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MEMORANDUM OF THE PRESIDENT

OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

COUNTRY ASSISTANCE STRATEGY

OF THE

WORLD BANK GROUP

FOR

THE UNITED REPUBLIC OF TANZANIA

May 6, 1997

Country Department for Tanzania
Macroeconomics II, AFTM2
Africa Region

GOVERNMENT FISCAL YEAR

July 1 - June 30 (FY96 or 1995/96 = July 1, 1995 to June 30, 1996)

CURRENCY EQUIVALENTS

Currency Unit = Tanzanian Shilling (T Sh)
Interbank Market mid-rate US$1.00 = T Sh 605 (February 28, 1997)

ACRONYMS AND ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
APDF	African Project Development Facility
CAS	Country Assistance Strategy
CCM	Chama cha Mapinduzi (The Revolutionary Party)
CEM/PA	Country Economic Memorandum/Poverty Assessment
CG	Consultative Group
COMESA	Common Market for Eastern and Southern Africa
CPPR	Country Portfolio Performance Review
DANIDA	Danish International Development Agency
EDI	Economic Development Institute
ESAF	Enhanced Structural Adjustment Facility
ESW	Economic and Sector Work
FDI	Foreign Direct Investment
HIPC	Highly Indebted Poor Countries
ICR	Implementation Completion Report
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
MIGA	Multilateral Investment Guarantee Agency
NBC	National Bank of Commerce
NGO	Non-Governmental Organization
O&E	Organizational and Efficiency (Review)
O&M	Operations and Maintenance
ODA	Overseas Development Agency (UK)
OED	Operations Evaluation Department
PER	Public Expenditure Review
PFP	Policy Framework Paper
PIP	Portfolio Improvement Plan
PSRC	Parastatal Sector Reform Commission
SAC	Structural Adjustment Credit
SADC	Southern African Development Community
SIDA	Swedish International Development Agency
SPA	Special Program of Assistance
SSA	Sub-Saharan Africa
TRA	Tanzania Revenue Authority
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
UNICEF	United Nations International Children's Emergency Fund
USAID	United States Agency for International Development

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MEMORANDUM OF THE PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE EXECUTIVE DIRECTORS ON A COUNTRY ASSISTANCE STRATEGY OF THE WORLD BANK GROUP FOR THE UNITED REPUBLIC OF TANZANIA

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MEMORANDUM OF THE PRESIDENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE EXECUTIVE DIRECTORS ON A COUNTRY ASSISTANCE STRATEGY OF THE WORLD BANK GROUP FOR THE UNITED REPUBLIC OF TANZANIA

The last Country Assistance Strategy (CAS) for Tanzania was presented to the Board in April 1994. That CAS pointed to the climate of uncertainty, especially the overhang of macro-fiscal instability and limits on capacity, constraining the Bank's assistance to Tanzania. The subsequent CAS Progress Report, which was presented to the Board in May 1996, noted that while the implementation of liberalization policies continued to advance, limited progress was being made in the macro-fiscal and structural reform areas. These issues have remained central to our dialogue with the new government that assumed power in Tanzania in late 1995. This FY98-FY00 assistance strategy builds on the new government's commitment to reforms as indicated by concrete actions taken to improve economic management, raise revenues, contain domestic borrowing and reduce public dissavings. These constituted the basis of a Fund staff-monitored program. The Government has also made progress with liberalization policies and structural reforms. The CAS's poverty focus draws on the findings of the recent Country Economic Memorandum/Poverty Assessment. In addition, the CAS was prepared in a participatory manner: it was discussed at meetings with government officials and other stakeholders, including heads of donor agencies, representatives of NGOs and women's groups. The CAS was also the focus of a three-hour exchange with the Foreign Relations Committee of the Parliament. While the Government had some initial reservations about our proposed outreach activities, it soon realized the usefulness of this approach, encouraged us to proceed, and was pleased with the consensus that the meetings helped to build around growth and poverty reduction objectives. The meetings also reinforced our emphasis on augmenting capacity to implement reforms, and other priorities of our assistance reflected in analytic work and the lending program.

I. BACKGROUND AND RECENT PERFORMANCE

Background

1. The proposed Tanzania program has a complex history. Tanzania-Bank relations have been punctuated by dramatic shifts over the past 20 years. After the Arusha Declaration in 1967 and Tanzania's move to "African socialism", the Bank Group's support for Tanzania expanded rapidly—by the mid-1970s it was the second largest Bank program in Sub-Saharan Africa (SSA). The parallel growth of support from a wide range of other donors made Tanzania increasingly dependent on aid, and, for a time, this obscured the magnitude of the problems accumulating under its program of state-led growth. However, by 1980, the economy was facing a crisis that could not be addressed even with donor support, and it was necessary to break decisively from past economic policies. Although there were a number of attempts at reform over the next five years (with "home grown" programs), these efforts were not significant enough to restart the economy or generate broad donor support. By 1985 the economy was contracting, inflation was high and a large underground economy had materialized.

2. In 1985, after Tanzania underwent its first post-independence change in the head of Government, the Mwinyi Government gave high priority to reaching an agreement with the Bank and the Fund on a more comprehensive program of economic reform. The combination of strong commitment from the new President and a greater willingness to make significant changes in policy

were critical to the emergence of a Bank-Fund supported Economic Recovery Program in 1986. This was reinforced by the Economic and Social Action Program in 1989. The principal objective of these programs was to improve deteriorating living conditions by: (i) raising the production of food, exports, and industrial goods; (ii) restoring efficiency in the mobilization and utilization of domestic resources; (iii) redressing macroeconomic imbalances and cutting the 30 percent inflation rate by half through prudent fiscal and financial policies; and (iv) rehabilitating social services as well as roads and telecommunications to support directly productive sectors. During the period 1985-90, the program focused on liberalizing markets to restore incentives for production. Price controls were virtually eliminated, food marketing was deregulated and restrictions on imports as well as exchange rates were rolled back.

3. During President Mwinyi's second term (1990-95), the combination of weakened commitment to reform and the emergence of broad management problems in the liberalized economy, led to a deterioration in economic performance. Growth slowed to about 4 percent, fiscal imbalances and inflation resurfaced and corruption began to erode the quality of governance. Yet the reform process continued haltingly in a number of sectors, with support from the Bank. In the financial sector, there was a two-pronged effort to: (i) foster a competitive banking system by abolishing state monopoly and interest rate controls; and (ii) restructure the National Bank of Commerce (NBC) and make it profitable. Private banks are now operating, accompanied by efforts to strengthen bank supervision. However, NBC remains weak financially, though downsizing and a tightening of management has helped to eliminate the losses. A parastatal reform program was initiated in 1993 aimed at improving their performance and limiting the subsidy burden. While about 150 of the 380 odd commercial parastatals have been or will shortly be liquidated or privatized, most of the larger units have yet to be divested.

4. Some progress was also recorded on sectoral programs, particularly in the area of road rehabilitation, but the social sector reform program has still to advance beyond pilot testing. Furthermore, the Government's portfolio is still crowded with too many low priority projects. The implementation performance of Bank projects has been affected by inadequate counterpart funding, procurement problems, and deficient contract management. Portfolio quality as measured by "problem projects" has not been entirely satisfactory, and efforts continue to address this problem. Throughout this period, the IMF and the Bank continued to work with the Government on economic reform, but an agreed Bank/IMF program was elusive. In 1995, the discovery of a massive diversion of resources related to tax exemptions granted by the Minister of Finance, prompted donors to suspend balance of payments support; it also led to the deferment of a new Bank-Fund program until a new government was in place.

Recent Political Developments and Governance

5. The election of Benjamin Mkapa as President in November 1995, presented an opportunity for another break with the past. At the very start of his term, President Mkapa took action to establish a "new" government by not reappointing many of the long-standing CCM members from the previous government to his Cabinet. The President then moved quickly to reach agreement with the IMF: his insistence on living within the IMF fiscal program emerged clearly, and the successful implementation of the program led to agreement on an ESAF in November 1996. The mid-term review of the first annual arrangements under the ESAF in March/April 1997 shows continuing satisfactory performance: financial benchmarks were observed with comfortable margins; and the fiscal stance during the first half of FY97 was tighter than programmed, due to higher than expected revenue mobilization and lower recurrent expenditures. Similarly, steady

progress continued to be made in observing structural benchmarks for parastatal reforms, including for NBC. The President has expressed his determination to ensure clean government and has shown a willingness to let go of ministers whose performance has been questioned. He has publicly revealed the full extent of his assets and will continue to do so on an annual basis; the Vice President has also disclosed his assets and both top officials have called on others in the Government to do likewise. President Mkapa has endorsed the hard-hitting Warioba Commission Report on corruption, had it published in full and handed it over to the judicial organs for further action. His efforts are being reinforced by Tanzania's free and highly vocal press. The press is a good measure of how far things have opened up in Tanzania. In the early 1990s, there was one government-owned daily; today, there are almost 20, predominantly in the private sector.

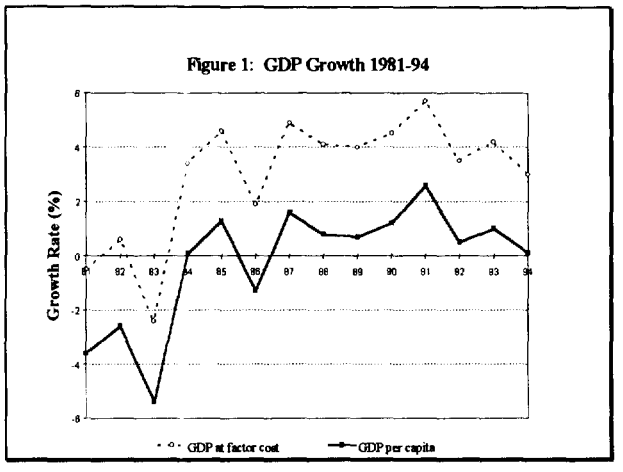
6. Since 1995, the Government of Tanzania has attempted actively to curb corruption and improve governance. The creation of a National Integrity System, with support from EDI and Transparency International is helping to improve the delivery of public services and increase levels of accountability and transparency in the use of public resources. The Government is redressing other weaknesses in organizational capacity through various efforts, especially the establishment of the Tanzania Revenue Authority (TRA) with initial support from the Institutional Development Fund, strengthening of budgetary cash management, the hiring of pre-shipment inspection agencies to improve tariff administration, and a broad effort at civil service reform. The Government has announced its intentions to privatize the telecommunications company as well as reorganize and privatize the NBC. The deregulation of the power sector has attracted about US$50 million in foreign equity to develop the Songo Songo gas and electricity generation project. Overall, the Government's efforts, and the support they have enjoyed from the private sector, have raised the prospects for sustained implementation of reforms that should promote economic advance.

