implementation delays in some areas (e.g. anti-corruption activities, pay reform in particular allowances).
5. **Achievement of Program Development Objectives: "Broad-based progress towards achieving the PRS objective"** (p. 8): In light of the last Household Budget Survey having been published in 2001, it is open to discussion whether income poverty has indeed decreased. (*NB: In this context the Ugandan example may be noted where despite robust growth rates the 2003 HBS reported an increase in income poverty.*). Taking into account the lack of current data, we would exert caution with respect to quoting reduced income poverty as an example for progress.
6. **Lessons Learned: Redesign of the PAF:** Further efforts are required to enhance credibility of temporary process actions as well as outcome indicators, i.e. their outcomes/ results need to be measurable, assessed annually and realistic (achievable within a year also taking into account the political willingness to do so).

Britta Oltmann
Director Special Programmes Uganda and Tanzania

Annex 6. List of Supporting Documents

Annual Review Reports, FY03 04, 05

Joint Evaluation of General Budget Support Tanzania 1995 – 2004”, November 2004

Simplified ICR for PRSC1 and PSRC 2

CEM 2007

PEFAR, various years

Public Expenditure Management Annual Assessment and Action Plan (AAP), IMF, various years

Annex 7. Technical Annex on primary education and income poverty

Education

To date the impact of Primary Education Development Program has been assessed using administrative data. It demonstrates a large increase in net and gross primary school enrollment, the former increasing from 58% in 1999 to 96% in 2004. Using data collected from the families from which school going children originate allows verifying the results reported based on administrative data and permits to assess who, rich or poor, benefited most from the introduction of universal primary education.

From October 2004 to February 2005 a nationally (and regionally) representative Demographic and Health Survey (DHS) was implemented by the National Bureau of Statistics. This survey collected, amongst others, information about the educational attainment of household members aged 5 years and above, current schooling attendance for those aged 5-24 years and collected information about asset ownership. The latter has been used to construct an index of household wealth. Consequently it is possible to consider school attainment by wealth class. A comparable DHS was fielded in 1996 so that before PEDP, after PEDP comparison can be made.

Using these sources, net enrollment increased by 40% from 49.2% in 1996 to 70.5% in 2004 while the gross enrollment rate increased from 75% to 95%. These are impressive achievements, though insufficient to achieve the Mkukuta or MDG target of complete net enrollment in primary education by respectively 2010 and 2015. As primary school lasts 7 years, this target has a 7-year lead time. So achieving the Mkukuta target requires complete enrollment of children from the age of starting in 2003. In practice, by 2004, only 27% of children aged 7 were enrolled in grade 1, and 20% of the 8-year olds were enrolled in grades 1 or 2, implying that this Mkukuta target will not be achieved. Unless enrollment rates increase dramatically by 2008, the MDG goal will also not be achieved.

It is also important to note that the actual wording of the MDG is "Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling". This does not translate directly as being 100% primary NER. Analytical work on how to measure the MDG summarized in a World Bank publication from 2003, *Achieving Universal Primary Education by 2015: A Chance for Every Child*, concludes that the MDG should be measured by the Primary Completion Rate (PCR). This has been universally accepted among the World Bank, UNESCO, and the UN system generally. The Primary Completion Rate is defined in World Development Indicators; it is "calculated by taking the total number of students in the last grade of primary school, minus the number of repeaters in that Grade, divided by the total number of children of official age."

The data also allow to consider how enrollment in primary and secondary education is distributed across different wealth quintiles. It demonstrates that in 2004 17.8% of children enrolled in primary school originated from the poorest quintile. This is an improvement over 1996 when only 15.9% was enrolled. Access to primary school was

already relatively equally distributed before UPE and became more equally distributed once PEDP was introduced. Note however that if the aim is that all children should have equal probability of attending primary school, the fraction of children from the poorest households should exceed 20%. The reason being that households in the poorest quintile have on average, more children of school-going age. In 2004 for instance, a household from the poorest quintile had on average 1.23 children aged 7-13 while a household from the wealthiest quintile had 0.89 children in that age category.

Poverty

Projecting poverty forward from 2001, it is prudent to use per capita growth rates of consumption. Whereas between 1999 and 2000 (the period for which the poverty simulations were done) the overall increase in GDP and consumption is comparable (i.e. the average growth rate for the period are comparable--the annual pattern is different), this fails to be the case since 2000.

1990-2000: all growth rates are aligned

Increase pvt consumption 1990-2000	43%
Increase GDP 1990-2000	48%
Increase Govt consumption 1990-2000	43%

2001-2005: divergence of growth rates

Increase pvt consumption 2001-2005	23%
Increase GDP 2001-2005	34%
Increase Govt consumption 2001-2005	71%

Average pc. growth pvt consumption 2001-2005	2.3%
Average pc. growth GDP 2001-2005	4.6%
Average pc growth of Govt consumption 2001-2005	11.2%

On the assumption of 4.6% pc consumption growth, poverty would have dropped from 35.8% to 25.3% in 2005. But when private consumption growth is 2.3% poverty would only have dropped to: 30.2%. Unfortunately the Economic Survey numbers do not permit to distinguish between rural and urban consumption/GDP growth, so that one can only work with one consumption growth rate. If rural consumption growth is less than urban consumption growth or if intra-sectoral inequality increased, the decline in poverty will be overestimated. One reason why after 2000 consumption growth no longer tracks GDP growth is the increase in Government consumption.

Note that the source of data makes a difference. Whereas the previous is based on the economic survey, the ALDB suggests the following growth rates:

Average pc. growth pvt consumption 2001-2005	0.9%
Average pc. growth GDP 2001-2005	3.6%
Average pc growth of Govt consumption 2001-2005	14.2%

At a per capita growth rate of 0.9% poverty would have dropped to 33.6% in 2005.

TANZANIA

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

