PROJECT PERFORMANCE ASSESSMENT REPORT

TANZANIA

First Business Environment and Competitiveness for Jobs Development Policy Operation

Report No. 164371
APRIL 17, 2022

IEG
INDEPENDENT EVALUATION GROUP

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First Business Environment and Competitiveness for Jobs Development Policy Operation (IDA No. 57100)

April 17, 2022

Human Development and Economic Management

Independent Evaluation Group

Abbreviations

BEFJ	Business Environment and Competitiveness for Jobs
BRN	Big Results Now
DPO	development policy operation
GDP	gross domestic product
M&E	Monitoring and evaluation
PDO	project development objective
PPAR	Project Performance Assessment Report
PRSCs	Poverty Reduction Support Credits
SOEs	state-owned enterprises
VAT	value-added tax

All dollar amounts are US dollars unless otherwise indicated.

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This report was prepared by Paul Holden (consultant) and Xiaolun Sun (task team leader), who assessed the project in March 2021. The report was peer-reviewed by Melissa Metz and panel-reviewed by William Steel. Patricia Acevedo provided administrative support.

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This is a Project Performance Assessment Report (PPAR) by the Independent Evaluation Group of the World Bank Group on the Tanzania Development Policy Credit (P150009), the First Business Environment and Competitiveness for Jobs Development Policy Operation. The methodology for this evaluation is discussed in appendix C. Following standard Independent Evaluation Group procedure, the final PPAR was shared with relevant government officials for their review and comments, comments were received and included.

Basic Data

Country	Tanzania	World Bank financing commitment	$80.00 million
Global Practice	Finance, Competitiveness, and Innovation: Africa Region	Actual project cost	$79.50 million
Project name	Tanzania Business Environment for Jobs	Expected project total cost	$80.00 million
Project ID	P150009	Actual amount disbursed	$79.50 million
Financing instrument	Development policy loan	Environmental assessment category	C
Financing source	International Development Association		
Cofinancier	Japan International Cooperation Agency provided parallel financing in the amount of $50 million		

Dates

Event	Original Date	Actual Date
Approval	09/03/2015	n.a.
Effectiveness	11/05/2015	11/05/2015
Closing	08/31/2016	08/31/2016

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Summary

Project Background and Description

This Project Performance Assessment Report evaluates a development policy operation (DPO) for Tanzania amounting to $80 million for the first Business Environment and Competitiveness for Jobs (BEFJ) operation. The BEFJ was approved by the World Bank on September 9, 2015, shortly before national elections in Tanzania. The operation became effective on November 5, 2015, and closed on time on August 8, 2016. It was fully disbursed before the new government took office in late 2015. Although it was originally intended as the first of a three-operation series, the second and third operations were canceled in April 2017 because of major delays in the implementation of two critical reform actions and a World Bank decision, in consultation with the new government, to discontinue this series and consolidate its several ongoing and planned budget support operations.

Over the past two decades, the Tanzanian economy has registered rapid growth, averaging 6.6 percent annually. This rate, compared with 4.7 percent in other Sub-Saharan African countries, makes Tanzania one of the fastest-growing economies in Africa. Gross national income per capita rose from $411 in 2000 to $1,080 in 2019, an amount above the lower-middle-income threshold. In 2018, according to the national definition, 26 percent of the population was below the national poverty line of $1.35 per person per day on a purchasing power parities basis. Tanzania remained in the low-income country group until mid-2020, when it was reclassified by the World Bank as a lower-middle-income country; however, Tanzania remains eligible for International Development Association (IDA) support (World Bank 2020).

From 2000 to 2020, the macroeconomic framework remained stable. Inflationary pressures were brought under control. The International Monetary Fund judged macroeconomic and fiscal policies to be prudent, but domestic payment arrears have emerged, especially a backlog of value-added tax refunds to businesses. The fiscal deficit remained manageable, declining from 4 percent of gross domestic product in fiscal years (FY)15–16 to 1.9 percent in FY19–20, although this was partly the result of the accumulation of arrears and underspending on the capital budget. The International Monetary Fund and World Bank debt sustainability analysis judged Tanzania's risk of debt distress to be low (IMF 2016).

Agriculture was the largest sector in the economy. In 2018, agriculture and fishing accounted for 28.2 percent of gross domestic product, followed by industry and construction (26.8 percent; World Bank 2020). The private sector faced a challenging business environment with extensive, confusing, and overlapping regulations that apply

to employment, land transactions, business registration, and tax procedures. Government ownership in the economy is extensive.

Design and Preparation

The project development objective was "to increase the job creation potential of the Tanzania private sector by reducing the overall cost of doing business and by creating an enabling environment for selected labor-intensive industries" (World Bank 2018, vii). Initially designed as a three-operation series, the project did not include a definition of what increasing the job-creating potential of Tanzania represented, although it could be interpreted as improving the business environment to create employment. To make the development objectives more concrete, and for the purposes of this assessment, the project development objective was unpacked as

- Reforming the regulatory framework to make it more business friendly, and
- Improving the functioning of factor markets (capital markets, land, and labor).

Results

The results indicators covered nine key results areas: business startup and regulation, goods clearance through ports, tax issues, labor issues, fixed property registration, access to finance, infrastructure, agriculture, and tourism.

Of the 23 results indicators, 7 (slightly over 25 percent) were achieved, 10 were not achieved, and 6 had no available data. After the operation ended, further progress was made in multiple reform areas. Currently, an additional 7 indicators have met their targets for 2018 and work continues on several more.

What Worked

A substantial amount of analytical work on barriers to private sector development was undertaken for Tanzania in the years before the BEFJ operation and helped form the structure of the series. This work was also the basis for earlier private sector–oriented reforms supported by the Poverty Reduction Support Credit series. Additionally, many of the conclusions of the analysis fed into the private sector component of the government's Big Results Now (BRN) initiative, a business environment reform component.

The BEFJ operation created employment, particularly in the tourism sector. The agricultural sector also benefited from the easing of regulations and the tax burden.

What Did Not Work

Risks to the series were miscalculated, especially with respect to sociopolitical challenges. The design of the operation did not consider the context surrounding the elections that were being held at the same time as the operation was approved. The review process was based on the belief that the relative stability and policy continuity that had characterized previous Tanzanian elections would persist, which turned out not to be the case. Reform fatigue had set in. There was also little support among a substantial portion of the electorate, especially outside the cities, for private sector–oriented reforms. These factors were not considered in the design and timing of the DPO and suggest that finalizing DPOs during an election cycle and before a new government takes office is ill-advised.

The series design was complex, and it required coordination among several ministries. The collection of data for the results indicators also required substantial World Bank staff and counterpart cooperation and effort. Furthermore, the originally envisaged three-operation BEFJ series was one of four contemporaneous DPO series, which placed a substantial burden on the capacity of Tanzanian counterparts.

Implementation and Supervision

Implementation was severely affected by policy and institutional changes of the incoming government, including discontinuation of the BRN initiative, on which the DPO series was anchored. Further difficulties arose as relations among the government and development partners deteriorated. The closing of the BRN program in 2016 removed a cornerstone of the series; many of the policy actions were based on BRN, and a significant amount of information regarding the achievement of results indicator targets was to have been collected through the initiative. Once BRN was discontinued, implementation capacity was undermined, and monitoring arrangements were severely weakened. However, reform momentum revived after 2018 and progress with implementing reforms has been made.

Lessons

This assessment offers the following lessons:

- Although informed risk taking is a feature of DPOs that incorporate difficult reforms, the associated risks of the BEFJ programmatic series in Tanzania were not clearly acknowledged. This included the timing of the first operation relative to the election cycle and the fact that the BEFJ was a continuation of a long series of DPOs supporting business environment–related reforms that had had disappointing results.

- In Tanzania, complex operations that span several ministries may strain the capacity of government counterparts. More focused operations that require less coordination could well be more effective.
- Relying predominantly on the *Doing Business* indicators to identify reform priorities missed addressing some of the most important priorities. This can be seen, for example, in the introduction of an electronic registry without the accompanying changes in the legal and regulatory framework. Reforms based on more in-depth analysis or investment climate reviews would provide a better analytical foundation for prioritizing business climate reforms.

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1. Background, Context, and Design

Background and Context

1.1 Over the past two decades, the Tanzanian economy has registered rapid growth, averaging 6.6 percent annually. This rate, compared with 4.7 percent in other Sub-Saharan African countries, makes Tanzania one of the fastest-growing economies in Africa. Gross national income per capita rose from $411 in 2000 to $1,080 in 2019, bringing it above the lower-middle-income threshold. In 2018, according to the national definition, 26 percent of the population was below the national poverty line of $1.35 per person per day on a public-private partnership basis. Tanzania remained in the low-income country group until mid-2020, when it was reclassified by the World Bank as a lower-middle-income country; however, Tanzania remains eligible for International Development Association (IDA) support (World Bank 2020).

1.2 Tanzania is the third-most populous country in Sub-Saharan Africa, with a population of nearly 60 million. Until 1992, it had a single-party system founded on the principles of socialism and collectivism, particularly in agriculture. Since democracy was adopted, it has operated as a unitary multiparty presidential democracy. Elections are held every five years, with the most recent in October 2020, when President Magufuli won a second five-year term. He remained president until his death in March 2021.

1.3 Agriculture remains the largest single sector in the economy. In 2020, agriculture and fishing accounted for 28.2 percent of gross domestic product (GDP), while industry and construction made up 26.8 percent. Services, which encompass a broad range of activities, made up 36.3 percent of GDP, of which tourism accounted for 15 percent of GDP and 35 percent of export receipts before the coronavirus (COVID-19) pandemic. Since Tanzania transitioned out of its period of socialism during the 1990s, its private sector has expanded, particularly in the construction sector; from 2009 to 2020, its share of GDP rose by 52 percent. However, manufacturing as a share of GDP stagnated, falling from 8.7 percent in 2009 to 8.4 percent in 2020 (IMF 2021).

1.4 The macroeconomic framework in Tanzania has remained stable. Inflationary pressures have been brought under control. Before the onset of COVID-19, successive International Monetary Fund Article IV staff reports from 2000 onward judged macroeconomic and fiscal policies to be prudent, although domestic payment arrears had emerged, especially with respect to value-added tax (VAT) refunds to businesses. The fiscal deficit was manageable, declining from 4 percent of GDP in fiscal years (FY)15–16 to 1.9 percent in FY19–20, although this was partly the result of an accumulation of arrears and underspending on the capital budget. Foreign exchange reserves were adequate and in the 2016 Article IV staff report, the debt sustainability

analysis judged Tanzania's risk of debt distress to be low (World Bank 2020). However, according to the September 2021 joint IMF and World Bank Debt Sustainability Assessment, Tanzania's risk of external and overall debt distress was moderate (IMF 2021).

1.5 However, COVID-19 severely weakened the short-term outlook for the economy because of the virtual disappearance of tourist receipts, pressures on the budget deficit, and a sharp deceleration in GDP growth. In mid-2020, the International Monetary Fund approved financing for Tanzania under the Catastrophe Containment and Relief Trust for a potential amount of $25.7 million over 23 months (IMF 2021).