Macroeconomic Performance and Trends in Poverty

7. The adoption of Tanzania's liberalizing Economic Recovery Program in the mid-1980s raised the annual GDP growth rate from an average of 2 percent in the previous decade to over 4 percent during 1986-95. As a result, the decline in per capita income during the late 1970s and early 1980s was reversed, as shown in Figure 1. During 1996 GDP growth reached nearly 5 percent. Moreover, since early 1996, the Government has succeeded in arresting slippages in fiscal management. The adoption of a cash budget system, matching expenditures to revenues, and the monitoring of sector spending to enforce adherence to sector budget ceilings and financial rules have helped to restore fiscal discipline. Tax measures and tight expenditure controls: (i) raised revenue from 14.5 to 15.0 percent of GDP during FY95-96 and to a projected 15.8 percent in FY97; (ii) reduced expenditures from 21.4 to 19.9 percent of GDP and these are projected at 18.1 percent in FY97; and (iii) reduced the deficit before grants from 6.9 to 4.9 percent of GDP in FY95-96, and to a projected 2.3 percent of GDP in FY97 As a result, the growth of M2 had slowed to 10 percent by end December 1996, and inflation is down from 28 percent at end FY95 to an annualized rate of 14 percent in the first quarter of 1997 Improvement in key fiscal ratios has been matched by a substantial increase in foreign exchange reserves that reached 16 weeks of imports by end December 1996.

8. Economic growth has raised household expenditures and reduced consumption poverty. The headcount poverty index for the rural areas fell drastically from 65 percent in 1983 to 51 percent in 1991; but recent (1995) data show that the situation is largely unchanged since then. Although reforms contributed to a rapid decline in poverty in the late 1980s, a weakening of this reform effort after 1990 was associated with stagnation in the level of poverty. Moreover, based

on household surveys, income distribution worsened during 1993-95, possibly because of drought and economic mismanagement that resulted in the neglect of social services in some areas, rural marketing and transport infrastructure. This is one of the main factors behind the recent stagnation in poverty. The continuing high rate of population increase is another. The depth of poverty has declined slightly since reform was initiated in the early 1980s; the mean household expenditure for the rural poor was 35.8 percent below the poverty line in 1983, compared to 34.2 percent in 1991. As can be expected, there are regional and local variations in poverty: a composite welfare index based on economic and social indicators (consumption, literacy, nutrition, access to water, under-five mortality, etc.) shows that the poorest regions are mostly in the central part of the country and include Dodoma, Kigoma, Lindi, Mtwara, Rukwa and Ruvuma. Hence, there is scope for using targeted social sector and infrastructure building programs to reduce poverty.



9. While the decline in poverty after 1985 can be traced to an increase in per capita incomes, growth was more efficient in reducing rural poverty than urban poverty; with a given poverty line and no change in income distribution, a one percent increase in per capita income reduced rural poverty by 2 percent, compared to 0.44 percent for urban poverty outside Dar es Salaam. About 92 percent of the poor are rural residents; while 40 percent of urban dwellers outside Dar es Salaam are poor. Generally, the relatively well-off rural areas include those with the most intensive agricultural systems with road networks of better quality, especially (i) the coffee, maize and legume producing areas of the Southern Highlands, and (ii) the coffee, banana and dairy systems of the North. Generally, cash crop producers, the educated and those in areas where transport provides better access to urban markets, tended to gain the most from the economic growth. Nonagricultural income is prominent for those in the top quintile income group. This points to the need for promoting cash crops and off-farm activities more widely and eliminating restraints on the exports of foodgrains such as maize, that affect the earnings of poorer farmers.

10. **Gender and equity**. In contrast to experience in most other countries, female-headed households had higher expenditures than male-headed households in rural and some urban areas of Tanzania. Price decontrol, deregulation and abolition of state monopolies helped the small trading enterprises of the type operated by women. Furthermore, women in Tanzania are better protected by laws and policies than in many other African countries. However, there remain disparities between constitutional provisions and customary laws which relate to gender, religion, and locality. These can affect women's access to assets. About 4 percent of female-headed households in rural areas have no land, compared to 1.8 percent of male-headed households. The enrollment of girls is equal to that of boys at the primary school level but they lag in access to and achievement in post primary education.

11. **Social indicators and population**. Given that the availability of education and other social services are important determinants of household welfare, the stagnation of social indicators

is a serious concern. Infant mortality and life expectancy have changed little over the past decade; primary school enrollment as well as access to safe water have diminished since the early 1980s. In part, this is because the economy was unable to sustain the social infrastructure built up in the 1970s. But the situation was certainly worsened by a weakening of revenue effort and poor expenditure policies. In the case of education, the quality of instruction has suffered because of deteriorating physical facilities, overcrowding, and inadequate nonwage inputs. Until recently, restrictions on private providers limited supply of these services. Nevertheless, Tanzania's social indicators still compare favorably with those of neighboring countries and SSA, except, most notably, in the case of secondary school enrollment (see Table 2).

Table 1: Tanzania: Selected Macroeconomic Indicators (percent)

	FY88-89	FY95	FY96\1
GDP Growth	4.0	3.8	4.5
Sub-Saharan Africa (SSA) Growth	2.7	-	-
SSA High Growth Countries\2	7.9	-	-
Inflation	31.0	34.0	25.7
Revenue /GDP \3	15.2	14.5	15.0
Govt Expenditure /GDP	21.4	21.4	19.9
Fiscal Deficit/GDP\3	6.3	6.9	4.9
Gross Investment/GDP	31.6	26.6	27.7
Gross Domestic Savings/GDP	9.6	13.2	5.4
Current Account Deficit/GDP\3	18.5	20.6	13.1

Notes:
\1 Preliminary estimates.
\2 Botswana, Cape Verde, Lesotho, Mauritius.
\3 Excluding grants.

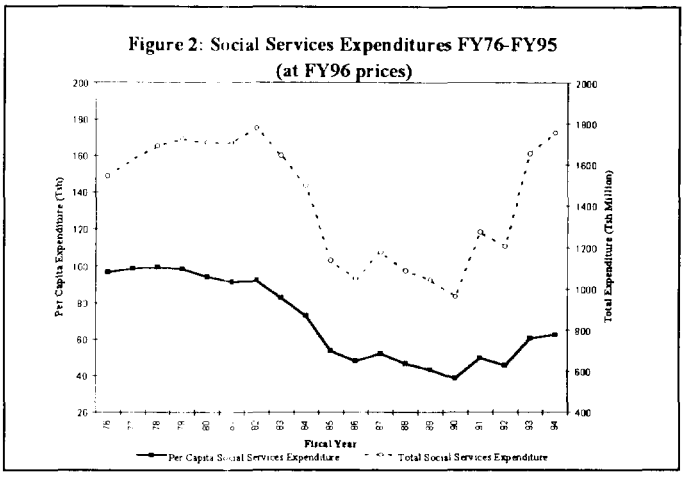
Table 2: Selected Social Indicators, 1991-93 (percent)

	Tanzania	Uganda	SSA
Population growth rate	2.8	2.6	2.9
Per capita income (US$)	140\a	200	450
Adult literacy	68	48	50
Adult female literacy	64	35	38
Life expectancy	52	45	52
Infant morality per 1000	84	114	93
Poverty (rural)	51	75	-
Primary enrollment (gross)	74	71	72
Secondary enrollment	6	13	24
Secondary enrollment (girls)	4	-	14
Access to safe water, urban	65	45	-
Access to safe water, rural	46	12	-

\a Household surveys suggest a figure closer to US$200.

12. Tanzania's population growth rate declined from 3.2 percent per annum in the 1980s to 2.8 percent in the first half of the 1990s, and is expected to fall further in the second half of the 1990s, with the estimated jump in the contraceptive prevalence rate from 10 to 18 percent during 1991-94. IDA's population strategy supports the Ministry of Health in delivering family planning services, which are financed mainly by USAID and UNFPA. In addition, the Bank is investing in girls' education through credits for primary schools and scholarships to girls to attend secondary schools. The Bank is also working with bilateral donors, especially USAID, to combat AIDS. The health sector reform program now being developed also aims to reorient expenditures to manage major killers (malaria, perinatal and maternal death, and AIDS) in a cost-effective way.

13. Considerable efforts have been made to increase financing for the social sectors over the last 2-3 years, and expenditures on education and health are rising (see Figure 2). As this figure clearly demonstrates, the decline in social expenditures began in the late 1970s as the economy was unable to sustain the efforts to provide universal education and health services by the public sector.



However, it is also true that increased expenditures did not begin in parallel with early reform efforts, but only after 1990. The recent removal of constraints on the private sector is increasing secondary school enrollments that are still among the lowest in the world (7 percent). Pilot programs to target financial support for secondary education for girls from poor families and to improve local level management of service delivery are now under way. If they yield desirable results, the Government must move quickly with its efforts to decentralize. In addition, it must begin implementing expenditure reforms that will increase the share of funds devoted to nonwage recurrent costs. Although social indicators for the rural areas are much worse, the scale of migration to towns and cities is placing a heavy burden on services. To prevent rapid deterioration, the social infrastructure in the urban areas will require close attention and increased funding.

Economic Reforms and Sectoral Growth

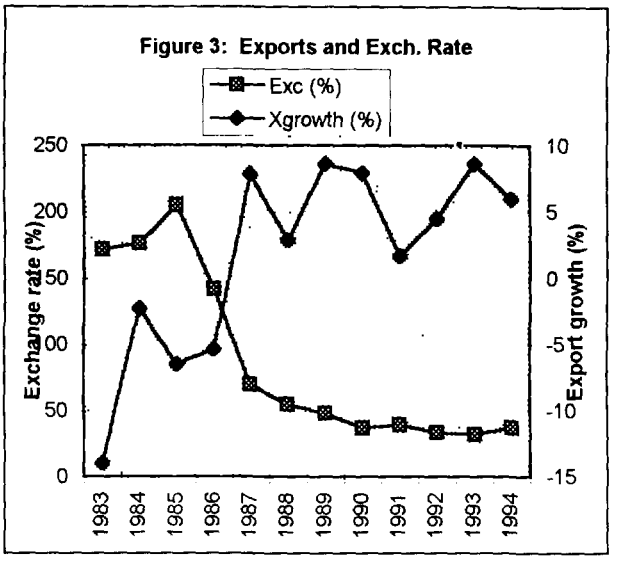
14. **Agriculture**. Agriculture dominates the Tanzanian economy, and small farmer agriculture has been the main source of growth since the mid-1980s. Agricultural growth was more than twice the African average at about 5.9 percent per annum from the mid-1980s to the early 1990s, and a little over 5 percent since 1991 (see Table 3). This accounts for over half the increase in GDP during this period. The main economic reforms and investments, which promoted agriculture include exchange rate adjustment, removal of controls on agricultural markets and prices which strengthened incentives for farmers, and the rehabilitation of roads that increased the access of agricultural producers to urban and external markets. Equally important, increased aid flows relaxed the shortages of inputs, implements and consumer goods for agricultural households. (Figure 3 depicts the decline of real effective exchange rates and growth of exports).

