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Report No. P-3190-TA

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
TO THE
UNITED REPUBLIC OF TANZANIA
FOR A
THIRD TECHNICAL ASSISTANCE PROJECT

January 21, 1982

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CURRENCY EQUIVALENTS

Currency Unit	=	Tanzania Shilling (TSh)
TSh 1.00	=	US\$0.12
US\$1.00	=	TSh 8.30
US\$1.00	=	SDR 0.85

(As the Tanzania Shilling is officially valued in relation to a basket of the currencies of Tanzania's trading partners, the US Dollar/Tanzania Shilling exchange rate is subject to change. Conversions in this report were made at US\$1.00 to TSh 8.30 which is close to the 1981 average exchange rate. The US\$/SDR exchange rate used in this report is that of November 30, 1981.)

ABBREVIATIONS AND ACRONYMS

BET	-	Board of External Trade
CAT	-	Coffee Authority of Tanzania
Kilimo/MOA	-	Ministry of Agriculture
NAFCO	-	National Agricultural and Food Corporation
NMC	-	National Milling Corporation
PPMB	-	Project Preparation and Monitoring Bureau
TANSEED	-	Tanzania Seed Company Limited
TAT	-	Tobacco Authority of Tanzania
TCA	-	Tanzania Cotton Authority
TSA	-	Tanzania Sisal Authority
TS&E	-	Directorate of Technical Services and Extension at Kilimo
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development

FISCAL YEAR

Government - July 1 to June 30

TANZANIA

THIRD TECHNICAL ASSISTANCE PROJECT

Credit and Project Summary

Borrower: United Republic of Tanzania

Amount: SDR 10.2 million (US\$12 million) equivalent

Terms: Standard

Project Description: The Project would finance technical assistance requirements principally in the Ministry of Agriculture (MOA) and its key parastatals as well as for a limited number of other Government agencies. The Project would also finance an Advisory Group which has been set up to assist the Government in designing an economic recovery program.

Benefit: The technical assistance would support the Government's Export Rehabilitation Program by eliminating manpower bottlenecks in the agricultural sector and promoting the generation and saving of foreign exchange.

Risk: There is some risk of delays in recruiting the necessary personnel, owing to the large number and specialized nature of their work; however, these would be kept to a minimum with the involvement of FAO and appropriate administrative arrangements at MOA.

Estimated

Project Costs:

	<u>Local</u>	<u>Foreign</u>	<u>Total</u> ¹
	-----US\$ Million-----		
Technical Assistance	1.8	7.5	9.3
Training	0.3	0.8	1.1
Vehicles and Support Equipment	0.1	0.8	0.9
Advisory Group	<u>0.3</u>	<u>0.6</u>	<u>0.9</u>
Subtotal	2.5	9.7	12.2
Contingencies			
Physical	0.3	1.2	1.5
Price	<u>0.2</u>	<u>1.1</u>	<u>1.3</u>
Total	3.0	12.0	15.0

¹Except for the vehicles and support equipment, the project would be exempted from identifiable taxes and duties.

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Estimated
Disbursements:

IDA Fiscal year	1983	1984	1985	1986	1987
	-----US\$ Million-----				
Annual	1.0	2.5	5.0	2.5	1.0
Cumulative	1.0	3.5	8.5	11.0	12.0

Rate of Return: Not Applicable

Staff Appraisal Report: No separate Staff Appraisal Report has been prepared for this Project.

Map: IBRD 2802R3

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE UNITED REPUBLIC OF TANZANIA
FOR A THIRD TECHNICAL ASSISTANCE PROJECT

1. I submit the following report and recommendation on a proposed credit to the United Republic of Tanzania of SDR 10.2 million (US\$12.0 million) equivalent on standard terms to help finance a Technical Assistance Project.

PART I - THE ECONOMY¹

2. An economic mission visited Tanzania in March and June 1980. Its report (3086-TA) dated January 23, 1981, has been distributed to the Executive Directors. A summary of social and economic data is given in Annex I.

Background

3. At Independence in 1961, Tanzania (then Tanganyika) was one of the poorest countries in the world. Almost solely dependent on subsistence agriculture and a few estate crops, the country had a very modest industrial base (less than 5% of GDP), and a very small number of educated and trained personnel. For the first six years after Independence, the Government's development strategy resembled that of many other less developed countries, stressing growth in per capita income and national self-sufficiency in skilled manpower, and relying largely on market forces. This approach, in the Government's view, led to unacceptable economic and social conditions, such as widening income differentials and unequal opportunities for advancement in the rural areas. In response to this situation, the national development strategy was reassessed in 1967. The new priorities, enunciated in the Arusha Declaration and related policy statements, were directed towards establishing a socialist society, with greater emphasis on broad-based rural development, self-reliance in development efforts, and the development of mass education. To accomplish these ends, the State, with guidance from the Party², was expected to play the leading role,

¹This section is substantially the same as that in the President's Report on the Second Songo-Songo Petroleum Exploration Project, dated December 10, 1981.

²The single mainland political party at the time was TANU, but in February 1977, it merged with Zanzibar's Afro-Shirazi Party to form the Revolutionary Party, or Chama Cha Mapinduzi (CCM).

especially in the reform and creation of appropriate institutions. This led in the late 1960s to the nationalization of large-scale industry, commerce and finance, the creation of numerous parastatal bodies, the formation of ujamaa (cooperative) villages, the decentralization of government (1972), and the mass campaign of villagization (1974-76).

4. Despite some disruption arising from these major institutional changes during the period, Tanzania managed to show improvements both in social welfare and in macroeconomic performance. Primary school enrollments increased by more than 50%, life expectancy rose by almost 5 years, and access to safe water increased in both the rural and urban areas. GDP grew by 4.4% per annum from 1966 to 1973, investment averaged 24% of GDP from 1970 to 1973, and domestic resource mobilization improved with recurrent revenues rising from 15% of GDP in 1967/68 to 19% in the mid 1970s. However, the productive sectors grew slowly and the rate of return on new investments (which was centered on the industry and transport sectors) was poor. Perhaps the principal disappointment was in agriculture, the dominant sector in the economy, which grew by only 2.3% per annum from 1966 to 1973. This growth was also uneven among regions and precluded any narrowing of rural-urban income differentials. Tanzania made rapid progress towards localizing key posts in the economy, but large gaps in manpower requirements remained. Dependence on foreign aid to finance both domestic investment and the widening balance of payments gap also increased. By 1973, the issues which were to be so important for Tanzania throughout the 1970s were becoming clear: How quickly could a country with limited trained personnel develop a strong and efficient centrally administered economy? The Government's emphasis on equity was often at the expense of efficiency and incentives; how long could the country afford these costs? What could be done to improve the growth rate of the monetized, productive sectors?

5. The oil price increases and world recession of 1973-74 coincided with two years of below average rainfall in Tanzania. Agricultural production also was affected by disruptive changes in the rural areas at this time (decentralization and villagization), and there was a serious shortfall in foodgrain production. The Government was forced into the world market, making large purchases of foodgrain for cash. Food imports rose from US\$39 million in 1973 to US\$149 million in 1974 and US\$136 million in 1975. Export crop production also fell during this period and the barter terms of trade fell by about one-third during these two years. As a result, the current account deficit rose from US\$118 million in 1973 to around US\$340 million in both 1974 and 1975. Domestically, the recurrent budget fell into deficit and Government bank borrowing rose from TSh.416 million in 1973/74 to TSh 753 million in 1974/75 and TSh 1,061 million in 1975/76.

6. The Government prepared a program to deal with at least the short-term effects of the crisis and was able to receive some assistance from the IMF and a program loan from the Bank. Under this program, import

levels were tightly restricted, wages were frozen, government development expenditures¹ were redirected towards the productive sectors, and the Tanzanian shilling was devalued by 10% against the SDR. Producer prices for food crops were substantially increased and at the same time, the National Milling Corporation (NMC) was instructed to purchase a number of drought-resistant crops such as cassava, sorghum, and pigeon peas in addition to the usual foodgrains like maize. While these steps were taken to increase food production, they also discouraged the production of export crops, weakened the financial position of NMC and required the banking system to extend large amounts of credit to NMC. Aside from the devaluation, little scope was given to market forces and Tanzania made no basic changes in its system of administered prices and government controls. The basic weaknesses of the economy persisted: declining export volumes, limited trained manpower, disappointing growth in the monetized and productive sectors, and poor maintenance of existing capital stock and infrastructure, especially in agriculture and transport.

7. Nonetheless, the Government program, boosted greatly by the coffee boom of 1977, increased foreign assistance and reasonable weather for agriculture, was able to keep the economy in balance until 1978. The current account deficit fell to less than US\$100 million in 1976 and less than US\$175 million in 1977, well below the 1975 deficit of US\$340 million. The Government made a net repayment of TSh. 24 million to the banking system in 1976/77. During 1978, the overly stringent import controls were relaxed at the same time as the terms of trade began to deteriorate again. The balance of payments went into deficit and foreign reserves were drawn down. Then, in October 1978, the country was invaded by forces from Uganda. The resulting war, the oil price increases of 1979 and flooding and drought in different parts of Tanzania led to a worsening balance of payments deficit and the Government built up major arrears on its import payments for the first time since Independence. The domestic budget fell heavily into deficit as expenditures (led by defense) rose by 50% from 1977/78 to 1978/79 and revenues improved by only 10%. As a result, Government borrowing from the banking system increased from TSh. 600 million in 1977/78 to more than TSh. 3,000 million in 1978/79. Such borrowing was the major factor in money supply growth, which exceeded 53% in this period.

8. According to the official National Accounts statistics, GDP in constant prices has risen by 4.7% per annum since 1966, and by a slightly higher rate of 5.1% per annum over the past six years. However, this later trend assumes an 8.6% per annum increase in subsistence agriculture, which seems somewhat overstated in the light of Bank Group project experience and the known marketed surpluses of food. Assuming a more realistic growth rate of 4.0% per annum for subsistence agriculture, overall GDP growth

¹Government development expenditures account for about two-thirds of public sector investment, which in turn accounts for 50-60% of total investment.

since 1973 would also be reduced to 4.0% per annum. With population growing by around 3.3% per annum, this implies an increase in per capita GDP of only 0.7% per annum. There also has been a change in the structure of the economy over the past six years, away from the productive monetary sector and towards subsistence and service activities. Excluding public administration, commercial services and trade, the monetary sector has grown by only 2.3% per annum over the past six years, well below the population growth rate. This change in the structure of the economy has been a major factor hampering the Government's efforts to mobilize domestic resources.

9. Although Tanzania has sustained a high investment ratio, this has not been matched by a similar success in the mobilization of domestic savings or in the return on investments. Up to the mid-1970s, foreign savings had financed 20%-40% of domestic investment. However, the dependence on foreign savings rose sharply to more than 60% of domestic investment during the crisis years of 1974-75 and again from 1978. The major shortfalls in domestic savings have occurred in the Government sector, where they have actually been negative in some years since 1975. The low return on investments is reflected in the incremental capital-output ratio for the monetary sector, which was around 4.5 at the start of the decade and rose to between 6 and 7 by the end of it.

10. Agriculture remains the most important sector in Tanzania, accounting for 90% of total employment, 50% of GDP and 80% of exports. The long-term trend growth rate of agricultural production has hardly kept pace with population growth and if anything has fallen in more recent years as the initial expansion of export crop production (through the mid-1960s) has been reversed. This poor performance cannot be adequately explained by the limitations of the natural environment. Although the importance of rural development has continuously been highlighted in Government statements, including the Arusha Declaration and successive plans, this has not always been reflected in the allocation of resources to the agricultural sector or in policy formulation and implementation. The general direction of the Government's post-Arusha agriculture strategy has also tended to emphasize the transformation of the institutional structure of rural development (through the formation of villages and increasing public involvement in the sector) over measures designed to improve agricultural production directly. Many of these institutional changes were introduced too rapidly, without careful planning or sufficient recognition that by themselves they could not compensate for inadequate incentives and shortages of skilled manpower and managers. More recently there has been a greater awareness of the role of incentives, and recent price adjustments attest to the Government's willingness to use them to influence the pattern of agricultural production. The trend towards greater public involvement in agriculture has also continued and with the resultant proliferation of parastatals and increasingly complex structure of administration, the available manpower has been stretched even more thinly. This has resulted in weakened capacity for policy planning and implementation, especially in the areas of research and extension. The deterioration of transport services also has contributed to

the poor performance of agriculture. Roads, railways and water transport have deteriorated owing to a lack of spare parts, poor maintenance and inadequate planning and management.

The Current Balance of Payments Crisis and Medium Term Prospects

11. The decline in agricultural production, transport bottlenecks and external shocks described above have all contributed to the severe deterioration in the balance of payments over the past two to three years. Export volumes are estimated to have fallen by 7% during 1980, to a level one-third below the peaks of the mid-1960s and early 1970s. Furthermore, the terms of trade have declined by 27% since the coffee boom of 1977, due to a sharp increase in import costs, especially for petroleum, at a time when the overall level of export prices has been rising very slowly. Owing to these adverse developments, the purchasing power of Tanzania's exports in 1980 was one-third lower than in 1977 and only one-half of the 1966 level. Part of this shortfall has been offset by additional external resources, including a sharp increase in commodity and program aid to more than US\$200 million in 1980, as well as by drawings under the IMF standby program concluded in September 1980. But Tanzania has also had to utilize large amounts of exceptional financing, including suppliers' credits and an increase in import payment arrears. Despite this, the volume of imports has had to be severely curtailed, and in 1980, was still no higher than in the mid-1970s.

12. Given the recent negative developments on coffee prices and oil supplies, as well as the limited scope for further exceptional financing, there is little prospect for any immediate improvement in the balance of payments, and present indications are that the situation continued to deteriorate during 1981. This continuing balance of payments constraint is inevitably having a debilitating effect on the economy, with lower imports reducing production and maintenance of existing assets, resulting in further falls in exports and available foreign exchange. This vicious circle will be difficult to break, unless there is a substantial injection of foreign exchange and major changes in domestic policies designed to improve producer incentives, parastatal operations, import allocations, the promotion of non-traditional exports, and overall government planning and budgeting. The Government recently announced significantly higher producer prices for coffee, sisal and tobacco. A Special Agricultural Account was also established at the Bank of Tanzania to ensure that a substantial proportion of foreign exchange earnings are returned to the agricultural sector. This Export Rehabilitation Program is being supported by a recently approved credit from IDA (Cr. No. 1133-TA) and is beginning to show some results (see paragraphs 34-35).