1.6 The private sector in Tanzania faces a challenging business environment. Analytical work and interviews reveal extensive, confusing, and overlapping regulations that apply to employment, land transactions, business registration, and tax procedures. Government ownership in the economy remains extensive. Although there has been divestment of over 300 state-owned enterprises (SOEs), the government has been slow to allow private participation in electricity generation, port authorities, and other key sectors. The losses of SOEs account for some 1.5 percent of GDP. Issues contributing to the inadequate performance of SOEs include political interference in their management, extensive overstaffing, and chronic inefficiency (World Bank 2017c).

1.7 Access to finance is severely constrained. The ratio of private sector credit to GDP was only 13 percent in 2020, among the lowest in the world, compared with an average ratio of over 60 percent for low- and middle-income countries. Private sector–oriented reforms in most areas have been moving slowly,[1] and the private sector has expressed concerns about policy predictability (World Bank 2021).

1.8 The World Bank and other donors have a long history of providing budget support to Tanzania. Between 2003 and 2016, 11 World Bank development policy operations (DPOs) in the form of Poverty Reduction Support Credits (PRSCs) supported a wide range of reforms, including those related to private sector development. Interviews with World Bank staff suggested that these operations came to be expected by the government of Tanzania, but that reform enthusiasm was often weak, with only minimal reform progress made on successive PRSCs. Independent Evaluation Group Project Performance Assessment Reports (PPARs) evaluating these operations gave

[1] A number of these policies were goals of the three development policy operation (DPO) Poverty Reduction Support Credit (9–11) series, which, among other measures, supported Special Economic Zones and Export Processing Zones. These zones offered substantial tax incentives that resulted in a distorted taxation structure.

them mixed ratings, with the first three rated moderately satisfactory and the following five rated moderately unsatisfactory (World Bank 2013). An Implementation Completion and Results Report Review (ICRR) rated the 9th through 11th PRSCs as moderately satisfactory (World Bank 2016a, 2017a).

1.9 Despite extensive budget support provided through PRSCs and other donor interventions, reform was slow. Dissatisfaction with slow progress led development partners to conceive a parallel set of four programmatic series of DPOs, each of which was focused on a specific reform priority of the government.[2] The rationale was that if the government of Tanzania pursued reform, then the four programmatic series would provide it with more resources than a stand-alone PRSC. However, if the government failed to undertake reform, the series would provide fewer resources.

Objective, Design, and Financing

1.10 As part of the set of four programmatic series, the World Bank initiated the Business Environment and Competitiveness for Jobs (BEFJ) programmatic series, which was designed to include three DPOs (World Bank 2015). The reforms supported by the BEFJ series were derived from the Big Results Now (BRN) initiative launched by the government in 2014 (see box 1.1).[3]

1.11 The first operation was approved in late 2015, shortly before a new government took office. There were major delays in the implementation of several reforms supported by the first operation. The new government had concerns regarding implementation capacity and planned to shift toward a more state-centric development model. As a result, the second and third operations were canceled in April 2017, before the appraisal of the second operation.

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[2] These consisted of the Business Environment and Competitiveness for Jobs series; a power and gas sector programmatic DPO of three operations, of which two were disbursed and the third dropped; an open government and public financial management series of two DPOs, the first of which was disbursed in 2015 and the second dropped; and a Pension Reform Policy Credit, the preparation of which was stopped in 2016.

[3] The initiative was based on Malaysia's Big Fast Results program.

Box 1.1. Tanzania's Big Results Now Program

Tanzania's Big Results Now (BRN) program was based on a Malaysian initiative titled Big Fast Results and adapted to suit Tanzanian conditions. Launched in 2013, the program's goal was to transform Tanzania into a middle-income country by 2025 through achieving five main national priorities:

- High-quality livelihoods
- Peace, stability, and unity
- Good governance
- A well-educated and learning society
- A competitive economy capable of producing sustainable growth and shared benefits

Six national key results areas were identified from extensive consultation with key interest groups and citizen inputs. The program set out criteria for measuring progress, with specific, quantifiable goals in each area. The key results areas were agriculture, education, energy, transportation, water, and resource mobilization.

The goal of a competitive economy was to be achieved through reforms in seven priority areas. The immediate priority was to improve Tanzania's ranking in the World Bank *Doing Business* Indicators "to send an immediate positive signal to private investors" (World Bank 2015, 16). The reform areas encompassed (i) reducing the time and cost of creating new enterprises; (ii) standardizing land transfer contracts; (iii) introducing risk-based cargo inspections; (iv) establishing a legal basis for the functioning of labor markets and access to finance; (v) improving governance through giving the private sector access to information on taxes, licenses, and fees, particularly in the tourism sector; (vi) incorporating a budget line item for the improvement of rural roads; and (vii) providing budget allocation for the development of agricultural value chains.

A new agency, the President's Delivery Bureau, was established to ensure that implementation was effectively managed across government departments.

Source: World Bank 2015.

1.12 Due to significant delays in implementing major reforms in all areas, the World Bank restructured its entire budget support program in Tanzania to better align with the new administration's priorities and better reflect implementation capacity. A new multisector Growth and Service Delivery DPO series incorporated several of the unfinished policy actions from the BEFJ DPO series (IDA 2018). Although all the prior actions of the new DPO series were completed, the government decided not to proceed with the series. Since then, the World Bank has not provided further budget support to

Tanzania, although negotiations commenced in 2021 on a possible development policy loan.

Design and Preparation

The Causal Chain

1.13 The project development objective (PDO) for the series covered by this PPAR sought to increase the job-creating potential of Tanzania's private sector by reducing the overall cost of doing business and by creating an enabling environment for selected labor-intensive industries. The series did not define what increasing the job-creating potential of Tanzania constituted, although it could be interpreted as improving the business environment. To make the development objectives more concrete, and for the purpose of this assessment, the PDO is unpacked as

- Reforming the regulatory framework to make it more business friendly; and
- Improving the functioning of factor markets (capital markets, land, and labor).

1.14 The program document for the BEFJ states that the selection of the pillars and policy actions was informed by the World Bank's previous experience in Tanzania (World Bank 2015). According to the program document, **e**xperience had demonstrated that a focused approach and proper sequencing were necessary and, therefore, that the BEFJ would concentrate on a limited set of reform areas. Additional lessons generated in the Independent Evaluation Group's PPAR and ICRR included the need to establish a foundation of trust between the World Bank Group and the government; to adjust to changing circumstances; to create well-defined and realistic objectives and a fully developed results framework; and to conduct regular reporting on key outcome indicators to drive adjustments to the series (World Bank 2017a) .

1.15 Extensive analytical work during the period leading up to the preparation of the BEFJ series identified constraints to private sector developments. The program document lists 29 pieces of analytical work that informed the design of the prior actions, including Country Economic Memorandums; Bank Group *Doing Business* reports for 2013, 2014, and 2015; Investment Climate Assessments; growth diagnostics; and reports on specific issues such as taxation, labor issues, light manufacturing, the tourism industry, and agribusiness.

1.16 The World Bank 2014 Country Economic Memorandum presented a three-pillar job creation plan for Tanzania based on "the belief that employment is created by a dynamic private sector" (World Bank 2014, 3). Removing major obstacles to the growth of business was the foundation of the strategy. These consisted of weak connectivity to

markets, low access to finance, sporadic electricity supply, and low skills in the population. Overall, the analytical work identified an extensive set of constraints to doing business in Tanzania but did not provide consistent guidance with respect to priorities, indicating differing views on the importance of the supply of skilled labor.

1.17 A 2017 growth diagnostic concluded that the prime constraints to raising productivity were a reliable supply of electricity, access to credit, and the availability of skilled labor (World Bank 2017c). The 2013 World Bank Enterprise Survey identified constraints to the private sector based on an extensive survey of formal businesses ranging from small and medium enterprises to large businesses (World Bank and IFC 2014). The top three constraints identified were access to finance, a reliable electricity supply, and the tax system. The former two were viewed as substantially more of a problem than the tax system by factors of five (finance) and three (electricity). Access to land was viewed as a problem by 5 percent of respondents; and licenses, permits, and customs issues were problems for 3.5 percent of respondents. Small and medium enterprises viewed access to finance as the largest issue they faced, and large firms viewed electricity supply as the most important constraint, followed by access to finance.

1.18 The causal chain underlying the series was that the potential for job creation would be enhanced by reducing the cost of doing business and by creating an enabling environment for selected labor-intensive industries. The underlying assumption regarding reducing the cost of doing business was that it would lead to greater private sector investment that would in turn result in the hiring of more workers. A similar assumption supported the goal to create an enabling environment for some labor-intensive industries. There is little to disagree with in the first of these assumptions: lower costs of doing business should enhance returns on investment and raise profitability. If the term "enabling environment" referred to removing constraints in specific sectors, the causal chain was plausible.

1.19 This PPAR will answer the evaluation questions in box 1.2. The evaluation questions will also address the questions in the Clustered Project Performance Assessment on private sector development.[4]

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[4] Clustered Project Performance Assessment Reports: DPOs that Catalyze Private Sector Development through Upstream Reforms.

Box 1.2. Evaluation Questions

1. To what extent did the prior actions and triggers address the key barriers to private sector development and job creation in Tanzania? To what extent were the reforms supported by the prior actions targeted to catalyze private sector development by addressing the most binding constraints to private sector development?
2. Did the prior actions and triggers reflect findings from the World Bank Group's analytical work or that of others? Did the prior actions and triggers draw lessons from the Bank Group's previous operations to support private sector development in Tanzania?
3. Did the design of the program take into consideration the sociopolitical context, including changes of government and diverse views of the private sector's role in growth and job creation?
4. Did the design of the program adequately identify and mitigate ex ante risks to implementation and sustainability? Did it provide complementary assistance (by the Bank Group or partners) to address public and private sector capacity constraints?

Source: Independent Evaluation Group.

1.20 The pillars, policy areas, and prior actions for the first DPO (DPO1) and the triggers for the second DPO (DPO2) are shown in table 1.1. There were three pillars: making the regulatory framework more business friendly; improving the functioning of factor markets through modernizing labor regulations, simplifying land registration, and broadening access to finance; and establishing an enabling environment for job-creating industries, especially agriculture and tourism.

1.21 Although the first two pillars are clearly directed at reducing the cost of doing business, it is difficult to ascertain exactly how they map to job creation. It is, however, true that a thriving business environment promotes investment and entrepreneurship, which in turn would lead to employment creation.

1.22 The first BEFJ operation included seven prior actions that aimed to move the series along the results chain toward achieving the PDOs. As part of the first operation, 14 indicative triggers were articulated for the second operation. The interventions to implement reforms required cooperation among a broad set of ministries, which would be coordinated by the Ministry of Finance and Planning.[5]

[5] In addition to the Ministry of Finance and Planning, the DPO involved the Ministries of Agriculture, Livestock, and Fisheries; Industry and Trade; Lands, Housing, and Human Settlements Development; and Natural Resources and Tourism.

1.23 The skilled labor issue (trigger 7) was to be addressed by a revision of labor laws and additional training, although the latter would require an extended time frame to come to fruition. Difficulties in finding skilled labor would be at least partly tackled through recruiting from abroad. In the first operation, these constraints were to be addressed through bills that were submitted to parliament to amend the Labor Relations Act and the Non-Citizen Employment Act, which would be enacted into law as triggers for DPO2.