Table 3: Tanzania Growth 1991-95 (percent)

	Share	Growth
Agriculture	48.7	5.1
Construction	7.5	6.2
Manufacturing	7.6	3.5
Mining	3.0	4.8
Tourism	4.0	5.3
Other Services	29.2	3.0
GDP	100.0	4.4

15. The increase in agricultural output came mainly from acreage expansion, as yields for all crops remained generally poor and below the modest levels attained in the 1970s. Less than 20 percent of potentially arable land is actually farmed, though there are local and regional variations. Over the medium term, supply elasticity is likely to be higher as farmers adapt more fully to the change in price regime and begin to benefit from an upgrading of marketing and transport service. Growth will be broadbased, driven by food crops, especially grains and pulses; cash crops, such as cotton and tobacco; dairy production; and expansion of high-valued horticulture. The current

strategy is two-pronged, emphasizing: (i) expansion of acreage supported by a reform of land tenure arrangements, improved access to markets, and a strengthening of the physical infrastructure; and (ii) raising crop yields, by means of farmer-driven research and extension, better access to inputs, and water resource development. An increase in agriculture production and better marketing arrangements should also raise off-farm employment and stimulate rural industry, including processing activities and the production of light manufactures for daily use.



16. **Agro-processing and manufacturing** are in transition from past policies of import-substitution and parastatal domination. Reforms, including those relating to investment deregulation and privatization, have improved the policy environment and arrested industrial decline. Current average growth is about 3 percent, and given the small share of industry in GDP, its contribution to overall growth is very small. Future performance in this sector will depend on: (i) the expansion of light manufacturing through aggressive private entrepreneurship; (ii) better access, especially by small and medium sized firms, to adequate and reliable raw material supplies, credit, electricity, water and telecommunication services; (iii) greater collaboration with foreign firms that could provide technology and external marketing support; (iv) continued macroeconomic stability; and (v) actions that improve transport facilities thereby reducing the costs of domestic shipment and overseas sales.

17. **Tourism's** potential remains underutilized, a heritage of the past state monopoly and related under-investment and poor management. Gross earnings in 1995 were US$90 million, a fraction of those of Kenya. As with manufacturing, the contribution to economic momentum has been meager. However, tourist arrivals have been increasing steadily at 5 percent per annum since 1990; some 250,000 tourists visited Tanzania in 1994. There is significant scope for expansion through a strategy that stresses: (i) foreign tourism during the May-August period; (ii) domestic tourism during the off-peak season for foreigners, and (iii) enclave tourism geared to generating high revenues. Tourist arrivals could rise to over 300,000 by 2000. However, successful expansion will require an effective marketing strategy; appropriate tax policies to promote investments in high-quality hotels; transport, telecommunications and improved services; and environmental management to protect wildlife, forests and wetlands, cultural sites, and marine life.

18. **Mining** accounted for about 8 percent (US$50 million) of official exports in 1995. However, smuggling is widely prevalent and is estimated at about 3-4 times the value of official exports. The abolition of the state monopoly and privatization of parastatals have raised private investments in the sector from an annual average of US$4 million in 1981-90 to US$33 million during 1990-95. Currently 12 companies, including Ashanti Gold, are prospecting for gold; seven companies, including De Beers, are exploring for diamonds; and one company is searching for nickel deposits. There is also potential in iron, coal, magnesite, and semi-precious stones. Significant production in any of these areas is believed to be 3-4 years away. The incentive system

and regulatory arrangements are under review to encourage small artisan operators, and to develop an open marketing system. In addition, work is being done to build capacity to monitor and enforce environmental policies for the sector. Revenues from mining have the potential to make significant contribution to financing of needed social and infrastructure investments in rural areas.

19. **Informal sector**. The urban informal sector accounts for about 15 percent of total GDP; about 51 percent of the value added is in commerce, restaurants, and personal services, which are mainly owner-operated with limited opportunities for further expansion. But informal manufacturing (tailoring, bakery, beverages, pottery, wood products, metal products and jewelry), which accounts for 16 percent of total informal sector value added, could gain from the availability of microfinance, training in business skills, and with basic infrastructure facilities.

External Environment

20. **Balance of payments**. Several significant steps have been taken to liberalize external transactions: a market-determined exchange rate system was instituted in June 1994 in place of the auction then in existence; quantitative import controls were removed, except for a few items concerned with public health and national security; and controls on nontraditional exports have been removed. Tanzania accepted the obligations of the IMF's Article VIII in July 1996. These actions are reflected in the 11.3 percent growth of exports during 1996. Both traditional, as well as nontraditional goods contributed to this increase, with traditional exports such as coffee, cotton and cashewnuts registering large gains in volume. With strong performance of exports and decline in imports relative to FY95, the current account deficit (excluding official grants) fell steadily as a percentage of GDP from 30.5 percent in FY94 to 20.6 percent in FY95 to 13.1 percent in FY96; it is projected to fall further in FY97 to 10.3 percent. This performance is substantially better than originally programmed. The reserve stock was equivalent to 8.5 weeks of imports at the end of FY96 up from 8.1 weeks in the preceding year. The Paris Club creditor countries agreed in January 1997 to provide debt relief to Tanzania on Naples terms, amounting to $1.7 billion of arrears on debt service (principal and interest, including arrears) during FY97-FY99; additional stock relief could be provided at the end of 1999. (See section on debt sustainability paras. 24-28.)

21. The composition of Tanzania's exports remains concentrated with a few cash crops (coffee, cashewnuts and cotton) providing the bulk of earnings. Greater diversification is needed to improve growth prospects and reduce vulnerability to shocks. This calls for policies to encourage sectors such as floriculture, tourism, mining and manufacturing to contribute much more than they have done so far to earning foreign exchange.

22. Tanzania is a member of the Southern African Development Community (SADC) and party to the tariff reductions agreement signed in February 1995 to promote intra-community trade. There are also similar arrangements within the Common Market for Eastern and Southern Africa (COMESA). Tanzania has led the effort to revive the East African Cooperation and is a party to the Cross Border Initiative to promote closer trade ties with Uganda and Kenya. Improved competitiveness would help Tanzania to benefit from expanded regional trade, and an upgrading of its transport infrastructure would increase demand for transport services from the surrounding landlocked countries.

23. For the foreseeable future, the economy will remain highly vulnerable to external shocks. For instance, the Kagera and Kigoma regions have been adversely affected by Rwandan and

Burundian refugees. Continued consultation with neighbors and regional economic cooperation would reduce some of the potential risks and also advance regional development.

Debt Sustainability

24. Tanzania's external debt totaled US$7.3 billion at end 1995. Virtually, all of the debt is owed or guaranteed by the public sector. Bilateral creditors account for 54 percent of external debt, and multilaterals for 43 percent. Private creditors account for the rest. The present value of external debt was equivalent to 636 percent of exports in 1995, and Tanzania is classified as a severely indebted country. External debt service due averaged about 32 percent of exports during 1990-96, while actual payments have averaged only 20 percent owing to debt relief and the accumulation of arrears. IDA/IBRD debt service equaled 6 percent of Tanzania's exports in 1995.

25. An analysis of debt sustainability shows that Tanzania's debt burden will remain heavy into the next decade, even with strong policy performance and highly concessional external debt relief. The current account deficit will improve from 20 to 8 percent of GDP during 1995-2000, based on real growth of 8 percent for exports and 4 percent for imports. The flow rescheduling agreed with Paris Club creditors in early 1997 covers about US$1.7 billion. The expanded relief will provide an estimated savings of approximately US$100 million in 1997, with similar levels of savings anticipated for 1998-99. Table 4 illustrates the impact of a stock of debt operation from Paris Club creditors in January 2000, resulting in a 67 percent reduction in eligible, nonconcessional debt and a rescheduling of concessional debt. It is assumed that: non-Paris Club bilateral creditors provide comparable treatment; commercial debt is repurchased at 10 cents on the dollar; and all new borrowing is on IDA terms.

26. Strong export performance coupled with debt relief will reduce the present value of external debt from 636 percent of exports in 1995 to 222 percent by 2000 and 187 by 2002. The debt service ratio is projected to increase to 24 percent in 1997, which reflects the repayment of arrears accumulated prior to the Paris Club agreement. Once these arrears are settled, debt service declines rapidly, reaching 14 percent of exports by 2000.

27. Debt service would fall relative to revenues, but would remain at very high levels. With debt relief and sustained improvement in fiscal management, total debt service, including interest and amortization on external debt and interest payments on domestic debt—largely Treasury bills, would fall from an estimated 28 percent of revenues in 1996 to 24 percent by 2000 (Table 4). This high level of debt service means that the fiscal program will continue to be subject to significant risks, despite the decline in external debt service relative to exports.

28. Tanzania is potentially eligible for support under the HIPC Initiative and its debt situation will need to be carefully monitored. Assuming continued strong policy performance under Bank and Fund suggested adjustment programs, Tanzania's eligibility for support under the Initiative will be assessed in more detail in 1999. It will be important to work with the authorities to strengthen their ability to manage the external debt burden and to ensure that they are able to participate fully in this assessment.

Table 4: Tanzania: Debt Indicators
(percent)

	1995	1996	1997	1998	1999	2000	2001	2002
PV Debt/XGS, before debt relief /a	636	519	462	438	397	354	316	285
PV Debt/XGS, after debt relief /a	636	548	307	302	285	222	203	187
Debt Service/XGS, before debt relief	20	43	33	26	22	20	18	15
Debt service/XGS, after debt relief	20	16	33	16	13	14	13	12
External debt service/Revenues	27	16	24	18	17	18	na	na
O/w interest payments	9	4	6	8	8	10	na	na
Domestic interest/Revenues	17	12	9	9	8	6	na	na
Total debt service/Revenues	44	28	33	27	25	24	na	na

/a *Present value of debt in year indicated, divided by the average level of exports in that year and the two preceding years.*

II. TANZANIA'S DEVELOPMENT STRATEGY AND POLICY ACTIONS

Government's Short Term Economic Management Priorities

29. The basic objective of the Government is to restart progress in poverty reduction by raising growth performance and extending access to basic social and economic services. As a first order of business, the Government plans to sustain efforts to achieve fiscal stabilization and efficiency goals. Progress in the fiscal area will also be essential for the sustained financing of needed social and economic services for the lowest income groups and for poverty reduction.

30. The Government intends to take fiscal actions that increase revenues to more than 17 percent of GDP by the year 2000 from 15 percent in 1996 (by initially reforming tax administration and, in stages, the tax system), hold expenditure on wages and salaries at about 5 percent (or less) of GDP, ensure that O&M and core development activities are adequately funded and change the composition of social sector spending to improve efficiency. The Government is setting hard targets and committing itself to meeting them both for recurrent activities and in allocating matching funds for donor-financed development activities. It aims to reinforce these fiscal reforms with divestiture and reorganization of parastatals, including financial parastatals, such as NBC.

31. These actions will secure macroeconomic stability and allow the Government to begin implementing its medium term development strategy that seeks to reduce poverty by maximizing growth, drawing initially on the potential of the agriculture sector but also laying the groundwork for an expansion of urban based industries, mining and tourism. The continuation of policies to expand the role of the private sector in providing a wide range of producer and social services is critical for modernizing the economy and lessening the incidence of poverty. The Government's efforts also include implementing the Environmental Action Plan so as to arrest problems of land degradation and pollution, habitat conversion and declining biodiversity.