13. Discussions with the IMF, however, on a possible credit under the Extended Fund Facility have yet to bear fruit. Access to Fund facilities was interrupted in December 1980, when the Government was found to be in violation of important performance targets (on arrears, public spending and domestic credit expansion) established only three months before.

Discussions of a possible EFF arrangement were started in March 1981 and were meant to be consummated in June 1981, with the completion of a joint IMF-Government study of the exchange rate problem. Instead, no agreement was reached on the need for a devaluation or for other measures such as reduced price controls and higher interest rates. Substantive discussions of these questions are not likely to be resumed until early 1982; however, without an early settlement with the IMF, it is difficult to envisage a viable plan for economic recovery. This is particularly the case because of the very scale of Tanzania's requirements for balance of payments support and a necessary overlap between the IMF's policy concerns (e.g. the exchange rate) and any effective measures for rehabilitating the productive sectors of the economy.

14. Even if export performance improves significantly, Tanzania will continue to face a very difficult balance of payments situation, especially over the next two to three years. To sustain an increase in per capita GDP will require, in addition to major policy reforms, increasing amounts of aid in real terms and a careful review of import requirements, especially with a view to screening out low priority projects with long gestation periods and high foreign exchange costs. Otherwise the prospects would be for generally stagnant economic activity over the 1980s as a whole, with a substantial decline in per capita incomes. To avoid this, there will need to be continued emphasis on export performance and a concerted effort to improve the level of capacity utilization and efficiency in the economy. Furthermore, this must be done without jeopardizing vital food production.

External Debt

15. Owing to the very concessional terms on which past aid has been given to Tanzania and the Government's previous reluctance to use higher cost commercial loans and suppliers' credits, the country's overall debt service ratio has historically been less than 10%. However, the debt service burden is expected to increase as past loans fall due for repayment and new borrowings, including some on commercial terms, are required to meet the widening balance of payments gap. Such borrowings, together with very poor export prospects, could raise the debt service ratio to 15%-20% during the 1980s. In 1980, it is estimated that the Bank held 14% of Tanzania's external debt outstanding and disbursed (for the Bank Group, it was 28%) and received 25% of Tanzania's debt service (27% for the Bank Group). This relatively high level of Bank exposure reflects in part the impact of recent debt write-offs, totalling US\$277 million in 1978 and 1979. We are projecting the Bank Group's share in debt service to fall over the coming decade owing to the reduced IBRD component in the lending program and the continued need for Tanzania to borrow funds on less concessional terms from other sources.

PART II - BANK GROUP OPERATIONS IN TANZANIA¹

16. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1963, 50 IDA credits and 19 Bank loans, two of these on Third Window terms, amounting to US\$996.3 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of 10 loans totalling US\$244.8 million which were extended for the development of the common services and development bank operated regionally by Tanzania, Kenya and Uganda through their association in the East African Community. IFC investments in Tanzania, totalling US\$4.7 million, were made to the Kilombero Sugar Company in 1960 and 1964. An IFC investment of US\$1.7 million in soap manufacturing in Mbeya was approved by the Executive Directors on June 8, 1978 and an investment of US\$1.5 million in metal product manufacturing was approved in May, 1979. Annex II contains summary statements of Bank loans, IDA credits and IFC investments to Tanzania and the East African Community organizations and notes on the execution of ongoing projects.

17. In support of Tanzania's overall development strategy, Bank Group lending operations have assisted a wide spectrum of activities. Nearly every sector in which the Bank Group has operational capacity has received some attention. However, future work is expected to concentrate on: (i) agriculture; (ii) transport and communications; (iii) industry; and (iv) education and manpower development. As agriculture and related activities constitute the largest single sector in the economy, it has received 30% of the Bank Group's direct lending to Tanzania. The lending program in agriculture has featured three main types of projects: (a) regional rural development projects focusing on production and the development of regional infrastructure, (b) projects centered on specific crops (such as maize, tea, tobacco and pyrethrum) and (c) projects designed to improve general support services (e.g. rural credit, grain storage). However, in view of past underfinancing of capital maintenance and replacement in the sector, new Bank Group lending will focus on rehabilitation and use of existing agricultural production and processing capacity, rather than on expansion of such capacity.

18. Alongside agriculture, there has been a major focus in Bank Group work on transport and communications. Transportation difficulties are critical constraints to development in Tanzania. Indeed, the Government's inability to ensure the timely availability of inputs or the regular collection of crops has been a major bottleneck to increased production in the agriculture sector. Furthermore, during the seventies, transport investments were primarily concentrated around the Tanzania-Zambia Corridor and since 1977, no systematic investment program has been prepared for the

¹This section is substantially the same as that in the President's Report on the Second Songo-Songo Petroleum Exploration Project, dated December 10, 1981.

subsectors which were overseen by EAC Corporations. Bank Group activities are intended to develop a more coherent investment program in transport and communications and to strengthen the ministries and newly established national corporations responsible for railways, ports, and telecommunications. In industry, future lending is expected to support well developed financial intermediaries like the Tanzanian Investment Bank (TIB) which are intending to consolidate their portfolios and stress capacity utilization and export promotion. Shortages in skilled manpower are also a worsening bottleneck to development. Bank Group involvement in education is expected to continue support for specialized training and the development of the secondary education sector to assist the Government in meeting its manpower needs.

19. Projects which have been recently approved or appraised reflect the above outlined priorities. Those approved include a Pyrethrum Project (Credit No. 1007-TA), a Foodgrain Storage and Milling Project (Credit No. 1015-TA), a Tea Processing Project (Credit No. 1037-TA), the Dar es Salaam Port Engineering Project (Credit No. S-24-TA), a Seventh Education Project (Credit No. 1056-TA), and a Telecommunications Project (Credit No. 1173-TA). Projects which have been appraised include a second forestry project, a second line of credit to the Tanganyika Development Finance Corporation (TDFL), a small scale industries project and a fifth line of credit to the Tanzania Investment Bank (TIB). However, improvements in the economic policy environment will be critical for effective lending through intermediaries such as TDFL and TIB.

20. In addition to financing specific projects, the Bank Group has occasionally provided non-project credits in support of the Government's efforts to deal with its balance of payments difficulties. The first such credit was made in 1974, the second in 1977, and the most recent, an Export Rehabilitation Program Credit (No. 1153-TA), in April 1981 (see para. 35 for progress under the latter). Further assistance of this kind would require agreement on an economic reform program as well as renewed access to IMF facilities (see also para. 34).

21. Although the comparatively high undisbursed proportion of loans and credits, detailed in Annex II, is to some extent the result of the recent approval of many of these projects, it also reflects problems in project implementation, particularly in agriculture and rural development. The causes of these difficulties are varied. To a large extent they arise from the scarcity of suitably trained and experienced manpower, which calls for stepped-up efforts in higher education and specialized training, as well as for sustained high levels of technical assistance in future project design. Other implementation problems reflect the difficulty of identifying and disseminating agronomic input packages appropriate to the needs of smallholder farmers or result from administrative overextension in the undertaking of a far-reaching development program. These problems have been compounded by frequent and fundamental administrative changes, which --though potentially the source of long-term benefits--have disrupted orderly execution of some projects and made aspects of other project designs obsolete. The Uganda war had some early impact on project implementation by diverting equipment and manpower away from development

purposes; however, by contributing to the current economic crisis, the temporary logistical problems caused by the conflict have been superseded by deeper and more lasting difficulties arising from a critical shortage of essential goods and services. During the last year, the direct and indirect effects of prolonged under-financing of essential import requirements have become painfully obvious. Most industrial facilities were working at less than thirty percent of their installed capacity and the lack of maintenance and operations funds (particularly for replacement equipment, spare parts, and fuel) was compounding the already serious effects of deferred maintenance of capital stock, especially in the agriculture sector. Until the general economic situation improves, the outlook is for continued and sometimes unforeseen interruptions in project implementation and disbursements.

22. As the Bank Group's lending program has expanded, increased attention has been given to measures designed to improve specific aspects of project implementation. Courses on Bank Group procurement have been held in Dar es Salaam for relevant Government officials. A special project implementation unit has been set up in the Ministry of Agriculture and 11 Agricultural Development Services staff have been attached to Bank Group financed projects in agriculture and rural development. The Government has assigned responsibility for the monitoring of project performance to a specialized unit at the Ministry of Planning and Economic Affairs. Since February 1977 there has been a Government/Bank Group review of implementation problems on a project-by-project basis. In October 1980, a major Country Implementation Review was held in Arusha at which all Bank-financed agricultural projects were examined, with a view to discussing sectoral issues in addition to project-related matters.

East African Community (EAC)

23. Major developments affecting the East African Community were outlined in a report to the Executive Directors dated December 29, 1977 (R77-312) and more recent developments were reported in a statement to the Executive Directors during their meeting of May 6, 1980. The three former Partner States have employed Dr. Victor Umbricht as an independent mediator to recommend an appropriate disposition of the assets and liabilities of the Community corporations and the General Fund Services. Dr. Umbricht has visited East Africa on numerous occasions, has employed consultants to assist in the appraisal of Community assets and liabilities, and in March 1980 made formal recommendations on the allocation of these assets and liabilities. Meetings at ministerial level to discuss the Mediator's proposals were held in Arusha in May 1980, and in Kampala in February 1981. A follow-up meeting was held in Nairobi on August 6 and formal negotiations began in December 1981 on the basis of the Mediator's proposals. Meanwhile, the Mediator's report and recommendations on the future structure of the East African Development Bank (EADB) have been accepted by the Partner States and the revised EADB Charter, along with the Treaty to enact the new Charter, have been ratified by the three Governments.

PART III - THE EXPORT SECTOR AND THE NEED FOR TECHNICAL ASSISTANCE

24. As agricultural exports account for about 80% of total export earnings, the performance of the export sector has been as disappointing as that of the agricultural sector. Export volumes are now estimated to be 30% lower than in the mid-1960's, and as a percentage of GDP, export earnings have fallen from 25% in 1966 to only 11% in 1979. Although export earnings have at times risen very sharply, this has been due entirely to favorable external price movements, such as the coffee boom of 1976-77. The underlying trend in export volumes has been consistently downward for the past 15 years.

Traditional Exports

25. Although Tanzania's export structure is more diversified than for many other African countries, seven commodities--coffee, cotton, cloves, sisal (fiber, cordage and twine), cashews (nuts and kernels), tea and tobacco--still account for more than two-thirds of total export earnings. In 1980, the total export volume of these seven commodities was 28% lower than in 1966 and 34% lower than in 1973. Of these items, only tea has risen consistently since the mid-1960s: sisal and cotton have steadily declined, cashews and tobacco have recently been falling from their peaks in the mid-1970s, and coffee and cloves have fluctuated around a stagnant trend. In the cases of tobacco and cotton, rising domestic consumption in recent years has reduced the share of production available for export. There are several reasons for this disappointing level of export production.

26. First, official producer prices have not kept pace with world prices and domestic costs. Recent studies indicate that the price terms of trade for marketed smallholder production of food and export crops fell by over 20% during the 1970s. Furthermore, within the agricultural sector, there was a sharp movement in relative prices in favor of food crops vis-a-vis export crops during the mid-1970s which has only been partially corrected in recent years. As a result, the price terms of trade for export crops fell by almost one-third during the 1970s. This sharp real fall in producer prices was not determined primarily by world market prices. More important factors were the rising marketing and administrative costs of the parastatals handling these crops and higher export duties, which reduced the farmers' share in export earnings from coffee, cotton, tobacco and cashews to below 50%. These price developments have led to a diversion of supplies into unofficial channels (e.g. coffee), neglect and in some cases abandonment of tree and bush crops (e.g. coffee, sisal and cashews), and substitution of subsistence production for the annual export crops (e.g. cotton and tobacco).

27. Second, there have been inadequate allocations of foreign exchange to meet the basic import requirements of the agricultural sector and of the supporting infrastructure in processing and transport. Although

this problem has become more critical with the recent deterioration in the balance of payments, agriculture has historically not received a share of import allocations commensurate with its importance to the economy and its contribution to foreign exchange earnings. The resultant list of shortages, which have in many cases led to a net foreign exchange loss for Tanzania, is long: for coffee, inadequate imports of chemicals required to control coffee berry disease; for cotton, shortages of fuel and spares to maintain ginnery throughput, and insufficient bags for packing; and for cashew tinning, inadequate allocations for tinsplate and carbon dioxide. More generally, Tanzania's traditional exports have been restricted by severe shortages of imported spares to maintain tractors, trucks for crop collection, road maintenance equipment, processing capacity, and rail and port operations. The resulting processing and transport bottlenecks have been particularly severe for coffee and cotton over the past year, leaving large quantities of potential exports still stockpiled at the farms, processing plants and railheads. Large scale sugar cultivation and processing (mainly for domestic consumption) have also been severely affected.

28. Third, the shortages of basic inputs and spares have been compounded by the generally poor organization and inefficient operations of the parastatal crop authorities. Initially, these parastatals acted in competition with private traders, but have steadily expanded their marketing role, and now have monopoly control over all of the major crops. They have also extended their functions vertically from purely marketing into production, input distribution, extension services and processing. With persistent manpower shortages and organizational problems, the performance of many of these agricultural parastatals has been less than satisfactory. This has led to delays and shortfalls in the distribution of inputs and collection of produce (e.g. coffee), poorly organized research and extension services (e.g. tobacco), and deteriorating operating and maintenance standards for processing equipment and transport (e.g. tea and sisal). Most of the parastatals are also facing increasing financial problems, with undercapitalization, inadequate financial management (most accounts are two to three years out of date) and tightening cash flow positions (which are making it difficult to maintain prompt payments to farmers).

29. Fourth, inadequate emphasis has been given to the development of research and extension. To date, the Government has not made critical decisions required to improve the organization and management of agricultural extension, the responsibility for which is divided among the Ministry of Agriculture, the Prime Minister's Office (responsible for regional administration) and several parastatals. The organization of research has not been adequately guided by technical considerations, leading recently to a decision to establish two separate parastatals for crop and livestock research. The result has been inadequate research on appropriate technical packages and an ineffective extension system to deliver these packages to the farmer. In tobacco, for example, field management and husbandry standards seem to be deteriorating. In cotton, there has been a paucity of research on appropriate technologies, especially regarding fertilizer levels and application methods.

