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PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 39.2 MILLION

(US$60.2 MILLION EQUIVALENT)

AND

RESTRUCTURING

TO THE

UNITED REPUBLIC OF TANZANIA

FOR THE

PRIVATE SECTOR COMPETITIVENESS PROJECT

DECEMBER 2, 2013

Financial and Private Sector Development
AFCEI
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective October 31, 2013)

Currency Unit	=	Tanzanian Shilling (TZS)
US$ 1	=	TZS 1609.48
US$ 1	=	SDR 0.65

FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing	NIDA	National Identification Agency
BARA	Business Activities Registration Act	NCB	National Competitive Bidding
BERC	Business Environment Roadmap Committee	NKRA	National Key Results Areas
BOT	Bank of Tanzania	NLUPC	National Land Use Planning Commission
BRELA	Business Registrations and Licensing Agency	NSSF	National Social Security Fund
BRN	Big Results Now!		
CAS	Country Assistance Strategy	ORAF	Operational Risk Assessments Framework
CEM	Country Economic Memorandum	OSS	One Stop Shop
CCROs	Customary Rights of Occupancy	PAD	Project Appraisal Document
CMSA	Capital Markets and Securities Authority	PDB	President's Delivery Bureau
DLUFPs	District Land Use Framework Plans	PDO	Project Development Objective
EAC	East African Community	PIU	Project Implementation Unit
FAS	Financial Access Survey	PPPFF	Public-Private Partnership Facilitation Fund
FSDT	Financial Sector Deepening Trust	PPP	Public-Private Partnership
FYDP	Five Years Development Plan	PPRA	Public Procurement Regulatory Authority
GDP	Gross Domestic Product	PRSC	Poverty Reduction Support Credit
GoT	Government of Tanzania	PSCP	Private Sector Competitiveness Project
GPS	Global Positioning System	RDU	Regional Delivery Unit
IDA	International Development Association	RCIP	Regional Communication Infrastructure Project
ICB	International Competitive Bidding	SACCOS	Savings and Credit Cooperative Societies
IE	Implementing Entity	SDR	Special Drawing Rights
IFMS	Integrated Financial Management System	SGFSR	Second Generation Financial Sector Reform

ILMIS	Integrated Land Management Information System
IMF	International Monetary Fund
MDU	Ministerial Delivery Unit
M&E	Monitoring and Evaluation
MFI	Microfinance Institutions
MLHHSD	Ministry of Lands Housing and Human Settlements Development
MSMEs	Micro, Small, and Medium Enterprises
NCC	National Construction Council
SPILL	Strategic Plan for Implementation of Land Laws
TDV	Tanzania Development Vision
TDC	Transformation and Delivery Council
TRA	Tanzania Revenue Authority
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank
WBG	World Bank Group

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UNITED REPUBLIC OF TANZANIA
ADDITIONAL FINANCING – PRIVATE SECTOR COMPETITIVENESS PROJECT

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UNITED REPUBLIC OF TANZANIA

ADDITIONAL FINANCING – PRIVATE SECTOR COMPETITIVENESS PROJECT

ADDITIONAL FINANCING DATA SHEET

AFRICA REGION

Basic Information - Additional Financing (AF)	
Project ID: P145971 Expected Effectiveness Date: March 30, 2014 Lending Instrument: Investment Project Finance Additional Financing Type: Scale-up and scope	Sectors: Industry and trade, finance Themes: Financial and private sector development, rural development, trade and integration Environmental category: C – Not required Expected Closing Date: November 30, 2015 Joint IFC: No Joint Level: No
Basic Information - Original Project	
Project ID: P085009 Project Name: Private Sector Competitiveness Project Lending Instrument: IPF	Environmental category: C – Not required Expected Closing Date: December 31, 2013 Joint IFC: Yes Joint Level: No
AF Project Financing Data	
[ ] Loan [X] Credit [ ] Grant [ ] Guarantee [ ] Other: Proposed terms:	
AF Financing Plan (US$m)	
Source	**Total Amount (US$m)**
Total Project Cost:	60.2
Co-financing:	0.0
Borrower:	0.0
Total Bank Financing:	60.2
IBRD	
IDA	60.2
New	
Recommitted	
Client Information	

Recipient: The United Republic of Tanzania
Responsible Agency: Prime Minister's Office
Contact Person: Florens Turuka
Telephone No.+255-22-213-5076
Fax No.: 255-22-211-2850
Email:ps@pmo.gov.tz

AF Estimated Disbursements (Bank FY/US$m)

FY	**FY14**	**FY15**	**FY16**	**FY17**		
Annual	10.00	35.00	15.20			
Cumulative	10.00	45.00	60.20			

Project Development Objective and Description

Original project development objective: *To create sustainable conditions for enterprise creation and growth*.

Revised project development objective: *To strengthen the business environment in Tanzania, including land administration reform, and improve access to financial services.*

Project description: The original project seeks to reduce the cost of doing business and increase the capacity of the local private sector to participate in domestic and international markets and to access appropriate financial services. The project supports the government program through three mutually reinforcing components: (i) strengthening business environment; (ii) developing enterprise competitiveness; and (iii) improving access to financial services. The proposed additional financing would support Components One and Three.

Safeguard and Exception to Policies

Safeguard policies triggered:	
Environmental Assessment (OP/BP 4.01)	[ ]Yes [X] No
Natural Habitats (OP/BP 4.04)	[ ]Yes [X] No
Forests (OP/BP 4.36)	[ ]Yes [X] No
Pest Management (OP 4.09)	[ ]Yes [X] No
Physical Cultural Resources (OP/BP 4.11)	[ ]Yes [X] No
Indigenous Peoples (OP/BP 4.10)	[ ]Yes [X] No
Involuntary Resettlement (OP/BP 4.12)	[ ]Yes [X] No
Safety of Dams (OP/BP 4.37)	[ ]Yes [X] No
Projects on International Waterways (OP/BP 7.50)	[ ]Yes [X] No
Projects in Disputed Areas (OP/BP 7.60)	[ ]Yes [X] No
Is approval of any policy waiver sought from the Board (or MD if RETF operation is RVP approved)?	[ ]Yes [X] No
Has this been endorsed by Bank Management? (*Only applies to Board approved operations*)	[ ]Yes [ ] No
Does the project require any exception to Bank policy?	[ ]Yes [X] No
Has this been approved by Bank Management?	[ ]Yes [ ] No

UNITED REPUBLIC OF TANZANIA

PRIVATE SECTOR COMPETITIVENESS PROJECT

ADDITIONAL CREDIT AND RESTRUCTURING

I. Introduction

1. **This project paper seeks the approval of the Executive Directors to provide an additional credit in an amount of US$60.2 million equivalent to the United Republic of Tanzania for the Private Sector Competitiveness Project (PSCP), (P085009) Credit No. 41360.** The original credit was approved on December 15, 2005, became effective on July 5, 2006, and its closing date will be December 31, 2013. The Additional Financing (AF) will cover a period of about two years and will close on November 30, 2015.

2. **The proposed additional financing will scale up activities under PSCP with the aim to make Tanzania's growth more inclusive and improve shared prosperity.** The AF will: (i) support strengthening of the business environment and improving access to financial services; (ii) help develop innovative solutions for increased private sector participation and financial sector development which would be informed by an upcoming Country Economic Memorandum (CEM) which focuses on creating better jobs for the population; and (iii) help implement the Government's recently announced initiative to speed up delivery of priority programs.

3. **The Project Development Objective (PDO) of PSCP and the results framework will be slightly modified.** The changes are being made to reflect the aim of the additional financing to scale up and modify some of the activities under the original project, including supporting emerging priorities. The revised PDO is: "*to strengthen the business environment in Tanzania, including land administration reform, and improve access to financial services*". The results framework has been modified to adjust some of the indicators to make them more specific and measurable and to add new indicators to measure the expanded scope of the project.

4. **The safeguard category of the original project was C**. No change to the category is expected.

II. Background and Rationale for Additional Financing

5. **During the past decade, Tanzania has experienced high rates of economic growth, due to economic liberalization, sound macroeconomic policies, and an expanding public sector**. Growth reached 7 percent on average in the 2000s. The global economic crisis somewhat slowed Tanzania's growth although government policies tempered its impact. Exports of goods and services have expanded in real terms, grown as a share of the Gross Domestic Product (GDP), and diversified out of traditional agriculture.

6. **The government recognizes the key role of the industrial sector in the transformation of Tanzania's economy**. Policymakers have emphasized the need to build a competitive industrial sector and encouraged more active participation of the private sector in the economy. In 2011, agriculture accounted for only 28 percent of GDP, down from 48 percent in 1991. At the same time, industry and services experienced a notable increase as a share of GDP during this timeframe (25.1 and 47.2 percent, respectively, in 2011 as compared to 16.9 and 35 percent, respectively, in 1991).

7. **However, large-scale industry remains fairly limited in Tanzania, and overall manufacturing employment accounts for less than 5 percent of the total labor force**. Manufacturing still accounted for only 10 percent of GDP in 2011, virtually unchanged from 1991 (9 percent). Enterprises with fewer than 10 employees account for 97 percent of all manufacturing enterprises[1]. Firms face severe resource constraints, making it difficult for them to expand operations.

8. **Despite government actions to enhance the role of the private sector in the economy, the total volume of non-public investment remains small**. Private investment stalled at 10-12 percent of GDP in the early 2000s, and between 14-18 percent over the last several years. The share of private investments remains small compared to other African countries, largely due to some weaknesses in Tanzania's business environment.

9. **Tanzania needs to improve its business climate for sustained growth and job creation**[2]. With the support of the World Bank and other donors, major progress in the business environment (and other core reforms) has been achieved although significant work is still needed to improve firms' competitiveness.

10. **Weak land administration, in particular the uncertainty in land tenure, continues to constrain formal ownership**. Undocumented property rights make enterprises and individuals vulnerable to losing their land. It also prevents enterprises and individuals to access collateral for borrowing from financial institutions. These constraints are even more pronounced for individuals and small enterprises, which are predominant in Tanzania. Providing tenure security to land holders and improving the land governance environment are central to preserving livelihoods of the population, especially the most vulnerable. Moreover, they are instrumental in opening significant opportunities for investment and job creation.

11. **Improving access to finance to spur economic growth is also critical for improving shared prosperity in Tanzania**. Reforms have improved the soundness of the banking sector and increased access to finance for the population. For example, according to the International Monetary Fund (IMF) Financial Access Survey (FAS), the number of borrowers from commercial banks in Tanzania increased from 44,000 in 2002 to 719,000 in 2009. The expansion of banking services stimulated growth of credit to the private sector, which has increased from 11.3 percent of GDP in June 2006 to 24.7 percent in June 2013.

12. **However, Tanzania still lags behind compared to other countries in Africa**. Only 12.4 percent of the population in Tanzania has access to formal financial service (as per the Finscope study of 2009). In comparison with other East African Community (EAC) countries, Tanzania has the highest number of people excluded from access to financial services (56 percent). In September 2011, Bank of Tanzania (BOT) made a commitment to the Alliance of Financial Inclusion that by 2015 at least 50 percent of the population will have access to formal financial services.

13. **In response to the urgent needs to improve service delivery, the government launched the "Big Results Now!" initiative in 2013.** BRN! is a "science of delivery"-type

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[1] Tanzania Industrial Competitiveness Report 2012, United Nations Industrial Development Organization and Government of the United Republic of Tanzania

[2] Country Assistance Strategy (CAS) for Tanzania for the period FY 2012-2015

initiative. It establishes a strong leadership team to drive, monitor, and evaluate the implementation of development plans. The initiative has had a good start and is important to keep the momentum into implementation. The BRN initiative, based on Malaysia's Big Fast Results approach, involves the identification of solutions to key development bottlenecks (governance and prioritization), the development of detailed implementation plans (performance management and problem solving), and a new delivery system to ensure effective execution and monitoring. Phase 1 of BRN consisted of an intense planning process ("Labs"), in February-April, 2013 covering six National Key Results Areas (NKRAs): Agriculture, Education, Energy, Water, Transport, and Resource Mobilization. Phase 2 operationalizes the Labs' implementation plans -- while future labs on new NKRAs would be identified in later years to complement interventions and enhance growth. An important objective of the BRN initiative is to facilitate greater private sector involvement in the priority result areas.