1.24 A feature of the prior actions in DPO1 was that in many cases they did not relate to the results indicators (see table 2.1). This was partly a result of the second and third operations being canceled; triggers for these operations contained measures that were more closely related to the results indicators than were the prior actions in DPO1.

Table 1.1. Pillars, Policy Areas, Prior Actions, and Triggers

Pillar	Policy Area	Summary of Prior Actions for DPO1	Summary of Triggers for DPO2
Regulatory framework	Business entry and trade	PA1. The government launches the first phase of the one-stop shop program by integrating tax and business registration within the Business Registration and Licensing Agency office.	Launch of an IT platform for business registration
		PA2. The Ministry of Industry and Trade establishes a Regulatory Licensing Reform Committee with the responsibility to streamline the legal framework (laws, regulations, licenses, permits, and certifications) and the regulatory bodies concerning business licenses.	Government establishes a licensing portal
		PA3. The Ministry of Finance repeals the directive requiring 100 percent cargo inspection at the port of Dar es Salaam to implement a risk-based inspection system.	Cargo inspection and single clearing window
	Taxation reform	PA4. The Tanzania Revenue Authority increases the budget allocation for VAT refunds in FY14–15 budget and reduces the amount of outstanding claims for VAT refunds.	VAT refunds improved and VAT threshold increased
Factor markets	Labor reform	PA5. Government submits to the Parliament (i) a bill to amend the Employment and Labor Relations Act and (ii) a bill to enact the Non-Citizen Employment Regulation Act.	Reform of non-citizen employment laws Skills strategy developed
	Land reform	PA6. The Ministry of Lands, Housing, and Human Settlements Development sets up a desk at its Dar es Salaam Zonal Land Office to offer notarization for the transfer of properties using standardized contract forms and announces it through the media.	Expedited tax clearance for land transactions
	Increase access to finance	PA7. Creating a national payments system by unifying the legal framework for payments.	Mobile financial services framework improved Secured transactions reform
Job-creating industries	Agribusiness		New budget item for rural roads Strengthening food safety regulations
	Tourism		Publishing information on licenses, taxes, and fees for the tourism sector

Source: Independent Evaluation Group.
Note: DPO = development policy operation; IT = information technology; PA = prior action; VAT = value-added tax.

1.25 Progress toward achieving the PDOs for DPO1 was measured by 23 results indicators. The four indicators related to starting a business were based on the World Bank's *Doing Business* indicators. The two indicators related to the clearance of goods were to be collected through team analysis, as were the three indicators related to tax issues. The two indicators related to labor issues were to be gathered from data collected by the BRN program and team analysis. The two indicators related to fixed property registration were based on the *Doing Business* indicators. The four indicators related to access to finance were based on surveys and team analysis. The indicator related to infrastructure was to be based on the National Strategy for Poverty Reduction and the Public Expenditure Review. The three indicators related to agriculture were to be based on team analysis and an enterprise survey that was to be conducted, and the tourism indicators were based on the BRN program and the World Travel and Tourism Council.

1.26 Shortly before the DPO series was approved, in October 2015, a new president was elected, resulting in a significant shift in the direction of policy away from the private sector–oriented policies of the previous government. The priorities of the new government were to increase investment in infrastructure, promote human development, reduce corruption, and increase public sector accountability. Although these goals were not necessarily inconsistent with promoting private sector development, numerous interviews confirmed that an overriding objective was to increase the role of the state in promoting development. This involved promoting SOEs as an integral part of Tanzania's growth strategy. Policies to achieve these goals included confining public works to the state-owned construction company and using the state-owned insurance company as the sole provider of insurance to the public sector. The BRN program was canceled in 2016 and the President's Delivery Bureau was closed. As a result of the reorientation of policy, the second and third DPOs were canceled.

2. What Worked, What Didn't Work, and Why?

2.1 Because of significant changes in the political environment, it was unlikely that the BEFJ would have achieved its development objectives regardless of the provisions made for implementation. This was the result of a fundamental change in government priorities, moving away from a private sector–oriented approach to development toward one that was far more state-centric. Although progress on reforms resumed in the years after the cancellation of the series, the analysis that follows focuses largely on the design of the BEFJ and its appropriateness at the outset. The evaluation questions primarily revolve around design issues and ex ante prospects for the success of the series (that is, before the shift in political climate).

Design

2.2 The design of the BEFJ series was aligned with the business environment component of the government's BRN initiative, which launched in 2013. The seven policy reform areas for business environment reform (table 2.1) were identified with a view to improving Tanzania's rankings in the World Bank *Doing Business* indicators "to send an immediate positive signal to private investors" (World Bank, 16). However, many questions have been raised about the adequacy of the *Doing Business* indicators and rankings for identifying reform priorities.[6] Basing reform design on measures to improve Tanzania's rankings in the *Doing Business* indicators risks missing the most important reform priorities, since rankings can be affected by the actions of other countries in the absence of any improvements in Tanzania's business environment. The indicators also only capture highly circumscribed dimensions of the ease of doing business, based not on actual experience but on the processes embedded in laws and regulations. It was therefore of questionable usefulness to base a significant number of reforms on the indicators.

2.3 The design of the first DPO only partly reflected the most pressing priorities identified by other diagnostic work, particularly the enterprise survey. The enterprise survey was based on questions posed to a structured sample of firms (including small and medium enterprises) about the actual constraints they faced in conducting business and the severity of those constraints. The enterprise survey identified as the primary constraints access to finance, a reliable electricity supply, the tax system, and the limited supply of skilled labor. Other constraints, such as access to land, were viewed as less problematic.

2.4 Many of the prior actions for DPO1 were aligned with the BRN program, which was appropriate. However, they were input focused and did not meaningfully move reforms along the results chain toward the achievement of the PDOs. Establishing committees (prior action 2) is entirely an input, with no clarity on how it would make progress toward the PDO. Repealing directives (prior action 3), increasing budget allocations for VAT refunds (prior action 4), and setting up a desk for the notarization of contract forms (prior action 6) may be necessary conditions, but they were ineffective without simultaneous complementary actions, which to some extent demonstrated a lack of full recognition of the nature of the problem they were intended to address.

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[6] Independent Evaluation Group is (mid-2021) conducting an in-depth evaluation of the *Doing Business* Indicators. For articles written outside the Bank Group questioning the accuracy and usefulness of the *Doing Business* indicators, see Arruñada 2007; Hallward-Driemeier and Pritchett 2015; Holden and Pekmezovic 2020.

2.5 The first operation did not address the most pressing priorities for micro, small, and medium enterprises. Access to finance had been identified as the most important binding constraint in the enterprise survey. This was reflected in Tanzania's very low ratio of private sector credit to GDP. The second-most important constraint was the insufficient and unreliable supply of electricity, but it was to be addressed through a separate stand-alone operation (World Bank 2016b and World Bank 2018b).

2.6 The 13 triggers for the second operation were ambitious and, like DPO1, covered a broad range of sectors. Furthermore, DPO2 presented significant technical challenges to successful implementation. For example, while the online company registration system was introduced successfully, it could not be expected to have a substantial impact unless the underlying legislation and regulations associated with the Companies Act were also changed. Secured transactions reform typically takes several years, since it involves passing legislation, establishing an electronic registry, and familiarizing lenders with its uses.[7] Experience in many countries demonstrates that changing customs processes is complicated, as is changing the procedures associated with land registration.

2.7 The lessons from the previous PRSC series were articulated in the PPAR, Implementation Completion and Results Reports (ICRs), an ICRR, and a Completion and Learning Report Review (CLRR; World Bank 2013, 2017a, and 2018a). These were as follows:

- The Bank Group should be selective and avoid operations that stretch across many sectors.
- The design and implementation of reform operations requires a good understanding of the political economy of reform.
- Bank Group operations should be tailored to local capacities.
- The ambition of the outcome targets should be realistic.
- Inadequate indicators hamper the monitoring of results during implementation.

2.8 These lessons were only partially incorporated into the design of the series. The reform areas supported by the DPOs were complex, covering a broad set of activities and sectors that ranged from land management to industrial policy, financial markets, tourism, agriculture, and ports. This wide range required substantial coordination across

[7] An extensive set of secured transactions reforms and the time required to implement them is described in Holden et al. 2014.

different ministries, many of which had limited capacity. The difficulty of coordination and implementation within the BEFJ series was compounded by the need to also coordinate and implement the operations in the three other DPO series. Furthermore, World Bank staff indicated that there was strong pressure from senior management to disburse loans.

2.9 Interviews with World Bank staff involved in the series revealed that virtually no consideration had been given to the possibility that a new government would reverse the policies embodied in the series. Staff expected continuity in policy even with a change in administration. In a sense, this was understandable, as several previous changes in government had not affected ongoing operations.

2.10 However, the election of a new president led to a reorientation of policy priorities, and there was no provision—short of cancellation—to deal with the sharp change in focus. A strategy that allowed the new government to have input into the reform program by delaying final preparation until it was in office could have ensured greater buy-in and would have avoided the implementation problems that arose. This was especially the case when four DPOs were being prepared simultaneously.

2.11 The program document assessed the overall risk to the operation as moderate. It identified the main risk to achieving the objectives of the series as the government's difficulties in overcoming vested interests in both the Tanzanian public and private sectors. The program document indicated that "this risk might be exacerbated in the light of the upcoming elections but is mitigated by the commitment of the vast majority of stakeholders in the country and the sequencing approach selected by the government that aims to build momentum over time" (World Bank 2015, 41). As a result, the design did not consider the possibility of a substantial change in direction. It further stated that "A key mitigation measure is the high-level government leadership commitment and the focus on the BRN that has defined clear objectives and designed effective monitoring and accountability mechanisms over time" (42). Both assumptions turned out to be incorrect and this suggests that an alternative strategy of waiting until a new government was in office would have ensured agreement with the priorities for reform.

Results

2.12 There were 23 results indicators (table 2.1). No provision was made in the series for data collection for 8 of the results indicators, other than indicating that "team analysis would provide the necessary information." The design of the series relied on data collection through the BRN program and team analysis. When the BRN program was halted in mid-2016 and the second and third operations were canceled, the collection of information for results came to an end. Moreover, the three surveys on

which indicators were to be based were not carried out: an enterprise survey, a Public Expenditure Review, and a report from the World Travel and Tourism Council. Data beyond the end of the series were only available for six indicators, which makes it difficult to judge the sustainability of what might have been achieved by even the first DPO in the series.