30. Finally, in addition to these general constraints, there are a number of problems which have been particularly important for specific crops. For cashews, the villagization program in the mid-1970s moved many farmers away from the scattered trees, increasing the costs and effort of caring for the trees and collecting the nuts. Mozambique's independence also diverted refugee labor away from the cashew-growing areas. Tobacco curing has been increasingly constrained by wood fuel shortages, due in part to the depletion of convenient sources and in part to the movement of farmers under the villagization program. The Tobacco Authority of Tanzania (TAT) has not been able to undertake its own afforestation program to help relieve these shortages, due to its constrained financial position. Clove production has been badly affected by two virus diseases as well as by the advanced age of most trees on Zanzibar and Pemba. For coffee, exports from the West Lake region were reduced by at least 8,000 tons during 1980, owing to a boiler explosion at the Bukoba factory in October 1979 and the breakdown in February 1980 of the rail ferry which is normally used to move the coffee to Mwanza.

Non-Traditional Exports

31. In 1980, manufactured exports earned about US\$115 million, or about 20% of total export receipts.¹ However, more than 60% of this amount was contributed by petroleum products and diamonds, neither of which provides a basis for medium-term growth: Tanzania is a net importer of petroleum products (and increasingly so), while the single diamond mine is gradually being depleted. The residual manufactured exports include primary-based products such as textiles and garments, leather and shoes, and wattle extract,² as well as a range of minor industrial goods based on imported components, such as aluminum products, batteries, and electrical goods. The value of these residual items fluctuated around US\$20 million per annum over the six years ending in 1978, with no increasing trend despite rapidly rising market prices. However, led by increased exports of textiles and garments to neighboring countries, their value has grown markedly over the past two years to US\$33 million in 1979 and an estimated US\$45 million in 1980. Although exports of manufactured products are still too small to provide an adequate offset to the disappointing performance of the traditional products, their continued development is important to ensure that a broader base is established for export growth over the medium term.

¹For the purpose of this Report, the category of non-traditional exports includes both manufactured goods and a number of small and relatively new agricultural exports, including animal feed and seed beans, which together earned about US\$45 million in 1980. However, the primary focus of this section is on manufactured exports.

²Wattle is an acacia tree whose bark is used in leather tanning.

32. Some of the causes of the slow development of manufactured exports can be attributed to external factors such as protectionism, restricted market competition and discriminating freight rates; the breakup of the EAC in early 1977 and subsequent closure of the Kenya border have also had an adverse effect. However, taken together, these factors do not seem to present an impenetrable barrier to export success. Rather, the more fundamental problems seem to lie in the domestic economy: the high cost structure of the industrial sector, shortages of foreign exchange and agricultural inputs, the limited availability of domestic credit, transport bottlenecks, and inadequate quality control and marketing facilities.

33. To help overcome these handicaps, the Government has over the years introduced a limited range of measures to help promote manufactured exports. These include: (i) the import duty drawback scheme, which provides for the exemption or remission of all duties on imports used by domestic manufacturers to produce exports; (ii) the differential export duty scheme, which allows exporters to buy certain domestic commodities at prices net of export duties; (iii) the establishment in 1978 of the Board of External Trade (BET), to advise the Government on matters relating to national export policy and to help establish programs to expand trade relations and promote export sales; and (iv) the allocation of additional import licenses to exporters. Unfortunately, none of these measures has yet been very effective in fostering export development: administrative problems have severely limited the operation of both the duty drawback and differential export duty schemes and the foreign exchange crisis has frustrated attempts to channel additional import licenses to exporters.

Export Rehabilitation Program

34. To address some of the problems outlined above, the Government decided in March 1981 to introduce an Export Rehabilitation Program, with the support of a US\$50 million credit from the Association. (See Report No. P-3009-TA). Measures adopted under the Program included substantial increases in some agricultural producer prices, the reservation of a minimum amount of foreign exchange for the import needs of agriculture and a system for allocating foreign exchange more effectively within the sector. The Government also decided to undertake a study of agricultural producer prices, to take appropriate follow-up action and to prepare and implement an action program for improving agricultural services, such as research, extension, input delivery and crop collection. However, wider economic issues such as export diversification, financial planning and control, parastatal efficiency and higher and sustained incentives to production remained to be addressed satisfactorily. As a result, during negotiations of the Export Rehabilitation Credit in March 1981, agreement was reached on a Memorandum of Understanding on Follow-Up Measures. These included more restraint and selectiveness in the public investment program, more emphasis in the recurrent budget on the operations and maintenance needs of the economy, improved foreign exchange budgeting, a re-examination of the roles (particularly purchasing mandates) of the State-owned crop authorities, improvements in parastatal accounts, the introduction of more

payments-by-results schemes in industry and a review of subsidy and cost recovery arrangements in the public sector. The Government also agreed that an independent Advisory Group would be established to assist the Government in preparing a comprehensive program of economic rehabilitation and recovery.

35. Since the Export Rehabilitation Program was introduced, some progress has been made. Cashewnut and coffee marketings are substantially up over 1979-80 levels, and the improved foreign exchange allocation system appears to be operating well. The producer price policy study has been completed and the Government has announced further large increases in producer prices. The Government has also departed from the principle of uniform national prices for major food crops in order to take better account of regional differences in marketing costs. The public investment program has also been reduced for the first time since Independence, and there is more emphasis on rehabilitating or improving the use of existing capital facilities than on initiating new projects. The Advisory Group (para. 45) has been established and has begun its work, which is expected to be completed in April 1982. The Government has also defined in considerable detail the technical assistance requirements at the Ministry of Agriculture, the Ministry of Planning and Economic Affairs, the BET and key parastatals operating in the export sector. However, there is still considerable progress to be made in further tailoring government plans to resources likely to be available during the next five years, in rationalizing the role of the public sector, in increasing incentives to production and in concentrating resources on improving traditional agriculture.

The Need for Technical Assistance

36. Since Independence, Tanzania has made considerable efforts in the mobilization and development of skilled manpower to meet the growing requirements of the national economy. External support has been provided by a wide range of bilateral and multilateral donors, including UNDP, the Scandinavian countries, USAID, Canada, and the Federal Republic of Germany, both in the form of technical cooperation personnel and training for Tanzanian nationals. The Bank Group has also met particular requirements for internationally recruited personnel and training in the context of individual projects in most sectors. In addition, two technical assistance credits were approved in 1975 and 1980 (see para. 40 below).

37. Despite this high level of external assistance during the 1970s, the country's impatience for broad-based development has led to an over-extension of financial and manpower resources. As a result, the manpower deficit has grown larger rather than smaller in recent years and it is particularly acute in some areas. The agricultural sector has been especially hard hit by the scarcity of skilled and experienced personnel. Recent surveys indicate that in the central agricultural administration category, 37% of requirements remained unfilled. For the agricultural parastatals the comparable figure is 44%. Such shortages are projected to

grow both in absolute and relative terms at least through 1985. A number of factors have contributed to this situation. The most important of these has been the rapid growth in the number of agricultural parastatals and in the scale of their operations. Another factor has been the rapid localization of key posts, which has sometimes been at the expense of staff experience and continuity. Professionals in shortest supply include accountants, agricultural economists, mechanical and maintenance engineers and marketing specialists.

38. One important requirement for resolving such personnel shortages includes slowing the growth of manpower requirements in the public sector, by consolidating and perhaps restricting the functions of parastatal organizations. There is also a need for stepped-up training efforts in specialized fields. However, some positions need to be filled immediately regardless of the timing of these longer term adjustments as such positions will remain important regardless of whether particular services or production are performed by the private or public sector. This includes technical support for agricultural processing facilities and strengthening the planning capacity of the Ministry of Agriculture. The UNDP and other traditional sources of technical assistance for Tanzania are unable to accommodate some of these specialized requirements during FY82 and FY83. For this reason, the Association has been approached by the Government to do so instead, and is well-suited to respond both on the basis of its considerable project knowledge of the agricultural sector and its close working relationship with the FAO, which would handle recruitment under the proposed project (para. 55).

39. Recent Bank Group Assistance to Agriculture. Approximately half of all Bank Group lending to Tanzania during FY80 and FY81 has been to the agricultural sector. This has included small amounts of technical assistance to the Tanzania Rural Development Bank, the Tanzania Tea Authority, the Tanganyika Pyrethrum Board and the National Coconut Development Program (see Reports No. P-2707-TA dated February 13, 1980, No. P-2754 dated March 31, 1980, No. P-2814-TA dated May 14, 1980, and P-2878-TA dated September 18, 1980). Major assistance was provided to the Ministry of Agriculture (MOA) under the Grain Storage and Milling Project (see Report No. P-2775-TA dated April 15, 1980) to strengthen the Marketing Development Bureau (MDB) and the Project Preparation and Monitoring Bureau (PPMB) of the Ministry. MDB was established in 1970 to review agricultural pricing policy on an annual basis and to make recommendations to the Economic Committee of Cabinet on such issues. PPMB was established in 1978 to prepare, supervise and monitor projects being implemented under the Ministry. More recently, PPMB has been given responsibility for examining and recommending improvements in the financial operations of agricultural parastatals. Under the proposed project, this agency would assist the Director of Planning within MOA in administering the technical assistance team.

40. The proposed credit would be IDA's third for technical assistance purposes in Tanzania. The first two, for US\$6.0 million in 1975 and US\$11.0 million equivalent in 1980, were designed to finance feasibility

and other preinvestment studies in the productive sectors, special studies for improving efficiency and capacity utilization under existing investments and training for Tanzanians in project preparation, implementation, evaluation and related techniques. The Tanzania Investment Bank is responsible for implementing these credits. No resources were set aside in these credits for financing long-term advisory services. (See Report No. P-2866-TA dated July 17, 1980.)

PART IV - THE PROJECT

41. The technical assistance requirements to be met from the proposed credit were first identified during appraisal of the Export Rehabilitation Program in October-November 1980. At that time, and again during negotiations of this Program in March 1981, it was recognized that agreed policy and administrative adjustments would need to be complemented with technical assistance, particularly in the agricultural sector, as well as broadened into a more comprehensive program of economic rehabilitation and recovery. (Both aspects of this follow-up work would be financed under the proposed credit.) Detailed discussions of the manpower requirements of the Ministry of Agriculture and key parastatal organizations were held in March and July 1981. An Advisory Group to assist the Government in preparing a recovery program was established by August 1981 and an advance from the Project Preparation Facility (PPF) was approved to support its start-up activities. Negotiations for the proposed credit were held in Washington in December 1981. The Tanzanian delegation was headed by Mr. David Masanja, Principal Secretary at the Ministry of Agriculture. A Credit and Project Summary is at the front of this Report and Annex III contains supplemental project data.

Objectives and Description

42. The primary purpose of the proposed project, like that of the Export Rehabilitation Program, would be to eliminate bottlenecks, in this case related to manpower, that inhibit the generation and saving of foreign exchange. This would be achieved by supplementing the support already provided by IDA and other donors for essential imports to the agricultural sector with internationally recruited manpower in key areas. A secondary but closely related objective of the project would be to assist the Government in preparing a wider program of economic measures and rehabilitation activities which will contribute to long-term recovery. While manpower development would not be a major objective of the project, sufficient funds would be included to define and meet Tanzanian training needs in specific areas.

43. The project would involve an IDA credit of SDR 10.2 million (US\$12 million equivalent) over 5 years, to finance the first phase of a longer term program of manpower support in Tanzania's productive sectors, particularly agriculture. The Project would consist of four components:

- (a) Technical Assistance to the Agricultural Sector, including:
 - emergency managerial/technical/operational assistance to agricultural corporations (e.g. Tanzania Cotton Authority, Tanzania Sisal Authority, Coffee Authority of Tanzania etc.)
 - assistance to improve the financial control and management of important parastatals in the sector, and
 - advisory assistance to the Ministry of Agriculture in planning and policy analysis;
- (b) Advisory Assistance regarding medium- and short-term national economic policy;
- (c) Training for Tanzanians; and
- (d) Unallocated funds for supplementary studies and other activities yet to be fully identified.

The project would also include vehicles, office equipment and other logistical support for the specialists hired under the project.

Detailed Features

44. Assistance to the Agricultural Sector. During appraisal of the Export Rehabilitation Program, thirty important vacancies were identified at the Ministry of Agriculture and those parastatals accounting for the largest share of the country's exports earnings and potential import savings. While the Rehabilitation Program focussed on the constraint of imported materials, equipment and spare parts, the proposed credit would aim to redress the equally serious problem of the shortage of technical personnel in key agricultural industries. The initial list of identified vacancies was used by the Ministry as a basis for consulting parastatals and other agencies in greater detail about the relative priority and economic significance of their manpower requirements. As a result of a large scale response from the organizations--which requested some one hundred fifty individuals--the Ministry of Agriculture was unable to finalize its revised list before August 1981. In selecting the positions for inclusion in the proposed technical assistance program for the agricultural sector, several criteria were used. First, agricultural industries were selected on the basis of their importance in earning or saving foreign exchange. For example, the Coffee Authority (CAT), the Tanzania Cotton Authority (TCA) and the Tanzania Sisal Authority (TSA) account for about half of the country's total export earnings. Only those positions not included in actual or prospective projects were considered, and only the most fundamental constraints were examined. Furthermore, to ensure that the technical assistance would be effective, teams comprising complementary technical and managerial skills, rather than individuals, were decided upon. Generally, line production functions and technical

skills were given highest priority. In addition to filling these positions, there is an urgent need to strengthen the overall planning capacity of MOA to better perform its generally recognized advisory and service functions. Therefore, some positions in the Planning Department of MOA would be included in the proposed technical assistance program. These include several economist/planners and up to nine financial management advisors who would come under the administrative control of PPMB within MOA and be seconded to the agricultural parastatals to generate the data needed to better control and manage their operations. The list of the proposed agricultural staff is summarized in Table 1. (The organization and administration of the team are discussed in paras 49-50 below). The job descriptions for all thirty specialists were agreed upon during negotiations.