14. **The World Bank Group has supported the improvement of the business climate in Tanzania through the PSCP**. The PSCP was developed to support the implementation of the government's private sector development program. Implementation of PSCP progressed well. The overall progress towards achievement of the PDO has been rated "Moderately Satisfactory" or above for the last 12 months. The original credit is fully disbursed.

15. **The Additional Financing will build upon the original project; it will provide financial support to enable scaling up of work on a number of critical activities and support emerging priorities**. Specifically, additional financing will be provided to support and scale up activities under *Component 1* of the original project to: (i) advance land administration reform; (ii) complete business registration reform; and (iii) support the BRN President's Delivery Bureau (PDB) initial set up[3] to establish functions, resources and instruments that will be critical to facilitate private sector involvement in NKRAs, and under *Component 3* of the original project -- to finance additional demand-driven activities to further improve access to finance in the country. All of these cross-cutting/horizontal investment climate reforms will help to further improve legal certainty and lower the costs of doing business. Significant, economy-wide impact is expected from these interventions, and developmental impact achieved will be further magnified as the result of additional interventions that may be supported in the future (building on the work being undertaken in the CEM).

16. **The proposed additional financing is consistent with the Country Assistance Strategy (CAS) FY12-15**. The CAS first strategic objective seeks to promote inclusive and sustainable private sector-led growth, with outcome 1.1 being improved business environment and financial intermediation, which the proposed additional financing seeks to promote.

17. **The project's design incorporates lessons learned from the original project and Annex 4 provides a detailed overview of these lessons**. In this regard, the additional financing will be implemented in the two year period. The project design aims to ensure that the implementation of the additional financing starts at an accelerated pace and all of the sub-components move quickly. The implementation arrangements allow for participating entities to

[3] The BRN delivery system is structured as follows: at the center, there is the PDB and in each NKRA lead Ministry, there are the MDUs. Throughout the year the PDB and MDUs will ensure that progress is regularly monitored and fed up the system, delivery bottlenecks are speedily identified and if necessary escalated and ultimately results delivery is kept on track. They will be supervised by the TDC and the NKRA Steering Committee respectively.

substantially manage their own sub-component and for the activities to be implemented in parallel. Overall, given the familiarity of the participating entities with their activities due to the ongoing project, implementation is expected to be smooth. Significant steps have been undertaken to speed up implementation. For example, a Project Preparation Advance (PPA) is supporting the work under the BRN sub-component. For land administration reform, the government has already prepared the design and the bidding documents of the Integrated Land Management Information System (ILMIS). And for the business registration sub-component, the government has prepared the draft technical specifications for online registration.

18. **PSCP helped to improve the legal and regulatory framework for land administration.** Specifically, PSCP undertook improvement of the legal framework with new laws and regulations which are complementary to the basic land law, namely the Land Act 1999 and the Village Land Act 1999, and are essential to the implementation of the 1995 National Land Policy. The government is now developing a new land acquisition and compensation bill and associated regulations.

19. **PSCP supported an overhaul of the geodetic infrastructure for surveying by replacing the outdated one with one based on a modern Global Positioning System (GPS)**. The government is now converting the old data to fit the new infrastructure, as well as implement the new surveying policy in line with the new infrastructure.

20. **PSCP also supported activities in land registration, land use planning and regularization of tenure rights.** For instance, PSCP piloted a low cost and faster land demarcation and registration approach to replace the traditional high cost registration on demand (which is about 10 times more expensive). The government is now scaling-up this approach.

21. **PSCP and the Regional Communication Infrastructure Project have supported the design of an ILMIS.** Background studies and land records sorting and consolidation in readiness for design and implementation of ILMIS have already been undertaken under the original PSCP. The government is now ready to implement the system. As part of PSCP, activities aimed at modernization of the Business Registrations and Licensing Agency (BRELA) were implemented. PSCP enabled the digitization of BRELA's paper records, specifically 88,700 Companies and 191,243 Business Name hard copy files. All companies and Business Names Files are now accessible both electronically and physically. The BRELA website has been improved to include an online name search database for companies and business names. A records management system has been installed.

22. **However, the incorporation process is still paper based, and is currently managed separately from other registration procedures, such as tax and social security registration**. In addition to registering in BRELA, firms must also visit several other offices and register with the Tanzania Revenue Authority (TRA), the social security funds and, depending on their business activities, with the Ministry of Industry and Trade or the municipality.

23. **Although a slight improvement was recorded in DB 2013, there is room for further simplification and streamlining of the processes**. According to the DB starting a business indicator it takes 9 procedures and 26 days to complete the business registration procedure. The cost for completing this procedure represents 28.2 percent of income per capita. Overall, Tanzania ranks 113 in the starting a business Doing Business indicator. By putting in place an electronic business register, re-engineering of processes and exchange of information and

coordination between BRELA and other relevant stakeholder agencies (primarily TRA and social security funds), procedures 1, 3 and 4 herein below could be performed in parallel, as well as procedures 5, 7, 8 and 9. This would enable businesses to start a business in approximately four steps.

Figure 1: Current Business Registration procedures in Tanzania – DB 2013

No.	Procedure	Time to Complete
1	Apply for clearance of the proposed company name at the Business Registration and Licensing Agency "BRELA"	1 day
2	Obtain a notarized declaration of compliance	1 day
3	Apply for incorporation of a company and obtain certificate of incorporation	4 days
4	Apply for taxpayer identification number (TIN) with the Tanzania Revenue Authority	1 day
5	Obtain taxpayer identification number (TIN)	1 day
6	Apply for business license from the regional trade officer (depending on the nature of business)	6 days
7	Apply for VAT certificate with the Tanzania Revenue Authority	4 days
8	Register for the workmen's compensation insurance at the National Insurance Corporation or other alternative insurance policy	1 day
9	Obtain registration number at the social security fund	7 days

24. **The government is planning to establish a One Stop Shop (OSS) for business registration within BRELA**. The e-register will enable application and payment online, the submission of one application form for all business registration procedures and the electronic exchange of data between all relevant institutions (including the TRA and social security funds), ultimately leading to the reduction of time and cost to register a business.

25. **Given the strong emphasis on private investment in productive sectors of the country across the NKRAs, the BRN initiative has identified private investment as a foundational condition for success in certain NKRAs, namely agriculture, energy, and transport**. Private sector involvement (domestic and external) through public private partnerships (PPPs) is also a key element under the resource mobilization NKRA. The Government has identified private investment as one of the ways to mobilize resources to implement the three above NKRAs. The government has also emphasized the role of the private sector for long-term economic growth and the importance of improved business environment in its new budget for fiscal year 2013/2014, proposing priority measures, including legislative amendments related to PPPs, measures to improve the investment climate in the agricultural sector, and efforts to involve the private sector in funding improvement of railway infrastructure (Ministry of Finance, June 2012). As such, BRN activities are expected to have a truly transformational impact on private enterprises in the country.

26. **According to that 2003 Financial Sector Assessment Program (FSAP), the Tanzania financial system was found to be playing a limited role in the economy**. Credit to the private sector remained very limited and mostly short-term; interest rate spreads were high and banks accumulated extensive holding of Government Paper and sizeable offshore dollar placements. Financial intermediation was further limited and access to long term financing for enterprises, infrastructure, and housing was inadequate. The authorities used the recommendations of the FSAP as the basis for preparing a comprehensive Action Plan for the Second Generation Financial Sector Reforms (SGFSR). In view of the strong commitment shown by the GOT in

advancing the reform agenda in the sector, the government, the World Bank and the Department for International Development – United Kingdom (DFID), started supporting the Financial Sector Support Project (P231099) through a basket fund.[4] Additional assistance for improving access to finance was channeled under PSCP through the Financial Sector Deepening Trust (FSDT). In particular, PSCP/FSDT took the lead in providing support to improving the access to finance.

27. **The financing provided to the Financial Sector Deepening Trust (FSDT) through PSCP resulted in an increase in access to financial services in the country as indicated below**:

- **Financial Institutions:** Investments were made in Tanzania microfinance institution (MFI) BRAC, which now has 74,000 active borrowers and 92,000 clients making it the country's largest MFI. Total loans outstanding of BRAC are US$ 7.1 million. Moreover, investments were made in two savings and credit cooperatives (SACCOS) networks (Dunduliza and FERT/USAWA) which together have provided financial services to over 75,000 members and they also invested in a housing microfinance program.
- **Informal Financial Services:** Investments were made in Village Savings and Loan Associations and Village Community Banks, from which over 35,000 people benefited.
- **Building capacity of Project partners:** Investments were made in CRDB Bank, which supported affiliated SACCOS with over 200,000 people.
- **Filling Knowledge Gaps in the Financial Sector:** Two Finscope surveys and a small business survey completed.
- **Supporting Policy/Strategy, Legal and Regulatory Frameworks:** A rural financial services strategy for Tanzania was developed and capacity building was provided to BoT to implement the regulations relating to Microfinance Companies.

28. **The government is continuing its efforts to promote increased household and firm access to financial services, facilitate efficient financial intermediation, and support financial stability and integrity**. Several key objectives of the government relating to increased household and firm access to financial services, efficient financial intermediation, and financial stability and integrity have, to varying degrees, been met. Nevertheless, there remains much work to be done on the SGFSR action plan to continue implementing and guiding future reforms of the financial system. Some of the areas which require further support include improving legal and regulatory infrastructure to support access to financial services, development of financial markets, promotion of an efficient and competitive pension sector, as well as improvement of long-term development financing availability.

[4]The funding for the Financial Sector Support Project was provided in the form of a five-year technical assistance credit from IDA amounting to US$15 million, a DFID grant of GBP 3 million (equivalent to approximately US$5 million) and GOT contribution of US$2 million.

III. Proposed Changes

29. **The proposed additional financing will scale up activities under two components of the original project**: (i) strengthening business environment and (ii) improving access to financial services. The current PDO "*to create sustainable conditions for enterprise creation and growth*" will be modified into "*to strengthen the business environment in Tanzania including land administration reform and improving access to financial services*." The revised PDO is more focused on outcomes that are directly attributable to the project.

Scope of Additional Financing

30. The specific activities to be supported by the additional financing are described below:

Component 1: Strengthening the Business Environment (US$49.2 million)

A. Land Administration Reform (US$35.2 million):

a) **Infrastructural interventions (US$25.5 million):**
   i. Conversion of old survey and mapping data to fit the new geodetic surveying infrastructure, and awareness-raising of the professionals about using the new system *(~ US$6.5 million*).
   ii. Implementation of a new surveying and mapping policy in line with the modernized infrastructure *(~ US$2 million*).
   iii. Strengthening of land use planning through strengthening the collection, storage and dissemination of geospatial data and improving the use of land and resource data for land use planning *(~US$2 million*)
   iv. Implementing the ILMIS and re-engineering the business process (*~US$15 million*).

b) **Strengthening of legal and regulatory framework:** review**,** preparation, and processing of legislative pieces (e.g., a Land Acquisition and Compensation Bill, a Property Valuation Bill, and Regulations for the above), and strengthening of land tribunals (**US$3 million)**

c) Work on land use planning in urban areas and regularization of tenure rights (**US$4 million)**: Support to the implementation of participatory land use planning approaches in urban areas and regularization of land tenure in urban informal settlements including in Mwanza and Dar es Salaam where initial work has already been done.

d) **Technical assistance will be provided to advise the government on guidelines in undertaking inventories of government land** (**US$0.2 million**). Funding would be provided to hire consultants to review past experiences in undertaking government land inventories including in Ghana and Botswana and to draw lessons and good practices that could guide preparation of guidelines for similar exercises in Tanzania.

e) **Regulatory simplification of land administration process** (**US$2.5 million**):

i. Regulatory changes (such as elimination of the requirement to obtain a Tax Clearance Certificate, streamlining of the procedure of notarization and execution of the sale agreement and preparation of the transfer deed, elimination of the inspection to value the property, etc.);
ii. Reorganization of workflow processes of the land registry to improve the efficiency of the process to register and transfer a property.

B. Support to Business Registration Reform (US$4 million):

i. **Design and Implementation of an OSS for starting a business in BRELA (US$3.5 million)**. Establishment of a single access point/OSS for businesses to complete the procedures for registration within BRELA. Activities would include:

- The development of a business registry technology platform and software application for an online registration system within BRELA that will enable online registration as well as communication and exchange of data with all the other stakeholder agencies (TRA, social security funds) – this platform would provide the BRELA with the capacity to collect electronic information (using a series of standardized forms); to offer registrations services at branch offices which will communicate with the central database at the head office in order to input the information with very little delay into a central electronic database; to provide full public access to the database through internet connections.
- Procurement of the necessary hardware.
- Capacity building of BRELA staff and staff of other stakeholder agencies, primarily on use of the online registration system, but also on good practice in the efficient delivery of services.

iii. **Streamlining and simplification of the business registration procedures (US$0.25 million).** The activities to be undertaken include a review of the current legislation related to starting a business and development of recommendations and an action plan as to the amendments needed to streamline and simplify the processes.