Table 2.1. Results Indicators and Prior Actions

Results Indicator	Associated Prior Action	Baseline and Target	Actual (2018) Subsequent (2018–21)
Pillar 1: Making the regulatory environment more business friendly			
RI1: Number of days to start a business	PA1	Baseline (2014): 26 Target (2018): 10	28 (2018) 1–3 days (2021)
RI2: Number of procedures	PA1	Baseline (2014): 9 Target (2018) 10	11 (2017) 3 (2021)
RI3: Percentage registered online	PA1	Baseline (2015): 0 Target (2018): 30	100 (2018)
RI4: Number of business licenses	PA2	Baseline (2014): +/− 600 Target (2018): +/− 600	+/− 800 Business licenses issued online (Oct. 2019)
RI5: Percentage of cargo inspected	PA3	Baseline (2014): 100 Target (2018): 80	93 Risk-based inspections to be reintroduced (2022)
RI6: Number of agencies using the single window in Dar es Salaam Port	PA3	Baseline (2014): 0 Target (2018): 15	2 7 (2021)
RI7: VAT claims settled within a month (percentage)	PA4	Baseline (2014): 74 Target (2018): 90	0 VAT Act stipulates 90 days
RI8: Tax expenditures (foregone revenue, percentage of GDP)	No PA	Baseline (2014): 3.13 Target (2018): <1	<0.9
Pillar 2: Improving the functioning of factor markets			
RI9: Number of labor laws governing employment	PA5	Baseline (2016): 8 Target (2018): 2	2 (2018)
R10: Percentage of SDL revenue used for training	No PA	Baseline (2014): 40 Target (2018): 100	no information (2018) 100 (2021)
RI11: Percentage of property value to register a property	PA6	Baseline (2014): 4.5 Target (2018): 2	5.2 (2018) 2 (2018)
RI12: Time to register a property (days)	PA6	Baseline (2014): 67 Target (2018): 40	67 14 (2021)
RI13: Percentage of households with financial transactions account	No PA	Baseline (2014): 57.4 Target (2018): 80	No information
RI14: Quality of the legal regulatory framework for payment systems	PA7	Baseline (2014): Low/medium low	High

Results Indicator	Associated Prior Action	Baseline and Target	Actual (2018) Subsequent (2018–21)
		Target (2018): Medium high/high	
RI15: Percentage of firms with a bank loan or line of credit	No PA	Baseline (2014): 16.6 Target (2018): 19	No information
RI16: Coverage of credit bureaus (percentage)	No PA	Baseline (2014): 0.66 Target (2018): 6	6.5 30 (2021)
RI17: Proportion of LGA roads in fair or good condition (percentage)	PA8	Baseline (2014): 60 Target: (2018) 70	As of end 2020 tarmacked roads were 2,251 kms, or 2.1% total roads, gravel roads were 27,809 (25.6%), with rough road the balance
Pillar 3: Establishing an enabling environment for competitive job-creating industries			
RI18: Reduction in tax burden on agribusinesses (percentage)	No PA	Baseline (2014): 0 Target (2018): 20	>20
RI19: Number of phytosanitary tests by accredited independent labs	No PA	Baseline (2014): 0 Target (2018): 4	As of 2018, 2 government owned labs were accredited
RI20: Percentage of firms in the food sector with quality certification	No PA	Baseline (2014): 20.5 Target (2018): 30	No information
RI21: Percentage of food firms identifying licensing and permits as a major constraint	No PA	Baseline (2014): 36.4 Target (2018): 20	No information
RI22: Number of licenses, permits, taxes, and fees in the tourism sector	PA9	Baseline (2014): 59 Target (2018): 35	58 (2017) Subsequently (2019 onward) there have been reductions
RI23: Direct employment in the tourism sector	No PA	Baseline (2014): 400,000 Target (2018): 10% increase	An estimated 501,900 in 2018

Source: Independent Evaluation Group Staff
Note: LGA = Local Government Authority; PA = prior action; RI = results indicator; SDL = Skills Development Levy.

2.13 The results indicators covered nine areas: business startup and regulation; goods clearance through the ports; tax issues; labor issues; fixed property registration; access to finance; infrastructure; agriculture; and tourism. By late 2017, of the 23 outcome indicator targets, 7 were achieved, 10 were not achieved, and 6 had no information available. Table 2.1 shows the indicators, the associated prior actions, the baselines, and the achievement of indicator targets. Subsequently, reform revived, and an additional 7 targets were achieved in the period to end 2021, which amounted to just over half of the indicators. Although the achievement of additional targets suggests progress, the consensus of private sector representatives interviewed was that the business environment remains challenging and continues to be "business unfriendly."

2.14 **Business startup and regulation:** Of the four indicators (time to start a business, the number of procedures to do so, percentage of businesses registered online, and number of business licenses necessary), the first three were derived from the *Doing Business* indicators. Of these, the percentage of businesses registered online was 100 percent, greatly exceeding the target. However, the number of procedures and the time to start a business targets were not achieved; in both cases, the actual outcomes in 2018 exceeded the 2014 baselines. Subsequently, the average service time for incorporation was reduced to between one and three days for correctly submitted applications. No information was available on the number of business licenses necessary, the baseline for which was approximately eight hundred.

2.15 Interviews with representatives of the Tanzania private sector indicated that online registration, while available, had little impact on the ease of doing business. Procedures were still time-consuming, and the licensing requirements were burdensome. Although the online registration system was introduced successfully, it did not, by itself, improve the ease of doing business because the legal framework—including regulations governing the formation and operation of businesses—had many deficiencies and provided few reasons for businesses to formalize.[8]

2.16 **Customs procedures and goods clearance:** There were two indicators for this results area: the percentage of goods inspected in the Dar es Salaam port and the number of clearing agents able to use the single window to clear goods. Neither of these indicators were achieved as of 2021; customs continued to inspect close to 100 percent of the goods in the harbor and only two clear agents were able to use the single window. More recent information on these indicators was not available. Private sector interlocutors in Tanzania who were interviewed indicated that the delays in clearing were so lengthy that many importers were bringing their goods into Kenya and driving them across the border into Tanzania because procedures involving road transport were less onerous.

2.17 **Tax:** There were two indicators for this results area: the percentage of VAT claims settled within a month and a reduction in tax expenditures. The tax expenditure target was exceeded, but the VAT refund target was not. All refunds were frozen pending a government review of existing procedures involved in businesses obtaining refunds. Interviews with the Tanzanian private sector revealed that the freezing of VAT refunds was imposing substantial cash-flow difficulties on businesses. Even more problematic is that even though the prior action requiring the allocation of funds for

[8] For an analysis of deficiencies in Tanzania's Companies Act, see Al Habsy's 2020 article available at https://unitanzania.com/companies-acts-tanzania-uganda/

VAT refunds was completed in the FY14–15 budget, it accomplished nothing because the refunds were not disbursed. To speed up settlement of VAT refunds for registered VAT traders, Tanzania Revenue Authority is implementing a project that intends to enhance an Integrated Domestic Revenue Administration System and also to enable filing of VAT refunds claims and verification of input tax credit electronically.

2.18 The tax expenditure target was exceeded. Against a baseline of 3.13 percent of GDP, the actual outcome was less than 0.9 percent of GDP compared with a target of 1 percent. However, in terms of improving the business environment for jobs, there were no prior actions associated with reducing tax expenditures and it is not apparent how the achievement of the results indicator impacted the PDOs or improved the business environment.

2.19 **Skilled labor:** There were two indicators for this results area: the number of labor laws governing employment and the percentage of the Skills Development Levy, an employment tax, used for training. The number of labor laws was reduced from a baseline of eight to two, thereby meeting the target. However, interviews with the private sector indicated that in a key area—the ability to hire foreign workers with skills that were not available in Tanzania—procedures had become substantially more onerous. There was no available information on the Skills Development Levy, although subsequent information supplied by government representatives indicated that 100 percent of the levy was being used for training. No information is available on its effectiveness.

2.20 **Registration of property:** There were two indicators for this results area: the percentage of the property value required to register a property and the number of days to register a property. Neither of these indicators was achieved. Both time to register and costs increased compared with the baseline values. This result also indicates that the prior action associated with this results area, simply setting up a desk in the Land Office in Dar es Salaam to notarize property-transfer documents, could not have been expected to significantly reduce the time to register property transfers. However, after the closing of the program, the cost of registration was reduced to two percent of the value of a property, and the number of days for registration was reduced to 14 or fewer. By 2021, 26 regional offices for property registration had been opened.

2.21 A World Bank study of property titling in Dar es Salaam concluded that "formal and informal property is remarkably similar, and households with formal property rights do not value their houses higher than those without, all other things being equal" (Panman and Lozano-Gracia 2021, 16). Properties with formal titles do not sell for more than those that are not titled, implying no advantages for going through the titling

process. The authors suggest improving the financing as part of formal titling initiatives and reforming the institutions related to land titling.

2.22 Interviews with World Bank staff indicated that another major impediment to a well-functioning property market in Tanzania was the scarcity of land on which businesses could be operated. All land is owned by the government and leased to investors for a period of 99 years. However, only approximately 10 percent of land can currently be leased because of complicated property rights issues.

2.23 **Access to finance:** There were four indicators for the access to finance results area: the percentage of households with financial transactions accounts, the quality of the legal and regulatory framework for payment systems, the percentage of firms with a bank loan or a line of credit, and the percentage coverage of credit bureaus. The data for the first indicator were obtained from a FinScope survey undertaken in 2017; the 2014 baseline was 57.4 percent and the target was 80 percent by 2018 (FinScope Tanzania 2017). The target was not achieved; the actual result was 65.3 percent of households having financial transaction accounts. Since the survey has not been updated, it is not possible to ascertain if there has been any further progress.[9]

2.24 The quality of the legal and regulatory framework for payment systems was to be measured by the World Bank Payment Systems Development Group. The target was to move from the baseline of low/medium low in 2014 to medium high/high in 2017. The rating in 2017 was high and this status has not changed. The baseline for the percentage of firms with a bank loan or line of credit was 16.6 percent in 2014 with a target of 19 percent in 2017. These data were to be supplied by an updated enterprise survey, but it was not carried out and no information is available.

2.25 The fourth indicator for access to finance was the percentage of the population for which the credit bureau had credit information. The baseline was 0.6 percent in 2014 and the target was 6 percent in 2017. The data were supplied by team analysis and the target was slightly exceeded, with coverage increasing to 6.5 percent. By 2021 this had risen to 30 percent.

2.26 Overall, the ratio of private sector credit to GDP declined from 14.6 percent in 2015 at the outset of the operation to 12.1 percent in 2017. Although many factors influence this variable, the decline in the ratio indicates that businesses remained severely credit constrained. By 2020 the ratio had risen slightly to 13.1 indicating that access to credit remains constrained.

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[9] Furthermore, the Finscope data referred to individuals, not households.

2.27 The infrastructure results area was to be measured by the proportion of Local Government Authority roads in good or fair condition. The 2014 baseline was 60 percent and the target for 2017 was 70 percent. However, the source of the information was to be the National Strategy for Poverty Reduction and Public Expenditure Review, which was not undertaken.

2.28 The agricultural sector, particularly agribusiness, faced substantial challenges related to high taxation, burdensome regulatory regimes, and increased costs because of insufficient infrastructure. The program document notes key constraints in the sector, including inconsistent policies and regulations that changed frequently, low-quality products, and insufficient infrastructure, all of which reduced competitiveness. This results area was to be measured by a reduction in the tax burden on agribusinesses, the number of phytosanitary tests by accredited independent laboratories, the percentage of firms in the food sector that had quality certifications, and the number of firms in the food sector that identified licensing and permits as a major constraint.