45. Advisory Group. In May 1981, the Government decided to invite outside advice in preparing a short- and medium-term recovery program for the economy. Bank Group staff assisted the Tanzanian authorities in preparing appropriate terms of reference (see Annex IV) and in identifying suitable candidates for this work. An advance of US\$200,000 from the Project Preparation Facility was approved in August 1981 to assist the Government in finalizing such arrangements and in starting up the Group's activities. This Advance would be re-financed under the proposed credit. The Group began work in September 1981 and is expected to complete it by April 1982. The Group consists of three international development specialists and is supported by a secretariat of five economists, including two Tanzanians.

46. Training. During their assignments, the internationally recruited specialists at the Ministry of Agriculture and various parastatals would assist the Government in assessing detailed training requirements for Tanzanian personnel, with particular emphasis on in-service and in country skill improvement programs. There would also be some provision for overseas training. The Director of Training at the Ministry would design, coordinate and advise on such activities. While the primary focus of such training would be on general industrial and financial management, operational expertise and agricultural economics, this component would also finance high-priority training needs at the Ministry of Industries, Ministry of Trade, Board of External Trade and Ministry of Planning and Economic Affairs.

47. Vehicles and Support Equipment. Approximately US\$900,000 of the proposed credit would be used to procure vehicles and support equipment for the specialist teams recruited under the project. This would include four wheel drive vehicles, machine tools, calculators and accounting office machines.

48. Unallocated. Ten percent of the proposed credit (US\$1.2 million) would be reserved for supplementary studies, short term consulting services and technical assistance which have yet to be fully identified and would be consistent with the general objectives of the project. Tentative uses of

Table 1: TANZANIA - THIRD TECHNICAL ASSISTANCE PROJECT

List of Proposed Staff¹

Kilimo/Directorate of Planning	-	3 agricultural economists 1 administrative officer
Kilimo/PPMB	-	9 financial advisers
Kilimo/TS&E		1 agricultural economist
Tanzania Cotton Authority	-	2 mechanical engineers 1 ginnery maintenance engineer 1 oilmill maintenance engineer 2 agriculturalists (regional cotton officers)
Tanzania Seed Company	-	3 agriculturalists (production controller, seed production manager, farm manager)
Coffee Authority of Tanzania	-	1 boiler engineer 1 coffee process engineer
Tanzania Sisal Authority	-	1 mechanical engineer (central workshop manager) 1 field machinery engineer 1 process engineer
National Agricultural and Food Corporation (NAFCO)	-	1 agricultural (production) economist 1 accountant

¹The assignments of such staff would last three-four years.

these resources include two export promotion specialists for the Board of External Trade and an investment planning adviser for the Ministry of Industries. Assistance for essential rehabilitation activities in other areas would also be eligible for financing.

Organization and Implementation

49. The project would be managed and implemented by the Ministry of Agriculture and the Ministry of Planning and Economic Affairs in consultation with the other beneficiaries e.g. the Coffee Authority of Tanzania and the Tanzania Cotton Authority. The Director of Planning at the Ministry of Agriculture (MOA) would be responsible for implementing the largest component of the project (described in para. 44 above) and would delegate responsibility for monitoring the technical aspects of the specialists' assignments to the Coordinator of PPMB. An Administrative Officer who would be appointed by June 30, 1982 and would have terms of reference, qualifications and experience acceptable to the Association (Sections 3.02 (a) and 3.03 (a) of the draft Development Credit Agreement) would handle all the administrative arrangements for the specialists and be situated in the office of the Director of Planning. The work of the financial advisers serving parastatal organizations under the project would be organized by one Financial Adviser, who would be located within the Project Preparation and Monitoring Bureau of the Ministry and report directly to the Coordinator of PPMB. The Financial Adviser would be appointed by September 30, 1982, and would be responsible for preparing an appropriate work program and schedule for the rest of the financial team. This work program would be submitted to the Association for its review and comments no later than December 31, 1982 (Section 3.03 (b) of the draft Development Credit Agreement.)

50. The details of all individual assignments under the project and the support to be given by the responsible parastatal would be spelt out in letters of agreement between the Ministry of Agriculture and the beneficiary prior to the appointment of such staff. These letters would contain full terms of reference for the individual, including specific work objectives, lines of responsibility, reporting requirements and training targets, as well as the details of the operational support to be provided by the employing agency. The latter would include items such as housing, transport, office facilities and domestic travel allowances, if necessary. The letters would normally be signed by the Principal Secretary at the Ministry of Agriculture and the General Manager or equivalent of the parastatal organization. Such letters of agreement would be submitted to the Association for its review and comment, prior to the negotiation of draft contracts for the individuals concerned (Section 3.04 of the draft Development Credit Agreement).

51. The work of the Advisory Group (para. 45 above) would be coordinated by the Principal Secretary at the Ministry of Planning and Economic Affairs, with the assistance of a Review Group representing the President's and Prime Minister's offices, Treasury and other Ministries and agencies.

The terms of reference and the individual contracts for the Group have already been reviewed, found satisfactory by the Association and signed by all parties (see Annex IV).

52. Proposals for supplementary technical assistance, training and provision of support equipment would be reviewed by an advisory committee which would be established by June 30, 1982; the committee would be chaired by Treasury, and include representatives of the Ministry of Planning and the Ministry of Agriculture. Proposals would be submitted for comment and review to the Association's Resident Representative in Tanzania and, where appropriate, transmitted for final approval in Washington.

53. There would be an annual review of project activities by representatives of the three Ministries and the Association, to assess progress and, if necessary, revise the number and nature of the specialists still to be recruited. If there were problems in identifying or recruiting suitable candidates, or in ensuring a productive working environment for personnel already recruited, these would be addressed and appropriate remedial steps would be recommended. The first of these annual reviews would take place no later than August 31, 1982 (Section 3.05 of the draft Development Credit Agreement.)

Project Costs and Financing

54. The total project cost would be US\$15.0 million, with an estimated 80% foreign exchange component.¹ The approximate project budget is provided in the Project and Credit Summary at the front of this Report. The proposed credit would finance 100% of the foreign exchange cost, or 80% of total costs. The Ministry of Agriculture, the Ministry of Planning and Economic Affairs and other beneficiaries would contribute the remaining US\$3.0 million or 20% of the project costs. This local contribution would include salaries of counterpart staff, office space, secretarial services, residential accommodation, etc. The estimated average cost per month for the technical assistance personnel, including contingencies, would be US\$7,500 covering salary, international travel, subsistence and possible interview costs.

Procurement and Disbursement

55. The Government has requested FAO to undertake recruitment of all agricultural specialists including the financial advisers for the project except for the three individuals serving at TANSEED, who would be recruited by the Commonwealth Development Corporation (CDC). These and other specialists hired under the project would be employed in accordance with the Association's guidelines on the use of consultants. As it will be

¹Except for vehicles and support equipment, the project would be exempted from identifiable taxes and duties.

difficult to ensure bulk orders for vehicles and equipment under the project, owing to the phased recruitment of the personnel which these would support, individual contracts are unlikely to attract widespread international interest. For this reason, such contracts would be let through the Government's own competitive bidding procedures which are satisfactory to the Association. However, an effort will be made to group such procurement into two or three main contracts for purposes of international bidding.

56. The credit would be disbursed over five years against (a) 100% of total costs of consultants' services, (b) 100% of the foreign exchange costs and 80% of the local costs of training, excluding on the job training, (c) 100% of foreign exchange costs and 80% of local costs of materials, vehicles and equipment, and (d) 100% of the cost of refunding the PPF Advance.

Reporting, Accounts and Audit

57. The Ministry of Agriculture and the Ministry of Planning and Economic Affairs would maintain records adequate to record and monitor the progress of the project and submit an annual report to the Association following the review meetings referred to in para. 53 above (Section 3.06 (b) of the draft Development Credit Agreement). Not later than six months after completion of the project, the Government would prepare and furnish to the Association a completion report on the costs and benefits arising from the project (Section 3.06 (c) of the draft Development Credit Agreement). The Ministry of Agriculture and the Ministry of Planning and Economic Affairs would establish and maintain separate accounts for all expenditures financed under their respective parts of the project and submit audited versions of such accounts to the Association no later than six months after the end of each fiscal year (Section 4.01 of the draft Development Credit Agreement).

Benefits and Risks

58. The main benefit of the proposed project would be to assist the Government in identifying and implementing tangible measures by which to save and generate foreign exchange in the agricultural sector. More than half of the personnel to be financed under the credit would contribute directly to improving the operations of three parastatal companies which account for 50% of the country's export earnings. The other agricultural specialists would improve the analytical and planning capabilities of the Ministry of Agriculture and allow it to assist parastatal companies in strengthening their financial management and control systems. The latter activity is intended to permit more cost-effective services to smallholders and to limit increases in parastatal costs. The project would also finance the preparation of a comprehensive rehabilitation program for the economy, which could lead to additional balance of payments support for the productive sectors from the international community.

59. There is some risk of delays in recruiting personnel under the project, owing both to the large number of positions to be filled and the specialized nature of certain assignments. The Government has taken

account of some of these delays by recruiting a small number of specialists for the Ministry of Agriculture with bilateral financing and by reassigning existing staff to new duties pending the arrival of additional staff. The Government has also asked FAO, with its considerable experience in this field, to assume major responsibility for recruitment. The appointment of an Administrative Officer at an early stage of the project and work already done in defining and discussing the proposed assignments with beneficiaries should assist in expediting implementation of the project. While the technical specialists urgently needed in the parastatal companies would be recruited as quickly as possible, other hiring would occur only once there had been agreement on a realistic work program for such staff. To ensure that the specialists are as effective as possible, the project provides for their working as complementary teams under the coordination of an established organization (PPMB) who would seek necessary understandings with other employing agencies.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

60. The draft Development Credit Agreement between the United Republic of Tanzania and the Association, and the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement of the Association are being distributed to the Executive Directors separately. Special conditions of the credit are listed in Section III of Annex III.

61. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

62. I recommend that the Executive Directors approve the proposed credit.

A.W. Clausen
President

By: M. Qureshi

Attachment
January 21, 1982
Washington D.C.



TANZANIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	TANZANIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{1/2}	
	1960	1970	MOST RECENT ESTIMATE	LOW INCOME	MIDDLE INCOME
	/b	/b	/b	AFRICA SOUTH OF SAHARA	AFRICA SOUTH OF SAHARA
TOTAL	945.1				
AGRICULTURAL	498.0				
<u>GNP PER CAPITA (US\$)</u>	70.0	130.0	270.0	260.0	868.0
<u>ENERGY CONSUMPTION PER CAPITA</u> (KILOGRAMS OF COAL EQUIVALENT)	41.0	62.0	65.0	80.0	699.4
<u>POPULATION AND VITAL STATISTICS</u>					
POPULATION, MID-YEAR (MILLIONS)	10.2	13.3	17.4	.	.
URBAN POPULATION (PERCENT OF TOTAL)	4.8	6.9	10.8	17.3	28.9
<u>POPULATION PROJECTIONS</u>					
POPULATION IN YEAR 2000 (MILLIONS)			32.0	.	.
STATIONARY POPULATION (MILLIONS)			92.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2145	.	.
<u>POPULATION DENSITY</u>					
PER SQ. KM.	11.0	14.0	18.0	27.4	61.7
PER SQ. KM. AGRICULTURAL LAND	21.0	26.0	35.0	82.6	126.0
<u>POPULATION AGE STRUCTURE (PERCENT)</u>					
0-14 YRS.	42.7	44.4	45.7	44.9	45.5
15-64 YRS.	54.3	52.5	51.2	52.2	51.6
65 YRS. AND ABOVE	3.0	3.1	3.1	2.8	2.8
<u>POPULATION GROWTH RATE (PERCENT)</u>					
TOTAL	2.2	2.7	3.4	2.7	2.7
URBAN	5.0	6.3	8.9	6.8	4.9
<u>CRUDE BIRTH RATE (PER THOUSAND)</u>					
CRUDE BIRTH RATE (PER THOUSAND)	47.0	47.0	48.0	47.4	46.8
<u>CRUDE DEATH RATE (PER THOUSAND)</u>					
CRUDE DEATH RATE (PER THOUSAND)	22.0	19.0	16.0	19.6	16.4
<u>GROSS REPRODUCTION RATE</u>					
GROSS REPRODUCTION RATE	..	3.2	3.2	3.2	3.2
<u>FAMILY PLANNING</u>					
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	93.6	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	..
<u>FOOD AND NUTRITION</u>					
<u>INDEX OF FOOD PRODUCTION</u>					
PER CAPITA (1969-71=100)	95.0	104.0	91.0	91.8	94.0
<u>PER CAPITA SUPPLY OF</u>					
<u>CALORIES (PERCENT OF REQUIREMENTS)</u>					
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)	85.0	91.0	86.0	90.2	92.7
<u>PROTEINS (GRAMS PER DAY)</u>					
PROTEINS (GRAMS PER DAY)	44.0	49.0	47.0	53.0	53.0
OF WHICH ANIMAL AND PULSE	17.0	21.0	20.0	18.4	15.6
<u>CHILD (AGES 1-4) MORTALITY RATE</u>					
CHILD (AGES 1-4) MORTALITY RATE	32.0	25.0	20.0	27.7	21.3
<u>HEALTH</u>					
<u>LIFE EXPECTANCY AT BIRTH (YEARS)</u>					
LIFE EXPECTANCY AT BIRTH (YEARS)	42.0	47.0	51.0	45.3	50.1
<u>INFANT MORTALITY RATE (PER THOUSAND)</u>					
INFANT MORTALITY RATE (PER THOUSAND)	..	155.0/c	..	..	..
<u>ACCESS TO SAFE WATER (PERCENT OF POPULATION)</u>					
TOTAL	..	13.0	39.0	23.2	31.0
URBAN	..	61.0	88.0	58.0	66.8
RURAL	..	9.0	36.0	16.8	..
<u>ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)</u>					
TOTAL	..	..	17.0	28.9	..
URBAN	..	..	88.0	67.0	..
RURAL	..	..	14.0	..	..
<u>POPULATION PER PHYSICIAN</u>					
POPULATION PER PHYSICIAN	21020.0/d	24770.0	18160.0	30910.4	14508.2
<u>POPULATION PER NURSING PERSON</u>					
POPULATION PER NURSING PERSON	10440.0/d,e	3830.0	3080.0	5793.2	3279.5
<u>POPULATION PER HOSPITAL BED</u>					
POPULATION PER HOSPITAL BED					
TOTAL	570.0/d	..	520.0	1198.9	1141.5
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<u>ADMISSIONS PER HOSPITAL BED</u>					
ADMISSIONS PER HOSPITAL BED	..	..	..	..	..
<u>HOUSING</u>					
<u>AVERAGE SIZE OF HOUSEHOLD</u>					
TOTAL	..	4.4/c	..	..	..
URBAN	..	3.2/c	..	..	..
RURAL	..	4.5/c	5.3	..	..
<u>AVERAGE NUMBER OF PERSONS PER ROOM</u>					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
<u>ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)</u>					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