- BRELA oversees the Registrations of Companies, Business Names, Trade and Service Marks, issuance of Patents and Industrial Licensing, and these registration processes are going to be streamlined and simplified accordingly.
- The Business Activities Registration Act (BARA) was enacted in 2007 but never implemented in practice, which creates legal uncertainty in the area of business licensing and registration. While the Act was meant to provide for an OSS for business registration and it repealed the Business Licensing Act (1972), it imposed additional burdens to businesses, which need to be removed. BARA remains under the Ministry of Industry and Trade, including issuance of Business License.

iv. **Reorganization of workflow processes of BRELA to improve the efficiency of the business registration process and a better service delivery (US$0.25 million)**. Activities will include:

- Detailed process mapping of procedures within BRELA as well as other stakeholder agencies involved in the starting a business procedures;
- The development of internal manuals and a service delivery charter for BRELA;
- The development of a communication strategy to ensure that all information about reforms is efficiently communicated to the business community as well as other government agencies.

C. Support to BRN (US$10 million)[5]. This subcomponent will deliver four activities as follows.

i. **Start-up of the PDB with a focus on private sector functions and capacity (US$3 million).** This activity will provide PDB with private sector-related capacity, equipment, resources, and instruments to enable it to deliver its mandate during the start-up phase. The output of this activity will be the existence of private sector-oriented functions, resources, and capacity at PDB.

ii. **Operationalization of the TDC (US$2.7 million).** This activity will consist of facilitating the final stages of establishing the TDC. The TDC will review NKRA progress and advance solutions to eventual bottlenecks encountered by NKRA ministries. The output of this activity will be the full operationalization of TDC.

iii. **Train PDB, MDU and other Ministries, Departments, and Agencies (MDA) staff on the requirements to facilitate private sector operations across the BRN delivery system (US$2.3 million):** The BRN program aims to enhance government performance and facilitation of private sector investment. This activity will enable PDB to carry out the necessary training and other capacity enhancement activities in the PDB but also in the implementing agencies with responsibility to achieve this objective. This will contribute to improving the overall business environment and the overall transformation of government delivery capacity.

iv. **Identify additional areas for priority interventions and develop detailed plans for further private sector development under BRN (US$2 million):** To be truly and sustainably transformational, the BRN program will need to expand beyond the initial six NKRAs, and seek additional leveraging for private sector participation. Under this activity, PDB will undertake analysis to identify additional strategic areas where results can be delivered through private sector interventions and develop the associated action plans and solutions.

[5] A PPA of US$5.7 million is providing vital capacity and functions in the BRN delivery system to ensure private sector focus.

<u>Component 2: Improving Access to Financial Services (US$ 10 million)[6]</u>

A. Strengthening legal and regulatory framework for financial sector and improving capacity of regulators (US$6 million): The focus of this sub-component will be on filling the gaps in the legal and regulatory framework that hinder the uptake of available financial products and strengthening capacity of regulators through a number of activities, including:

i. **Establishing the coordination mechanism, strengthening legal and regulatory framework and conducting capacity-building for consumer protection (US$1.5 million).** This activity seeks to: (i) establish a coordination mechanism for financial protection among financial sector regulators[7], Fair Competition Commission and the Ministry of Finance to address the issues arising from a fragmented institutional framework in this area; (ii) strengthen and clarify the consumer protection legal and regulatory framework in all parts of the financial sector, including institutions outside the formal regulatory framework (e.g., microfinance); and (iii) improve the capacity of the regulators to better monitor the compliance of financial institutions with market conduct regulations.

ii. **Supporting deposit insurance (US$2 million).** This support will comprise of creating a distinct legal framework for the creation and operation of a deposit insurance system in Tanzania. The drafting of the principal legislation on the deposit insurance will be supplemented by subsidiary pieces of legislation (regulations) that allow for the effective functioning of the Deposit Insurance Board as mandated in the principal legislation. Additional capacity support to the development of deposit insurance system, including acquisition of ICT, will also be part of this activity.

iii. **Development of reporting standards for microfinance institutions (US$1 million).** This activity will assist in the development of minimum financial reporting standards for microfinance institutions (MFIs). Support will also be provided to establishing more realistic regulations for MFIs and gazetting these regulations. Supervision of the sector will be rationalized, including the possibility of introducing risk-based supervision in the sector. The responsibility for this activity will be with BOT taskforce.

iv. **Addressing weaknesses in collateral system (US$1 million).** Support will be provided to a number of activities, such as developing a Secured Transactions Law and regulations to allow the use of movable assets as collateral and creating a registry of movable assets.

v. **Development of standards for overseeing and supporting mobile financial services infrastructure (US$0.5 million).** This activity will support the creation of a

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[6] The list of activities under this component is based on requests received from the BOT and also by the analytical and technical assistance work undertaken thus far including: (i) Tanzania and EAC Financial Sector Assessment, (ii) Consumer Protection and Financial Literacy Diagnostic for Tanzania, (iii) FIRST-funded TA on Islamic Banking, (iv) SME Finance Background Paper for the CEM etc.

[7] BOT, Social Security Regulatory Agency, Capital Markets and Securities Authority, Tanzania Insurance Regulatory Authority, Tanzania Communications Regulatory Authority

legal and regulatory framework for the use of mobile and other alternate channels and strengthening of capacity of the regulators.

B. Supporting new products to expand access to finance (US$4 million): The focus of this sub-component will be support to the development of new or relatively new financial products tailored to specific users, aimed at expanding financial access. Such products may include, inter alia, finance leasing, takaful (Islamic insurance), M-akiba bonds[8], and other products.

Component 3: Project Management (US$1 million)

i. The existing PIU at the Prime Minister's office will implement the project and be responsible for the overall coordination and management of activities.

ii. To ensure proper coordination and supervision of the project, the Business Environment Roadmap Committee (BERC) in the Prime Minister's office will continue to provide policy guidance and oversight on the project as it has done under PSCP. The BERC meets quarterly. It is chaired by the Permanent Secretary in the Prime Minister's office and comprises of eight (8) thematic Task Forces each headed by a respective Permanent Secretary and includes private sector representatives. Involvement of private sector in the Task Team provides field experience and the recipient perspective to the proposals of the required reforms (Annex 6).

iii. The PIU will develop and implement an information, education and communications strategy.

Results Framework

31. **The proposed Additional Financing includes modifications to the PDO and previous project design, thereby resulting in revisions to the Results Framework**. These revisions allow for better alignment of the indicators with the investments supported by the proposed Additional Financing. New outcome indicators include the following: the number of days to complete the registration of a certificate of occupancy, the number of new financial products for which the legal/regulatory framework is developed, and number of days to formally start a business, representing the major part of the investments in strengthening the business environment and improving access to finance for MSMEs. Previous PDO indicators, including the number of formal MSMEs, value of titled land, and increase in sales and assets for firms supported under the Project, have been modified or dropped due to (i) difficulties in attribution and (ii) revisions to the Project design with the proposed Additional Financing.

32. **A number of result indicators will not be part of the Additional Financing because some initiatives have been successfully completed under the original project.** For example, the indicator measuring an increase in gross revenue in firms supported by the project is no longer applicable because the component related to it (*Enhancing Enterprise Competitiveness*) has been successfully completed and is not continued under additional financing. This activity

[8] M-akiba is a proposed savings bond that will be intermediated through the mobile channel but will also trade at the Dar es Salaam stock exchange

already achieved higher increase in gross revenue of firms against the baseline than what was targeted under the project (17 percent increase in 2012 compared 15 percent target).

33. **An updated Results Framework including Arrangements for Monitoring is included in Annex 1 and Annex 2**. **Table 1** below highlights changes made to the PDO indicators.

Table 1: Changes in Results Framework

Project Outcome Indicator	Original Target	Changes with Additional Financing	Revised Target
PDO Level			
Number of formal (MSME) enterprises increased	75,000	Not an indicator for AF	N/A
Value of the titled land compared to untitled increased	7.76 titled / 7.60 for untitled	Not an indicator for AF	N/A
Increase in sales and assets for firms supported under the project: (a) Sales, (b) Assets	562,500,000 70,000,000	Not an indicator for AF	N/A
Number of days to complete the registration of a certificate of occupancy	N/A[9]	Calculation methodology revised[10] and the indicator moved from intermediate indicators to PDO level	40
OSS for business registration established and fully functional	N/A	New	Yes[11]
Number of new financial products for which the legal/regulatory framework is developed	N/A	New	2
Direct Project beneficiaries (number)	14,490	Target revised	35,000
Of which Female (% of total)	41%	Target maintained	41%

[9] The original target was set under a different calculation methodology and not applicable for the revised indicator

[10] When the indicator for PSCP was introduced, it was measuring the days taken to register a certificate of occupancy, excluding the first process which is to approve a land allocation by the Commissioner of Lands. The indicator for Additional Financing includes this first process of approving a land allocation and is consistent with the method used by Doing Business report. The baseline (2006) and progress to date (2013) values were obtained from the Doing Business report (see Annex 2)

[11] OSS for business registration established and operational, as evidenced by completion of all the following steps: (i) BRELA technology platform connected with TRA and social security funds; (ii) OSS is fully staffed; (iii) OSS online registration and payment enabled, and (iv) OSS personnel and key stakeholders have been trained

34. **Closing Date**. The additional activities will be implemented in a time frame of approximately two years. The new closing date is November 30, 2015

35. **Project Costs**. The changes in total cost by component and impact of the proposed additional financing on the project by component are shown in **Table 2** below.

Table 2: Costs by Component

Component	IDA Original Cost (US$ million)	Changes with Additional Financing	IDA Revised Cost (US$ million)
Business Environment Strengthening	51.8	49.2	101
Enterprise Competitiveness	38.9	-	38.9
Improving Access to Financial Services	5	10	15
Project Management	- [12]	1.0	1.0
Total	**95.7**	**60.2**	**155.9**

IV. Appraisal Summary

36. **The additional financing activities have been appraised for economic and technical viability.** Implementation arrangements will not change from the existing ones under the original project. No new fiduciary arrangements are sought. Finally, no changes in the project's safeguard category are envisioned, and no new safeguard policies are triggered.

Economic Appraisal

37. The economic analysis is built as a financial analysis with the estimated difference in cash flows to beneficiaries (individuals and MSMEs) accounted for as cash flows to the Project. The costs and benefits that are expected to accrue from sub-components 1A (Land Administration Reform) and 2 (Improving Access to Financial Services) have been estimated and the Net Present Value (NPV) and the Economic Rate of Return (ERR) for the investments in these components were calculated. Details on these calculations are provided in **Annex 5**. The economic analysis of sub-components 1B (Support to Business Registration Reform) and 1C (Support to BRN) present a special challenge due to the indirect relationship between the capacity building reforms supported under the Project and the stream of benefits that these are expected to trigger. In light of this, a literature review has been provided on the positive effects of business registration reform and capacity building on business creation, SME development and growth.

38. **Overall Project NPV is estimated at US$26.6 million at a 10 percent discount rate (with costs and benefits based on only component 2), with a 23 percent ERR**. The data and the assumptions are based on field research that estimates the impact of similar programs on SMEs growth and productivity rates, and changes in wages. 10 and 12 percent discount rates are used for different scenarios, in line with World Bank guidelines. Further details on these are provided in **Annex 5**.

[12] Project Management Cost was covered under Business Environment Strengthening

Support to Land Administration Reform

39. **Land administration reforms envisioned under the project will reduce the amount of time required for property registrations, transfers and transactions**, thereby reducing the associated costs borne by individuals and businesses. The impact of this reduced cost on individual businesses has been estimated as part of the economic analyses with a number of different scenarios.

40. **The ERR of this sub-component is expected to be 28 percent, and the NPV is expected to be about US$29.4 million with a discount rate of 10 percent**.

41. **There are other unquantifiable economic benefits that would accrue from investments in land administration reforms**. These include: improved land use planning; improvements in dispute resolution mechanisms; and an increase in transparency and legal certainty for existing land-holders.