Medium Term Development Strategy: 1997-2000

32. Tanzania's medium term goal is to raise the growth rate to at least 6 percent by the year 2000 and to even higher levels thereafter. This is certainly feasible, but several conditions will need to be met. First, agricultural production must continue expanding at the rate of 5 percent per

annum through the application of yield enhancing biological inputs together with some increase in cultivated acreage. Second, as household incomes and demand for nonfood items grows, efforts must be made to develop nonfarm activities in the rural areas; these will include mining and tourism. Third, for sustained high growth, manufacturing must be encouraged through competitive policies. Industry can become a leading sector and a source of exports as well as employment for the rapidly expanding urban labor force, and the country should have little difficulty in enlarging its share of manufactured exports. Within the next three years, a significant acceleration of industrial growth, from 3-4 percent per annum to 6-7 percent will be needed in order to achieve the desired rate of GDP growth (see Box 1).

Box 1: Tanzania: Growth and Poverty

High growth is needed to achieve significant reduction in poverty. Based on 50 percent poverty base line, the current 4 percent growth rate, a population growth rate of about 2.8 percent and no change in income distribution, about 36-40 percent of the population will continue to live in poverty a decade from now. Even if economic growth were 8 percent, a child born in Tanzania today would have an average income equivalent to approximately US$440 on reaching the age of 15 years. This would leave about 26 percent of the population in poverty; but the consumption poverty index would be about 32 percent, if the Gini coefficient (reflecting income distribution) were to increase by one percent each year during the 15 years. These projections underscore the magnitude of the challenge facing Tanzania and the importance of both high economic growth and lower population growth for reducing poverty.

33. Infrastructure (for example, urban services, utilities and transport) must strongly support the expansion of the productive sectors. Services account for about a quarter of GDP and, except for construction, the volume of output from this sector has been rising slowly. A doubling of the growth rate to 5 percent would be needed to attain the targeted level of performance. Recent trends suggest that this is feasible, especially if privatization spurs investment in utilities and banking reforms promote financial deepening. For example, the telecommunications sector has attracted private investors and more than 10 private banks are now active. Port services are being improved with the planned concessioning of the container terminal and plans to allow free entry into agent and freight handling services.

34. In parallel with the focus on accelerated growth, a more determined effort must be made to improve the performance of social services. First, additional budgetary allocations are key: it is expected that with the recovery of government revenues, more funds will be allocated in the budget to health and education. Second, government efforts to decentralize and increase community participation in the social sectors will be necessary for enhancing performance and efficiency. Finally, the Government should concentrate its financial efforts on basic education and primary health, while ensuring a policy environment which will facilitate greater private sector participation in higher education and curative health services.

III. Future Role of the Bank to Maximize Results on the Ground

Growth and Poverty Reduction: Government Imperatives and Bank Assistance

35. The Bank is in broad agreement with Tanzania's strategic objectives. Our principal goal will be to help the Government resume the good progress made on poverty reduction in the late 1980s. Specifically, we will focus our efforts on improving fiscal management, raising agricultural

productivity, promoting off-farm activities, strengthening the environment for private sector growth and facilitating rapid and sustained improvements in the social services. Operations in the rural sector would encompass issues relating to social services and infrastructure building, while attention to the enabling environment would promote the growth of mining, tourism, and manufacturing. The success of our program will depend on the lead taken by the Government in setting development priorities and its ability to coordinate the activities of donors (these points were also emphasized by a report prepared under the direction of G.K. Helleiner and financed by the Danish Government). Accordingly, we are proposing a range of lending and nonlending activities with the following objectives in mind:

- Build needed capacity in areas critical for sound economic management. Specific programs now under way focus on: providing the newly established Tanzania Revenue Authority with training, equipment and facilities; building a capacity for policy analysis in the Ministries of Finance and Planning; strengthening the capacity of the Bank of Tanzania in bank supervision; and assisting municipalities through training and TA to improve water and sewerage management. Efforts must continue to reform public administration, limit the size of the civil service, as well as the military, to what is affordable, and provide pay scales that will attract needed skills. The rationalization of technical and higher education is an important element of reforms to develop skills. The recent government review of the sector is an important step and must be followed by actions to assess the market for graduates so as to raise employment, phase out redundant institutions, increase enrollment in areas of skill shortages, and improve cost sharing. In addition, institutions, such as the judiciary, the Auditor General's office, the Accountant General, the anti-corruption bureau and local government bodies must be reinvigorated to improve governance.
- Stabilize and then reverse the downward trend in the social indicators through measures that decentralize responsibility, increase local resource mobilization and rationalize expenditures. In the education sector, there is a need for containing expenditure on staff and raising the outlay on other inputs; increasing the efficiency of public sector secondary education; and providing added incentives for greater involvement of the private sector in secondary as well as tertiary education. The target gross enrollment rate for primary education should be at least 85 percent by the year 2000. Rationalizing post-primary education will help to release resources to emphasize primary and secondary schooling. Likewise, the effectiveness of public sector health expenditures should be increased by emphasizing preventive medicine and primary health care. The private sector should be drawn more fully into curative medicine. Introduction of gender sensitive policies should include: (i) targeting secondary school bursary for girls from poor homes; and (ii) emphasizing expenditure shifts to preventive health care, including child health and maternity care, and providing drinking water. Aside from contributing to the welfare of women and children, these would also help to reduce fertility
- Enhance economic efficiency and the quality of services by divesting all remaining parastatals on an accelerated schedule. This would include actions aimed at the reorganization and/or divestiture of some public utilities and opening up certain activities to competition from the private sector, such as port services and telecommunications.
- Strengthen the basis for growth by: emphasizing agriculture and provision of economic services (research and extension, rural access roads, water resource

development and links between social and economic services) for small farmers; ensuring to the maximum extent possible that the budgetary changes introduced augment counterpart funds needed to press ahead with donor assisted infrastructure projects, and earmark enough budgetary resources for essential recurrent expenses; emphasizing reforms and selective investments in infrastructure to facilitate private development of tourism, mining and industry; supporting the development of an environment conducive to mineral exploration and private investment in mining, including labor-intensive small scale mining, but with due attention to associated environmental consequences.

- Protect environmental quality. The Government should implement the National Environmental Action Plan, and the National Conservation Strategy for Sustainable Development so as to arrest problems of land degradation and pollution, habitat conversion and declining biodiversity. IDA support for the work underway to formulate a legal framework for environmental management in mining is being coordinated with the main environmental management institutions. Other activities to be pursued with determination include health and population policies to limit population growth, monitoring environmental management under the Lake Victoria Project to reverse the sharp deterioration in the lake ecosystem and protect the valuable fishery resources, and a tightening of laws to enhance security of land tenure and sustainable land use.

Performance Under the Preceding CAS

36. The CAS prepared in 1994 concentrated on three principal constraints which were limiting the Bank's ability to assist Tanzania: (i) the unstable fiscal environment; (ii) the scope of the Government's development program, inefficient use of public resources and regulatory constraints on private sector expansion; and (iii) weaknesses in implementation capacity. The CAS identified five principal areas of reforms: selective government activities and efficient use of public resources emphasizing reform of the civil service and privatization of parastatals; restructuring to strengthen the financial base of public sector banks; removing government controls on agriculture, trade and investments to encourage private expansion; supporting the development of basic infrastructure; and providing greater support for primary education and primary health care.

37. **Assessment**. Significant gains were registered in areas that involved liberalization and were administratively less complex. By the time of the CAS Progress Report in May 1996, actions had been taken to remove restrictions on agriculture, investments and external trade. Since then, there has been steady progress in the divestiture of parastatals and in dismantling state monopolies in utilities and strategic sectors and in allowing private investments in these areas. Modest gains have also been made in meeting the needs of primary health care and the development of a national strategy for primary education.

38. Macroeconomic performance was below expectations through 1995, and country performance ratings of inflation, fiscal deficit, savings and expenditure management were poor. OED reviews pointed to difficulties in controlling the budgetary pressures that were fostering inflation. Recent trends are more positive—as noted above, the fiscal situation has improved and inflation has fallen. The new government has established a much stronger basis for sustained economic growth. The issue now is to build on that record.

39. Limited progress was made in the implementation of reforms that require significant administrative capacity and continuous monitoring of institutional performance. NBC has remained financially weak, though the Government has now accepted radical reorganization measures, which includes privatization. While civil service staff have been reduced by close to 25 percent, the wage bill is not falling as might be expected; the results of the Organizational and Efficiency (O&E) reviews aimed at developing needed skills and capacity remain to be implemented. The financing of social sectors has risen, but is still not fully adequate. The pilot projects to improve financing, decentralize management and enlist users in managing service delivery have commenced, but it will be some time before lessons can be distilled and applied more broadly. Portfolio performance has improved, but considerable progress is needed.

40. **Lessons**. The Bank's firm stance on macropolicy and our sustained dialogue with respect to liberalization as well as parastatal divestiture, contributed to the gains in economic performance and to the program of reforms now coming to fruition. However, given the requirements of the country and the stage of the reform effort, our past program did not give adequate attention to reforming public sector institutions and helping build the skills required by a market oriented economy. In retrospect, we also did not work closely enough with the Government and other donors to reduce the number of overlapping projects in the portfolio and focus attention on the core activities. In addition, the Bank was not sufficiently active in involving NGOs, working with local bodies and building institutions that will stimulate decentralized development and strengthen economic management. These are some of the lessons that have informed this CAS.

Portfolio Impact

41. **Portfolio status and trend.** The Bank's active portfolio for Tanzania consisted of 21 investment projects with total commitments of US$1.2 billion as of end February 1997. Three projects have been approved this fiscal year for a total Credit amount of US$67.6 million.

42. The number of projects under implementation has remained fairly steady in the 1990s while the average annual commitments have declined from US$75 million to some US$56 million during FY94-FY97; this reflects a trend towards smaller, more focused projects and recent efforts to improve portfolio impact. Disbursements have risen dramatically by about three and a half times to US$166.9 million during FY92-FY96. The aggregate disbursement ratio more than doubled to an average of about 18 percent during the first two months of 1997; this is higher than for the Africa Region (17.3 percent) in FY96, and it compares favorably with the Bank average (18.8 percent).

43. However, portfolio quality as measured by "problem projects" has not been satisfactory. Since FY94, the share of problem projects in the portfolio has increased steadily, due largely to changes in project ratings to improve accuracy. The share of problem projects in the portfolio increased from 14.3 percent in FY95 to 22.7 percent in FY96, despite the closure of one problem project and upgrading of another. Five projects were rated unsatisfactory for "implementation progress" by end February 1997; in addition, five satisfactory projects had been identified as "potential problem" projects. Two of the three ICRs planned for FY97 have been completed; one was rated satisfactory and the other rated unsatisfactory; the last one is being finalized.

44. **Portfolio improvement efforts.** Portfolio management was particularly difficult in FY96, an election year with political uncertainties and delays in the implementation of agreed macroeconomic and sectoral reforms. While the Government is working steadily to introduce

broad-based improvements on the macro-front, certain carryover issues, such as resource constraints and governance will continue over the medium term to have an impact on the implementation of the Tanzania portfolio. However, the Country Team is making a concerted effort to improve the quality of the portfolio. In addition to the efforts made since FY96 to address the generic portfolio management issues, especially in auditing and accounting, meetings of project coordinators are now held every two months to discuss project issues.