TABLE 3A
TANZANIA - SOCIAL INDICATORS DATA SHEET

	TANZANIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}		
	1960 ^{/b}	1970 ^{/b}	MOST RECENT ESTIMATE ^{/b}	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA	
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY:	TOTAL	25.0	38.0	70.0	57.7	61.7
	MALE	33.0	46.0	79.0	74.2	69.2
	FEMALE	18.0	30.0	60.0	54.1	51.4
SECONDARY:	TOTAL	2.0	3.0	3.0	10.0	20.6
	MALE	2.0	4.0	5.0	13.7	29.2
	FEMALE	1.0	2.0	2.0	7.1	14.7
VOCATIONAL ENROL. (% OF SECONDARY)		23.0	..	..	6.8	7.0
PUPIL-TEACHER RATIO						
PRIMARY		45.0	46.0	50.0	45.0	36.6
SECONDARY		20.0	19.0	20.0	25.2	24.3
ADULT LITERACY RATE (PERCENT)		9.5/ ^d	28.1/ ^c	66.0	25.5	..
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION						
		3.0	2.5	2.6	3.6	38.8
RADIO RECEIVERS PER THOUSAND POPULATION						
		2.0	11.0	19.0	31.5	83.5
TV RECEIVERS PER THOUSAND POPULATION						
		..	0.3	0.3	1.8	..
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION						
		3.0	5.0	4.5	4.6	24.2
CINEMA ANNUAL ATTENDANCE PER CAPITA						
		0.5	..	0.2	..	0.7
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)						
		4734.5	5841.7	7342.8	..	..
FEMALE (PERCENT)						
		37.1	36.6	34.0	33.5	38.1
AGRICULTURE (PERCENT)						
		89.3	86.0	83.0	80.7	54.3
INDUSTRY (PERCENT)						
		3.8	5.0	6.0	8.1	17.8
PARTICIPATION RATE (PERCENT)						
TOTAL						
		44.7	43.5	42.2	42.2	38.8
MALE						
		56.9	55.7	54.3	55.1	48.4
FEMALE						
		32.8	31.5	30.3	29.5	29.4
ECONOMIC DEPENDENCY RATIO		1.0	1.1	1.2	1.2	1.3
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
	HIGHEST 5 PERCENT OF HOUSEHOLDS	..	33.5	..	..	..
	HIGHEST 20 PERCENT OF HOUSEHOLDS	..	63.3	..	..	..
	LOWEST 20 PERCENT OF HOUSEHOLDS	..	2.3	..	..	..
	LOWEST 40 PERCENT OF HOUSEHOLDS	..	7.8	..	..	..
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
	URBAN	..	..	147.0	138.2	..
	RURAL	..	..	109.0	86.1	..
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
	URBAN	..	..	125.0	107.0	..
	RURAL	..	..	74.0	65.0	..
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
	URBAN	..	..	10.0	..	..
	RURAL	..	..	60.0	66.9	..

.. Not available
. Not applicable.

NOTES

^{/a} The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

^{/b} Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1978.

^{/c} 1967; ^{/d} 1962; ^{/e} Registered, not all practicing in the country.

Most recent estimate of GNP per capita is for 1979, population and related estimates have also been revised; all other data are as of April, 1980.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country. For "Capital Surplus" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when at least half of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1977 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1978 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1978 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
Per sq. km. agricultural land - Computed as above for agricultural land only.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (Percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and quantities used in food processing, and losses in distribution. Requirements are estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - total, urban, and rural - N. Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO's principal general and specialized hospitals, and rural hospitals local or rural hospitals and medical and maternity centers.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION**Adjusted Enrollment Ratios**

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Population : 17.5 million (mid-1979)
GNP Per Capita: US\$270 (1979)

ANNEX I
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TANZANIA - ECONOMIC INDICATOR ^{sb/}

Indicator	Amount (million US\$ at current prices)	Annual Growth Rates (%)									
		Actual					Projected				
		1976	1977	1978	1979	1980 ^{a/}	1981	1982	1983	1984	1985
NATIONAL ACCOUNTS											
Gross domestic product ^{d/ e/}	4,564.3	6.7	4.7	5.4	3.9	-1.5	3.7	3.6	3.6	3.6	3.6
Agriculture ^{e/}	2,210.2	9.8	7.5	7.4	8.0	-6.1	4.2	3.6	3.6	3.6	3.6
Industry	549.0	0.9	3.1	-2.2	3.1	-	3.0	4.0	4.0	4.0	4.0
Services	1,374.8	3.4	5.5	6.5	3.4	4.0	3.4	3.4	3.4	3.4	3.4
Consumption	4,115.8	1.6	12.3	14.6	-3.4	1.7	4.6	1.9	3.2	3.1	3.2
Gross investment	958.6	11.5	2.1	3.8	10.9	-6.2	3.6	3.6	3.6	3.6	3.6
Exports of GNFS	647.9	16.8	-22.8	-2.4	-2.8	-9.6	1.7	7.9	5.2	5.2	5.3
Imports of GNFS	1,158.0	0.5	4.4	34.9	-19.2	1.8	-2.9	-1.0	2.9	2.6	3.0
Gross national savings	468.0	64.5	-6.8	-58.0	99.4	-16.9	-23.9	19.0	8.8	9.7	8.8

PRICES

GDP deflator (1978 = 100)	77.2	92.4	100.0	108.5	124.8	140.4	154.4	168.3	181.8	194.5
Exchange rate (T.Sh. per US\$)	8.4	8.3	7.7	8.3	8.2	8.2	8.2	8.2	8.2	8.2

	Share of GDP at Market Prices (%) (at current prices) ^{e/}					Average Annual Increase (%) (at constant 1978 prices)			
	1970	1975	1980	1985	1990	1970-75	1975-80	1980-85	1985-90
	Gross domestic product ^{e/}	100.0	100.0	100.0	100.0	100.0	4.9	4.1	3.6
Agriculture ^{e/}	36.9	36.9	47.5	47.8	47.9	2.1	5.8	3.7	3.3
Industry	15.5	14.5	11.9	12.0	12.3	3.7	0.7	3.9	4.0
Services	37.2	37.8	31.1	30.8	30.6	6.5	4.6	3.4	3.4
Consumption	81.9	91.7	90.3	88.2	86.4	5.9	6.0	3.1	3.1
Gross investment	22.5	21.1	20.0	18.0	18.0	0.2	4.6	2.1	2.6
Exports GNFS	-24.0	-18.2	-12.1	-13.9	-15.2	-5.3	-5.2	5.3	5.4
Imports GNFS	28.4	31.0	22.5	20.2	19.7	-3.8	4.2	1.1	3.0
Gross national savings	18.3	7.8	9.9	11.6	13.5	-2.4	-3.6	5.7	7.0

PUBLIC FINANCE

	As % of GDP		
	1970	1975	1979
Current revenues	17.5	20.2	18.5
Current expenditures	16.2	20.2	23.9
Surplus (+) or deficit (-)	1.3	-	-5.4
Capital expenditure	8.3	11.6	12.7
Foreign financing	2.0	5.4	6.7

OTHER INDICATORS

	1970-75	1975-80	1980-85	1985-90
GNP growth rate (%)	4.7	4.2	3.6	3.6
GNP per capita growth rate (%)	1.3	0.8	0.2	0.2
ICOR	5.0	5.5	5.1	5.1
Marginal savings rate	-0.1	-0.1	0.1	0.2
Import elasticity	-0.8	1.0	0.3	0.8

a/ Estimate

b/ Apart from trade projections, which include small but offsetting amounts of Zanzibar trade, all data in this table are for Mainland Tanzania only.

c/ Projected years at constant prices.

d/ At market price; components are expressed at factor cost and will not add due to exclusion of net indirect taxes and subsidies.

e/ Historical trend from 1973 to 1979 is based on official estimates, which include subsistence production growth rate of 8.6% per annum. We estimate that a more realistic growth rate for subsistence production over this period would be nearer 4% per annum, reducing agricultural growth to 3.4% per annum and GDP growth to 3.6% per annum.

Population : 17.5 million (mid-1979)
GNP Per Capita: US\$270 (1979)

TANZANIA - EXTERNAL TRADE^{b/}

Indicator	Amount (million US\$ at current prices) 1979	Annual Growth Rates (%) (at constant 1978 prices)									
		Actual					Projected				
		1976	1977	1978	1979	1980 ^{a/}	1981	1982	1983	1984	1985
EXTERNAL TRADE											
Merchandise exports	543.6	7.8	-19.4	-6.5	6.1	-7.8	2.1	8.5	5.3	5.3	5.3
Major primary products	339.5	9.5	-20.1	-9.7	-0.1	-4.8	3.0	8.8	4.1	4.1	4.1
Others	204.1	3.3	-18.1	2.7	21.5	-14.0	-	8.0	8.0	8.0	8.0
Merchandise imports	1,099.6	-16.4	7.7	36.8	-18.8	1.0	-3.4	-1.5	2.8	2.8	2.9
Foodgrains	19.3	-65.2	23.3	-14.7	-42.4	334.0	-3.0	-47.5	-	-	-
Petroleum	171.7	11.0	-11.5	12.8	-8.9	2.1	-7.9	5.0	3.1	3.3	3.4
Machinery and equipment	515.0	-15.2	25.1	55.1	-10.0	-7.6	-5.4	2.9	2.9	2.9	2.9
Others	393.6	-13.9	0.7	33.9	-28.9	-7.6	0.7	3.0	3.0	3.0	3.0
PRICES											
Export price index		77.4	106.9	100.0	106.9	122.1	116.6	123.8	136.2	149.4	163.4
Import price index		81.1	89.5	100.0	118.2	138.2	155.7	173.3	188.5	204.4	220.9
Terms of trade index		95.4	119.4	100.0	90.4	88.3	74.9	71.4	72.2	73.1	74.0
Composition of Merchandise Trade (%)											
(at current prices)						(at constant 1978 prices)					
		1970	1975	1980	1985	1990	1970-75	1975-80	1980-85	1985-90	
Exports		100.0	100.0	100.0	100.0	100.0	-4.5	-5.2	5.6	5.5	
Major primary products		59.2	66.3	69.2	67.6	63.5	0.2	-6.9	5.0	4.1	
Others		40.8	33.7	30.8	32.4	36.5	-12.9	-1.0	6.8	8.0	
Imports		100.0	100.0	100.0	100.0	100.0	1.8	2.6	0.9	3.0	
Foodgrains		2.5	15.3	9.2	4.5	3.9	44.8	-5.8	-14.1	-	
Petroleum		8.5	11.9	12.7	13.1	13.7	4.8	-	2.0	3.9	
Machinery and equipment		35.2	30.8	41.2	38.8	36.9	0.7	11.1	1.7	2.9	
Others		53.8	42.0	36.9	43.6	45.5	-1.7	-3.3	2.7	3.1	
Share of Trade with											
Industrial Countries (%)			Developing Countries (%)			Capital Surplus Oil Exporters (%)					
		1970	1975	1978	1970	1975	1978	1970	1975	1978	
Exports		54.0	48.2	61.0	40.0	43.3	23.2	0.6	0.4	0.7	
Imports		57.9	59.7	74.2	27.3	25.1	17.9	1.2	3.2	0.8	

^{a/} Estimate

^{b/} Data are for all Tanzania (Mainland and Zanzibar)

Population : 17.5 million (mid-1979)
 GNP Per Capita: US\$ 270 million (1979)

TANZANIA - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT
 (million US\$ at current prices)

Indicator	Actual						Projected					
	1970	1976	1977	1978	1979	1980 ^{a/}	1981	1982	1983	1984	1985	1990
BALANCE OF PAYMENTS												
Export of goods and services	350.4	647.2	669.6	631.2	705.6	740.6	741.8	851.1	979.2	1,123.7	1,286.1	2,289.9
of which: Merchandise f.o.b.	259.3	492.4	547.7	479.2	543.5	572.7	558.2	643.2	744.8	860.4	991.8	1,796.3
Imports of goods and services	377.9	729.6	853.4	1,271.1	1,224.3	1,452.7	1,596.5	1,756.3	1,964.2	2,182.8	2,423.7	3,900.7
of which: Merchandise c.i.f.	318.4	630.5	750.3	1,146.5	1,099.6	1,299.1	1,412.9	1,549.1	1,732.6	1,932.3	2,149.2	3,488.1
Net transfers ^{b/}	5.6	-16.4	11.9	19.2	28.1	20.0	21.6	23.3	25.2	27.2	29.4	43.2
Current account balance	-21.9	-98.8	-171.9	-620.7	-490.6	-692.1	-833.1	-881.9	-959.7	-1,031.9	-1,108.2	-1,567.6
Official grant receipts	6.2	119.0	135.0	214.1	321.4	380.9	410.4	443.2	478.7	517.0	558.3	820.4
M & LT loans (net)	38.1	97.1	162.3	151.1	255.8	329.3	392.7	408.7	451.0	484.9	569.8	772.2
Official ^{c/}	41.2	107.1	168.0	158.1	162.4	196.1	341.9	377.5	439.8	476.6	577.9	775.9
Private	-3.1	-10.0	-5.7	-7.0	93.4	133.1	50.9	31.2	11.3	8.3	-8.1	-3.6
Other capital	-29.8	-67.7	10.5	-14.6	-4.7	2.9	50.0	50.0	50.0	-	-36.0	-
Change in reserves (=-increase)	7.4	-49.6	-135.9	270.1	-81.9	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-25.0
International reserves	107.5	164.4	300.3	30.2	112.1	132.1	152.1	172.1	192.1	212.1	232.1	357.1
Reserves as months imports	3.4	2.7	4.2	0.3	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.1
EXTERNAL CAPITAL AND DEBT												
Gross disbursements	60.5	238.2	326.3	382.5	596.9	763.8						
Official grants	6.2	119.0	135.0	214.1	321.4	380.0						
Concessional loans	40.4	93.6	149.5	112.6	103.8	179.7						
DAC ^{c/}	20.1	58.0	73.7	64.1	33.2	33.1						
OPEC	-	1.0	6.5	1.2	1.2	35.5						
IDA	9.4	29.0	39.3	24.4	39.0	49.4						
Other	10.9	5.6	30.0	22.9	30.4	61.6						
Non-concessional loans	13.9	25.6	41.8	63.4	171.7	204.1						
Official export credits	-	7.3	-	21.7	32.1	6.8						
IBRD	4.8	17.1	30.4	31.3	36.6	31.8						
Other multilateral	-	-	3.1	7.6	5.3	14.4						
Private	9.1	1.2	8.3	2.8	97.7	151.0						
External Debt												
Debt outstanding and disbursed	322.7	1,026.3	1,218.6	1,260.1	1,422.0	1,751.3						
Official	193.4	965.7	1,158.5	1,201.4	1,266.6	1,462.7						
Private	129.3	60.6	60.1	58.7	155.4	288.5						
Undisbursed debt	408.4	536.6	560.4	617.5	699.6	679.7						
Debt service												
Total service payments	-26.3	-41.7	-51.2	-49.6	-49.7	-98.2						
Interest	-10.1	-19.5	-22.3	-24.7	-30.0	-43.7						
Payments as % exports	7.5	6.4	7.6	7.9	7.1	13.3						
Average interest rate on new loans(%)	1.6	2.6	3.1	2.6	5.5	4.5						
Official	1.5	2.3	3.1	2.6	4.0	..						
Private	7.0	8.3	9.3	..	8.5	..						
Average maturity of new loans (years)	38.8	38.0	34.7	35.4	21.1	27.3						
Official	39.7	39.9	34.7	35.4	27.0	..						
Private	7.2	5.0	14.8	..	9.7	..						
							As % of Debt Outstanding at End of Most Recent Year (1979)					
Maturity structure of debt outstanding												
Maturities due within 5 years							28.4					
Maturities due within 10 years							62.7					
Interest structure of debt outstanding												
Interest due within first year							3.0					