Support to Business Registration Reform

42. **The project will support design and implementation of the OSS for business registration and the streamlining and simplification of business registration procedures**. As a result, individual enterprises will be able to reduce costs and as such increase their profits. The impact of this reduced cost on individual businesses has been estimated as part of the economic analyses with a number of different scenarios.

43. **The ERR of this sub-component is expected to be 24 percent, and the NPV is expected to be about US$5.3 million with a discount rate of 10 percent**.

44. The conclusion of the analysis is that activities under sub-components 1C, 2A, and 2B are expected to result in improvements in the capacity of the government and local financial institutions, thereby improving the business climate and access to finance. These improvements in the business climate are expected to contribute to investment and growth, a relationship established in previous empirical studies (listed in **Annex 5**).

Procurement

45. **Procurement will be carried out in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers,"** dated January 2011; "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011; and "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and provisions stipulated in the Financing Agreement.

46. **National Competitive Bidding (NCB) for Goods and Works shall be subject to the following**: (a) In accordance with para.1.14 (e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors, and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor, or subcontractor of such

provision may amount to an obstructive practice as defined in paragraph 1.14 (a)(v) of the Procurement Guidelines; and (b) There shall be no preference accorded to the domestic suppliers and contractors.

47. **For contracts financed under the Credit Agreement, the various procurement or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and timeframe have been agreed between the government and the Bank in the Procurement Plan.** The Procurement Plan will be updated at least annually or as required to reflect actual project implementation needs and improvements in institutional capacity.

48. **The overall assessment in implementation of procurement function under the original project is considered as moderately satisfactory**. Taking into account the activities proposed under the AF and to mitigate the risk of capacity, the recruitment of a new procurement specialist is being finalized (the previous one left because the original project is already fully disbursed).

Financial Management

49. **Financial management and disbursement arrangements currently in place under PSCP will continue, and are deemed adequate**. Financial management arrangements, including compliance with the legal covenants related to financial management, are satisfactory and there are no outstanding audit reports. The project's financial management systems comply with Generally Accepted Accounting Principles and thus provide reasonable assurance that the project funds are used for the intended purposes

Implementation Arrangements

50. **The unit in the Prime Minister’s office will implement the additional financing under existing arrangements as for the PSCP which are deemed adequate**. A Project Coordinator (already in place), reporting to the Permanent Secretary in the Prime Minister’s office will administer the program, assembling quarterly and annual reports, compiling the annual work plans and procurement plans prepared by the implementing agencies, keeping all institutions involved in the program informed, and informing stakeholders and decision makers of the project progress and constraints. The Project Coordinator will also ensure that project activities are aligned with those of other Government programs. The Project Coordinator will be supported by a Project Accountant, an Accounts Clerk, a Monitoring and Evaluation Specialist and a Procurement Specialist (being recruited).

51. **To ensure proper coordination and supervision of the project, the Business Environment Roadmap Committee (BERC) in the Prime Minister’s office will continue to provide policy guidance and oversight on the project as it has done under PSCP.** The BERC meets quarterly. It is chaired by the Permanent Secretary of the OPM and comprises of eight (8) thematic task forces each headed by a respective Permanent Secretary and includes private sector representatives.

52. **Several entities will provide technical support to the implementation of project sub-components.** The Ministry of Lands, Housing and Human Settlements Development will provide technical support for the Land Administration Reform sub-component, which they have been supporting under the original project. The Bank of Tanzania will provide technical support for Improving Access to Financial Services component; they have gained significant experience in these matters under the closed Financial Sector project. BRELA will provide technical support

for the Business Registration Reform sub-component as they have been doing under PSCP. Finally, technical support to the implementation of the BRN sub-component will be handled by PDB which has been set up and started operations. All of the agencies mentioned above are in place and are operational.

Environmental and Social Safeguards

53. ***Social (including safeguards)***. The project is expected to lead to favorable social outcomes, including employment generation and poverty reduction.

54. **The project does not trigger OP 4.12 on Involuntary Resettlement.** No involuntary taking of land is envisaged by the project. With respect to Sub-components 1(A)(c), OP 4.12 does not apply to disputes between private parties in land titling projects and to land use planning activities unless such activities involve Bank-financed investments requiring the taking of land, which will not be the case under the project. The project will focus on the regularization of private interests of land, and titling of land currently under the control of the state is not anticipated. Where intended beneficiaries of the regularization activities are found as a result of the project to be located partially or entirely on state land, regularization activities on that land will not be completed and the parcel will be marked on the register as disputed. The disputed cases will be referred to the normal and special courts of law starting at the Ward Land Tribunals which, if unresolved there, are cascaded up to the District Land and Housing Tribunals and ultimately to the Land Court Division of the High Court. This land dispute resolution mechanism has worked well under the piloting schemes funded by PSCP and will therefore be extended for use under the proposed Additional Financing. Annex 7 provides more information on this approach. Details of the dispute resolution mechanism can be found in the Operations Manual for Systematic Land Titling contained in the Project File.

55. **Nevertheless there are certain risks pertaining to engagement in land related activities (regularization of tenure rights, piloting land use planning) that need to be acknowledged**. Depending on the location, particular challenges may revolve around (i) confirming with certainty existing rights to the land and the absence of disputes concerning those rights, and (ii) ensuring that all land users on a given piece of land are protected. Along the same vein, participatory land-use planning can be a key instrument to strengthening overall land governance and prosperity. However, when done in a perfunctory manner that excludes important voices at local level (women and other vulnerable segments of the population) or driven largely at the behest of investors, it may become a potential source of conflict. As elaborated in Annex 7, project design includes provisions to create awareness to encourage full participation of all stakeholders, ensure transparency, robust consultative processes, and strengthen dispute resolution mechanisms and mitigate the risks inherent in land administration reform activities.

56. **Environmental (including safeguards).** The project does not pose any significant direct environmental risks. There are no constructions envisaged in the project.

Risk Factors and Unforeseen Events

57. **The overall risks of project implementation are Substantial.** The project benefits from structures already in place. The PIU is already existing with an implementation team in place.

Nevertheless, substantial risks still remain. For instance, coordination is rather challenging since multiple beneficiary agencies are involved. Some other risks that need to be monitored closely relate to issues of capacity in some of the beneficiary agencies. The risk of project implementation is therefore rated as Substantial. Mitigation measures have been identified and incorporated in the design. An updated Operational Risk Assessment Framework is included in Annex 3.

Annex 1: Results Framework

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

Revisions to the Results Framework		**Comments/Rationale for Change**
PDO		
Current (PAD)	Proposed	
To create sustainable conditions for enterprise creation and growth. The project's progress in achieving this objective will be measured by the increase in the number of formal enterprises, the increase in the value of titled land relative to untitled, and growth in sales and assets of firms participating in the project.	To strengthen business environment in Tanzania, including land administration reform, and improve access to financial services.	The Proposed PDO is more specific and will allow for better evaluation of the overall Project outcomes.
PDO Indicators		
Current (PAD)	*Proposed change*	
Number of formal (MSME) enterprises increased	Not an indicator for AF	Attribution of this indicator to Project activities is difficult; thus it is not an appropriate measure for the PDO.
Value of the titled land compared to untitled increased	Not an indicator for AF	Measurement and attribution of this indicator to Project activities is difficult; thus it is not an appropriate measure for the PDO. Additionally, the proposed additional financing focuses on the regulatory side of land administration reform and the ILMIS rather than land value.
Increase in sales and assets for firms supported under the project: (a) Sales, (b) Assets	Not an indicator for AF	The proposed Additional Financing does not include the matching grant component which this indicator pertained to.
Number of days to complete the registration of a certificate of occupancy	Continued	This measure is indicative of the regulatory and ILMIS activities supported under the Land Administration Reform sub-component, thereby making it an appropriate PDO-level indicator.
OSS for business registration	New	Indicator for sub-component 1B,

established and fully functional		business registration
Number of new financial products for which the legal/regulatory framework is developed	New	This measure is indicative of the activities supported under Component 2 of the proposed Additional Financing, thereby making it an appropriate PDO-level indicator.
Direct Project beneficiaries (number)	Continued	
Of which Female (% of total)	Continued	
Intermediate Results Indicators		
Current (PAD)	*Proposed change*	
Number of steps to formally start a business reduced	Drop	The number of steps to formally start a business is less relevant than the number of days required, thereby making it redundant.
Number of days to formally start a business reduced	Continued	
Cost to formally start a business reduced (GNI per capita)	Continued	Indicator remains the same but the End Project target has been reduced from 60% to 20% to reflect even lower expected costs.
Number of days to complete the registration of a certificate of occupancy	Drop as intermediate indicator; revise and use as PDO indicator.	This measure is indicative of the regulatory and ILMIS activities supported under the Land Administration Reform sub-component, thereby making it an appropriate PDO-level rather than intermediate indicator.
Number of days to complete the registration of a mortgage	Continued	Indicator remains the same but the End Project target has been reduced from 20 to 4 days.
Number of days to resolve a dispute on the overdue debt in court reduced	Drop	This indicator is not relevant to investments supported under the proposed Additional Financing.
Official cost (as a % of debt) to complete a dispute on the overdue debt in court reduced	Drop	This indicator is not relevant to investments supported under the proposed Additional Financing.
Rigidity of employment index	Drop	This indicator is not relevant to investments supported under the proposed Additional Financing.
Staff of PDB, MDU and MDA trained in private sector	New	Indicator for activities under sub-component 1C: Support to BRN

operations		added.
Completion of detailed plans for new NKRAs	New	Indicator for activities under sub-component 1C: Support to BRN added
Increase in gross revenue in firms supported by the project	Drop	This indicator is not relevant to investments supported under the proposed Additional Financing.
Creation of the framework for deposit insurance	New	Indicator for activities under sub-component 2A: Strengthening legal and regulatory structures (Component 2: Improving Access to Financial Services) added.
Number of active loan accounts – SME	Drop	This indicator does not directly align with investments supported under the proposed Additional Financing.
Number of active loan accounts – Microfinance	Drop	This indicator does not directly align with investments supported under the proposed Additional Financing.
Increase in the volume of savings (Tsh Billions)	Drop	This indicator does not directly align with investments supported under the proposed Additional Financing.
Number of active micro-savings accounts	Drop	This indicator does not directly align with investments supported under the proposed Additional Financing.
Percentage of active micro-savings accounts held by women	Drop	This indicator does not directly align with investments supported under the proposed Additional Financing.
Development of financial reporting standards for microfinance institutions	New	Indicator for activities under sub-component 2A: Strengthening legal and regulatory structures (Component 2: Improving Access to Financial Services) added.

Annex 2. Arrangements for Results Monitoring

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

Original PDO:
To create sustainable conditions for enterprise creation and growth. The project's progress in achieving this objective will be measured by the increase in the number of formal enterprises, the increase in the value of titled land relative to untitled, and growth in sales and assets of firms participating in the project.
Revised PDO:
To strengthen business environment in Tanzania, including land administration reform, and improve access to financial services.

PDO Level Results Indicators	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline Original Project Start (2006)	Progress To Date (2013)[13]	Annual Target Values			Frequency	Responsibility and Data source	Comments
						2014	2015	End of Project Target			
Indicator One: Number of days to complete the registration of a certificate of occupancy	☒	R	Days	77[14]	68	65	60	40	Annual	Land Registry/ DB	
Indicator Two: Number of new financial products for which the legal/regulatory framework is developed	☐	N	Number	0	0	0	1	2	End of Project	BOT	

[13] For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value.

[14] We note that the baseline and progress to date values have been obtained by the team from the Doing Business report. These values are different in the original project as they were calculated under a different methodology (not including the time to approve a land allocation by the Commissioner of Lands).