2.29 Only one of the targets was met, namely a reduction in the tax burden on agribusinesses, where the target was a 20 percent reduction. A greater than 20 percent reduction was achieved, although there were no details regarding the exact result. Anecdotal evidence from Tanzanian interlocutors indicated that the reduction in the tax burden provided a substantial boost to the agricultural sector and to agribusinesses, and that it demonstrated what could be achieved if the thicket of regulations governing business activity in Tanzania were eased. However, as shown in table 2.1, there was no prior action associated with the target.

2.30 Data for the other indicators for the agricultural results area were not collected. The enterprise survey was to be the source, but it was not undertaken, and team analysis did not occur.

2.31 Outcomes in the tourism results area were to be measured by the number of licenses, permits, fees, and taxes in the tourism sector. The baseline was 59 in 2014, with a target of 35 in 2017. However, by 2017, only 1 of the 59 items had been abolished. The second area was direct employment in the sector, with a baseline in 2014 of 400,000 jobs and a target of at least a 10 percent increase by 2017. The ICR states that this target was surpassed, although the World Travel and Tourism Council Report, which was to have been the source of the data, has not been updated (World Bank 2016a). The estimate of

the target value was based on annual growth in the sector being more than 9 percent during 2014–17, but the credibility of the estimate cannot be verified.[10]

2.32 Interviews with private sector stakeholders indicated that the government did not view the tourism sector in a favorable light because "it is dominated by foreigners." The result of the large number of regulations, taxes, and levies is that Tanzanian tourism is costly, and risks being made uncompetitive, and there was no reduction in the number of licenses, levies, and fees in the tourism sector. The results indicator was not achieved.

Summary of Results for Development Policy Operation 1

2.33 Less than one-third of the targets were met, while data on one-quarter of the indicators were not collected. Reasons for the failure to collect data varied, but a major factor was the termination of the BRN initiative by the new government. The termination of the BRN initiative and the hostile attitude of the incoming government toward a private sector development–oriented growth model was a major factor in the failure of the first of the series to achieve many of its objectives, and in the cancellation of DPO2 and DPO3. The series was to be implemented over a three-year period, but it was discontinued after only a year and a half.

Triggers for Development Policy Operation 2

2.34 The 13 triggers for the second operation were ambitious and, like DPO1, covered a broad range of sectors. The ICR states that six triggers were met before the end of 2017 (World Bank 2017a). These were as follows:

- The National Electronic Single Window system in the Dar es Salaam port was implemented through the establishment of a steering committee and the adoption of regulations to effectuate its use.
- The government increased the VAT threshold and improved the efficiency of the VAT refund system.
- Regulations for the Non-Citizen Employment Regulations Act were implemented.

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[10] By 2021 estimates for 2018 put employment in the sector at over 500,000, although this information is based on a ratio of one employee to every three tourists.

- Measures were taken to expedite the issuance of capital gains tax clearance certificates associated with land transfers.
- The regulatory framework for mobile financial services was strengthened.
- Measures were adopted and implemented to rationalize agricultural taxes, which are also known as "cess."

2.35 Although establishing the National Electronic Single Window in the Dar es Salaam port was expected to increase port efficiency, private sector importers interviewed by the Independent Evaluation Group team continue to bring their goods through Kenyan harbors because imports into the Dar es Salaam port continue to face 100 percent inspections.

2.36 Although the government increased the VAT threshold and improved the refund system, there is no evidence that VAT refunds are being issued any faster. On the contrary, interviews indicated that VAT refunds remain a major problem for the Tanzanian private sector. Although regulations for the Non-Citizen Employment Regulations Act were implemented, obtaining work permits for non-citizens remains extremely difficult. Measures were taken to expedite tax certificates for land transfers, but there was no improvement in the cost or time to transfer land. The regulatory framework for mobile financial services was strengthened, but its impact is unclear. However, the measures taken to rationalize agricultural taxes appear to have had a positive impact.

2.37 The ICR indicates that of the 13 indicative triggers under the second development policy operation, 6 were substantively met before the end of 2017. It states that this "indicates that development policy operation 1 created a significant reform momentum in the area of investment climate" (World Bank 2018a, 5). However, this claim is not supported by the outcomes of the PDOs for DPO1 nor by interviews that occurred as part of this evaluation with World Bank staff, development partners, and private sector interlocutors regarding private sector–oriented reforms. The prior actions and triggers that were achieved did not necessarily move the series toward accomplishing its objectives, as both the ICR and the ICRR concluded.

Implementation and Monitoring

What Worked and Why

2.38 **Analysis.** As evidenced in the program document, a substantial amount of analytical work on barriers to private sector development was undertaken in Tanzania in the years before the BEFJ series and helped form the structure of the series. This work

had also been the basis for earlier private sector–oriented reforms that were part of the PRSC series. Additionally, many of the conclusions of the analysis fed into the private sector component of the BRN initiative.

2.39 The BEFJ series is estimated to have created jobs in the tourism sector. Anecdotally, the agricultural sector received a "huge boost" because of the easing of regulations and the tax burden. The extent to which this was in fact the case could not be verified, although the contribution of the sector to GDP rose from 25.8 percent in 2014 to 28.8 percent in 2017.

What Did Not Work and Why

Miscalculation of Risks to the Series

2.40 In the design of the series, vested interests in both the private and public sectors were seen as the primary risk to successful achievement of the PDOs. The program document indicated that this risk would be "reduced by the implementation of the reforms supported by the DPO series" (World Bank 2015, 41). The view expressed in the program document was that "this risk might be exacerbated in light of the upcoming elections but is mitigated by the commitment of the vast majority of stakeholders in the country and the sequencing approach selected by the government that aims at building momentum over time" (World Bank. 2015, 41). This optimism was not warranted, not just because of the change in government but also based on the very modest achievements in previous DPOs.

2.41 Sociopolitical risk was underestimated. The primary factor underlying the inadequate outcome of the series was that the design of the operation did not consider the sociopolitical context surrounding the elections held at the same time as the project was approved. The review process was based on the belief that Tanzania's relative stability and the policy continuity that had characterized previous elections would persist. Delaying the finalization of the DPO and the associated reforms until a new government was in office would have ensured buy-in for whatever reforms were included in the DPO. In addition, the underperformance of previous DPOs was not sufficiently considered.

2.42 There was a lack of popular support for the series. A further factor was that despite the rapid growth of the Tanzanian economy over the previous two decades, the rural population, which accounted for 65 percent of the total population in 2020, had seen few benefits and income distribution remained significantly unequal. As a result, there was little support among a substantial portion of the electorate for private sector–oriented reforms. This issue was not considered when designing the DPOs.

2.43 Reform fatigue had set in. Numerous interviews pointed to the fact that the long series of DPOs had resulted in reform fatigue that resulted in little enthusiasm for many of the measures in the DPO. This was not a new development. The Country Assistance Strategy Interim Review noted "progress in some key reform areas has been very slow, such as improving the business environment" (World Bank 2010, 4) and identified many of the issues that the BEFJ sought to improve.

Was a Development Policy Operation the Appropriate Modality?

2.44 There was no discussion of whether providing budget support through a DPO series was warranted, particularly considering earlier lukewarm commitment on the part of the government to private sector–oriented reforms. This undermines the contention that there was solid support for the reform agenda and raises questions regarding the appropriateness of the DPO modality to achieve a substantial set of private sector–oriented reforms. However, interviews with World Bank staff indicated that they were pressured by senior management to disburse loans and that DPOs were a quick way of doing so.

Burden on the Capacity of Tanzanian Counterparts

2.45 The series design was complex, requiring coordination among several ministries. The Ministry of Finance and Planning was the coordinating ministry. There was no identification as an ex ante risk in the program document of the complexity of coordination and the ability of the Ministry of Finance and Planning to liaise and direct the series across the relevant ministries.

2.46 The collection of data for the indicators required substantial World Bank staff and counterpart cooperation and effort. Even under circumstances of full cooperation on the part of the government, implementation would have posed a challenge, given the government's existing capacity. The original three-operation BEFJ series was one of four PDO series, one of which was canceled before it was approved. The attempt to simultaneously implement four series also put a substantial burden on the capacity of Tanzanian counterparts.

3. Lessons

3.1 This assessment offers the following lessons:

3.2 **Informed risks:** Although risk taking is a feature of PDOs that incorporate difficult reforms, these risks need to be informed. In Tanzania, the associated risks of the BEFJ DPOs were not clearly acknowledged or were downplayed. Future initiatives should include a more thorough and substantial discussion of ex ante risks and

mitigating measures, and a more in-depth appreciation of the political economy that might arise from ongoing consultations with politicians to build strong ownership for Bank Group–supported reforms. The outcome of the program suggests that preparing DPO series with complicated reforms in the shadow of an upcoming election is ill-advised. Delaying such programs until a new government has taken office would ensure buy-in and ownership of the reforms that were included in the DPO.

3.3 **Lessons from past experience:** The BEFJ was a continuation of a long series of DPOs that provided budget support to Tanzania and contained business environment–related reforms. The achievements from the previous DPOs were disappointing. This series could have been better informed by a more in-depth and systematic review of experience with past DPOs and the lessons learned from them.

3.4 **Complexity and coordination:** In Tanzania, complex operations that span several ministries may strain the capacity of government counterparts. More focused operations that require less coordination could well be more effective.

3.5 **Limitations to *Doing Business* indicators:** More in-depth reform in certain areas will have a more significant impact in Tanzania. Using the *Doing Business* indicators to identify reforms resulted in some of the most important priorities being overlooked, as evidenced by the introduction of an electronic registry without accompanying changes in the legal and regulatory framework. Much more focused and in-depth analysis on which to base private sector–oriented reforms could have been obtained through private sector assessments or investment climate analysis.

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Appendix A. Ratings

First Business Environment and Competitiveness for Jobs Development Policy Operation

Table A.1. ICR, ICR Review and PPAR Ratings

Indicator	ICR	ICR Review	PPAR
Outcome	Moderately unsatisfactory	Moderately unsatisfactory	Moderately unsatisfactory
Bank performance	Moderately unsatisfactory	Moderately unsatisfactory	Moderately unsatisfactory

Source: World Bank 2018a, 2018c.
Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. ICRR = Implementation Completion and Results Report Review; PPAR = Project Performance Assessment Report.

1. Relevance of the Objectives and Design

As discussed in the Design and Preparation section in chapter 1, the project development objectives (PDOs) were unpacked as

- Reforming the regulatory framework to make it more business friendly; and
- Improving the functioning of factor markets (capital markets, land, and labor).

Relevance of Objectives

The causal chain underlying the series was that the potential for job creation would be enhanced by reducing the cost of doing business and by creating an enabling environment for selected labor-intensive industries (see the Design and Preparation section in chapter 1). It reflected the private sector objective of the Big Results Now (BRN) strategy (see box 1.1), the Country Assistance Strategy for fiscal years (FY) 2012–15, and the priorities of the 2014 Country Economic Memorandum (World Bank 2010, 2014).

Relevance of Prior Actions and Results Indicators

Progress in achieving PDO outcomes was measured by 23 results indicators, an unusually large number (table A.1). These indicators are discussed in the Design and Preparation section in chapter 1. In cases where there were no prior actions related to the pillars, as shown in table 2.1, several of them were to be achieved by the fulfillment of triggers under the discontinued second development policy operation (DPO2).