45. In FY96, Tanzania was one of 20 countries selected for a comprehensive Portfolio Improvement Plan (PIP) based on the criteria applied by the Quality Assurance Group and also because of the size of the portfolio. The PIP, which was chosen as one of the two Bank-wide "Best Practices", identified a number of cross-cutting/generic problems as well as project-specific ones. The main objectives of the PIP, which was shared with the Government, are to achieve major improvements in the performance of both problem projects and projects at risk, as well as to further strengthen government ownership of projects. While steady progress is being made towards meeting the targets of the PIP, the results of efforts initiated last year and strengthened through FY97 are yet to be reflected in aggregate performance indicators, such as the number of problem or potential problem projects. However, the continued emphasis on enhanced portfolio management is expected to yield positive results in terms of indicators for FY98. Activities to address the generic portfolio management issues are also being steered by recommendations from the most recent CPPR held in May 1996 and its follow-up in September 1996, which focused on areas such as: availability of counterpart funds; project management, staffing and incentives; and accounting and audit compliance. A concerted effort is now being made to focus the attention of the Government officials on the actions agreed during the CPPR, and on the revised Joint Action Plan of September 1996 (formulated on the basis of comprehensive discussions with the Treasury, the Civil Service Department and project staff). The Resident Mission is playing a significant role in this exercise through close follow-up of implementation issues.

46. In particular, the Tanzania Country Team is working with the Government on: (i) semi-annual in-depth portfolio reviews, with the objective of following up closely on progress; (ii) extensive reviews of projects identified as either problem or at-risk operations with substantial changes in project designs and implementation plans recommended and implemented; (iii) incorporating adequate performance indictors in the existing portfolio to ensure monitoring of project impact; (iv) emphasizing supervision (supervision resources increased steadily from 18.5 staff weeks/project in FY94 to 22.8 in FY96 and more resources were dedicated to problem projects); (iv) making special efforts (in conjunction with the Auditor General, project staff and auditors) to enhance financial accountability of projects; (v) supporting the Government in its recently initiated efforts to define counterpart funding requirements at the project level, thus enhancing the effective use of scarce local funds; (vi) improving project management and staffing practices and procedures; (vii) concerted efforts to raise procurement and disbursement performance through training and Resident Mission follow-up (work on formulating a Capacity Building Action Plan is now underway to assess the scope. quality and impact of these and other capacity strengthening measures under the portfolio); (viii) assisting the Government in addressing the procurement issues (an IDA financed study is looking at the key issues with recommendations for procurement code, regulations, and standard bidding documents); (ix) enhanced management of the large Trust Funds portfolio; and (x) mainstreaming and implementation of the Gender Action Plan (see Box 3). The targets established in the PIP and the actual performance against these is summarized in the Annex.

Lending

47. The last CAS prepared in March 1994 proposed a base case lending scenario of US$230-US$270 million per annum. Actual commitments averaged about US$100 million per annum during FY94-FY96, a low case, reflecting macroeconomic instability and slow absorption of project aid that severely constrained the lending program. The CAS Progress Report which was prepared in May 1996 envisaged a base case annual lending program of around US$200 million, predicated on an effective implementation of a Fund staff-monitored shadow program, and the adoption of an ESAF as well as other triggers. In our view, the recent finalization of the ESAF and progress in the other triggers have now established a reasonable basis for a lending program averaging US$200 million a year.

Table 5: Lending Program (FY98-00)

Area	No. of Projects
Fiscal and Capacity Building	3
Infras. & Private Development	3
Rural and Agriculture	2
Social Sector	2
Total	10

48. Table 5 summarizes the contents of the lending program for the base case scenario focusing on priority activities that will raise economic growth and reduce poverty. Three major activities (creating a Revenue Authority, TA for the financial sector, and higher education) aim at skill development, institutional reorganization and capacity building directly. These activities also support effective macro-fiscal management. Three activities will help to promote our policy dialogue in key areas: adjustment operations and a power project, which promote the efficient use of public resources while encouraging private sector investment. The power project will expand the base for rural electrification and agro-processing, and would support service delivery for tourism. Two activities (rural water and agriculture) will focus on the rural sector in addition to three agriculture projects which were processed just last year. Our social sector operations in health and education (including the one for higher education noted earlier) will seek to improve the quality and quantity of human resources.

49. The main triggers for the base case include targets for revenues, expenditures and domestic borrowing; intra-sectoral shifts in expenditures within the social sectors so as to improve efficiency; administrative decentralization, continuing implementation of parastatal reforms; reorganization of NBC; and liberalization of the petroleum sector. All these are elements of the proposed SAC operation (see Box 2).

50. Satisfactory and consistent performance under the ESAF and SAC will provide a basis for moving to a high case scenario. It would be signaled by clear leadership on the reform agenda, despite resistance from particular rent-seeking groups; consistent improvement in public sector management; strong fiscal discipline and improved nonwage recurrent financing for social programs; rationalization of the public investment portfolio and reduced delays in project implementation; and a transparent regulatory environment to attract private investments. In the high case, economic growth is expected to be 6 percent by the year 2000, justifying a lending program of US$300 million or more per annum. In addition, FDI, especially private financing for infrastructure, will be expected to pick up. In the unlikely event of a setback in the fiscal reform program, there will be no future adjustment lending, and the program will return to the low case mode with a core lending program averaging US$90-100 million focused on basic social and physical infrastructure. In the low case scenario, economic growth would average about 2-3 percent.

Box 2: Triggers for Lending Program Scenarios		
Low Case • Slippage in macro-fiscal management with rising deficit, failure to contain money growth and domestic borrowing (failure to meet ESAF targets). • Upsurge in discretionary tax exemptions. • Laxity in controlling the costs of public administration. • No progress in reorganizing NBC. • Parastatal divestiture stalled.	**Base Case** • Tight expenditure management, improved revenue mobilization and stable macroeconomic policies (meeting ESAF targets). • Rationalizing development budget and meeting development budget target. • Implementation of NBC reorganization program. • Steady progress with social sector pilots. • Steady progress in parastatal reforms • Liberalization of petroleum sector.	**High Case** Base Case plus: • Rapid progress in containing administrative expenditures and ability to provide counterpart funds for projects. • Progress in rationalizing development expenditure portfolio and reducing number of projects to 300 that are fully funded. • Concrete actions to widely apply lessons from social sector pilots. • Accelerated divestiture of parastatals, including public utilities. • Improved governance.

51. Expected SPA-4 support of about US$400 million during FY97-FY99 and expected cofinancing (for example, for the Songo Songo project) will complement IDA's efforts. To maximize the Bank's effectiveness, we will tailor our nonlending and lending activities to support a government-owned and led development strategy that seeks to achieve a pattern of sectoral growth with the greatest impact on poverty. We intend to continue a participatory approach, consult with beneficiaries and stakeholders, and coordinate our activities with those of other donors.

Economic and Sector Work

52. Key elements of the current assistance strategy in the areas of growth and poverty, macro-fiscal management, social sector reforms, and reorganization of public institutions have been informed by past ESW, especially the CEM/PA, PER, various reviews of the social sectors, and an Agricultural Sector Memorandum. The lessons have helped to deepen our understanding of incentives and access to markets, household income growth, sustained access to social services and poverty reduction, as indicated in the preceding sections. However, several gaps remain: the quality of data needs to be improved; we need to extend our knowledge about the location of the core poverty areas; and questions remain on various aspects of the rural economy and services that will have wide impact on the lowest income group. In building on recent work, the focus of our analytical work during FY98-00 will be on the following: (i) macroeconomic stability, that is, fiscal management, resource mobilization, and achieving a better allocation of public resources; (ii) improvement of social and producer services in rural areas, where most of the poor reside; and (iii) policies that support rural development and infrastructure. Main issues to be explored are the following:

- Our efforts to promote growth need to be informed by lessons from Tanzania's neighbors, such as Uganda and Ethiopia, which have shown faster growth, as well as other countries. We plan to undertake a forward looking analysis to support policies that will enable Tanzania to move closer to realizing its growth potential over the decade. This effort will be part of an East African Regional Study that will include Kenya, Ethiopia and Uganda.
- Improving rural income growth and the pattern of income distribution, requires better understanding of the rural economy. For instance, we need a clearer sense of production in agriculture: agricultural growth has been driven by acreage expansion, while agricultural productivity seems to have stagnated. What is happening to agricultural investments, the role of rural financial services, rural access to government and market services? This study will seek to explore ways of exploiting critical rural-urban linkages, the push from producer services and economic infrastructure, especially transport and communications. Also, how do the poor cope with shocks, such as drought and price changes, that affect household incomes?
- Given that accelerated growth requires industrial expansion, the current weak performance in manufacturing is a concern. The proposed study will document industrial performance and assess the impact of economic reforms on private investment. This will help to shape policies aimed at promoting trade and private investment.
- While poverty declined between the early 1980s and the early 1990s, it appears to have stagnated during 1993-95. It is unclear if this is the beginning of a new trend, a reflection of poor statistics or the slow upturn in the delivery of social services. We need to examine this issue and update the poverty assessment for both rural and urban areas. The work will also cover the decentralized delivery of social services.
- As part of our annual PER, we will examine plans for improving budgetary management, efforts needed to develop needed skills for the civil service and to build capacity while containing the growth of the wage bill, the size of aid flows and aid utilization, rationalization of the public investment portfolio, and fiscal and cash management issues that have an impact on development and recurrent expenditure financing.
- The collection of statistics has been weakened by the reform of parastatals, which were major data collection points in the past. Also, trade liberalization has expanded the number of private exporters and importers, much beyond the capacity of the customs department and other institutions, which had been used to handling only a few state monopolies and licensed agents. Our TA and support for capacity building will help reinforce efforts that are underway to improve collection of statistics and the quality of national accounts data.

IFC and MIGA

53. IFC's strategy in Tanzania has focused on private sector development through loan and equity investments in large, medium and small scale projects, advisory services, supporting privatization of state-owned enterprises and capital market development. IFC's high priority areas include mining, infrastructure, and small and medium scale enterprises in manufacturing, agri-business and tourism. Support for banking, leasing and venture capital companies is key to deepening financial intermediation and strengthening access to investment resources for private sector expansion. IFC's areas of focus include:

- **Privatization**: IFC continues to play an active role in Tanzania's privatization process by working closely with the Parastatal Sector Reform Commission (PSRC) to identify companies slated for privatization where IFC can invest or assist in attracting private investors.
- **Capital Markets Development**: IFC's focus in capital markets activities is to assist in the rebuilding of Tanzania's weak financial sector. Capital markets activities are expected to remain strong while the country undergoes financial restructuring.
- **Infrastructure**: IFC activities in infrastructure, which range from telecommunications and power to office buildings and transportation, will continue.
- **Advisory Services**: IFC is looking for opportunities to assist larger companies in this area. The Africa Project Development Facility (APDF) has been very effective in providing advisory services to small and medium scale projects and has increased its promotion activities.
- **Small and medium size enterprises**: IFC's Africa Enterprise Fund (AEF) have experienced a strong demand from companies in transport, leather, tourism, agri-business and communication. These activities are expected to continue to grow.
- **Tourism**. Building on IFC's investments in both major and small scale tourism projects, IFC will continue to support projects that offer the strongest sustainable impact through sound sponsorship, adequate capitalization and environmentally sensitive design.
- **Mining**. The potential for mining is largely untapped. Preliminary contacts with a number of junior mining companies is likely to lead to an IFC investment in the next year or two. As evidenced by the Songo Songo gas field, there is some hydrocarbon potential in the country, and the success of this project may stimulate further exploration in oil and gas.