Indicator Three: OSS for business registration established and fully functional	☐	N	Text	No	-	-	-	Yes[15]	Annual	DB	
Indicator Four: Direct Project Beneficiaries (number), of which female (%)	☒	N	Number Percent	0	27,224 40%	30,000 40%	32,000 41%	35,000 41%	Annual	PCU	

Intermediate Result Indicators											
Intermediate Level Results Indicators	**Core**	**D=Dropped C=Continue N= New R=Revised**	**Unit of Measure**	**Baseline Original Project Start (2006)**	**Progress To Date (2013)**	**2014**	**2015**	**End of Project Target**	**Frequency**	**Responsibility and Data source**	**Comments**
Component 1: Improving the Business Environment											
Intermediate Result indicator One: Cost to formally start a business reduced as % of gross national income (GNI) per capita)	☐	C	%	168.3%	28.2%	26%	23%	20%	Annual	DB	
Indicator Two: Number of days to formally start a business reduced	☐	C	Days	35	26	24	22	20	Annual	DB	

[15] OSS for business registration established and operational as evidenced by completion of all the following steps: (i) BRELA technology platform connected with TRA and social security funds; (ii) OSS is fully staffed; (iii) OSS online registration and payment enabled, and (iv) OSS personnel and key stakeholders have been trained

Intermediate Result indicator Three: Number of days to complete the registration of a mortgage reduced	☐	C	Days	61	7	6	5	4	Annual	Ministry of Lands	
Intermediate Result Indicator Four: Staff of PDB, MDU and MDA appropriately trained in private sector operations	☐	N	Yes/No	No	-	-	-	Yes[16]	End of Project	President's Delivery Bureau	
Intermediate Result Indicator Five: Completion of detailed plans for new NKRAs	☐	N	Yes/No	No	-	-	-	Yes[17]	End of Project	President's Delivery Bureau	
Component 2: Improving financial services to MSME's [18]											
Intermediated Result indicator Six: Creation of the framework for deposit insurance (Yes/No)	☐	N	Yes/No	No	-	-	-	Yes[19]	End of Project	BOT	
Intermediate Result indicator Seven: Development of financial reporting standards for microfinance institutions	☐	N	Yes/No	No	-	-	-	Yes[20]	End of Project	BOT	

[16] Staff of PDB, MDU and MDA trained in private sector operations enabling them to obtain greater understanding of private sector operations and routinely apply new knowledge to facilitate private sector engagement in their respective sector, as evidenced by the completion of 2 weeks of training in risk analysis, types of transactions and processes, project finance, and market analysis

[17] Details plans have been prepared and approved

[18] For institutions and organizations FSDT has worked with.

[19] Principal legislation and regulations that allow for the effective functioning of the Deposit Insurance Board have been drafted

[20] Minimum financial reporting standards for MFIs have been developed; regulations for MFIs have been developed and gazetted

Annex 3. Operational Risk Assessment Framework (ORAF)

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

<table>
<tr><th colspan="7">1. Project Stakeholder Risks</th></tr>
<tr><td>1.1 Stakeholder Risk</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="2">Description:

There is a risk that the beneficiary agencies will not have enough ownership of their components, which may delay implementation.

There is a risk that other donors that support activities, in some of the areas addressed by the project, may not fully support the reforms if the laws, regulation, supervision, or standards are onerous or infringe on their current operations.

The private sector and land holding groups might not have clear titles for registration and might resist activities implemented as part of the land administration reform</td><td colspan="6">Risk Management:

This risk has been largely mitigated through carrying out detailed consultations with the beneficiary agencies regarding the activities they will implement to ensure there is full buy-in discussions have been informed by lessons learned from the implementation of the original operation. Further strengthening of the relationship with beneficiary agencies and providing support to them throughout implementation will also help to mitigate this risk. The agencies have already demonstrated strong commitment s all of them have participated in the implementation of the existing project.

This will be mitigated through the GoT actions: the Government will take on leadership of reforms, including accountability for their implementation, as well as the inter-agency consensus building that sustainable reform requires.

The risk will be mitigated through the Government’s adoption of policies which ascertain protection of land rights, consultation with all stakeholders, and conducting appropriate communication campaigns to inform the stakeholders of the planned actions to ensure they are aware of what to expect and cultivate their trust</td></tr>
<tr><td>Resp: Client</td><td>Stage: Preparation</td><td>Recurrent: ☑</td><td>Due Date:</td><td>Frequency: Quarterly</td><td>Status: In Progress</td></tr>
</table>

<table>
<tr><th colspan="7">2. Implementing Agency (IA) Risks (including Fiduciary Risks)</th></tr>
<tr><td>2.1 Capacity</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td rowspan="2">Description:
Insufficient institutional capacity of some of the beneficiary agencies could affect the pace and quality of implementation</td><td colspan="6">Risk Management:
Beneficiary agencies remain essentially the same as in the original project, and they have been significantly strengthened as the result of participation in project activities. In order to further mitigate this risk, the project will fund any additional skills enhancement activities, including institutional strengthening, for agencies which require further capacity-building. Additional staff will be recruited to fill in gaps if deemed necessary. Substantial training to the implementing agencies is provided in a timely manner to enhance their ability to properly implement the project’s activities.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Implementation</td><td>Recurrent: ☑</td><td>Due Date:</td><td>Frequency: Quarterly</td><td>Status: In Progress</td></tr>
<tr><td>2.2 Governance</td><td>Rating</td><td colspan="5">Moderate</td></tr>
<tr><td rowspan="2">Description:

There is a risk that the beneficiary agencies will not have enough ownership of their components, which will delay implementation. Moreover, the agencies’ bureaucratic procedures can also delay timely decisions for the project's activities.</td><td colspan="6">Risk Management: The risk is mitigated through putting in place the appropriate implementation structure. To overcome the problem of a lack of clear leadership, overall responsibility for implementation will rest with the implementing agencies assisted by the participating line ministries. However, all of the beneficiary agencies will be greatly involved in the process of implementation to ensure their ownership of respective components. The Business Environment Roadmap Committee (BERC) in the Prime Minister’s office which is part of the original project will continue guiding project implementation.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Implementation</td><td>Recurrent: ☑</td><td>Due Date:</td><td>Frequency: Quarterly</td><td>Status: In Progress</td></tr>
<tr><th colspan="7">3. Project Risks</th></tr>
<tr><td>3.1 Design</td><td>Rating</td><td colspan="5">Substantial</td></tr>
<tr><td>Description:

A project with many components and activities (e.g., land</td><td colspan="6">Risk Management:

As this project represents additional financing, activities mostly scale-up the work already successfully performed in a number of areas. As such, necessary initial work has been</td></tr>
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<tr><td rowspan="2">administration, business registration, BRN support, and access to finance) may be difficult to implement and manage.</td><td colspan="7">undertaken; personnel responsible for implementation are familiar with procedures and new activities represent a continuation of previous activities in the same areas. The project incorporates lessons learned from the original operation as well as other private sector development projects in the region and builds on the experience of the implementing agencies. It has also incorporated lessons learned from other World Bank funded projects in the areas of land administration, business registration, and improvement of access to finance. A comprehensive needs assessment has been done through discussions with relevant stakeholders and beneficiaries during the preparation stage.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Preparation</td><td>Recurrent: ☑</td><td>Due Date:</td><td>Frequency: Quarterly</td><td colspan="2">Status: In Progress</td></tr>
<tr><td>3.2 Social and Environmental</td><td>Rating</td><td colspan="6">Moderate</td></tr>
<tr><td rowspan="2">Description:

Environment risk is moderate since the project will mainly finance technical assistance and capacity building. Social risks pertain to land related activities (regularization of tenure rights, piloting land use planning). Depending on the location, particular challenges may revolve around (i) confirming with certainty existing rights to the land and the absence of disputes concerning those rights, and (ii) ensuring that all land users on a given piece of land are protected. Along the same vein, participatory land-use planning can be a key instrument to strengthening overall land governance and prosperity. However, when done in a perfunctory manner that excludes important voices at local level (women and other vulnerable segments of the population) or driven largely at the behest of investors, it may become a potential source of conflict</td><td colspan="7">Risk Management:

The original project has been rated category C and no changes to the category are expected. The original project has not encountered any environmental issues during implementation.

No safeguard policies are triggered by the proposed Additional Financing. The project components are expected to lead to favorable social and environmental outcomes, including employment generation and poverty reduction, and improved land management. Nevertheless, social risks are acknowledged pertaining to land rights and disputes. These will be addressed under the existing dispute resolution mechanism which has already proved effective under the original project and it is explained in detail in Annex 7. In summary, where there are challenges to the adjudication results that cannot be immediately and easily addressed, the disputed cases are referred to the normal and special courts of law starting at the Ward Land Tribunals which, if unresolved there, are cascaded up to the District Land and Housing Tribunals and ultimately to the Land Court Division of the High Court. This land dispute resolution mechanism has worked well under the piloting schemes and will therefore be extended for use under the proposed Additional Financing.</td></tr>
<tr><td>Resp:</td><td>Stage: Preparation</td><td>Recurrent: ☐</td><td>Due Date:</td><td>Frequency:</td><td colspan="2">Status: In Progress</td></tr>
</table>

3.3 Program and Donor	Rating	Moderate				
Description: Inadequate coordination and alignment across numerous private sector-related projects and programs and supporting agencies could lead to duplication of effort and/or reduce effectiveness of interventions	Risk Management: In order to mitigate this risk, the Bank is maintaining a dialogue with development partners who would like to cooperate and coordinate and will continue consulting with other development partners to ensure adequate coordination. As this is a follow-up operation, the Bank is already well aware of all of the major players in the sector (e.g., DFID, USAID) and has informed them all of the planned additional financing for this project.					
	Resp: Bank	Stage: Preparation and Implementation	Recurrent: ☐	Due Date:	Frequency:	Status: In Progress
3.4 Delivery Monitoring and Sustainability	**Rating**	Substantial				
Description: Poor quality of operations and maintenance arrangements, and weak institutional capacity issues could negatively impact project outcomes	Risk Management: As this is a follow-up project, adequate M&E systems have already been developed and established in the implementing agency. The project will finance any additional capacity-building activities which will be necessary.					
	Resp: Both	Stage: Implementation	Recurrent: ☐	Due Date: 01-Jul-2013	Frequency:	Status: In Progress
4. Overall Risk						
4.1 Overall Implementation Risk	**Rating**	Substantial				
Description: The project seeks to finance additional activities under the components of the original project. As such, all of the systems (e.g., FM, procurement-specialist under recruitment) have already been set up and capacity built in the PIU. At the same time, implementation of multiple activities aimed at both strengthening the business environment and improving access to finance are envisioned. Coordination is rather challenging since multiple beneficiary agencies are involved. The risk of project preparation and implementation is therefore rated as Substantial.						

Annex 4: Lessons Learned from PSCP Implementation

United Republic of Tanzania: Additional Financing–Private Sector Competitiveness Project

The design of the additional financing incorporates lessons learned from the implementation of the original project. Some of the lessons learned are presented below:

1. **Design, preparation, and implementation:** The PSCP is a multi-sectoral project with many implementing agencies, beneficiaries, and activities. Due to lack of consultations during the design phase, implementation of various sub-components did not occur at the same pace. Consultations have been held with key stakeholders during the design of the additional financing to ensure that the implementation starts at an accelerated pace and all of the sub-components move quickly. The agreed-upon implementation arrangements are such that beneficiary agencies will substantially manage their own sub-component to ensure that work on all of the sub-components of the project can occur simultaneously. Overall, given the familiarity of the beneficiary agencies with their activities due to the ongoing project, implementation is expected to be rather smooth. This is because the PSCP-AF content and activities are based on an existing land and business registration component under implementation. The activities on access to finance are also based on a closed project.

2. **Absence of technical capacity at the implementing agencies:** The PSCP activities were implemented in various agencies, and the staff of some of these agencies were not yet familiar with the Bank procedures and also lacked some technical capacity to implement the project. The capacity was gradually built up, which helped to accelerate implementation. In order to ensure that capacity of the implementing agencies under the additional financing operation is strong from the start and the project is implemented quickly and efficiently, they will be constituted with relevant staff in the shortest periods of time and relevant training is provided.

3. **Results framework:** PSCP had an M&E framework in place; however, since there were several agencies doing the implementation, it failed to capture some baseline information. This created some issues with measurement of some indicators, especially where targets were set as an increase from baseline. To address this issue during preparation of the additional financing project, the M&E staff under PSCP-AF will be available during the project period and will capture baseline data.

4. **Procurement and contract management:** Under the PSCP, the PIU at PMO was responsible for procurement but the respective agencies were responsible for contract management, which creates a number of issues with implementation. Problems encountered as the result of this arrangement suggest that the agency responsible for procurement also needs to be responsible for contract management, and this practice will be followed in the additional financing project. Capacity of implementing agencies under PSCP-AF has been assessed and gaps will be filled before implementation starts to ensure that all of the agencies are able to perform their functions properly.

