



<b>1. Project Data:</b>		<b>Date Posted :</b>	12/08/2005	
<b>PROJ ID:</b>	P002822		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name :</b>	Programmatic Structural Adjustment Credit Cr.no.3379-ta	<b>Project Costs (US\$M)</b>	190	195.3
<b>Country:</b>	Tanzania	<b>Loan/Credit (US\$M)</b>	190	195.3
<b>Sector(s):</b>	General agriculture fishing and forestry sector; Central government administration; Law and justice; General transportation sector; General industry and trade sector	<b>Cofinancing (US\$M)</b>		
<b>L/C Number:</b>	C3379			
		<b>Board Approval (FY)</b>		00
<b>Partners involved :</b>		<b>Closing Date</b>	06/30/2002	05/31/2004
<b>Evaluator :</b>	<b>Panel Reviewer :</b>	<b>Group Manager :</b>	<b>Group:</b>	
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## 2. Project Objectives and Components

### a. Objectives

The primary objective of the Programmatic Structural Adjustment Credit was to support the government's strategy of reducing poverty through sustained macroeconomic stability, acceleration of economic growth, structural reforms and private sector development, through inducing greater efficiency in the private sector by reducing the cost of doing business and enhancing competition, increasing private sector participation in the economy through further divestiture of key public enterprises, particularly in infrastructure services, and improving effectiveness in the delivery of supportive public services.

### b. Components (or Key Conditions in the case of Adjustment Loans ):

The PSAC operation comprised one effectiveness tranche and four floating tranches .

1. Effectiveness Component (SDR 22.4 million equivalent to approximately US\$ 29.3 million at disbursal on August 15, 2000). This component was designed to provide financing for the government was aimed at supporting the completion of ongoing reform efforts. Therefore, there were no loan conditions associated with it .

2. Short Term Component (SDR 29.85 million equivalent to approximately US\$40.4 million on disbursement on January 8, 2003):

- a. introduce improved budgeting processes and allocations for priority sectors (basic education, primary health, water, roads, judiciary, agricultural research and extension, and HIV /AIDS),
- b. approval of a divestiture plan for the National Microfinance Bank (NMB),
- c. issuance of regulations to implement the Land Act, and,
- d. clarify retrenchment policy for the Dar es Salaam Water Supply (DAWASA) and develop a plan to eliminate contingent liabilities and bring DAWASA to point of sale .

3. Governance Component (SDR 29.84 million equivalent to approximately US\$38.0 million on disbursement on August 13, 2001):

- a. roll out the Integrated Financial Management System (IFMS),
- b. design an anti-corruption plan to ensure accountability, and
- c. implement a more efficient and effective Central Government public service delivery system .

4. Improved Business Environment Component (SRR 29.85 million equivalent to approximately US\$41.8 million on June 30, 2003):

- a. simplify investment procedures by improving the structure of the Tanzania Investment Center (TIC), and
- b. improve the legal framework to facilitate the conduct of business, including preparation of a Commercial

Court project plan, establishment of an automatic filing and registry system in the Commercial Court, approval of new company legislation, abolition of controls on crop movements, and implementation of a unified tax appeal system.

5. Regulation/ Privatization Component (SDR 29.85 million equivalent to approximately US\$ 43.5 million on May 4, 2004):

- a. implement a comprehensive regulatory framework for infrastructure services such as telecommunications,
- b. enhance the private sector's role in management and financing of utilities by approving plans for the concessions of the port assets,
- c. approve a strategy for the reorganization of the Tanzania Electric Supply Corporation (TANESCO),
- d. bring the Tanzania Railways Corporation (TRC) to the point of concession/lease,
- e. approve a strategy for the divestiture of the National Insurance Corporation (NIC), and
- f. approve options for divesting the remaining cashew nut plants and state farms .

#### **c. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

The project cost US\$195.3 million financed by the original credit for US\$ 190 million (which on disbursement was valued at US\$193.6 million because of SDR/\$ exchange rate fluctuations) and three supplemental credits of US\$0.8 million, US\$0.6 million, and US\$0.4 million. The project was appraised in April, 2000, approved by the Board on June 15, 2000, made effective on August 8, 2000, and closed on May 31, 2004, 23 months behind schedule.

#### **3. Relevance of Objectives & Design :**

The overall objectives and design were highly relevant for Tanzania . The PSAC benefitted from work done for the Country Economic Memorandum and a series of public expenditure reviews which pointed to the need to reallocate public expenditures to health and education, and to enforce fiscal discipline to reduce inflation . The OED CAR (FY99) identified support for private sector development as a top priority .