a/ Estimate

b/ Excludes official grant receipts.

c/ Includes financing of projected gap on IDA terms.

THE STATUS OF BANK GROUP OPERATIONS IN TANZANIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA
AS OF SEPTEMBER 30, 1981

No.	Year	Borrower	Purpose	(US\$ million)			
				Bank ¹	TW	IDA ¹	Undisbursed
Six loans and seventeen credits fully disbursed				86.20		136.24	
454-TA	1974	Tanzania	Cotton			17.50	4.46
1014-TA	1974	Tanzania	Cashewnut	21.00			0.88
495-TA	1974	Tanzania	Sites and Services			8.50	0.01
507-TA	1974	Tanzania	Highway Maintenance			10.20	1.62
508-TA	1974	Tanzania	Rural Development (Kigoma)			10.00	0.87
580-TA	1975	Tanzania	Dairy			10.00	5.27
1128-TA	1975	Tanzania	Textile	15.00			0.75
1172-TA	1975	TIB	Tanzania Investment Bank	15.00			0.72
601-TA	1976	Tanzania	Technical Assistance			6.00	1.47
606-TA	1976	Tanzania	National Maize Program			18.00	7.07
607-TA	1976	Tanzania	Fifth Education			11.00	5.39
1306T-TA	1976	Tanzania	Power		30.00		0.01
1307-TA	1976	Tanzania	Forestry	7.00			1.56
652-TA	1976	Tanzania	Fisheries			9.00	6.25
658-TA	1976	Tanzania	Tobacco Processing			8.00	0.96
1354-TA	1977	Tanzania	Urban Water Supply	15.00			4.85
1385T-TA	1977	Tanzania	Morogoro Industrial Complex		11.50		1.69
1386-TA	1977	Tanzania	Morogoro Industrial Complex	11.50			1.26
703-TA	1977	Tanzania	Rural Development (Tabora)			7.20	4.97
732-TA	1977	Tanzania	Second Sites and Services			12.00	8.54
743-TA	1977	Tanzania	Trucking			15.00	9.72
1498-TA	1977	TIB	Tanzania Investment Bank	15.00			1.79
801-TA	1978	Tanzania	Second Cashewnut			27.50	8.12
802-TA	1978	Tanzania	Tobacco Handling			14.00	11.35
803-TA	1978	Tanzania	Rural Dev. (Mwanza/Shinyanga)			12.00	7.53
1607-TA	1978	Tanzania	Morogoro Textile	25.00			24.60
833-TA	1978	Tanzania	Morogoro Textile			20.00	14.49
860-TA	1979	Tanzania	Tourism Rehabilitation			14.00	12.82
861-TA	1979	Tanzania	Sixth Education			12.00	11.78
875-TA	1979	Tanzania	Mufindi Pulp and Paper			30.00	15.41
1650-TA	1979	Tanzania	Mufindi Pulp and Paper	30.00			29.52
876-TA	1979	Tanzania	Fifth Highway			20.50	20.42
1754-TA	1979	TDFL	Tanganyika Development Finance Co., Ltd.	11.00			5.64
1750-TA	1979	TIB	Tanzania Investment Bank	25.00			18.18
S-24-TA	1979	Tanzania	Dar es Salaam Port Engineering			2.50	1.43
987-TA	1980	Tanzania	Tanzania Rural Dev. Bank			10.00	10.00
1007-TA	1980	Tanzania	Pyrethrum			10.00	9.89
1015-TA	1980	Tanzania	Grain Storage & Milling			43.00	43.00
1037-TA	1980	Tanzania	Smallholder Tea			14.00	13.98
S-27-TA	1980	Tanzania	Songo-Songo Petroleum			30.00	6.33
1056-TA	1981	Tanzania	Seventh Education			25.00	24.99
1060-TA ²	1981	Tanzania	Second Technical Assistance			11.00	10.79
1070-TA ²	1981	Tanzania	Coconut Pilot			6.80	6.65
1133-TA ²	1981	Tanzania	Export Rehabilitation Program			50.00	45.01
Total				276.70	41.50	630.94	
of which has been repaid				17.64	-	9.36	
Total now outstanding				259.06	41.50	621.58	
Amount sold				.09			
of which has been repaid				.09			
Total now held by Bank and IDA ¹				254.06	41.50	621.58	
Total undisbursed				89.75	1.70	330.59	422.04

¹ Net of exchange adjustments.² Sixth replenishment; approximate US\$ equivalent of SDR's.

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED
BY KENYA, TANZANIA AND UGANDA AS OF SEPTEMBER 30, 1981

Loan No.	Year	Borrower	Purpose	(US\$ million)	
				Amount (less cancellations) Bank ¹	Undisbursed
Six loans fully disbursed				135.80	
638-EA	1969	EAHC	Harbours	35.00	0.52
865-EA	1972	EAHC	Harbours	26.50	0.35
914-EA	1973	EAPTC	Telecommunications	32.50	0.28
1204-EA	1976	EADB	Development Finance	15.00	3.27
Total				244.80	4.42
of which has been repaid				68.64	
Total now outstanding				176.16	
Amount sold			24.36		
of which has been repaid			24.36	0.00	
Total now held by Bank ^a				176.16	
				=====	
Total undisbursed				4.42	4.42

¹Net of exchange adjustments.

C. PROJECTS IN EXECUTION¹
(As of September 30, 1981)

There are currently 41 projects under execution in Tanzania.

AGRICULTURE SECTOR

Credit No. 454-TA - Geita Cotton Project: US\$17.5 million
Credit of January 17, 1974; Date of Effectiveness -
April 5, 1974; Closing Date - December 31, 1982

Project management has maintained good implementation progress despite the problems caused by shortages of fuel and spare parts which have handicapped the mechanization unit and road equipment operation. Shortage of building materials is also delaying completion of housing and storage facilities. Construction of roads, bridges and culverts are proceeding well while grading and graveling have slowed down due to the fuel problem. Cotton production has increased over the previous season despite the late rain which seriously reduced the maize crop. In spite of these encouraging production results, future cotton production could be seriously affected by marketing problems. The severe shortages of spare parts and fuel has brought transport, ginning and oil crushing operation to a virtual standstill. TCA has requested the Government for TSh 110.5 million to rehabilitate the ginneries, the oil mills and their transportation fleet.

Loan No. 1014-TA - Cashewnut Development Project: US\$21.0 million
Loan of June 24, 1974; Date of Effectiveness -
September 26, 1974; Closing Date - December 31, 1981

Construction of all five factories and ancillary facilities has been completed and processing plan and machinery has been delivered. However, the project continues to experience difficulties in recruitment of staff and face problems arising from a sharp decline in the marketed production of raw nuts. The producer price has been recently increased and the Cashewnut Authority (CATA) is considering the introduction of additional incentive and tree-planing schemes for farmers, but these measures are not likely to have a significant impact for several years. As a result, the completed cashewnut factories are expected to operate well below capacity for a number of years.

¹These notes are designed to inform the Executive Directors regarding the progress of projects in execution and in particular to report any problems which are being encountered and the action being taken to remedy them. They should be read in this context, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit No. 508-TA - Kigoma Rural Development Project: US\$10.0 million Credit of August 21, 1974; Date of Effectiveness - November 20, 1974; Closing Date - December 31, 1983

The project has shown significant improvement in procurement, and maintained a satisfactory execution of physical infrastructure work. Increased coordination between the various project related agencies and parastatals at regional level has improved project management. Staff turnover has decreased and key staff are largely in place. The coffee rehabilitation and expansion program is proceeding well and there has been further increase in the production of beans and cotton. However, official maize production figures have dropped, due mainly to increased importance of parallel markets as well as increased movement into other more remunerative crops such as beans, pigeon peas, etc. Because fertilizer trials on soil failed to produce conclusive results, emphasis is now being shifted to cultivation methods, spacing, seed varieties, etc., from which useful results could be expected in the short term.

Credit No. 652-TA - Fisheries Development Project: US\$9.0 million Credit of July 12, 1976; Date of Effectiveness - October 12, 1976; Closing Date - December 31, 1981

The Project continues to progress on all fronts at a very slow pace. There has been a delay in the procurement of boats for the Kigoma Commercial Center, a major shortfall in the purchase of boats for the coastal centers and a postponement of procurement of lake transport facilities (pending adequate fish catches on Lake Tanganyika). However, engines for the coastal vessels have been received and are being assembled for installation. Loans to five villages have been approved by TRDB under the Ujamaa Village Program. Agreement has been reached with the Crown Agents of the U.K. for the provision of technical assistance staff.

Credit No. 606-TA - National Maize Project: US\$18.0 million Credit of January 29, 1976; Date of Effectiveness - May 28, 1976; Closing Date - December 31, 1982

The project has been redesigned in order to intensify project activities during a three-year extension period from July 1979 to June 1982; however, this redesign has had little impact on the production of food crops because of drought conditions. Inadequate research, extension and prices have also discouraged proper crop husbandry. Construction of staff houses and village store is delayed due to shortage of building materials.

Credit No. 580-TA - Dairy Development Project: US\$10.0 million Credit of August 15, 1975; Date of Effectiveness - November 13, 1975; Closing Date - March 31, 1983

The project has continued to show overall improvement in its implementation. Milk production, technical parameters and budgeting

control have improved, and production cost has been reduced. The large price increase in July 1980 was responsible in great part for the improved financial position of the dairies. The closing date has been postponed to March 31, 1983 to permit the project to reach its targetted objectives.

Loan No. 1307-TA - Sao Hill Forestry Project: US\$7.0 million Loan of July 12, 1976; Date of Effectiveness - October 12, 1976; Closing Date - June 30, 1982

The Afforestation Program continues to be ahead of schedule although land preparation and planting has been less satisfactory. Construction and maintenance have been well behind schedule mainly due to shortages of cement, vehicle spare parts and other building materials. Training program for junior field staff is underway and will be extended to senior grades.

Credit No. 658-TA - Tobacco Processing Project: US\$8.0 million Credit of September 16, 1976; Date of Effectiveness - February 15, 1977; Closing Date - December 31, 1981

Installation of the new processing line has been completed and is capable of producing good quality tobacco. Construction of roads, fencing, drainage and maintenance workshop has been delayed mainly due to non-availability of construction material. Construction of TTPC office block has been dropped and TTPC head office staff will now move into TAT office building. Similarly, a separate building to accommodate maintenance facilities will not be constructed and one of the godowns at Morogoro will be used to house these facilities. Phase IB construction program at Kurasini has also been scaled down and will now consist of railway siding, drainage, gatehouse, changing room and petrol station. These changes have been introduced in view of the increased costs and in order to provide funds for spare parts and conversion of furnace to coal firing. The project faces a serious problem caused by the continued low tobacco production which might have serious effects on project return and TAT's financial position. In order to encourage tobacco producers, the average tobacco price was again raised last year.

Credit No. 703-TA and Credit No. 703-5-TA - Tabora Rural Development Project: US\$12.0 million Credit¹ of May 11, 1977; Date of Effectiveness - November 11, 1977; Closing Date - June 30, 1983

Project implementation has slowed down considerably as a result of severe and continuing shortages of construction materials and diesel fuel. These shortages have affected all components, except land-use planning which is proceeding satisfactorily. The roads and water supply programs have been the worst affected and are also suffering from shortages

¹Credit No. 703-5-TA (US\$4.8 million) is financed under the special CIDA arrangements; Credit no. 703-TA is an IDA Credit of US\$7.2 million.

of technical staff. The agricultural trials and production program, too, appears to have been disrupted by the recent drought. Project management is attempting to resolve the materials shortages by increasing the use of local substitutes. However, overall progress in institution-building is likely to remain slow.

Credit No. 801-TA - Second Cashewnut Development Project;
US\$27.5 million Credit of June 14, 1978; Date of Effectiveness -
October 2, 1978; Closing Date - December 31, 1984

Project implementation is progressing satisfactorily. Factory construction is ahead of schedule despite a shortage of cement. However, the appointment of key staff and the maintenance of up-to-date accounts at existing cashewnut factories continue to pose difficulties. As with the First Project, the prospects for operation of the new facilities at full capacity are rather poor.