Annex 5: Detailed Economic and Financial Analyses

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

1. **The proposed additional financing aims to contribute to increased private sector investments, firm growth and jobs created by targeting land administration and business registration reform and access to finance for MSMEs**, all of which are key constraints to private sector growth in Tanzania. The project will comprise two mutually- reinforcing components: (i) strengthening the business environment; and (ii) improving access to finance for small and medium enterprises. In addition the third component of the project will support project implementation. The economic analysis for sub-components 1C (Support to BRN), 2A (Strengthening legal and regulatory structures) and 2B (Supporting new products) presents a special challenge due to the indirect relationship between the BRN support and the access to finance reforms supported under the proposed additional financing and the stream of benefits that these are expected to trigger. For components related to investment climate and access to finance reforms, the complexity in quantifying economic benefits is multiplied. In the absence of commonly accepted methodologies for the economic analysis of these types of access to finance reform, these types of projects are based on cost effectiveness and more general analytical work on the positive effects of access to finance on private sector growth and entrepreneurship.

2. **The economic analysis of this Project is built as a financial analysis with the estimated difference in cash flows to beneficiaries (individuals and MSMEs) accounted for as cash flows to the Project**. The following includes economic analysis of sub-components 1A (Land Administration Reform) and 1B (Support to Business Registration Reform). Under sub-component 1A, the proposed additional financing will support the legal and regulatory framework, scale-up successful work in systematic registration, and infrastructural interventions. In sub-component 1B, the proposed additional financing will support the design and implementation of the OSS and streamlining and simplification of business registration procedures. An attempt has been made to quantify the costs and benefits that are expected to accrue from these investments, and the Net Present Value (NPV) and the Economic Rate of Return (ERR) for these sub-components have been calculated. These valuations are constructed through scenario based analyses with sensitivity testing. A qualitative analysis has been included for sub-components 1C, 2A and 2B, based on the literature discussing the impact of access to finance reform on competitiveness and firm entry.

3. **The total investment under sub-components 1A and 1B is estimated to result in an NPV of US$26.6 million at the discount rate of ten[21] percent, and an ERR of 23 percent with the base case scenario**. Different assumptions and detailed data from multiple sources are used for the analysis of specific components. Correspondingly, all sub-components include their own sensitivity analyses, which follow.

[21] Discount rate: The Bank traditionally has not calculated a discount rate but has used 10-12 percent as a notional figure for evaluating Bank–financed projects. This notional figure is not necessarily the opportunity cost of capital in borrower countries, but is more properly viewed as a rationing device for World Bank funds.

Land Administration Reform

4. **Land administration reforms envisioned under the project will reduce the amount of time required for property registrations, transfers and transactions, thereby reducing the associated costs borne by individuals and businesses**. The impact of this reduced cost on individual businesses has been estimated as part of the economic analyses with a number of different scenarios. The proposed additional financing is investing a total of US$35.2 million to manage implementation of this sub-component, disbursed over the two remaining years of the Project.

5. In the economic analysis of this component the ERR is expected to be 28 percent. The NPV is expected to be about US$29.4 million, with a discount rate of 10 percent.

Table 1: Economic analysis of Land Administration Reform Component

NPV (10% Discount rate)	$29,372,067
NPV (12% Discount rate)	$23,001,151
ERR	28%

6. The sensitivity results of this component and the underlying assumptions and economic benefit calculations are summed below.

Land Administration Reform Component Assumptions

Without the Project	
Annual government costs (annual TZS)	3,000,000,000
Annual government costs (annual USD)	1,860,000
Growth rate in annual government costs	1%
Number of properties registered	140,000
Growth rate in number of properties registered per annum	2%
Monthly average wage (TZS)	105,000
Average daily wage (TZS)	5,250
Exchange rate (TZS to USD)	0.00062
Average daily wage (USD)	3.26
Growth rate in wages	2%
Cost (% of property value)	4.4%
Average property value (TZS)	41,180,029
Average property value (USD)	25,532
Growth rate in average property value	2%
Fees (USD)	1,123
Number of days	68

With the Project	
Percentage increase in annual government costs	150%
Annual government costs (annual TZS)	7,500,000,000
Annual government costs (annual USD)	4,650,000
Growth rate in annual government costs	1%
Number of properties registered	140,000
Growth rate in number of properties registered per annum	2%
Monthly average wage (TZS)	105,000
Average daily wage (TZS)	5,250
Exchange rate (TZS to USD)	0.00062
Average daily wage (USD)	3.26
Growth rate in wages	2%
Cost (% of property value)	4.4%
Average property value (TZS)	43,239,031
Average property value (USD)	26,808
Growth rate in average property value	2%
Fees (USD)	1,180
Number of days	40

7. Assumptions:

(a) The technical data on government costs, annual growth rates, number of properties registered, and average wage are taken from data gathered during the identification and pre-appraisal missions through discussions with Tanzania based experts validated by available data from local surveys, comparisons with nearby countries with similar enterprise demographics, and the Doing Business Reports. In many cases, these numbers were adjusted to arrive at more conservative estimates for the sub-component ERR.

(b) The main impacts of the Project are expected due to cost savings for businesses and individuals transacting in and registering property. These savings are due to the reductions in the number of days required for each of these transactions. Government costs for operating registration services are estimated to increase by 50%. These assumptions have been tested for sensitivity below.

8. The sensitivity analysis shows that the Land Administration Reform ERR with a 175% increase in government costs will only result in a 26 percent ERR. In contrast, a 130% percent increase in government costs will increase the component ERR to 31 percent with everything else held constant. The results of the sensitivity analysis include:

Sensitivity Analysis with Different Scenarios

1. Increase in government costs by 175% rather than the assumed 150%
   - ➔ Reduces ERR to 26%
2. Increase in government costs by 30% rather than the assumed 50%
   - ➔ Increases ERR to 31%
3. Number of days to complete property registration is 45 rather than the assumed 40
   - ➔ Reduces ERR to 15%
4. Number of days to complete property registration is 35 rather than the assumed 40
   - ➔ Increases ERR to 43%

Support to Business Registration Reform

9. **The Project will support design and implementation of the OSS for business registration and the streamlining and simplification of business registration procedures**. As a result, individual enterprises will be able to reduce costs and as such increase their profits. The impact on of this reduced cost on individual businesses has been estimated as part of the economic analyses with a number of different scenarios. The proposed additional financing is investing a total of US$4 million to manage implementation of this component, disbursed over the remaining two years of the Project.

10. **Business registration reform is expected to reduce costs borne by businesses through two channels**. First, the direct fees required for business registration are expected to decrease as a result of the investments supported under the proposed additional financing. Second, the number of days required to complete business registration procedures is also expected to reduce. As such, the associated cost of an employee's time to attend to registration procedures will also decrease, thereby reducing the overall cost of registration.

11. In the economic analysis of this component the ERR is expected to be 24 percent. The NPV is expected to be about US$5.3 million, with a discount rate of 10 percent.

Table 4: Economic analysis of Business Registration Component

NPV (10% Discount rate)	$5,264,326
NPV (12% Discount rate)	$4,004,912
ERR	24%

12. The sensitivity results of this component and the underlying assumptions are summed below.

Business Registration Component Assumptions[22]

Without the Project	
Annual government costs (annual TZS)	3,000,000,000
Annual government costs (annual USD)	1,860,000
Growth rate in annual government costs	1%
Number of businesses registered	10,000
Growth rate in number of businesses	2%
Monthly average wage (TZS)	105,000
Average daily wage (TZS)	5,250
Exchange rate (TZS to USD)	0.00062
Average daily wage (USD)	3.26
Growth rate in wages	2%
Cost (% of income per capita)	28.2%
Income per capita (USD)	1,600
Fees (USD)	451
Number of days	26

[22] Under the business registration component, savings are expected to come from the reduction in the cost of registration and number of days spent on registration

With the Project	
Percentage increase in annual government costs	150%
Annual government costs (annual TZS)	7,750,000,000
Annual government costs (annual USD)	4,727,500
Growth rate in annual government costs	1%
Number of businesses registered	10,000
Growth rate in number of businesses	2%
Monthly average wage (TZS)	105,000
Average daily wage (TZS)	5,250
Exchange rate (TZS to USD)	0.00061
Average daily wage (USD)	3.20
Growth rate in wages	2%
Cost (% of income per capita)	20%
Income per capita (USD)	1,600
Fees (USD)	320
Number of days	20

13. Assumptions:

(a) The technical data on government costs, annual growth rates, number of businesses registered, and average wage are taken from data gathered during the identification and pre-appraisal missions through discussions with Tanzania based experts validated by available data from local surveys and comparisons with nearby countries with similar enterprise demographics. In many cases, these numbers were adjusted to arrive at more conservative estimates for the sub-component ERR.

(b) The main impacts of the Project are expected due to cost reductions for businesses that are registering due to the reduction in number of days required from 26 to 20 and a drop in the associated fees to 20% of per capita income in the base case scenario. Government costs for operating registration services are estimated to increase by 150%. These assumptions have been tested for sensitivity below.

14. The sensitivity analysis shows that the sub-component ERR with a 175% increase in government costs will only result in a 14 percent ERR. In contrast, a 130% percent increase in government costs will increase the component ERR to 34 percent with everything else held constant. The results of the sensitivity analysis include:

Sensitivity Analysis with Different Scenarios

1. Increase in government costs by 175% rather than the assumed 150%
   - ➔ Reduces ERR to 14%
2. Increase in government costs by 130% rather than the assumed 150%
   - ➔ Increases ERR to 34%
3. Number of days to complete business registration is 22 rather than the assumed 20
   - ➔ Reduces ERR to 23%
4. Number of days to complete business registration is 18 rather than the assumed 20
   - ➔ Increases ERR to 26%
5. Fees associated with business registration only reduce to 22% of per capita income rather than the assumed 20%
   - ➔ Reduces ERR to 17%
6. Fees associated with business registration reduce to 18% of per capita income rather than the assumed 20%
   - ➔ Increases ERR to 31%

Sub-components 1C (Support to BRN), Component 2: Improving Access to Financial Services – sub-components A (Strengthening legal and regulatory structures) and B (Supporting new products)

15. These sub-components will support capacity building reforms to the PPP facilitation fund and other government entities, the Central Bank, and financial institutions to improve access to finance for MSMEs.

16. **The relationship between access to finance reform and the performance of firms is well supported in the literature**. Greater business opportunities and better access to finance are generally related to a more robust private sector[23]. Additionally, at the individual and micro-enterprise level, the probability of making an investment tends to increase with greater access to credit and collateral. The number of financial instruments available to both lenders and borrowers also contributes to a higher probability of personal and business investment[24]. As such, the literature supports TA programs with financial institutions to increase the number of financial products offered to MSMEs. This benefit is particularly large for relatively unbanked populations, where improvements in access to finance and financial development have larger poverty impacts[25]. As such, access to finance reforms and improvements such as those proposed under the Project are likely to benefit Tanzanian individuals and businesses, particularly within the current unbanked population.

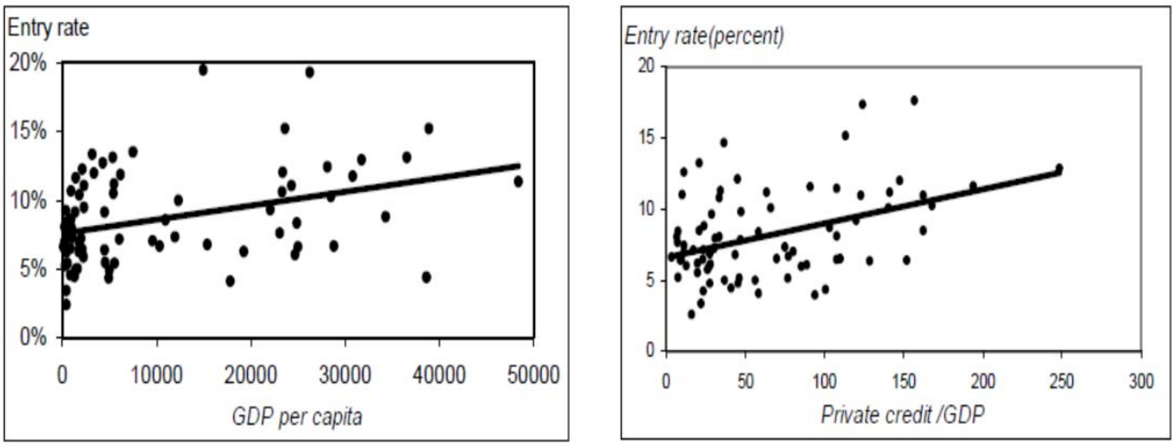
[23] Demirguc-Kunt, Asli and Klapper, Leora, 2012. "Financial inclusion in Africa: An Overview," Policy Research Working Paper Series 6088, The World Bank.