#### **4. Achievement of Objectives (Efficacy) :**

1. Short term measures - Substantial achievement. Budget processes have been improved with several measures including a reclassification according to Government Finance Statistics standards . Allocations to priority sectors increased from 35.6 percent of total in 2000/01 budget to 40.1 percent in 2001/2002, exceeding the two percentage point targeted increase. However, the ICR provides no data on actual expenditures . The gross primary school enrolment ratio increased from 78 percent in 2000 to 106 in 2004, while the net enrolment ratio increased from 59 percent to 91 percent over the same period. The infant mortality rate decreased from 100 per 1000 live births to 68 per 1000 live births from the year 2000 to 2005. The Government of Tanzania (GOT) approved the divestiture plan for NMB and divestiture was completed in 2005. GOT has adopted acceptable and consistent guidelines for treatment of public enterprise retrenchment and debt. DAWASA was brought to the point of concession/lease in 2003, and a contract awarded to a qualified bidder . However, the contract was subsequently terminated because of poor performance. Finally, while the achievement of this component merits a rating of substantial, it should be noted that it took much longer to achieve than foreseen, partly because of difficulties with NMB divestiture .

2. Governance - Substantial achievement. IFMS was applied to all Central Government Ministries, department and agencies and the treasuries in the regions . GOT has started to develop a public expenditure tracking mechanism. GOT carried out anti-corruption diagnostic surveys in the Ministries of Works, Education, Health, and Home Affairs, while the Judiciary, Attorney General's office, and the Tanzania Revenue Authority (TRA) approved operational anti-corruption strategies. An anti-corruption law to improve the effectiveness of the Prevention Corruption Bureau (PCB) has been prepared and is to be voted on in Parliament in 2006. GOT has developed and approved strategic and annual plans and performance budgets in the ministries of Agriculture, Education, Health and Water with legislative backing to improve service delivery (but no indicators are given). The World Bank Institute's governance indicators (including those for rule of law, control of corruption, and effectiveness ) have improved substantially.

3. Business environment - Substantial achievement. TIC was restructured and re-staffed and now serves as a one stop center. The Commercial Court (CC) plan was approved, the CC formally opened in May, 2001, and is now fully operational. A unified tax appeal system has been made operational based in the new Tax Appeals Court . GOT simplified the application of excise and withholding taxes and expedited the payments of VAT refunds . The Government opened the stock exchange to foreign portfolio investment . FDI increased from US\$ 193 million in 2000 to US\$280 million in 2004. The World Bank Institute's governance indicator for government effectiveness improved substantially although the indicator for regulatory improved only marginally .

4. Regulation/Privatization - Modest achievement. Regulatory frameworks have been improved substantially, but the process of establishing and staffing regulatory agencies is still a work in progress . Pro -competitive regulatory frameworks have been established for telecommunications, broadcasting, water, electricity, ports /marine, railways,

and aviation sectors. Legislation empowering the Ministry responsible for the Energy sector to issue technical regulations for a liberalized petroleum sector was passed by Parliament in 2003. However, progress on privatization has been much slower. Rail services were brought to point of concession /lease, but no bids were received from qualified bidders. GOT has developed plans for divesting the remaining cashew nut processing plants and other agricultural enterprises, but actual divestiture has not been achieved and GOT is encountering difficulties in matter such as in land valuation.

**5. Efficiency :**

Not applicable to adjustment operations .

**6. M&E Design, Implementation, & Utilization:**

There is a substantial amount of monitoring and evaluation built into the project, with the GOT playing an important role. However, the monitoring and evaluation of coordination with bilateral donors (important because they were funding complementary technical assistance programs ) should have been better formulated and implementation of necessary remedial measures should have been better handled .

**7. Other (Safeguards, Fiduciary, Unintended Impacts--Positive & Negative):**

<b>8. Ratings :</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- ICR rating values flagged with ' \* ' don't comply with OP/BP 13.55, but are listed for completeness .

**9. Lessons:**

1. An effective communication strategy is needed to develop stakeholder consensus . The delays in project implementation were partly due to difficulties in bringing on board various implementing agencies and ministries . Better outreach and communication during project formulation and appraisal both on the part of the Bank and the core ministries should have been pursued and could have been important in reducing such delays . 2. It is important for the Bank to work with Borrowers so that they fully understand all of the steps needed to achieve objectives . In the case of privatization of DAWASA, for example, the GOT became preoccupied with preliminary steps in the privatization process and did not appreciate what was required for the actual privatization, thereby contributing to delays . 3. Donor coordination is extremely important for effective implementation of DPLs especially in cases where donors are funding complementary technical assistance programs . This should have been built into the DPL's monitoring and evaluation program . and it should be included in any future DPLs .

**10. Assessment Recommended?**  Yes  No

**11. Comments on Quality of ICR:**

The ICR does a commendable job of presenting the achievements and shortcomings of this operation . The presentation of the QAG discussion of project delays is helpful, as are the macro, poverty, human development, and other indicators presented in Section 4. Of special note is the unusually complete ICR prepared by GOT, which indicates detailed implementation monitoring by the government .