Credit No. 802-TA - Tobacco Handling Project: US\$14.0 million
Credit of June 14, 1978; Date of Effectiveness - January 5, 1979,
Closing Date - April 30, 1983

The project has made a slow start. Procurement of vehicles and equipment is also lagging. However, progress on recruitment of technical assistance has been good. The Building Engineer, Financial Systems Development Assistant and Transport Officer are all in post. Three suitable candidates have been identified for the five posts of Regional Accountant and advertisement of the other two have been done.

Credit No. 803-TA - Mwanza/Shinyanga Rural Development Project:
US\$12.0 million Credit of June 14, 1978; Date of Effectiveness -
March 5, 1979; Closing Date - December 31, 1984

Good progress has continued in the technical aspects of shallow well construction, forestry development, pasture trials at Malya Range Management Station, and cassava variety trials at Ukiriguru. However, agricultural extension and training has been poor. This problem has affected the performance of Crop Verification Trials; only 20% of the trial target were laid down and the results were poor. Another reason for the poor results of the trial program has been lack of coordination with Ukiriguru Research Station. The post of Extension and Training Specialist, as well as a number of positions at area supervisor level, remain vacant. Proposals for strengthening the Ukiriguru Research Station as a training center to develop a strong, field-oriented extension service have been prepared, and more emphasis would be placed on the problem of soil erosion and soil conservation.

Credit No. 987-TA - Tanzania Rural Development Bank (TRDB)
Project: US\$10.0 million credit of October 24, 1980; Effective-
ness Date - May 18, 1981; Closing Date - December 31, 1983

This credit became effective on May 18, 1981.

Credit No. 1007-TA - Pyrethrum Project: US\$10.0 million
Credit of October 24, 1980; Date of Effectiveness - April 20,
1981; Closing Date - December 31, 1985

This credit became effective on April 20, 1981 and progress on physical implementation has been satisfactory. However, although the Government has agreed to assume TSh. 18.0 million of TPB's overdraft, poor sales of pyrethrum and high administrative cost continues to weaken the Tanganyika Pyrethrum Board's financial position. The project will continue to be kept under close review.

Credit No. 1037-TA - Smallholder Tea Project: US\$14.0 million
Credit of August 20, 1980; Effectiveness Date - April 27, 1981;
Closing Date - June 30, 1985

This credit became effective on April 27, 1981. The project got off to a slow start due to delays in appointing the General Manager and the Chief Engineer, but is now expected to gain momentum. Some start has been made in the tea nursery and fuelwood planting. The Ukalawa factory site has been selected and tender documents should be issued shortly. Supplier bids for the factory machinery have also been received and evaluated, and orders have been placed.

Credit No. 1970-TA - Coconut Pilot Project: US\$6.8 million
Credit of October 24, 1980; Date of Effectiveness - April 20,
1981; Closing Date - March 31, 1986

This credit became effective on April 20, 1981.

Credit No. 1015-TA - Grain Storage and Milling Project:
US\$43.0 million Credit of April 15, 1981; Date of Effectiveness -
July 15, 1981; Closing Date - June 30, 1987

This credit became effective on July 15, 1981.

EDUCATION SECTOR

Credit No. 607-TA - Fifth Education Project: US\$11.0 million
Credit of January 29, 1976; Date of Effectiveness - March 23,
1976; Closing Date - June 30, 1982

Overall project completion has reached 56%. Construction of VMT houses and two secondary schools has been delayed due to lack of building materials, means of transport, local funds and incentives on the part of the villagers. While the overall educational objectives of the project will be met by the closing date, the specific objectives of the secondary school facilities' survey will only be partially fulfilled.

Credit 861-TA - Sixth Education Project - US\$12.0 million
Credit of January 22, 1979; Date of Effectiveness - June 25,
1979; Closing Date - June 30, 1985

Design work is near completion and physical project implementation is gaining momentum. Tenders for civil works are either under evaluation or contracts have been awarded. Due to increase in construction cost, the cost of civil works to be financed under the project is expected to be above appraisal estimates. Implementation of educational objectives is reasonably underway and related issues have now been properly identified and will be addressed accordingly.

Credit 1056-TA - Seventh Education Project: US\$25.0 million
Credit of September 26, 1980; Date of Effectiveness -
December 29, 1980; Closing Date - December 30, 1986

The Project Implementation Unit (PIU) has started providing position briefs to respective Directorates of the Ministry of Education. In addition, briefs on primary education and support services have also been prepared. Nominations for fellowships for the National Examination Council and for Teacher Training Colleges are being processed but little progress has been achieved for acquiring technical assistance. Work for the Teacher Training Colleges in Zanzibar is ahead of schedule. Sites have been selected and a team from the PIU visited Zanzibar to carry out preliminary surveys. Staff houses are now available for use by the faculty of the Nkrumah College.

TOURISM SECTOR

Credit No. 860-TA - Tourism Rehabilitation Project: US\$14.0
million Credit of January 22, 1979; Date of Effectiveness -
August 24, 1979; Closing Date - June 30, 1983

Project implementation is progressing satisfactorily. Recruitment of project coordinator is being finalized and the consultants for the rehabilitation of project lodges and hotels, have been appointed. The construction site identified for the Hotel and Tourism Training Institute (HTTI) proved to be unsuitable because of size and shape, thereby delaying implementation of this component. Alternative sites are being explored. Improvements to the airport terminal is likely to be dropped because the Government was able to secure alternative financing. Vehicles for anti-poaching activities have been received and allocated to TANAPA and the Ngorongoro Conservation Authority. Tenders for the supply of radio telephone and binoculars are being prepared.

TRANSPORT SECTOR

Credit No. 507-TA - Highway Maintenance Project: US\$10.2 million Credit of August 21, 1974; Date of Effectiveness - November 20, 1974; Closing Date - December 31, 1982

After a slow start, project implementation improved and all equipment procured through ICB has been delivered. However, it became necessary to recast the project by amending its scope to address organizational problems encountered in its implementation. The previous Closing Date of December 31, 1980 has been postponed to December 31, 1982 to allow for completion of the project and the disbursement. The technical assistance contract with the consulting firm "ORT" expired in November 1979, and the Government is now recruiting individual experts to complete the project.

Credit No. 743-TA - Trucking Industry Rehabilitation and Improvement Project: US\$15 million Credit of November 3, 1977; Date of Effectiveness - April 3, 1978 Closing Date - June 30, 1983

Although implementation has been slow due to delays in creating Regional Transport Companies and in procuring trucks, some improvement has been recorded recently and the Government's contribution to the National Trucking Company for equity in the transport companies was increased to T Sh 28 million, still falling short of T Sh 50 million to be made up in 1981/1982. Technical Assistance has been extended since 1978; currently about 18 experts are assisting in the project implementation. All five regional trucking companies were created in early 1981 and a Board of Directors appointed with most of management staff recruited.

Credit No. 876-TA - Fifth Highway Project; US\$20.0 million Credit of March 2, 1979; Date of Effectiveness - December 3, 1980; Closing Date - December 31, 1984

This is a follow-up to credit No. 507-TA in the maintenance of the national trunk road system. All three key advisers and six key local staff are now in post. All 120 students are receiving training in various engineering colleges overseas and are making good progress. Bids for procurement of road maintenance equipment have been received, and are being analyzed by the Government.

PORTS SECTOR

Credit No. S-24-TA - Dar es Salaam Ports Engineering Project:
US\$2.5 million Credit of February 27, 1980; Date of Effectiveness
- August 13, 1980; Closing Date - June 30, 1982

Project implementation is progressing well. The consultants have submitted a number of reports and drawings to the Tanzania Harbours Authority (THA) for their review and comment. The only major problem is one of coordination concerning the commissioning of the new oil jetty which requires that the pipe work link to the refinery and the existing network be completed and ready for use at the same time as the jetty. THA has been asked to decide on who will design and carry out the actual site work, as well as finance the foreign exchange costs.

URBAN SECTOR

Credit No. 495-TA - National Sites and Services Project;
US\$8.5 million Credit of July 12, 1974; Date of Effectiveness -
October 3, 1974; Closing Date - December 31, 1980

Infrastructure construction has been completed satisfactorily in all project sites. Construction of health facilities in Dar es Salaam is completed and ready for occupation. Educational facilities for the Dar es Salaam sites have been completed; the rest of the community facilities in the project are nearing completion. Satisfactory progress is being made to improve implementation of the lending program administered by the Tanzania Housing Bank. As the remaining balance under the credit of US\$1,713,650 was expected to be fully disbursed within three to four months after the December 31, 1980 closing date, this date was not postponed; application for final disbursement was submitted in May.

Credit No. 732-TA - Second National Sites and Services Project:
US\$12.0 million Credit of November 3, 1977; Date of Effectiveness -
April 3, 1978; Closing Date - June 30, 1982

Progress on implementation is satisfactory for the residential components although overall implementation progress is slow. In order to accelerate progress on house consolidation under the first project, initiate cost recovery in squatter areas, and strengthen the Dar es Salaam City Council, the Government, THB, SIDO, Dar es Salaam City Council, and the Association have all agreed to reshape the project. The changes included: addition of management costs for the DCC consolidation unit and a collection unit within the Treasury; strengthening of the DCC maintenance operations; deletion of the Nutrition Extension and MCH guidelines and SIDO's second site in Tabora which was necessitated by a cost overrun on the first site; and reduction of THB house loans. Funds for the consolidation and collection units have been provided through marginally trimming

the demonstration houses, community facilities, THB/ARDHI promotion and training, and savings on the Finance Study and project preparation. The reshaping was finalized in July and recruitment for the new management unit is underway.

WATER SUPPLY SECTOR

Loan No. 1354-TA - Urban Water Supply Project: US\$15.0 million
Loan of January 5, 1977; Date of Effectiveness - March 2, 1977;
Closing Date - June 30, 1981

The new water system was expected to be in operation by August 1981; the Mindu dam will be completed about 24 months behind schedule. In view of the continuing poor performance of the contractor (Cicol) for the Mindu dam, the Government had to terminate their contract and negotiations with the initial bidder is currently in progress. The project cost is currently estimated at US\$30.1 million, or about 56% over the appraisal estimate of US\$19.2 million. Progress in project implementation and the expected large increase in project cost is being closely monitored. The loan closing date of June 30, 1981 was not postponed pending receipt from the Government of a realistic schedule for completion of the project and indication of how they intend to finance the cost overruns; however, it was agreed that disbursements would continue until December 31, 1981.

ENERGY SECTOR

Loan No. 1306-T-TA - Kidatu Hydroelectric Project Phase II;
US\$30 million Loan on Third Window Terms of August 12, 1976;
Date of Effectiveness - March 1, 1977; Closing Date -
December 31, 1981

The project was financed by IBRD, SIDA and KfW. Project completion is on schedule and the generators have been commissioned. Due mainly to underestimation of the project costs by the engineering consultants, current estimated project cost is US\$97.8 million, compared to appraisal estimate of US\$89.2 million, a cost overrun of 28%. KfW and SIDA have increased their contribution to the project and an EEC Special Action Credit (No. 55-TA) in the amount of US\$7.0 million, to be administered by IDA, has also been allocated to the project to cover the cost overruns. Disbursement of IBRD, SIDA and KfW funds is virtually completed; disbursement of the EEC Special Action Credit is proceeding satisfactorily.

Credit S-27-TA - Songo Songo Petroleum Exploration Project:
US\$30.0 million Credit of June 30, 1980; Date of Effectiveness -
September 12, 1980; Closing Date - September 30, 1982

Drilling of the onshore well under the project has been abandoned because of various technical difficulties which were aggravated by managerial problems, particularly the absence of close and effective project control. Drilling of the offshore well is proceeding satisfactorily. Little progress has been made on the technical assistance component of the project, except for the TPDC management and fiscal study, where consultants are already in the field.

INDUSTRIAL SECTOR

Loan No. 1172-TA - Tanzania Investment Bank: US\$15.0 million
Loan of November 12, 1975; Date of Effectiveness - February 20,
1976; Closing Date - December 31, 1981

This loan is fully committed. However, because of slow implementation of some of the sub-projects financed by TIB under this project, the closing date has been postponed to December 31, 1981 in order to finalize disbursement. The undisbursed balance remaining under the loan to date is US\$950,000.

Loan No. 1498-TA - Tanzania Investment Bank: US\$15.0 million
Loan of December 28, 1977; Date of Effectiveness -
April 3, 1978; Closing Date - June 30, 1983

This loan is now fully committed and disbursements are proceeding satisfactorily.

Loan No. 1750-TA¹ - Tanzania Investment Bank: US\$25.0 million
Loan of August 20, 1979; Date of Effectiveness - February 5,
1980; Closing Date - June 30, 1984

This loan became effective on February 5, 1980 and commitments and disbursements are progressing better than estimated at appraisal. In the light of the difficult situation in Tanzania, particularly the severe foreign exchange shortage, TIB is revising its operational strategy to focus in the near-term on providing funds which would enable projects to replace, balance, or modernize their machinery and equipment, improve capacity utilization, promote exports, and otherwise assist improvement of balance of payments. TIB is also being encouraged to use a portion of the Bank's loan, on an exceptional basis, to meet part of the requirements for imported inputs of some of its high-priority projects which are likely to face very low capacity operation, or even closure, following meagre allocation of foreign exchange.

¹In addition, a US\$15.0 million EEC Special Action Credit in support of this project is being administered by IDA.

Loan No. 1128-TA - Mwanza Textile Project: US\$15.0 million
Loan of June 19, 1975; Date of Effectiveness - October 6,
1975; Closing Date - December 31, 1981

The project provides for expansion of an existing textile mill and is designed to increase annual fabric production capacity by 20 million linear meters. Project implementation performance has been acceptable and all technical installations are now operating satisfactorily. The National Textile Corporation (TEXCO), the holding company for state-owned textile mills, has agreed to institute an immediate action program to improve the operating performance of existing mills. The project was technically completed in October 1978 with a savings of about US\$1.7 million. In order to utilize this amount for rehabilitation of the existing facilities, which are essential parts of the project, and in order to finalize disbursements on the awarded contracts, the Closing Date was postponed by another six months to December 31, 1981.