54. As a member of MIGA, Tanzania has benefited from investment guarantee coverage. Two contracts have been issued to private investors; and 14 applications are outstanding in natural resources, tourism, telecommunications, agri-business, infrastructure and manufacturing. MIGA is working closely with IDA to develop a special trust facility for the Songo Songo Project. Tanzania has also been a beneficiary of MIGA's Investment Marketing Services, particularly in mining; during 1994-96, delegations from Tanzania participated in MIGA's conferences on investment opportunities in the mining sector in Africa.

EDI

55. EDI has strongly supported the Region's country strategy through its focus on capacity building in the social and economic sectors. Recent workshops and seminars for senior policymakers and administrators have focused on governance, health financing, improving primary school quality and educating girls, and privatizing and deregulating public entities. EDI's activities in the private sector will stress skills training and in agricultural project design and management, the financial sector and in regulatory reform. In the area of governance, EDI's emphasis is on better public resource use and bureaucratic streamlining to promote private sector development. It is also providing training for journalists and seminars for parliamentarians to raise civic awareness about corruption and to heighten demand for improved service delivery. EDI's governance program is using workshops to underscore public accountability by stressing the role and integrity of basic institutions, especially the offices of the Auditor General, the Accountant General, and law enforcement agencies.

Coordination, Consultation and Participation

56. Over the past year, relations between donors and the Government of Tanzania have improved following the progress made in governance and economic management matters. These improvements have reversed or contained problems that surfaced in FY94 relating to corruption, lax expenditure control, as well as serious lapses in tax administration and in the collection of counterpart funds for donor import support programs.

57. Over the past two years, a concerted effort has been made to increase collaboration and consultation with the Government and other stakeholders. For example, a team of government officials, bilateral donors (ODA, SIDA, DANIDA, UNICEF, Japan and The Netherlands) and local consultants worked together to prepare the recent Country Economic Memorandum/Poverty Assessment (CEM/PA). We will continue efforts to refine the process of consultation and sharing information through the annual CG, the SPA and the Annual Meetings. Monthly meetings of the local donor group in Dar es Salaam are jointly chaired by the Bank and UNDP. The Bank's program will continue to be coordinated closely with the IMF through joint missions on the PFP and fiscal issues and regular consultations on the PER. In addition, we will:

- Build on the collaboration among Government, donors and the Bank in preparing the CEM/PA to maintain a coordinated approach to poverty work.
- Continue to work through the Resident Mission to maintain our dialogue with NGOs on rural development and gender issues, and to work with other donors with respect to reforms in public expenditure and revenue administration.
- Seek opportunities for private sector support as in the preparation of the Songo Songo power project.
- Use the results of the social sector pilots in progress to work with bilateral donors, especially the Nordics, to expand social sector programs emphasizing the role of the beneficiaries and local level agencies in delivering services.
- Use more cofinancing opportunities (e.g., with Switzerland in the financial sector, and with Ireland, Germany and Netherlands in the urban sector).

58. The draft CAS was discussed extensively with various government agencies and stakeholders in Tanzania during March 1997. Meetings were held with the Foreign Relations Committee of Parliament; Principal Secretaries of the major line ministries; local consultants; and officials of the Ministry of Finance, Planning Commission, Poverty Alleviation Unit and Bank of Tanzania. The discussions with government officials focused on growth and poverty reduction. On balance, the content of the program was considered appropriate though government officials emphasized the point that a growth target of at least 8 percent was needed to reduce poverty significantly. In order to derive maximum growth benefits from economic liberalization, a focus on human resource development and capacity building was urgently required. They emphasized the need to build technical and managerial skills in areas such as mining, tourism, land survey and land administration, and macro-fiscal management. Members of the Parliamentary Committee probed the idea of subsidy programs for agricultural inputs; however, it was pointed out that such subsidies are likely to be regressive, they would create opportunities for rent-seeking, and would involve trade-offs with priority programs in human resource development. Separate meetings were also held with donors and NGOs. The main questions centered on growth prospects, the need for faster improvement in the investment climate, the external debt scenario relative to the HIPC and governance issues. Within the donor community, there is widespread acceptance of the need to enhance government ownership of the development effort. The NGO discussions were dominated

Box 3: Gender Action Plan

About a year ago a number of NGOs approached the Bank's Resident Mission, criticizing and raising questions about the impact of the IDA program on women in Tanzania. The Mission responded by suggesting a more thorough review of what the Bank is doing and provided full access to information on the IDA program. As a result of this, the NGOs studied the Bank program in detail and made a number of recommendations on how the gender implications of the IDA program could be made more constructive. In a meeting with these NGOs in March 1996, the Bank provided a detailed response to each of the NGO concerns and proposed a Gender Action Plan that would provide the framework for future Bank gender work. The NGOs have expressed a willingness to follow up on the Bank proposal—this work will be overseen by the Resident Mission's new NGO officer who has broad experience with the interested NGOs.

by land ownership for women, the need to give more attention to urban poverty issues, Tanzania's debt profile and the need for enhanced accountability of government officials for public procurement.

Risks

59. Tanzania has introduced a number of major reforms since the early 1990s, but implementation has not been consistent. In large part, this results from inconsistencies in leadership, lack of ownership, and insufficient administrative and technical capacity. However, the recent political changes, the Government's evident determination to press ahead with some well-targeted reforms, and the steps being taken by President Mkapa to raise the quality of governance, all suggest that Tanzania can regain the momentum it attained during 1985-90 and then move to a higher level of growth.

60. Sustaining success this time around will require leadership by the Government, full ownership of the program, a readiness to take hard political decisions, and strong policy and operational support by the donor community. In some specific areas, such as privatization, success will also depend on the depth of the market. Though about a third of the parastatals have been privatized or liquidated so far, the pace of reforms has been subject in part to response from potential buyers. Similarly, in the social sectors, enhancement of revenues and improved capacity in managing the delivery of services at the local level will be critical for making progress in the decentralization effort.

61. Overall, we view the risk of a major policy reversal in Tanzania as small; there is broad recognition that the socialist policies of the 1960s and 1970s failed and there is an appreciation of the real progress that has been made over the past decade. But there remains the challenge of sustaining and strengthening the macroeconomic discipline that has reemerged over the past year. In particular, there are two major constraints to more effective implementation of the reform program. First, there are broad capacity constraints—the combination of low incentives, a deterioration in the quality of education and the greater attractiveness of the private sector has led to weaknesses in government capacity. Building capacity in key areas will be a necessary condition for strengthening the reform effort. Second, problems of governance, that worsened in the first half of the 1990s and led to substantial leakages of resources, will have to be removed through administrative vigilance and greater transparency. While these risks are unlikely to undermine the reform program significantly, they could impede progress and act as a drag on policy implementation. We must factor these constraints into our assumptions about the pace of

reform and be on constant alert to manage them when they arise. We must also reduce their effect over time by increasing government capacity and building stronger teams within the core ministries, a specific focus of the proposed capacity building effort.

62. Other risks relate to external shocks, especially (i) drought and its effects on agriculture, hydropower and industry; and (ii) inflow of refugees from neighboring countries. These will be closely watched during the reform effort.

IV. AGENDA FOR BOARD DISCUSSION

63. Overall, the new government has made significant progress in economic reforms. Recent economic and political developments, including improvements in governance and a return to prudent fiscal management, suggest determination to accelerate reforms. Reflecting this, the prospects for raising our level of support have improved. Nevertheless, our program will have to contend with issues of capacity, maintaining a broad national coalition to sustain the reform effort and providing adequate compensation of the civil service within the context of a manageable total wage bill. The Board may want to focus its discussion on the following:

- whether the CAS has focused sufficiently on poverty alleviation and has defined adequate lending as well as nonlending activities to support the Government's own efforts;
- how to reduce donor dependence and at the same time provide the resources to promote change; and
- the role of adjustment lending, the role of donors, and donor assistance to Tanzania.

James D. Wolfensohn
President

by Gautam S. Kaji
Managing Director

Attachments
Washington, D.C.
May 6, 1997

Tanzania CAS: Framework For Country Program

Development Objectives/Issues	Diagnosis	Strategy/Actions	Adjustment/Benchmark	Instruments IDA**	Instruments IFC
Primary development objective is broad-based economic growth with poverty reduction by about 5 percentage points by 2000. Headcount poverty index nationally was 42 percent in 1993.					
I. Growth and Poverty Reduction	**Ineffective Public Sector Management**	**Improve and Stabilize Fiscal Performance**			
Weak fiscal foundation; low revenue effort relative to Government expenditure; persistent dissavings on recurrent budget averaging 2.9 % of GDP in FY95-FY96; elusive macroeconomic stability.	• Weak tax administration. • Weak public administration (see IV). • Ineffective personnel management with an excessive complement and low salaries. • Poor expenditure management. • Inefficient loss-making parastatals.	• Strengthen Revenue Authority and expand tax base through a VAT. • Rationalize public administration and merge ministries. • Enforce hard budget constraint on parastatals. • Liquidate or privatize strategic parastatals.	• Meet SAC/ESAF conditions. • Pass legislation to introduce VAT. • Raise revenue by 0.7 percentage points of GDP annually. • Achieve recurrent savings of 1.5% of GDP by FY98. • Reform of public administration. • Privatize parastatals by 1998.	Policy dialogue TRA Project FY98 PPRP (TA) SAC1 \5 FY97 PER FY98 SAC2 FY99	Liaise with PSRC to seek privatization opportunities for IFC
Heavy external debt burden and high interest payments on domestic debt.	• Excessive external and internal borrowing to support low quality expenditures.	***Achieve Manageable Debt Service Burden*** • Formulate debt management strategy. • Meet conditions to obtain debt relief. • Limit access to non-concessionary credit. • Limit domestic borrowing.	• Implement debt management strategy. • Obtain debt relief. • Observe moratorium on borrowing and commercial loans. • Reduced domestic debt burden.		
		Strengthen the Base for Growth ***Give Priority To Rural Sector*** (see II) (a) Emphasize small farmer agriculture. • Strengthen farmer- driven research and extension. • Implement land policy to enhance access. • Build roads to access urban and rural markets. • Expand use of water for small and medium scale irrigation. (b) Exploit linkages to rural income growth. • Link roads and social service investments. • Electrify rural areas with growth potential. • Expand agro-processing and agri-business.			
Average growth of 4% in 1986-93, barely above population growth of 2.8%. GDP growth has risen to 5 % in 1995 and agricultural growth is averaging 5%. But this is still insufficient. And most agricultural growth comes from acreage expansion, rainfed farms with low productivity; minimal manufacturing growth.	• Weak base for sustained high growth. • Agriculture constrained by poor technology, lack of adequate water for crops and livestock, uncertain land tenure, gaps in rural infrastructure and weak rural-urban linkages.		• Target 6% growth with reforms. • Emphasize rural roads in Road Transport Program. • Meet Road Maintenance Fund target. • Privatize state farms. • Increase area under irrigated agriculture. • Promote rural income growth. • Expand rural employment opportunities. • Diversify into nonagriculture.	AGRP FY99 Road Projects Policy dialogue CEM FY99 ESW GR FY98 Policy dialogue ESWR FY98 ESW AG FY00 ESW IN FY00	Support growth through private investment expansion
Private sector inhibited by decades of socialist controls. Potential in mining, tourism and manufacturing remain to be harnessed effectively.	• Cumbersome permit process for DFI. • Cumbersome permit process and regulatory frame for private sector participation in rural sector.	***Support Private Sector Investment*** (a) Improve enabling environment for private investment. • Simplify investment sanctioning for FDI. • Eliminate barriers to entry.	• Reduced delays in investment sanctioning. • Simplify the procedures for private sector entry into the provision of rural services.	Policy dialogue *Regular implementation* review	Support investments in *manufacturing*, mining, and tourism