Overall, as table A.1 indicates, five prior actions are rated moderately unsatisfactory, one prior action is rated satisfactory, and three prior actions are rated moderately satisfactory, for an overall rating of the prior actions as moderately unsatisfactory.

Table A.2. Results Indicators and Prior Actions

Results Indicators	Associated Prior Action	Baseline/Target	Actual	Relevance of Prior Actions
Pillar 1: Making the regulatory environment more business friendly (PDO1)				
RI1: Number of days to start a business	PA1	Baseline (2014): 26 Target (2018): 10	(2018): 28	The first phase of a one-stop shop was launched to integrate tax and business registration. Online registration was completed even though it was a trigger for DPO2. However, the prior actions did not consider issues with the Companies Act, which had numerous deficiencies. Rating: MU.
RI2: Number of procedures	PA1	Baseline (2014): 9 Target (2018): 10	(2017): 11	
RI3: Percentage registered online	PA1	Baseline (2015): 0 Target (2018): 30	(2018): 100	
RI4: Number of business licenses	PA2	Baseline (2014): +/− 600 Target (2018): +/− 600	+/− 800	The establishment of a regulatory licensing reform committee was an input. A trigger for DPO2 was that a licensing portal would be established. However, there was no requirement that the number of licenses would be reduced. Rating: MU
RI5: Percentage of cargo inspected	PA3	Baseline (2014): 100 Target (2018): 80	93	This prior action involved repealing a directive that required 100 percent cargo inspections in the port of Dar es Salaam and the implementation of a risk-based inspection system. A trigger for DPO2, which was completed, was that a National Electronic Single Window would be established. The repeal of the requirement did not ensure that 100 percent inspections would not continue, as evidenced by many Tanzanian importers using Mombasa in Kenya to clear their goods. Rating: MU
RI6: Number of Agencies using the single window in Dar es Salaam Port	PA3	Baseline (2014): 0 Target (2018): 15	2	
RI7: VAT claims settled within a month (percentage)	PA4	Baseline (2014): 74 Target (2018): 90	0	The Tax Revenue Authority increased the budget allocation for VAT refunds to reduce the backlog of VAT claims. Although the budget allocation was increased, there was no requirement that VAT refunds would be processed any quicker (and they were not). Rating: MU
RI8: Tax expenditures (foregone revenue, percentage of GDP)	No PA	Baseline (2014): 3.13 Target (2018): <1.0	<0.9	There was no prior action associated with this results indicator
Pillar 2: Improving the functioning of factor markets (PDO2)				
RI9: Number of labor laws governing employment	PA5	Baseline (2016): 8 Target (2018): 2	(2018): 2	The government would submit to Parliament a bill to amend the Employment and Labor Relations Act and a bill governing the employment

Results Indicators	Associated Prior Action	Baseline/Target	Actual	Relevance of Prior Actions
				of non-citizens. A trigger for DPO2 was that the legislation would be enacted and implementing regulations adopted. Rating: MS
R10: Percentage of SDL revenue used for training	No PA	Baseline (2014): 40 Target (2018): 100	(2018): n.a.	There was no prior action associated with this results indicator
RI11: Percentage of property value to register a property	PA6	Baseline (2014): 4.5 Target (2018): 2	(2018): 5.2	The Ministry of Lands, Housing, and Human Settlements Development established a desk at its Dar es Salaam Zonal Land Office to notarize the transfer of properties. It is unclear how this would reduce the percentage cost of the property value in property registration, although it could reduce the time to register a property for transactions in Dar es Salaam. Rating: MU
RI12: Time to register a property (days)	PA6	Baseline (2014): 6 Target (2018): 40	67	
RI13: Percentage of households with financial transactions account	No PA	Baseline (2014): 57.4 Target (2018): 80	n.a.	There was no prior action associated with this results indicator
RI14: Quality of the legal regulatory framework for payment systems	PA7	Baseline (2014): Low/medium Low Target (2018): Medium high/high	High	A National Payments System would be created through the unification of the legal framework for payments. This PA moved the financial system toward stability, which would provide a better foundation for improving access to finance. Rating: S
RI15: Percentage of firms with a bank loan or line of credit	No PA	Baseline (2014): 16.6 Target (2018): 19	n.a.	There was no prior action associated with this results indicator
RI16: Coverage of credit bureaus (percentage)	No PA	Baseline (2014): 0.66 Target (2018): 6	6.5	There was no prior action associated with this results indicator
RI17: Proportion of LGA roads in fair or good condition (percentage)	PA8	Baseline (2014): 60 Target: (2018): 70	n.a.	The government improved transparency in its resource allocation for implementing rural transport policy by creating a new budget line specifically for rural road development. This provided clarity regarding the amount spent on rural road development, thereby increasing transparency. Rating: MS
Pillar 3: Establishing an enabling environment for competitive job-creating industries (PDO)				
RI18: Reduction in tax burden on agribusinesses (percentage)	No PA	Baseline (2014): 0 Target (2018): 20	>20	There was no prior action associated with this results indicator

Results Indicators	Associated Prior Action	Baseline/Target	Actual	Relevance of Prior Actions
RI19: Number of phytosanitary tests by accredited independent labs	No PA	Baseline (2014): 0 Target (2018): 4	n.a.	There was no prior action associated with this results indicator
RI20: Percentage of firms in the food sector with quality certification	No PA	Baseline (2014): 20.5 Target (2018): 30	n.a.	There was no prior action associated with this results indicator
RI21: Percentage of food firms identifying licensing and permits as a major constraint	No PA	Baseline (2014): 36.4 Target (2018): 20	n.a.	There was no prior action associated with this results indicator
RI22: Number of licenses, permits, taxes, and fees in the tourism sector	PA9	Baseline (2014): 59 Target (2018): 35	58	The Ministry of Natural Resources and Tourism published on its website a comprehensive list of public charges (licenses, permits, taxes, levies, fees, and excises) applicable to the tourist sector. Although making these charges public is only a first step in abolishing them, making them public did reduce the potential for corruption. A requirement that the charges be publicized extensively through a press release would have strengthened the measure. Rating: MS
RI23: Direct employment in the tourism sector	No PA	Baseline (2014): 400,000 Target (2018): 10% increase	n.a.	There was no prior action associated with this results indicator

Source: Independent Evaluation Group.
Note: DPO = development policy operation; GDP = gross domestic product; LGA = Local Government Roads; MS = moderately satisfactory; MU = moderately unsatisfactory; n.a. = not applicable; PA = prior action; PDO = project development objective; RI = results indicator; S = satisfactory; SDL = Skills Development Levy; VAT = value-added tax

2. Efficacy

The ratings for efficacy are derived from the achievements of the targets for the results indicators, taking into account their relevance. Two of the three pillars had ratings of **moderately unsatisfactory** and one of **unsatisfactory**, primarily because of lack of data on targets.[1] The overall rating for efficacy is **moderately unsatisfactory** (table A.3).

Table A.3. Results Indicators, Pillars, and Efficacy

Results Indicator	Relevance Rating	Achievement	Pillar Efficacy Rating
Pillar 1: Making the regulatory environment more business friendly			
RI1	S	Not achieved Rating: Negligible	Moderately unsatisfactory
RI2	S	Not achieved Rating: Negligible	
RI3	S	Achieved Rating: High	
RI4	S	Not achieved Rating: Negligible	
RI5	MS	Not achieved Rating: Modest	
RI6	MS	Not achieved Rating: Modest	
RI7	S	Not achieved Rating: Negligible	
RI8	U	Achieved Rating: High	
Pillar 2: Improving the functioning of factor markets			
RI9	MU	Achieved Rating: High	Unsatisfactory
RI10	MU	n.a. Rating: Negligible	
RI11	MU	Not achieved Rating: Negligible	
RI12	MU	Not achieved Rating: Negligible	
RI13	MU	n.a. Rating: Negligible	
RI14	S	Achieved	

[1] Under the approach agreed with Operations Policy and Country Services, a results indicator that cannot be verified and for which alternative sources of credible data are not available is counted as "not achieved."

Results Indicator	Relevance Rating	Achievement	Pillar Efficacy Rating
		Rating: High	
RI15	MU	n.a. Rating: Negligible	
RI16	MU	Achieved Rating: High	
RI17	MU	N/A Rating: Negligible	
Pillar 3: Establishing an enabling environment for competitive job-creating industries			
RI18	S	Achieved Rating: High	Moderately unsatisfactory
RI19	MU	n.a. Rating: Negligible	
RI20	MU	n.a. Rating: Negligible	
RI21	MU	n.a. Rating: Negligible	
RI22	MU	Not achieved Rating: Negligible	
RI23	U	Achieved Rating: High	

Source: Independent Evaluation Group Staff
Note: MS = moderately satisfactory; MU = moderately unsatisfactory; n.a. = not applicable; RI = results indicator; S = satisfactory; U = unsatisfactory.

3. Outcome

The outcome rating is derived from the relevance of prior actions (rated **moderately unsatisfactory**) and efficacy (rated **moderately unsatisfactory**) and is rated as **moderately unsatisfactory**. There were significant design flaws. Many of the prior actions did not relate to the results indicators. In addition, not all prior actions addressed the main binding constraints to achievement of the objectives.

4. Bank Performance

Design and Preparation

The design of the first operation reflected several of the most pressing priorities identified by the analytical work, but some key constraints were left unaddressed. Although *Doing Business* is an important source of information, it does not, on its own, provide sufficient justification or information to identify necessary reforms. A complementary input into the prioritization of reforms for World Bank Group support was the enterprise survey, which measures the relative importance of the constraints

facing the business community, as seen by the business community. These were not considered fully.

Many of the prior actions for the first development policy operation (DPO1) were aligned with the BRN program, which was appropriate. However, they were input focused and did not meaningfully move reforms along the results chain toward the achievement of the PDOs. Establishing committees (prior action 2) is entirely an input with no clarity on how it would make progress toward the PDO. Repealing directives (prior action 3), increasing budget allocations for value-added tax refunds (prior action 4), and setting up a desk for the notarization of contract forms (prior action 6) may be necessary conditions, but they were ineffective without simultaneous complementary actions, which to some extent demonstrated a lack of full recognition of the nature of the problem they were intended to address. The first operation did not address the most pressing priority for micro, small, and medium enterprises according to the enterprises themselves, namely, access to finance.

The World Bank identified the main risk with the program as vested interests in Tanzania in both the public and the private sectors. It indicated that "this risk might be exacerbated in the light of the upcoming elections but is mitigated by the commitment of the vast majority of stakeholders in the country and the sequencing approach selected by the government that aims to build momentum over time" (World Bank 2015, 41). It further states that "A key mitigation measure is the high-level government leadership commitment and the focus on the BRN that has defined clear objectives and designed effective monitoring and accountability mechanisms over time" (World Bank 2015, 42). Both of these assumptions turned out to be incorrect. Interviews with Bank Group staff revealed that internal discussions did not consider the possibility of a change in government and its implications for the series.