Credit No. 601-TA - Technical Assistance Project: US\$6.0
million Credit of January 9, 1976; Date of Effectiveness -
September 14, 1976; Closing Date - June 30, 1982

The project was designed to assist the Government in implementing its program of economic development through financing preinvestment and feasibility studies for projects in the productive sectors, special studies for improving efficiency and capacity utilization investments, and training for Tanzanians in project preparation, implementation, evaluation and related techniques. Although the credit was virtually completely committed, some previously approved studies were cancelled and about US\$90,000 - 100,000 became available from savings on other studies. The Closing Date was therefore postponed by 12 months to June 30, 1982 to continue disbursement on the amounts already committed for studies already in progress.

Loan No. 1385-T-TA/Loan No. 1386-TA - Morogoro Industrial
Complex: US\$11.5 million Loan on Third Window Terms and US\$11.5
million Bank loan, both of April 6, 1977; Date of Effectiveness
- July 6, 1977; Closing Date - December 31, 1982

Project implementation is proceeding satisfactorily in spite of some initial delays in the appointment of consultants and start-up of procurement. Although there will be some delays in the start-up of individual components of the Industrial Complex, completion of the project is still scheduled for July 1982. Revised capital cost estimates are only slightly higher than those contained in the Appraisal Report.

Credit No. 833-TA/Loan No. 1607-TA - Morogoro Textile Project:
US\$20.0 million Credit and US\$25.0 million Loan both of June 29,
1978; Date of Effectiveness - May 7, 1979; Closing Date -
June 30, 1985

Project implementation is progressing satisfactorily in spite of some problems encountered with the awarding of the civil works contract. No further delay is anticipated in project completion.

Credit No. 875-TA/Loan No. 1650-TA - Mufindi Pulp and Paper Project: US\$30.0 million credit and US\$30.0 million Loan, both of April 6, 1979; Date of Effectiveness - April 15, 1980; Closing Date - December 31, 1983

Lack of progress in implementing essential related infrastructure outside the project, particularly the township, has caused project delays. Total project cost has now increased by about US\$111 million, or 40% above appraisal estimate. Financing of the foreign exchange component of the township is being arranged through a subsidiary loan from the Kuwait Fund. Consultants have been requested to review the project's implementation schedule, define its critical elements, and revise its cost estimates.

Loan No. 1745-TA - Tanganyika Development Finance Company, Ltd. (TDFL) Project: US\$11.0 million Loan of July 27, 1979; Date of Effectiveness - November 1, 1979; Closing Date - December 31, 1983

The loan is about 70% committed and disbursement is proceeding satisfactorily.

Credit No. 1060-TA - Second Technical Assistance Project: US\$11 million Credit of October 24, 1980; Date of Effectiveness - February 10, 1981, Closing Date - June 30, 1985

This credit became effective on February 10, 1981 and TIB is currently in the process of recruiting an agricultural economist for the Technical Assistance Unit. Processing of study applications is proceeding smoothly, the general training component is also being implemented satisfactorily.

EXPORT REHABILITATION PROGRAM

Credit No. 1133-TA - Export Rehabilitation Program: US\$50.0 million Credit of April 24, 1981; Date of Effectiveness - May 12, 1981; Closing Date - March 31, 1982

This credit became effective on May 12, 1981 and approximately US\$5.0 million have been disbursed. The new institutional arrangements for import allocation are working well. A draft policy statement for both agricultural research and extension have been prepared and are being incorporated within an overall agricultural policy document. The target for the Government's own contribution to the foreign exchange requirements of agriculture was actually exceeded during the period April 1-June 30, 1981.

EAST AFRICAN COMMUNITY

There are currently four projects in execution in the East African Community.¹

Loan No. 638-EA - Second Harbours Project: US\$35.0 million
Loan of August 25, 1969; Date of Effectiveness - December 16,
1973; Closing Date - December 31, 1977

Loan No. 865-EA - Third Harbours Project: US\$26.5 million
Loan of December 18, 1972; Date of Effectiveness - April 16,
1973; Closing Date - June 30, 1978

The Second Harbours project included financing for five general cargo berths and a single bay tanker terminal for the Port of Dar es Salaam; two general cargo berths and a bulk cement wharf for Mombasa; tugs, lighters, cargo handling equipment, offices, housing and general improvements for both ports. The Third Harbours project included three new deep water berths, modernization of two berths and a lighterage quay, a training school building and central repair area for Dar es Salaam; modernization of several berths and a lighterage quay, construction of a tug berth, cold storage facilities and a training building in Mombasa and improvement of a lighterage quay in Tanga. Construction of all major project elements has been completed and a joint project completion report was issued in January 1979. Because of shortage of funds under both loans, the following minor project elements have not been submitted for Bank financing: the second phase of modernization of the lighterage quay and a training school for Dar es Salaam, modernization of the lighterage quay and a training school for Mombasa. Locally financed contracts have been awarded for these project elements with the exception of the modernization of the lighterage quay in Mombasa. General cargo throughput has increased above appraisal forecasts for Dar es Salaam, and cargo handling productivity has improved with increasing throughput; however, port labor productivity has stagnated in Mombasa where general cargo throughput has declined considerably. Legislation to establish a Tanzania Harbours Authority and a Kenya Ports Authority has been enacted. Management of Ports in both countries is competent. Some US\$34.50 million of Loan 638-EA and US\$26.15 million of Loan 865-EA has already been disbursed. The agreed allocation of undisbursed funds of October 1, 1977 between the countries concerned is given below:

¹Since October 1, 1977, the East African Community loans (excluding the East African Development Bank) have been disbursed on the basis of separate national guarantees. The agreed allocation of undisbursed balances for each loan, as proposed in a report to the Executive Directors dated December 29, 1977 (R77-312) and approved on January 12, 1978, is given in this Annex. The Closing Date for loans 638-EA, and 865-EA have passed. However, since the amount allocated to and guaranteed by each Partner State is clearly identified under the terms of the Agreement signed on January 25, 1978 as proposed in the above report (R77-312), we are continuing disbursements.

<u>For Loan No. 638-EA</u>	<u>(US\$ million)</u>
Kenya	0.7
Tanzania	<u>0.6</u>
Total	1.3 ===

<u>For Loan No. 865-EA</u>	
Kenya	1.7
Tanzania	<u>0.3</u>
Total	2.0 ===

Loan No. 914-EA - Third Telecommunications Project: US\$32.5 million Loan of June 22, 1973; Date of Effectiveness - September 19, 1973; Closing Date - December 31, 1979

The project included provision for procurement of local telephone exchange equipment, cables and subscriber apparatus, microwave and UHF/VHF systems and multiplex equipment, interurban cables and wires, automatic switching and signalling equipment, telegraph, telex and data equipment, and training. All project items except the microwave radio system have been completed; this system is likely to be completed by mid-1980. The slippage of the project's completion was due to initial delays in procurement caused by staffing and other problems associated with the relocation of headquarters. About US\$32.20 million of the loan had been disbursed to date. The agreed allocation of undisbursed funds as at October 1, 1977 among the countries concerned is as follows:

	<u>US\$ Million</u>
Kenya	2.4
Tanzania	3.5
Uganda	<u>0.1</u>
Total	6.0 ===

Loan No. 1204-EA - East African Development Bank: US\$15.0 million Loan of March 1, 1976; Date of Effectiveness - June 7, 1976; Closing Date - March 31, 1980

The environment within the Community has continued to have a negative impact on EADB operations. Level of operations both for appraisal and supervision has been depressed, but there has been some improvement in the state of the portfolio with the arrears affected portfolio falling from 50% as of June 30, 1977 to 43% as of June 30, 1979. Some US\$11.73 million of the loan has been disbursed to date, and the uncommitted balance amounts to US\$3.0 million.

D. STATEMENT OF IFC INVESTMENT IN TANZANIA
AS OF SEPTEMBER 30, 1981

<u>Fiscal</u> <u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1960 & 1964	Kilombero Sugar Company	Food Processing	3.96	0.70	4.66
1978	Highland Soap and Allied Products Limited	Soap Manufacture	1.38	0.36	1.74
1979	Metal Products Limited	Household Utensils	<u>1.33</u>	<u>0.18</u>	<u>1.51</u>
	Total gross commitments		6.67	1.24	7.91
	Less cancellations, terminations, repayments and sales		<u>4.05</u>	<u>0.69</u>	<u>4.74</u>
	Total commitments now held by IFC		<u>2.62</u>	<u>0.55</u>	<u>3.17</u>
	Total undisbursed		<u>0.06</u>	<u>-</u>	<u>0.06</u>

ANNEX III

TANZANIA

SUPPLEMENTARY PROJECT DATA SHEET

Section I Timetable of Key Events

- | | |
|-----------------------------------------------------|-----------------|
| (a) First presentation to IDA and initial appraisal | October 1980 |
| (b) Post Appraisal Discussions | March/July 1981 |
| (c) Completion of Negotiations | December 1981 |
| (d) Board Presentation | February 1982 |
| (e) Planned date of Effectiveness | April 1982 |

Section II Special Association Implementation Actions

The Association has approved a PPF advance of US\$200,000 to facilitate the initial activities of the Advisory Group under the Project.

Section III Special Conditions

- (a) The Ministry of Agriculture would appoint, by June 30, 1982, an Administrative officer to assist the Director of Planning in implementing the largest component of the project (para. 49)
- (b) The Ministry of Agriculture would appoint a Financial Adviser within its Project Preparation and Monitoring Bureau by September 30, 1982, to prepare a recruitment and work program for a team of financial advisers, for submission to the Association not later than December 31, 1982 (para. 49)
- (c) The Ministry of Agriculture would enter into arrangements with project beneficiaries, satisfactory to the Association, setting out the terms and conditions of employment for individual specialists, including work objectives, responsibilities and positions within the employing organization, training objectives and detailed arrangements for operational support (para. 50)
- (d) The Government would establish, by June 30, 1982, a Technical Assistance Advisory Committee responsible for annual reviews of progress under the project; making recommendations, where necessary, to improve its execution; and reviewing requests for supplemental technical assistance, training or support equipment (paras. 52-53).

TANZANIA

ADVISORY GROUP: TERMS OF REFERENCE

Introduction

1. The purpose of this memorandum is to outline the understanding of the Government and the Bank on the Terms of Reference and Modus Operandi of the Group.

Purpose of Advisory Group

2. Since Independence, Tanzania has made significant progress towards the achievement of its development objectives, and has been supported in its efforts by assistance from the World Bank, among others. Unfortunately, in recent years, a constellation of external and internal factors has led to concern that progress over the medium and longer term may be jeopardized. While admittedly internal factors like output and export decline have to a certain extent contributed to these problems, external factors, namely rapid increase in the prices of oil and other imports, deteriorating terms of trade, and unfavorable weather have been the most overwhelming. This situation, however, is not unique to Tanzania and in fact a number of developing countries have similar problems. The Government is aware of the seriousness of the present crisis, and is keen to develop an appropriate remedial action program of rehabilitation and structural adjustment, at least to deal with those factors within its control. To assist and complement these efforts, the Government and the World Bank have agreed to collaborate in setting up an Advisory Group.

3. The Advisory Group will, in consultation with the Government, prepare a set of analyses and recommendations for the medium-term development of the economy. The end-result of this exercise is to be a government action program that will:

- (i) help the management of the economy in the short and medium term; and
- (ii) provide the basis for mobilizing appropriate levels and composition of international assistance.

Terms of Reference

4. The Advisory Group will analyze the main factors which have held back the productive sectors of the economy, and assess the potential for efficient and equitable growth in the future. On the basis of this analysis, the Advisory Group will make recommendations on components of an appropriate multi-year action program for economic rehabilitation and

structural change. In formulating its recommendations, the Advisory Group will pay particular attention to the need for maintaining existing assets and improving capacity utilization in the productive sectors.

5. The Advisory Group's work will include, inter alia, analysis and recommendations on:

- (i) improving incentives for production and exports, including trade and pricing policies and productivity schemes;
- (ii) improving the effectiveness of economic institutions and management, including policy and program analysis, planning and implementation;
- (iii) improving the economic performance of parastatals;
- (iv) operational criteria for sectoral allocations for public sector development and recurrent expenditures;
- (v) operational criteria for the selection of new investment projects;
- (vi) mobilizing domestic public, private and corporate savings; and
- (vii) mobilizing external resources for the comprehensive multi-year government action program for economic rehabilitation and structural adjustment.

Modus Operandi

6. The Advisory Group will comprise three internationally recognized and respected experts, knowledgeable about the problems faced by Tanzania and sympathetic to Tanzania's development objectives, and supported by a full-time Secretariat. The Tanzanian Government and the World Bank have agreed on the composition of the Advisory Group: Mr. Ernst Michanek (leader), Mr. Cranford Pratt and Mr. Gerald Helleiner. Final selection of the Head of the Secretariat will also be mutually agreed by both parties and the leader of the Group. The Advisory Group will have access to information from, and discussions with, a range of Ministries, Agencies and individuals.

7. The Secretariat will comprise 3-5 development economists. Both the Government and the World Bank will suggest candidates for the Secretariat. It is generally understood by both parties that this would be done in consultation with the Leader of the Advisory Group and the Head of the Secretariat. The Secretariat will be responsible for:

- (i) collecting data and relevant studies from a variety of sources;
- (ii) preparing background papers;
- (iii) recruiting short-term Tanzanian and international consultants to prepare reports on special topics; and
- (iv) assisting the Advisory Group in preparing initial report drafts.

8. The Advisory Group is to be selected as soon as possible, with the intention of assembling during September 1981. Thereafter, the Advisory Group may wish to meet periodically to prepare and consider interim reports at key stages, e.g. "issue identification" and "policy options." To assist collaboration between the Group and the Government, the interim reports will be discussed with a Review Group headed by the Principal Secretary, Ministry of Planning and comprising the Principal Secretary, Treasury, the Economic Advisers to the President and the Prime Minister, and representatives of other Ministries or Agencies as required. The Review Group will brief Ministers as appropriate. A comprehensive government action program is expected to be ready and approved by the end of April 1982, although specific components of the program could well be acted upon earlier. The Advisory Group upon concluding its work will also be responsible for preparing a memorandum outlining areas for further action and summarizing the underlying analysis of prospects, issues and development strategy.

9. The work of the Advisory Group and its Secretariat will be supported by the Ministry of Planning; the costs incurred by the Advisory Group will be met with funds provided under the proposed Technical Assistance Credit.

September 10, 1981.