Development Objectives/Issues	Diagnosis	Strategy/Actions	Adjustment/Benchmark	Instruments IDA**	Instruments IFC
	• Decades of parastatal monopoly and slow privatization.	(b) Privatization of Parastatals • Accelerate privatization (e.g., mines, state farms, industries). • Regularize purchase of minerals. • Provide guidelines on sale/lease of land in the privatization of parastatals. • Simplify the process and strengthen institutions for privatization. • Resolve indebtedness of parastatals.	• Implementation of privatization. • Liquidation of unviable parastatals.	PRIVP FY98 PPRP (TA)	TA and equity investment
	• Limited private sector base, due to past socialist policies.	(c) Expand Private Sector • Promote investment in agro-business, mining, tourism and manufacturing. • Work with industry to adopt export support services. • Expand leasing and private management contracts.	• Growth in industrial activities. • Increased exports of tourism, minerals and manufactured goods.	Policy dialogue TA in mining	Investment Seminar Equity investment loan
	• Inadequate infrastructure (roads, aviation, railway, power, telecommunications & shipping).	(d) Build Infrastructure Base • Improve, enlarge and maintain road network. • Expand private role in infrastructure. • Improve regulatory environment of monopolistic sectors.	• Increase outlay on road network. • Expand private role in infrastructure.	Road subsector project Policy dialogue Songo Songo --FY98	Equity investment (power, telecom, etc.)
Insolvent banks and inefficient financial resource mobilization and financial intermediation.	• Political interference in bank activities, non-commercial lending and bad loans.	***Expand Commercial Banking and Investment Finance*** • Restructure NBC. • Privatize parts of NBC. • Restructure the People's Bank of Zanzibar (PBZ) • Support private commercial banking. • Expand leasing activities.	• Achieve profitability of NBC by end 1997. • Improve profitability of PBZ. • Expanded financial intermediation.	FIDP (TA)\1 SAC1\5 FIN/Plan FY99	Equity investment Venture Capital Credit line Term loan
Risks to environmental sustainability. Weak scientific data on environmental degradation and inadequate capacity to formulate, implement and monitor environmental policy, especially in mining, tourism and energy.	• Gaps in integrating sector policies with environmental policies. • Inadequately defined and enforced property rights and lack of incentives for conservation including that of wildlife. • Deficient urban water and sanitation management, especially for industrial purposes. • Inadequate rural water supplies and absence of strategy for wetland management.	**Improve Environmental Management** • Prepare a prioritized program to enable the implementation of NEAP and NCSSD objectives. • Prepare legal guidelines for land use (tourism, forestry, mining, agriculture, fishing). • Strengthen water rights. • Strengthen urban water and sanitation services, and drainage (see II).	• Publicize priority environmental policies for mining and tourism. • Publicize policies for wildlife management and hunting tariffs. • Reform land tenure and water rights. • Increase access to clean drinking water and adequate waste disposal in urban as well as rural areas. • Increase supply of serviced urban land.	Policy dialogue EMP FY01 Urban Project with TA	Require compliance with environmental standards for IFC supported projects
Deregulation of petroleum pricing, imports and distribution.	• History of state monopoly and lack of competition.	**Liberalize Prices and Marketing** • Adopt deregulation with competitive imports and flexible pricing system.	• Liberalize petroleum imports and pricing.		

Development Objectives/Issues	Diagnosis	Strategy/Actions	Adjustment/Benchmark	Instruments IDA**	Instruments IFC
		• Build port infrastructure, setup regulatory body and decontrol imports and prices.		SAC1\5 Petroleum Proj.	
II. <u>Socio-Economic Development and Poverty Reduction</u>		**<u>Improve Market Integration and Access To Productive Assets and Services</u>**			
Rural poverty declined from about 65% to about 51% during 1983-91, and stagnated in the 1990s. The average poverty rate for the mainland is 42%, literacy is 68%; primary enrollment has diminished; secondary school enrollment is only 6-7% and infant mortality is high.	• Inequities in access to credit. • Lack of market integration and isolation from markets for the poor.	• Expand land tenure rights for women. • Develop rural credit schemes. • Develop rural roads program and target selected areas with growth potential. • Monitor markets of basic agricultural inputs and address input shortage problems. • Support private sector participation in input supply. • Deregulate rural input supply market.	• Improve women's right to land ownership. • Improve access to agricultural inputs.	Policy dialogue RFP FY00 RWSP FY00 ESW POV FY99	Support projects sponsored by women
		Improve Efficiency of Social Services and Target Vulnerable Groups (a) Education Sector			
	• Imbalance in intra-sector allocation. • Inadequate financing of non-wage costs. • Gender inequities in access to services. • Limited private sector participation. • Lack of decentralized decision-making and participation by parents/clients.	• Shift public resources from tertiary to primary and secondary education. • Raise nonwage recurrent cost financing. • Target secondary education for poor girls. • Expand day, rather than boarding, schools. • Increase community and school-level participation and decision-making.	• Increase primary school gross enrollment to 85% by the year 2000 from 78% in 1995. • Raise girls' share of enrollment in Form I to 50% (from 48%) and in Form IV to 30 % (from 27%). • Increase lower secondary transition rates from 14% to 20%. • Pilot project to decentralize primary education and fund girls' secondary scholarships completed and evaluated. • Raise life expectancy at birth from 51 to 53 by 2000. • Reduce IMR from 84 to 80. • Reduce malaria deaths by 5%.	Policy dialogue EPRP, HRDP1-- FY98\6 SAC1	
Tertiary education (see Capacity Building).		(b) Health Sector • Shift resources to child and maternity care and preventive health services. • Shift authority to local agencies.	• Increased rural access to primary health care.	Policy dialogue HSRP FY00	
		(c) Urban Sector • Strengthen technical, financial and operational capacity for water and sewerage management.	• Extended access to good quality water in 10 towns. • Improve sanitation in 10 towns.	Policy dialogue Project with TA\2	

Development Objectives/Issues	Diagnosis	Strategy/Actions	Adjustment/Benchmark	Instruments IDA**	Instruments IFC
		Decentralize • Encouraging community and local level involvement in service delivery. ***Enlarge Private Sector Role*** • Raise more resources from private sector.	• Progress in decentralizing service delivery. • Continue encouraging private institutions in service delivery. • Raise contributions from user fees.	Policy dialogue SAC1 Policy dialogue ESW	
III. <u>Expenditure Management</u> Elusive expenditure control; failure to establish and enforce budget priorities and sector ceilings; inadequate counterpart funds for projects; and under-funding of programs.	• Inadequate private role in sector role in service delivery (see I). • Failure to establish priorities. • Weak cash management capacity.	**<u>Improve Expenditure Efficiency</u>** • Expand role of beneficiaries in financing and managing service delivery. • Reduce number of government establishments. • Adopt a priority develop expenditure program. • Shift resources to rural sector. • Limit fund releases to revenue collections. • Payroll auditing.	• Meet SAC/ESAF conditions.	Policy dialogue PER FY99 ESW EX FY98 SAC1 PER FY00	
IV. <u>Institution and Capacity Building</u> Outmoded and centralized structure of public administration; slow evolution of new types of regulatory and service institutions needed for a liberalized economy; inadequate data base to support policies. Technical and higher education training is inadequate.	• Overlapping government agencies and functions. • Shortage of high level skills and over-staffing at low level skills. • Need to improve wage incentives and reduce disparities between public and private sectors. • Inefficient system of higher education and training (THET).	**<u>Eliminate Redundancies and Build Needed Capacity</u>** • Use results of organizational and efficiency review to reduce/merge agencies. • Reduce the scale of regional government and strengthen local government. • Retrenchment, staff training and selective hiring. • Adjust wages while limiting total wage bill at an affordable level. • Undertake tracer studies on market for graduates. • Rationalize existing system of about 300 institutions of THET. • Support open university system. • Reform student loan scheme.	• Progress in reducing the size of Government. • Skilled staffing in macroeconomic unit in MOF; improved medium term fiscal programming and auditing. • Raise enrollments in line with skill requirements. • Improved relevance of curriculum.	PPRP(TA) PER FY99 Policy dialogue CSRP FY01 HRDP2 FY00	
	• Weak capacity to enforce prudential regulations and supervise financial sector institutions. • Lack of adequate system of commercial laws and deficient legal system for de-monopolized industries.	**<u>Enhance Performance of Regulatory Functions</u>** • Continue strengthening capacity of unit in Central Bank in bank supervision. • Review legal, regulatory and institutional framework for strategic sectors, especially telecommunications, power, harbors and shipping.	• Enforcement of prudential regulations. • Sustained abolition of state monopolies and enhanced competition. • Simplified and transparent regulations.	FIDP (TA) Policy dialogue SAC1	

Development Objectives/Issues	Diagnosis	Strategy/Actions	Adjustment/Benchmark	Instruments IDA**	Instruments IFC
	• Inadequate collection of economic data.	***Improve Information Base*** • Continue work on updating national income. • Expand information base for industry and exports.	• Timely reporting and improvement in the quality of economic data base.	TA ESW CAP FY99	
V. <u>Governance</u> Need to strengthen civic groups, the press and local government bodies. Recurrent problem of questionable conduct in revenue administration, facilitated by discretionary tax exemptions.	• Need to enhance the capability and credibility of the press. • Lack of mechanisms to enforce government accountability. • Lack of civic awareness. • Cumbersome procedures in administering fiscal incentives.	**<u>Eliminate Opportunities For Rent-Seeking And Enforce Accountability</u>** • Training and seminars for journalists. • Strengthen the Prevention of Corruption Bureau and the Ethics Secretariat. • Involve beneficiaries in project activities. • Administrative decentralization and capacity building at the local level. • Sustained liberalization and deregulation. • Enforce limits on discretionary fiscal incentives.	• Progress in eliminating tax evasion. • Single customs union with Zanzibar.\3 • TRA in operation. • Dissemination of information on anti-corruption. • Enhanced beneficiary role in service delivery. • Stronger, more accountable local government.	Policy dialogue TRA Project --FY98 Workshops\4 ESW	

* * Instruments include recently approved projects and TA programs.
1 Swiss cofinancing.
2 Cofinancing by Germany, Ireland and the Netherlands.
3 IMF TA.
4 EDI support.
5 Cofinancing by Norway (SAC FY97).
6 Cofinancing by ODA.