Implementation

Implementation was severely affected by the dismantlement of the BRN initiative. Further difficulties arose because relations among the government and development partners deteriorated. The closing of the BRN program in 2016 removed a cornerstone of the DPO series. As the Implementation Completion and Results Report pointed out "the new administration, while not denouncing the overall spirit and objectives of the BRN Initiative, de facto discontinued many of its elements, which undermined implementation capacity and severely weakened the monitoring and evaluation (M&E) arrangements, envisioned under the DPO series" (World Bank 2018, 7). Furthermore, the turnover of government staff after the change in government removed counterparts of the series with whom the Bank Group was to have worked. Although it is unlikely that the series, as conceived, would have succeeded given the change in the position of the

government, it is still important to recognize deficiencies in its initial design. However, the cancellation of DPO2 and DPO3 in this series was the appropriate response to the change in the government's priorities.

Because of the failure of the Bank Group to anticipate the risks of the change in government with respect to the commitment to the DPO series, the weaknesses in the design of the program, and inadequate implementation, Bank performance is rated **moderately unsatisfactory**.

References

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World Bank. 2018a. "Tanzania—First Business Environment and Competitiveness for Jobs DPO." Implementation Completion and Results Report ICR00004373, World Bank, Washington, DC.

Appendix B. Environmental, and Social Aspects

Fiduciary Risks

Financial management was satisfactory, and there were only moderate fiduciary risks related to the program, which was audited regularly by the controller and auditor general.

Environmental and Social Safeguards

There were no measured poverty or gender impacts because of the development policy operation program (World Bank 2018a).

According to the program document, Tanzania had in place adequate environmental controls providing support to line-ministries in incorporating environmental guidelines. The program document stated that the specific policies supported by this operation were not expected to have negative effects on Tanzania's environment.

Reference

World Bank. 2018a. "Tanzania—First Business Environment and Competitiveness for Jobs DPO." Implementation Completion and Results Report ICR00004373, World Bank, Washington, DC.

Appendix C. Methods and Evidence

This report is a Project Performance Assessment Report (PPAR). This instrument and its methodology are described at https://ieg.worldbankgroup.org/methodology/PPAR. The methods and evidence used in this report were as follows:

- The PPAR team interviewed key World Bank personnel in Washington, DC, Tanzania, and elsewhere. The interviews were undertaken remotely because of the restrictions due to the coronavirus (COVID-19) pandemic.
- The PPAR team interviewed stakeholders in the private sector including business association representatives. These included judges, representatives of the Ministry of Justice and the State Attorney's Office, and members of the Bar Association.
- The PPAR team interviewed government representatives and would like to thank them for their courtesy, knowledge, and willingness to meet with the team.
- The PPAR team undertook an extensive review of World Bank documents that are listed in the bibliography.

The evaluation questions are listed in box 2.1 in the main text.

Appendix D. Prior Actions and Indicative Triggers

Table D.1. Overview of Business Environment and Competitiveness for Jobs Development Policy Operation Series

Component	Key Objective	Prior Actions for DPO1	Triggers for DPO2	Triggers for DPO3
Pillar 1: Making the regulatory framework more business friendly				
Making the business regulatory and trade facilitation institutions more efficient and transparent.	1. Simplify the process for starting a business and eliminate unnecessary, duplicative, and overlapping licenses and permits.	The government launches the first phase of the one-stop shop program by integrating tax and business registration within the Business Registration and Licensing Agency office.	The government launches a fully integrated IT platform to support the streamlined process of starting a business and eliminates the certificate of compliance requirement.	The government launches an online business registration system.
		The Ministry of Industry and Trade establishes a Regulatory Licensing Reform Committee with the responsibility to streamline the legal framework (laws, regulations, licenses, permits, and certifications) and the regulatory bodies concerning business licenses.	The government establishes an information and licensing portal where a comprehensive inventory of business licenses is published, and the 10 most frequent licenses are delivered online.	The government eliminates unnecessary business licenses and permits and simplifies burdensome ones, thereby reducing the overall number of licenses and the associated compliance costs to businesses by at least 25%.
	2. Increase the efficiency of trade facilitation institutions and infrastructure to improve the competitiveness of Tanzanian industries.	The Ministry of Finance and Planning repeals the Directive requiring 100% cargo inspection at the port of Dar es Salaam, allowing TRA to implement the risk-based inspection system according to its capacity-building action plan, targeting initially 80% of all import cargo.	The Ministry of Finance and Planning reviews the results of the risk-based inspection system implementation and undertakes actions to strengthen it, thereby further reducing physical cargo inspections toward international best practice levels.	n.a.
			The government implements the National Electronic Single Window system in the port of Dar es Salaam by (i) establishing a high-level steering committee (comprising CEOs from key trade facilitation agencies); and (ii) adopting necessary regulations and/or laws.	The government establishes an efficient National Electronic Single Window that will serve as the only portal for submitting and processing all cargo import and export transactions.

Component	Key Objective	Prior Actions for DPO1	Triggers for DPO2	Triggers for DPO3
Simplifying tax procedures; rationalizing and improving quality of tax incentives.	3. Increase the efficiency of tax administration and rationalize tax incentives.	The TRA increases the budget allocation for VAT refunds in FY14–15 budget and reduces the amount of outstanding claims for VAT refunds.	The government (i) increases the VAT threshold with introduction of an opt-in clause for voluntary registration applicants and adopts risk-based compliance management system; and (ii) improves efficiency of the VAT refund system by introducing a VAT offset mechanism.	n.a.
		n.a.	n.a.	The government rationalizes tax incentives to remove most costly incentive measures, consolidates all tax exemptions in the tax laws, and repeals incentives that harm or contravene the EAC common market agreements. Further, the government harmonizes EZ incentives to the approved EAC Incentives Policy.
Pillar 2: Improving the functioning of factor markets				
Modernizing labor laws and enhancing skills development.	4. Modernize labor regulations for both citizens and non-citizens and improve regulatory framework and financing for skills development and business process innovation.	The government submits to the Parliament: (i) a bill to amend the Employment and Labor Relations Act; and (ii) a bill to enact the Non-Citizen Employment Regulation Act.	The government adopts implementing regulations for the Non-Citizen Employment Regulation Act to reduce potential burden for employers and employees.	n.a.
		n.a.	The government develops and adopts a comprehensive strategic framework for effective skills development to enhance industrial and labor productivity, including sustainable financing mechanisms, for promoting in-service training, private sector participation in vocational training, and business process innovation.	The government submits to the Parliament for its approval a bill to amend the Vocational Education and Training Act to reduce the SDL rate from 5% and expand access to the collected SDL revenue by employers and the Vocational Education and Training Authority.

Component	Key Objective	Prior Actions for DPO1	Triggers for DPO2	Triggers for DPO3
Strengthening land administration and simplifying property registration procedures.	5. Simplify land administration procedures.	The Ministry of Lands, Housing, and Human Settlements Development sets up a desk at its Dar es Salaam Zonal Land Office to offer notarization for the transfer of properties using standardized contract forms and announces it through the media.	The government takes a set of measures to expedite the issuance by TRA of the capital gains tax clearance certificate required for obtaining land title.	The government further decentralizes land administration services by establishing and operationalizing 30 regional land offices, starting from the current eight zonal offices, each fully equipped to provide all land administration services including the issuance of land titles.
Improving access to finance.	6. Improve regulation of mobile financial services, reduce risk aversion of lenders through improved credit information, and expand availability of collateral.	The government creates a unified legal framework for payment systems by submitting to the Parliament a bill to enact the National Payments Systems Act.	The government completes the regulatory framework for mobile financial services by issuing Electronic Money Regulations inclusive of requirements on effective disclosure in agent operations and dispute resolution mechanisms.	n.a.
		n.a.	The government facilitates access to finance to MSMEs by expanding sources of available collateral through the submission to the Parliament of a Secured Transactions Act based on the approved concept paper on secured transactions.	The government establishes a centralized electronic registry for movable collateral. The government submits to the Parliament a bill to enact the Microfinance Act, which will provide a legal, regulatory, and supervisory framework for microfinance operations, including credit information sharing requirements.
Pillar 3: Establishing an enabling environment for competitive job-creating industries				
Building competitiveness of agribusiness industries.	7. Improve access to customer and supplier markets for agribusinesses through stronger LGA road program.	The government improves transparency in its resource allocation for implementing rural transport policy by creating a new budget line specifically for rural road development.	The government improves transparency and effectiveness in implementing its rural transport policy through the application of (i) the recently adopted Public Investment Management Operational Manual (PIM-OM) to the district level to design, select and implement public investment projects for rural roads, and (ii) the new rural road management manual to be issued.	The government develops a successor program of LGTP-II for development and maintenance of LGA roads.

Component	Key Objective	Prior Actions for DPO1	Triggers for DPO2	Triggers for DPO3
	8. Remove business unfriendly taxes and export permits for agribusiness.	n.a.	The government adopts and implements an action plan to rationalize agricultural cess and institutionalizes a monitoring mechanism for implementation of reforms on agricultural cess and other taxes and levies on agribusiness by district.	(i) The government publishes the monitored results of agricultural cess and other taxes and levies on agribusiness by district and streamlines the overall tax burden on agribusiness. (ii) The government abolishes export permits required for food exports.
	9. Strengthen the standards regime consistent with EAC and international good practice to facilitate agribusiness exports and imports.	n.a.	The government eliminates the existing regulatory overlaps between the Tanzania Food and Drugs Authority (TFDA) and the Tanzania Bureau of Standards (TBS) by adopting a Food Safety Policy in line with EAC Harmonized Food Safety Measures.	The government amends and simplifies relevant Acts and Regulations to (i) ensure the use of national standards in technical regulations and SPS measures, (ii) liberalize the conformity assessment regime for testing and certification of food products, and (iii) eliminate overlaps in regulatory agency activities. The government implements risk-based inspections for food safety.
Building competitiveness of tourism industry.	10. Streamline the uncertain tourism business environment.	The Ministry of Natural Resources and Toursim publishes on its website a comprehensive list of public charges (licenses, permits, taxes, levies, fees, and excises) applicable to the tourism sector.	The government streamlines the licenses, permits, taxes, levies, and fees charged to the tourism sector.	Integration of sector policy and planning with business environment reform through government approval of a comprehensive National Tourism Act with Cabinet approval of a 10-year National Tourism Development Plan (in two 5-year phases; inclusive of strategy and action plans).

Source: World Bank 2018a.
Note: BRELA = Business Registration and Licensing Agency; DPO = development policy operation; EAC = East Africa Community; EZ = Economic Zone; IT = information technology; LGA = Local Government Authority; LGTP-II =; MSMEs = micro, small, and medium enterprises; n.a. = not applicable; SDL = Skills Development Levy; TBS = Tanzania Bureau of Standards; TFDA = Tanzania Food and Drugs Authority; TRA = Tanzania Revenue Authority; VAT = value-added tax.

Appendix E. Borrower Comments

THE UNITED REPUBLIC OF TANZANIA

MINISTRY OF FINANCE AND PLANNING

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ln reply please quote:
Ref. No. CDB.27/282/01

Jeffrey Chelsky,
Manager, Country Programs and Economic
Management Unit,

2nd **March 2021**

RE: TANZANIA - THE FIRST BUSINESS ENVIRONMENT FOR JOBS DEVELOPMENT POLICY OPERATION (IDA-57100)

Sub: Comments on the Revised Project Performance Assessment Report

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Reference is made to your letter dated 16th February 2022 which submitted the revised draft Project Performance Assessment Report (PPAR) of the above captioned Operation.