[24] Property Rights and Investment Incentives: Theory and Evidence from Ghana. Timothy Besley: Journal of Political Economy. Vol. 103, No. 5 (Oct., 1995), pp. 903-937

[25] Burgess, Robin and Rohini Pande. 2005. “"Can Rural Banks Reduce Poverty? Evidence from the Indian Social Banking Experiment," American Economic Review 95 (3), pp. 780-795.

17. **The data below (Figure 2) also show a positive and significant relationship between economic and financial development and entrepreneurship**. The log of GDP per capita and domestic credit to the private sector (as a percentage of GDP) are both positively and significantly correlated with entry rates (see below) and business density. This suggests that greater business opportunities and better access to finance are related to a more robust private sector (Klapper et al. 2008), lending further credence to the investments supported by the Project.

Figure 1: Entry rates and GDP per capita and Private Credit to GDP, by country, Average 2003-2005



Source: World Bank Group Entrepreneurship Database (2007) and World Bank (2005).

Annex 6: Composition and Roles of Roadmap Committee in Improving of Business Environment and Investment Climate in Tanzania

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

PRIME MINISTER'S OFFICE

1. BACKGROUND

PSCP, among other activities, supports Land reform, Business Registration reform and improving access to finance. When these activities are implemented they will improve Business Environment/Investment climate. The Permanent Secretary Prime Minister's Office constituted a "Roadmap Committee" consisting of eight (8) thematic Task Forces each headed by a respective Permanent Secretary and including private sector representatives. Involvement of private sector in the Task Team provided a field experience and the recipient perspective to the proposals of the required reforms.

The main roles of the Task Forces among others included undertaking analysis of each procedure using the World Bank Ease of Doing Business report framework to establish underlying policy, legal or administrative issues. As the result, recommendations were developed for streamlining procedures or removing unnecessary procedures to reduce the time and costs of compliance to the minimum level possible. The list of indicators implemented and corresponding lead Ministry is as follows:

NO	TASK FORCE	MDA RESPONSIBLE
1.	Starting and Closing Business	Ministry of Industry, Trade and Marketing (BRELA)
2.	Dealing with Construction Permits	Prime Minister's Office, Regional Administration and Local Government
3.	Registering Property	Ministry of Lands, Housing and Human Settlements Development
4.	Employing Workers	Ministry of Labour, Employment and Youth Development
5.	Trading Across Borders	Ministry of Home Affairs
6.	Paying Taxes and Protecting Investors	Ministry of Finance and TRA
7.	Getting Credit	Bank of Tanzania
8.	Enforcing Contract	Ministry of Constitution and Justice (Judiciary and Attorney General Chambers)

2. THE OVERALL IMPLEMENTATION FRAMEWORK AND COORDINATION

The Roadmap implementation is coordinated by the Prime Minister's Office and implemented by MDAs within their statutory mandates for respective reform areas. Mainstreaming of reform activities into MDA's strategic plans and funding into Medium Term Expenditure Framework (MTEF) has deepened the reform ownership and sustainability. All identified activities form part of implementing MDA strategic plans and funded through MTEF. Co-coordination arrangements are summarized in two categories as:

Category I – The coordination interventions: The coordination and oversight intervention are under PMO MTEF and

Category II – Implementation interventions (MDA led): The intervention appears in the MDA' MTEF and are responsible for producing outputs.

All other MDAs report to the Prime Minister's Office on quarterly basis after conducting quarterly Task Team meetings.

Overall, the President's Office is overseeing the ongoing reforms implementation through the Reform Coordination Unit (RCU) and the Permanent Secretariat Committee chaired by the Chief Permanent Secretary. Moreover, the Prime Minister's Office also reports to the Finance and Economic Affairs Committee of the Cabinet, on regular basis.

3. OTHER INSTITUTIONS INVOLVED IN THE ROADMAP

I. Statutory Bodies:

1. Bank of Tanzania(BoT)
2. Tanzania Revenue Authority (TRA)
3. National Identification Agency (NIDA)
4. Tanzania Investment Centre(TIC)
5. Business Registration Licencing Agency(BRELA)
6. Tanzania Port Authoity(TPA)
7. Economic Processing Zone Agency(EPZA)
8. Capital Markets and Securities Authority(CMSA)
9. Dar es salaam Stock Exchange(DSE)
10. Contractors Registration Board (CRB)
11. National Construction Council

II. Private Sector

1. Tanzania Private Sector Foundation (TPSF)
2. Tanzania Chamber of Commerce, Industry and Agriculture
3. Agricultural Council of Tanzania (ACT)
4. Confederation of Tanzanian Industry (CTI),
5. Tanzania Chamber of Minerals and Energy (TCME)
6. Tanzania Banker's Association (TBA)
7. Tanzania Freight Forwarders Association (TAFFA),
8. Tanzania Shipping Agents Association (TASAA),
9. Association of Tanzania Employers (ATE),

10. Trade Union Congress of Tanzania (TUCTA),
11. Tourist Confederation of Tanzania (TCT)
12. Tanzania Women Chambers of Commerce (TWCC),
13. CEO ROUND TABLE,
14. Tanzania Horticulture Association (TAHA),
15. Tanzania Civil Engineering Contractors Association (TACECA),

Annex 7: Land Administration Reform in support of the Private Sector in Tanzania

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

1. **Few development challenges in Africa are as pressing and controversial as land ownership and its persistent gap between rich and poor communities**[26]. Only 10 percent of Africa's rural land is registered. The remaining 90 percent is undocumented and informally administered, which makes it susceptible to land grabbing, expropriation without fair compensation. Despite this abundant land and mineral wealth, much of Africa remains poor and too few countries have been able to translate their rapid economic growth into significantly less poverty and more opportunity.

2. **The transformational nature of land administration reforms is important for private sector and overall development**. Good land policies with associated land tenure security are essential for facilitating flows of private investment into agriculture and industries including light manufacturing thereby boosting shared growth, jobs and food security. They are also critical for preserving the livelihoods of the population, especially the most vulnerable layers, and maintaining social stability in Tanzania.

3. **Land administration reforms will boost the private sector and the overall economy through a number of ways**:

- Facilitating growth in agricultural productivity via secure land tenure, which enhances incentives for investment.
- Enabling manufacturing firms in Tanzania, which often lack access to industrial serviced and other lands, to access land for new and expanded businesses and for use as collateral to secure business loans.
- Enhancing secure access to land for the vast majority of the urban population in Tanzania who lives in urban slums under constant fear of eviction.
- Facilitating the creation for many unemployed youth in Tanzania new jobs and mobility to look for jobs and other opportunities wherever they can be found in Tanzania.
- Facilitating the protection of natural resources and the environment against irrational use and pollution.
- Preserving the livelihoods of the population and enhancing social stability.

Background of Strategic Plan for Implementation of Land Laws and Land Reform Program in Tanzania

4. **Tanzania has one of the lowest registration records (5%) in the world for individually owned land and (together with Kenya) below average performance in terms of efficiency in registering land transactions (days taken to transfer property)**. **Table 1** below shows comparison between the countries.

[26] Frank Byamugisha. Securing Africa's Land for Shared Prosperity. World Bank. 2013

Table 1: Comparative Property Rights Indicators – 2013[27]

Country	% of land registered	No. of days to transfer property
Rwanda	70-100	25
Kenya	35	73
Uganda	18	52
Tanzania	5	68
Sub-Saharan Africa (SSA)	10	65
OECD	70	30

5. **The National Land Policy (1995) was developed with the principles focusing on:** streamlining land delivery; enhancing security of Tanzania's Land Tenure System; encouraging optimal use of land and its resources and facilitating a broad-based socio-economic development without overburdening and threatening the national ecological balance. In line with the land policy, the following new land acts were developed: The Land Act No. 4 of 1999; the Village Land Act No. 5 of 1999 and the Land Disputes Courts Act No. 2. The new laws had to be made operational. While Land Act No. 4 was easy to operationalize, Village Land Act No. 5 and Land Disputes Courts Act No. 2 were not easy to operationalize. Land Act No. 4 was a replica of the Land Ordinance Act but Village Land and Land Disputes Courts Acts were new and needed basic infrastructure.

6. **The Strategic Plan for Implementation of Land Laws (SPILL) was developed in 2005 with short, medium and long term financing strategy at a projected cost of TZS 300 billion (equivalent to about US$300 million)**. Priorities of SPILL included:

- Developing a scaled topographical (terrain) model of the land use mapping
- Physical planning
- Land Acquisition and compensation to free land of any interests and encumbrances
- Cadastral Processes for unambiguous land parcel definition and registration
- Developing infrastructure and services
- Land delivery
- Development Control and dealing with land disputes settlement

7. **With SPILL in place, Ministry of Lands prepared a 5 year Land Reform Program with credit from the World Bank starting 2006 under PSCP**. Activities of the Land Reform Program included the following:

- Land registration and land information under the Registrar of Titles and Director of Management Information System respectively
- Geodetic control and mapping services under the Director of Survey and Mapping
- Implementation of Village Land Act under the Commissioner for Lands
- Formalization of property rights in unplanned settlements under the Director of Rural and Town Planning

[27] Sources: (1) World Bank Doing Business (various issues) and (2) Frank Byamugisha. Securing Africa's Land for Shared Prosperity. World Bank. 2013

- Resolution of land disputes mechanisms under the Registrar of Land and Housing Tribunals, capacity building under Department of Administration and Personnel

Land Rehabilitation Support from the World Bank - PSCP

8. **The Tanzania PSCP, which was approved by the Board of Executive Directors in December 2005, included a US$30 million land reform sub-component (out of US$95 million) to implement urgent land sector activities in the first 5 years of the country's 10-year SPILL**. The project funded a number of infrastructural interventions and process improvement initiatives and supported the preparation of an extensive list of legal and regulatory acts and strengthening of dispute resolution mechanisms. Moreover, the project funded a number of initiatives in the areas of decentralization of land administration and registration of village land, as well as land use planning in urban and rural areas.

9. **Activities successfully completed under the land component of PSCP include the following:**

I. INFRASTRUCTURAL INTERVENTIONS

(a) Computerization and streamlining of land administration services:

- Supported background studies and land records sorting and consolidation in readiness for design and implementation of a computerized ILMIS under the proposed Additional Financing (preliminary design has been supported by the Bank-funded Regional Communications Infrastructure Project (RCIP));
- Provided technical support to the preliminary design of the ILMIS;
- Prepared a strategy for rolling out the ILMIS, once design is completed. The ILMIS provides a platform for computerization and modernization of land administration

(b) Up-grading infrastructure for surveying and mapping:

- Overhauled the geodetic infrastructure by replacing the outdated colonial geodetic infrastructure with a modern GPS-based infrastructure for surveying that is faster and cheaper.

II. PROCESS IMPROVEMENT

(a) Strengthened the capacity of the MLHHSD to handle donor-funded projects, to work on innovations and to prepare for scaling up of successful pilots.

III. LEGAL AND REGULATORY FRAMEWORK

(a) Supported the development of a number of new laws and regulations:

- *Land Use Planning Act 2007:*

i. This Act is essential for efficient and sustainable use of land.

ii. Describes the land use planning system with Village Land Use Plans (VLUPs), District Land Use Framework Plans (DLUFPs), Regional Land Use Framework Plans and the National Land Use Framework Plan. Where considered necessary, the NLUPC with the agreement of the Minister can identify an area for a Zonal Land Use Framework Plan[28].

iii. Provides for the institutional responsibilities for the preparation and approval of plans, in particular providing the legal basis for the National Land Use Planning Commission (NLUPC) under the Ministry of Lands Housing and Human Settlements Development (MLHHSD).

iv. Specifies the objectives of land use planning, inter alia, as facilitating the orderly and efficient use of land; improving the productivity of land; promoting sustainability; ensuring security and equity of access to land; helping prevention of land use conflicts; facilitating overall macro planning while being sensitive to regional and sectoral needs; and providing for inter-sectoral co-ordination at all levels.

v. Provides a detailed set of procedures to be followed in the land use planning at the village level

- *Unit Titles (Condominium) Act 2008*, essential to promote more efficient housing including apartments and condominiums;
- *Mortgage Financing Act 2008*, essential to promote collateral based lending;
- *Urban Planning Act 2007*, which is essential for sustainable use of land in urban areas, and *Operational Manual* with guidelines
- *The Laws Miscellaneous Amendments Act No. 3 of 2009* (to extend the duration of residential licenses from 2 to 5 years) essential to protect land rights for more than 200,000 untitled properties located in urban informal settlements; and
- Regulations for these Acts and Bills.