2. We wish to express our appreciation to the IEG team for its willingness to incorporate feedback from the Government regarding the draft Report. This is witnessed through the deliberations during the consultative meetings held on 20th and 21st January 2022. The meetings were very informative and provided some important and effective insights, with the view of guiding the IEG in the review of the draft Assessment Report.

3. Having reviewed the latest version of the Report, we are pleased to note that some of the Government comments conveyed during the consultative meetings have been incorporated in the documents. Therefore, we wish to submit the following for further consideration and incorporation.

4. Thank you for your continued cooperation.

Sauda K. Msemo
For: PERMANENT SECRETARY

COMMENTS ON THE REVISED PPAR OF THE FIRST BUSINESS ENVIRONMENT FOR JOBS DEVELOPMENT POLICY OPERATION

REFERENCE		COMMENT
Summary Cover		
1.	Page (vi): **Project Background and Description**	For consistency purpose, it is proposed that throughout the document, the reasons for discontinuity of series 2 & 3 of the BEFJ DPO be reflected as it has been narrated in the first para as follows: *" Although it was originally intended as the first of a three-operation series, the second and third operations were cancelled in April 2017 because of major delays in implementation of two critical reform actions and a World Bank decision, in consultation with the new government, to discontinue this series and consolidate* *its several ongoing and planned budget support operations"*
2.	Page (vi): **Para Two**	It is proposed to delete the words "... *confusing, and overlapping ....*" On para 2 which starts with the words " **Agriculture was the largest sector ...".** As it was clarified during the consultative meetings on 20th and 21st January 2022, there have never been confusing regulations pertaining to business environment for private sector in Tanzania. The IEG team through this PPAR has acknowledged that the previous Goverrunent before new Government which took office in 2015 had created friendly environment for private sector businesses, which justifies on the non-confusing regulations. Hence it is proposed rephrase the para to read as, " Agriculture was the largest sector in the economy; in 2018, agriculture and fishing accounted for 28.2 percent of GDP, followed by industry and construction (26.8 percent). Despite several reform initiatives that the government has been undertaking; the private sector still faced a challenging business environment with overlapping regulations that apply to employment, land transactions, business registration and tax procedures. Government ownership in the economy might be higher compared to the private sector ownership".

3.	Page (viii): **What Did Not Work**	It is proposed to provide clarity on the term "electorate" used in the sentence, "..... There was also little support among a substantial portion of the **electorate,** especially outside the cities, for private sector- oriented reforms ...". As this may refer support from **"voter".**
4.	Page (viii) **Implementation and supervision**	It is proposed that, the following phrase, *"Implementation was severely affected by policy of the incoming government on private sector development and the private sector more generally. Further difficulties arose as relations among the government and development partners deteriorated ....."* be deleted since it has no value addition to entire context of the paragraph. Furthermore, the incoming Government aimed at reforming private sector operations in the country, which is evidenced through the Government desire to undertake reforms through the Blue Print for Regulatory Reforms and Action Plan. In addition, the very Government supported conducting of Private Sector Diagnostic study jointly with the World Bank with the aim of identifying challenges and potentials for the private sector to thrive; as well as the observed establishment of various new SME investments during the period.
5.	Page **(ix): Lessons**	For clarity, it is proposed that DPOs referred as a continuation of a long series of DPOs supporting business environment-related reforms that had had disappointing results be stated by names/title.
6.	Page 1, para 1.2: **Background and Context**	It is proposed to replace the word "restore" with the word "adopted" since the word restored reflect an action existed in the past that has revived, something which is not the case here.
Main Text		
7.	Page 2; Para 1.6	It is proposed to delete the phrase **'extensive, confusing'** in the first sentence and it is proposed to cite specific evidence to substantiate the argument regarding poor performance of SOEs.
8.	Page 3, Para 1.8	It is proposed that the words "... reform enthusiasm was weak....." bedeleted because without reform enthusiasm, the DPO would have never happened in the first place.
—	Page 12, Para 2.7	The words "Furthermore, World Bank staff indicated that there was strong pressure from senior management to disburse loans." need to be clarified on the reasons of the strong pressure by WB senior management to make the argument valid.

10.	Page 13, Para 2.9	The phrase "However, following the election of a new president with a negative attitude toward the private sector", is not factual correct and should be deleted because during the referred president, the Blueprint for Business Enabling Environments was adopted in 2018.
11.	**Table 2.1. Results Indicators and Prior Actions**	
	RI 13: Percent of households with financial transactions account	It is proposed that, the results indicator in the Percentage of households with financial transactions account be rephrased to read as "Percentage of adult population that have access to formal financial services" because the number indicated in the report (65.3%) is number of individuals not Households". Furthermore, Percentage of adult population with registered accounts that can transact by 2017 was 76%. **Source: FinScope survey 2017.**
	RI 15: Percent of firms with a bank loan or line of credit	It is proposed to add the words,"...respective enterprise survey was not conducted by the World Bank" after the words "No information ...".
	RI 17: Proportion of LGA roads in fair or good condition	It is worth noting that, from 2017 the LGA roads were commissioned under the Tanzania Rural and Urban Roads Agency (TARURA). As of December 2020, the TARURA road network with tarmac level reached 2,250.69 kilometers, equivalent to only 2.1 per cent, gravel roads 27,809.26 kilometers (25.6 per cent) and rough roads 78,886.25 kilometers (72.4 percent).
	RI 19: Number of phytosanitary tests by accredited independent labs	It is proposed to note that, as of 2018, 2 Laboratories have been accredited (TPHPA Lab and TOSCI Lab). These are state owned laboratories. Currently, there are no private owned laboratories that have been accredited.
	RI 20: Percentage of firms in the food	It is proposed to rephrase the indicator to read as "the percentage of food sector with quality certification" because the certification was issued on the food premises and not firms. Since 2019,

	sector with quality certification	TBS started to register food premises and migrated to electronic services in 2020.
1:12.	Page 16 and Para 2.15	The narration to this should be improved as follows: "A total number of Seven (7) agencies are using the single window system at the Port of Dar es Salaam- TRA, TPA, TMDA, TBS, TASAC, Government Chemist Laboratory Agency, Tanzania Atomic Energy Commission and more than 500 clearing and Forwarding companies"
[3.	Page 16 and Para 2.16	The narration part "..... *Even more problematic is that although the prior action requiring the allocation of funds for VAT refunds was completed in the FY14-15 budget, it accomplished nothing because the refunds were not disbursed."* should be updated to reflect the following: "The Tax Revenue Authority has increased the budget allocation for VAT refunds to reduce the backlog of VAT claims. In order to speed up settlement of VAT Refunds for registered VAT traders, TRA is implementing a project which intends to enhance an Integrated Domestic Revenue Administration System (IDRAS). The system developer team is now working on Automating Debt Management Refund Modules in ITAX and Vales Added Tax (VAT) e-filling module. This development will enable lodging of VAT refunds claims electronically, verification of input tax credit electronically and this will speed refunding process".
[4.		The narration part "..... *there were no prior actions associated with reducing tax expenditures* " should be updated to reflect the following: "The Government has undertaken major policy action including implementation of new VAT Act from July 2015 which removed a significant number of exemptions from the previous VAT Act of 1997".
[5.	Page18; Para 2.24 **Access to finance**	Para 2.22; Narration should reflect that the target was not achieved; because the FinScope data captured number of individuals (65.3%) and not households. Para 2.25; Should also reflect that this data did not capture credit in the rnicrofinance subsector.
r J.6.	Page 18, Para 2.27 and	It is proposed that the words "... *tax burden..."* be replaced with".... levies and fees under Local

	Page 19, Para 2.28	Government Authority....."were they appear.
17.	Page 19, Para 2.29	The words "because of government hostility to private sector-oriented reforms." should be deleted because the word hostility is not gentle in depicting the realties.
18.	Page 19 Para 2.31	It is proposed that, the words "Interviews with private sector stakeholders indicated that the government did not view the tourism sector in a favorable light since "it is dominated by foreigners." be deleted as the grounds for justification of this argument is contrary to the well-known Government efforts and initiatives to the sector.
19.	Page 21, Para 2.38	The words "despite hostility to tourism generally because of its dominance by non-Tanzanian entrepreneurs" should also be deleted (refer comment on Para 2.31).
120.	Page 22, Para 2.43	The argument that "Interviews with World Bank staff indicated, however, that they were pressured by senior management to disburse loans and that DPOs were a quick way of disbursing" is not factual correct because the base for disbursement is upon fulfillment of the preconditions as stipulated in the World Bank's General Conditions for Disbursement, Guideline.
121.	Page 35: **Implementation**	The words "Implementation was severely affected by the incoming government's attitude towards private sector development and the private sector more generally. Further difficulties arose because relations between the government and development partners deteriorated" is not factual correct and should be deleted because during the referred Government regime, the Blueprint for Business Enabling Environments was adopted in 2018.

22.	Page 38: **Appendix C. Methods and Evidence**	Bullet 3: "The PPAR team did not interview government counterparts ..." is misleading for two main reasons: i. Despite moving to Dodoma, Government was open and available as evidenced through the continued engagements of the World Bank country office operations with the Government. This includes negotiation of Credit Arrangements; IMF/WB Spring and Annual meetings; and Project Implementation Missions. ii. On 20th and 21st January 2022, IEG Team and the Government held consultative meetings and have been acknowledged through IEG letter to the Government dated 16th Feb 2022 submitting the revised PPAR report.

THE UNITED REPUBLIC OF TANZANIA

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9th November 2021

RE: THE FIRST BUSINESS ENVIRONMENT FOR JOBS DEVELOPMENT POLICY OPERATION (IDA-57100) - PROJECT PERFORMANCE ASSESSMENT REPORT

Reference is made to your letter dated 28th September 2021 which submitted findings of the above mentioned Project Performance Assessment Report (PPAR) for the Government observations and comments.

2. We would like to inform you that we have thoroughly reviewed the assessment report and noted that the key stakeholders of the Development Policy Operation (DPO) were not consulted throughout the assessment exercise for unjustified reasons mentioned in page 40 of the report. It is hard to contest that the Government and the World Bank have been in constant engagements physically or virtually including the most recent visit to Tanzania by the Bank's Vice President and the 2021 IMF/WB Annual meetings.

3. The Government of the United Republic of Tanzania wishes to express its

concern for a one sided and biased report coupled with the use of unfriendly language that could be avoided. We believe that the report can be improved to reflect various initiatives undertaken to improve business environment and promote private sector investment. In this regard, consultations should be made with key stakeholders including but not limited to: the Ministry of Industry and Trade; Ministry of Lands, Housing and Human Settlements Development; Ministry of Agriculture; Ministry of Natural Resources and Tourism; Tanzania Revenue Authority (TRA); Business Registration and Licensing Agency (BRELA); Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA); and Tanzania Bankers Association (TBA).

4. In view of the foregoing, the World Bank is advised to conduct consultative meetings with the Government and other key stakeholders at earliest convenience prior to finalization and publication the report.

5. I thank you for your continued support and cooperation.

Emmanuel M. Tutuba
PERMANENT SECRETARY

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