(b) Undertook strengthening of dispute resolution mechanisms:

- Established 22 district housing and land tribunals, of which 12 were given office and operational facilities
- Supported a special program to reduce backlogs of land cases in key municipalities with the biggest case-loads including Dar es Salaam, Mbeya and Arusha. The back logs have been reduced to a level that can be managed by normal court sessions on a sustainable basis. A reduction of land disputes is essential to minimize the volume of land that is put out of production by disputes.

[28] For example, such a plan was prepared for the Uhuru Corridor (covering Coast, Morogoro, Iringa and Mbeya regions) following the completion and opening of the Tazara Railway. Uhuru is one of Tanzania's three main corridors serving its inland neighbors. Uhuru Corridor has long been considered an important outlet for Zambia to the sea

IV. WORK ON NEW APPROACHES

(a) Decentralization of land administration and registration of village land:

- 6 Zonal land offices covering the whole country were established, and approval authority of Land Commissioner and Directors of Registration and Surveying decentralized to that level;
- Further decentralization of land registration was undertaken in 15 high potential districts, one level below the zonal offices, and to selected villages in each of those districts;
- Boundaries of 11,000 villages (out of about 12,000) were surveyed, of which more than 7,000 were registered in a national register, thereby empowering their authorities to plan, allocate and manage land; and

  A low cost and faster demarcation and registration approach (the so-called systematic approach that is a global best practice) was successfully worked upon to replace the traditional high cost registration on demand (sporadic approach that is about 10 times more expensive) and more than 100,000 Certificates of Customary Rights of Occupancy (CCROs) issued.

(b) Regularization of tenure in urban informal settlements:

- A Dar Master Plan was prepared;
- Participatory land use planning, involving local communities, and regularization of land rights were successfully worked upon in Mwanza and Dar.

  Participatory urban land use planning took place in unplanned areas, the so-called informal settlements. As part of the project, a number of local plans were prepared, following 6 major steps: community education and participation on rights and responsibilities; adjudication and enumeration of rights of individuals and groups; agreement on and survey of land boundaries; physical planning with wide community participation; adjustment of boundaries, walls, fences, and buildings to meet the agreed physical plan; and recognition of land rights in a local or central formal system, or in a local informal or semi-formal system, a property or land registry of some kind.

- A program to scale up participatory land use planning and tenure regularization was prepared, ready to scale up in all urban areas in the country.

10. The work described above has enabled successful introduction of innovative and best practice models for land registration, land use planning and regularization of rights of squatters thus positioning Tanzania for a great leap within the next 5-10 years.

PSCP - Additional Financing

11. **The design of PSCP-AF Land Administration Component reflects experiences and lessons learnt from the original PSCP but also lessons learned globally.** These lessons are particularly vital for addressing social and institutional challenges of land administration reform under the proposed project.

Lessons Learned from Land Projects Implemented Globally

- A thorough review of the legal, policy, and institutional framework is essential for providing the basis for any World Bank-financed land administration project/component.
- Success and sustainability of land administration reforms require a long-term perspective, political commitment, and concerted support from development partners as was clearly demonstrated in Thailand's successful 20-Year Land Titling Program; in Tanzania, the 10-year LSSP has proven to be an effective vehicle for mobilizing political commitment and donor support for land administration reforms.
- Computerization of re-engineered land administration systems and work flows has proven effective in increasing efficiency (reducing transaction time and costs) and transparency in land administration in Uganda under PSCP II following global trends as documented in various series of World Bank's Doing Business Reports.
- Global experience, especially in Mexico and Tanzania, suggests that communal lands can be registered quickly and cost-effectively although experience in Mozambique also indicates that organizing communities into formal entities can be a time consuming exercise.
- Individual land rights can be registered effectively, quickly, and inexpensively using a base map, as in Rwanda, or without a base map, as in Ethiopia. These and other lessons have been reflected in the design of the land administration reform component of this project.
- The newly published World Bank study, *Securing Africa's Land for Shared Prosperity (2013)*, suggests the following steps may help to revolutionize agricultural production and eradicate poverty in Africa: improving tenure security over individual and communal lands, increasing land access and tenure for poor and vulnerable families, resolving land disputes, managing better public land, and increasing efficiency and transparency in land administration services.

Challenges Faced by PSCP and Lessons Learned

- *Progress Monitoring*. The original project experienced challenges in monitoring progress of performance in land administration, including delivery of services to the customers. Under the Additional Financing, the challenge will be addressed by the establishment of an ILMIS which will be used not only to harmonize and share information but also to track efficiency and transparency in delivering land administration services.
- *Office administration.* There were changes in institutional arrangements for PSCP (from President's Office to Prime Minister's Office), lack of technical capacity in procurement and contract management and lastly lack of baseline data for a proper M&E system. Within the period of implementing the original PSCP – Land Reform Program, these

challenges were dealt with by capacity building and at times the implementers customized themselves within the changes, and operations became smooth. Capacity-building initiatives have been incorporated in the Additional Financing design in order to ensure smooth implementation.

12. **International experience demonstrates that there are social and institutional challenges to implementing land administration reforms in Sub-Saharan Africa.** These include corruption, weaknesses in capacity, discrimination against women in land ownership and a growing trend toward what is termed "land grabs". Tanzania is not insulated from these global trends.

13. **The design of the PSCP-AF includes activities which facilitate overall transparency and good governance in land administration**. Project activities will contribute to improving tenure security over individual and communal lands in urban areas, increasing land access and tenure for poor and vulnerable families, resolving land disputes, and increasing efficiency and transparency in land administration services. Land use planning and regularization of tenure rights activities will incorporate awareness-building and robust consultative processes with stakeholders. Moreover, the project will support strengthening of land tribunals to strengthen dispute resolution mechanisms, building upon the progress of PSCP in this area.

14. **A series of studies are planned to generate measures to meet potential challenges**. The studies will include a *Social Diagnostic Study* to explore opportunities to maximize positive social impacts and develop approaches to address any issues during implementation. The project will also develop a detailed *Gender Strategy* to promote gender equity in land registration.

Detailed Design of Additional Financing

15. **The land component of PSCP-AF supports the continuation and scale-up of the land reform process carried out under the PSCP through five activities:** (i) infrastructural interventions including work on survey and mapping, land use planning, and implementing ILMIS; (ii) strengthening legal and regulatory framework; (iii) work on land use planning in urban areas and regularization of tenure rights; (iv) technical assistance to Government to prepare guidelines to do inventories on government land; and (v) regulatory simplification of land administration process.

I. ***Infrastructural interventions (US$25.5 million):***

a. Conversion of old survey and mapping data to fit the new geodetic surveying infrastructure, and awareness-raising of the professionals about using the new system *(~ US$6.5 million*).
b. Implementation of a new surveying and mapping policy in line with the modernized infrastructure *(~ US$2 million*).
c. Strengthening of land use planning through strengthening the collection, storage and dissemination of geospatial data and improving the use of land and resource data for land use planning *(~US$2 million*)
d. Implementing the ILMIS and re-engineering the business process (*~US$15 million*). This would include development and installation of software and

associated hardware over 6 zones, conversion of text data and maps into digital form and populating it into the system, training and capacity building to operate and sustain the system and improving the operating environment including re-engineering of processes and workflows to increase efficiency and transparency.

II. ***Strengthening of legal and regulatory framework*****:** review**,** preparation, and processing of legislative pieces (e.g., Land Acquisition and Compensation Bill, Property Valuation Bill, and Regulations for the above), strengthening of land tribunals (**US$3 million)**

III. ***Land use planning and regularization of tenure rights***: Support to the implementation of participatory land use planning approaches in urban areas and regularization of land tenure in urban informal settlements including Mwanza and Dar es Salaam where work has already been undertaken (US$4 million)

IV. ***Technical assistance to advise the government on guidelines in undertaking inventories of government land (US$0.2 million)****.* Funding would be provided to hire consultants to review past experiences in undertaking government land inventories including in Ghana and Botswana and to draw lessons and good practices that could guide preparation of guidelines for similar exercises in Tanzania. The Government will use its own funds to contract out the surveying activities and the collection of current land use data.

V. ***Regulatory simplification of land administration process (US$2.5 million)****:*

a. **Regulatory changes**:

i. **Eliminate the requirement to obtain a Tax Clearance Certificate.** The certificate may not be necessary if selling parties are simply allowed to supply their latest tax payment receipts to prove that there are no unpaid debts or, if there are, to at least inform the buyer of them.

ii. **Streamlining the process to obtain the Land Commissioner's approval for the transfer.** Property transfer is an administrative process, not tied to political or judicial decisions. Tanzania requires approval from the Commissioner of Lands for every transaction, in addition to registration, and this step adds 2 - 3 weeks to the process. The GoT could re-examine the roles of the Notary, the Land Commissioner and the Registry in the property transfer process, identifying the legal liability and added value of each one, and then eliminating or combining redundant checks and approvals. For example, it is possible that the procedure for obtaining the Commissioner's approval could be either eliminated or combined with registration at the Registry.

iii. **Streamline the procedure of Notarization and execution of the sale agreement and preparation of the transfer deed.** The main problem with this procedure is the cost: 3% of the property value. It is one of the highest legal fees in the world, comparable to Honduras in which the notary's fee is similar. The cost as a percentage of the transaction value seems unjustified, given that the services rendered by the lawyer are similar for a large or small transaction. Several reform recommendations should be considered, including: elimination of the requirement; capping notary fees at a fixed cost rather than a percentage-based one; offering of notarization services at the Registry; and/or introduction of standardized contracts for simple property transactions. If parties use the standardized contracts, they should be free to sign and present them directly to the Registry for processing (i.e., the standard contracts are pre-approved legal documents created by local lawyers and approved in principle by the Commissioner and the Registry.)

iv. **Eliminate Inspection to value the property.** This procedure can be eliminated with the implementation of a fully functional land registry and cadastre that has updated information on the existing properties in Dar es Salam. With an updated cadastre and property registry, the cadastre will not need to send surveyors each time that a transfer of property takes place and the tax administration will not need to inspect the land in order to evaluate the property. This will also allow the tax administration to calculate the taxes in a much more efficient manner.

b. **Reorganization of the workflow processes of the land registry to reduce the time to register a property**. Currently it takes 14 days to record a property transfer. With the implementation of a fully functional land registry and cadaster in addition to a reorganization of the existing workflows the time to complete this procedure could be further reduced. For example, the process can be expedited by authorizing more staff of the registry to sign and authorize documents. Furthermore, it will be important for the time limits to register a property to be enforced.

Annex 8: Team Composition

United Republic of Tanzania: Additional Financing – Private Sector Competitiveness Project

Team Composition				
Bank Staff				
Name	**Title**	**Specialization**	**Unit**	**UPI**
Moses Kibirige	Senior Private Sector Development Specialist	Team Lead	AFTSE	155331
Valeriya Goffe	Young Professional	Co-TTL	AFTFE	301421
Andrea Mario Dall'Olio	Lead Economist	Sector Leader	AFTFE	280156
Frank Byamugisha	Operations Adviser	Land Specialist	AFTAR	15155
Andreja Marusic	Senior Operations Officer	Investment Climate	CAFIC	267532
Smita Wagh	Financial Sector Specialist	Financial Sector	AFTFE	341049
Esther Loening	Infrastructure Specialist	Urban Development	GBOBA	173464
Luis Schwarz	Senior Finance Officer	Disbursement	CTRLA	82804
Donald Mneney	Sr. Procurement Specialist	Procurement	AFTPE	248792
Michael Okuny	Financial Management Specialist	Financial Management	AFTME	331341
Jane Kibbassa	Senior Environment Specialist,	Environment	AFTN3	267250
Helen Shahriari	Senior Social Scientist	Social	AFTCS	88064
Mei Wang	Senior Counsel	Legal	LEGAM	229123
Evarist Baimu	Senior Counsel	Legal	LEGAM	266692
Evelyne Kapya	Program Assistant	Team Support	AFCE1	84972
Puja Guha	Consultant	Economic Analysis	AFTFE	410711
Non-Bank Staff				
Name	**Title**	**Office Phone**	**City**	