AGRP Agricultural Research Project
CSRP Civil Service Reform Project
EPRP Education Planning and Rehabilitation Project
EMP Environmental Management Project
ESW CAP Capacity Building
ESW AG Agriculture and Growth
ESW EX Expenditure and Cash Management.
ESW GR Sources of Growth
ESW IN Adjustment and Industry

ESW POV Poverty
ESWR ESW on Rural Economy and Poverty
FIN/PLAN TA
FIDP Financial Institutions Development Project
HRDP1 Human Resource Development Project 1
HSRP Health Sector Reform Project
PER Public Expenditure Review
PPRP Parastatal and Private Sector Reform Project
PRIVP Privatization Project

PSRC Parastatal Sector Reform Committee
RFP Rural Finance Project
RWSP Rural Water Supply Project
Songo Songo Power Project
TRA Tanzania Revenue Authority
THET Technical and Higher Education Training

Selected Economic Indicator Table

	High Case Scenario						Low Case Scenario					
	1996	1997	1998	1999	2000	2006	1996	1997	1998	1999	2000	2006
Real GDP Growth	4.5%	4.8%	5.0%	5.2%	5.6%	6.3%	4.5%	3.8%	3.5%	3.1%	3.0%	2.5%
Inflation (average per annum)	25.7%	15.0%	13.5%	10.0%	7.5%	7.0%	25.7%	15.0%	18.0%	18.5%	19.0%	30.0%
Real Per Capita Growth Rates:												
Gross Domestic Product (GDP)	1.4%	1.6%	2.0%	2.2%	2.6%	3.3%	1.4%	0.7%	0.4%	0.0%	-0.1%	-0.6%
Total Consumption	1.1%	0.7%	1.1%	1.5%	1.7%	0.8%	1.1%	0.6%	0.0%	-0.4%	-0.4%	-1.4%
Private Consumption	1.4%	0.6%	1.0%	1.5%	0.6%	0.8%	1.4%	0.5%	0.0%	-0.5%	-0.5%	-1.5%
Export real growth rate (MERCH FOB)	11.3%	10.5%	9.5%	8.5%	9.7%	12.5%	11.3%	3.3%	3.3%	3.3%	3.4%	3.4%
Import real growth rate (MERCH CIF)	6.6%	5.0%	5.0%	5.3%	5.6%	6.4%	6.6%	3.0%	2.7%	2.3%	2.2%	1.9%
CAB in percent of GDP LC	-17.3%	-17.2%	-16.0%	-15.1%	-13.8%	-7.7%	-17.3%	-15.8%	-16.8%	-17.6%	-16.8%	-14.0%
Non interest current account	-8.4%	-9.1%	-8.5%	-8.1%	-7.4%	-3.1%	-8.4%	-8.0%	-9.4%	-10.5%	-9.9%	-7.5%
Debt and Debt Service (LT+ST+IMF):												
Total DOD (US$M)	7490	9116	8219	8450	8705	10205	7490	8862	8195	8938	9754	16054
Total Debt/GDP	146.4%	167.1%	140.4%	133.7%	126.9%	90.6%	146.4%	163.5%	142.9%	147.4%	151.9%	186.3%
Debt Service (US$M)	473	395	361	354	397	721	473	377	340	334	365	640
Debt Service / Total Exports	44.9%	33.6%	27.8%	24.7%	24.7%	21.5%	44.9%	33.6%	28.6%	26.3%	26.7%	32%
Debt Service / GDP	9.2%	7.2%	6.2%	5.6%	5.8%	6.4%	9.2%	7.0%	5.9%	5.5%	5.7%	7.4%
Total Revenues/GDP	16.0%	16.1%	16.4%	16.7%	17.1%	18.5%	16.0%	15.5%	15.4%	15.2%	15.1%	14.8%
Total Expenditures/GDP	20.9%	19.8%	19.6%	18.6%	18.7%	18.3%	20.9%	21.4%	21.8%	21.3%	21.5%	28.1%
Government Deficit(-)/GDP	-4.9%	-3.7%	-3.1%	-1.9%	-1.6%	0.3%	-4.9%	-5.9%	-6.4%	-6.2%	-6.3%	-13.3%
Investment/GDP	26.8%	26.9%	27.0%	27.2%	27.2%	28.0%	26.8%	25.0%	24.8%	24.6%	24.2%	24.0%
Gross Domestic Savings/GDP	9.7%	11.4%	12.5%	13.4%	14.5%	21.2%	9.7%	9.8%	10.4%	10.9%	11.4%	14.3%

Status of Bank Group Operations in Tanzania

IBRD Loans and IDA Credits in the Operations Portfolio
(as of March 31, 1997)

Loan or Credit no.	Fiscal year	Borrower	Purpose	Amount in US$ millions: IBRD	IDA	Cancel-lations	Undis-bursed	Difference between actual and expected disburse-ments	Last supervision rating \b: Develop-ment objec-tives	Implemen-tation progress
Twenty-seven (27) Loans and eighty-one (81) Credits closed \a				355.6	1733.5	15.4				
Cr. 19700	1989	Tanzania	Nat. Agricultural & Livestock Research		8.3		1.8	1.1	S	S
Cr. 20950	1990	Tanzania	Ports Modernization		37.0		13.3	9.7	S	S
Cr. 20980	1990	Tanzania	Health & Nutrition		47.6		24.3	21.0	S	U
Cr. 21370	1990	Tanzania	Education Planning & Rehabilitation		38.3	7.0	6.6	11.0	S	S
Cr. 21490	1990	Tanzania	Roads I		180.4		52.2	27.9	S	U
Cr. 22020	1991	Tanzania	Petroleum Rehabilitation		44.0		37.6	34.6	S	S
Cr. 22670	1991	Tanzania	Railways Restructuring		76.0		43.1	19.6	U	S
Cr. 23350	1992	Tanzania	Forest Resources Management		18.3		5.9	-1.8	S	S
Cr. 24130	1993	Tanzania	Financial & Legal Management		20.0		9.6	8.3	S	S
Cr. 24860	1993	Tanzania	Telecommunications III		74.5		50.6	17.5	S	U
Cr. 24890	1993	Tanzania	Power VI		200.0		84.6	-17.1	S	S
Cr. 25070	1993	Tanzania	Private & Public Sector Management		34.9		17.0	4.2	S	S
Cr. 25370	1994	Tanzania	Agricultural Sector Management Project		24.5		13.4	5.1	S	S
Cr. 25980	1994	Tanzania	Roads II		170.2		156.1	71.7	S	U
Cr. 26480	1995	Tanzania	Mineral Sector Development		12.5		8.7	1.8	S	HS
Cr. 27710	1996	Tanzania	Financial Inst. Development		10.9		8.4	2.4	S	S
Cr.28670	1996	Tanzania	Urban Sector Rehab		105.0		100.0	4.2	HS	S
Cr. 29080	1997	Tanzania	Lake Victoria Env		10.1		9.7	0.0	HS	S
Cr. 29000	1997	Tanzania	River Basin Mgmt Sm		26.3		22.5	-1.1		
Cr. 28990	1997	Tanzania	Nat. Ext. Proj. Ph. II		31.1		28.8	0.7		
		Total IBRD and IDA		355.6	2903.3					
		of which repaid		311.9	102.9					
		Total now held by IBRD and IDA		43.6	2800.4					
		Amount sold	6.29							
		of which repaid	6.29							
		Total undisbursed					694.1			

\a Includes East African Community loans.
\b Rating scale: HS denotes 'Highly Satisfactory'; S denotes 'Satisfactory'; U denotes 'Unsatisfactory' and HU denotes 'Highly Unsatisfactory'

Tanzania
STATEMENTOF IFC's
Committed and Disbursed Portfolio
As of March 31, 1997

In Millions US Dollars

FY Approval	Company	Committed IFC Loan	Committed IFC Equity	Committed IFC Quasi	Committed Partic	Disbursed IFC Loan	Disbursed IFC Equity	Disbursed IFC Quasi	Disbursed Partic
1989	TASCO	.88	0.00	0.00	0.00	.88	0.00	0.00	0.00
1991	Mufindi Tea	1.30	0.00	0.00	0.00	1.30	0.00	0.00	0.00
1991	TPS Zanzibar	1.15	.16	.10	0.00	.86	.16	.10	0.00
1993/96	AEF Tanganyika	0.50	0.00	0.00	0.00	0.50	0.00	0.00	0.00
1993	TPS (Tanzania)	7.00	1.06	1.04	0.00	7.00	.87	1.04	0.00
1994	AEF Moshi Lthr	0.00	.25	0.00	0.00	0.00	.19	0.00	0.00
1994	AEF Nomad Safari	.12	0.00	0.00	0.00	.12	0.00	0.00	0.00
1994	AEF Raffia Bags	.50	0.00	0.00	0.00	.50	0.00	0.00	0.00
1994	Eurafrican Bank	3.00	.73	0.00	0.00	0.00	.73	0.00	0.00
1994	Tanzania Brewery	0.00	6.00	0.00	0.00	0.00	6.00	0.00	0.00
1994	ULC Leasing	3.00	.95	0.00	0.00	1.50	.57	0.00	0.00
1995	AEF MIC Tanzania	.80	0.00	0.00	0.00	.80	0.00	0.00	0.00
1995	AEF Tan Leather	1.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
1995	AEF Tanbreed	.90	0.00	0.00	0.00	.90	0.00	0.00	0.00
1996	AEF A&K Tanzania	.38	0.00	0.00	0.00	.38	0.00	0.00	0.00
1996	AEF Contiflora	.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	AEF Milcafe	.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1996	AEF Zainab Grain	1.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00
1997	AEF Aquva Ginner	1.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1997	AEF Hort. Farms	.80	0.00	0.00	0.00	.80	0.00	0.00	0.00
1997	AEF Pallsons	.55	0.00	0.00	0.00	.55	0.00	0.00	0.00
Total Portfolio:		25.13	9.15	1.14	0.00	18.09	8.52	1.14	0.00

Pending Commitments					
1997	* AEF AQUVA GINNER	1.50	0.00	0.00	0.00
1995	* AEF-ONE EARTH	.70	0.00	0.00	0.00
1995	* AEF-TRADECO	.93	0.00	0.00	0.00
1996	* IHP LTD.	1.65	.60	0.00	0.00
Total Pending Commitment:		4.78	0.60	0.00	0.00

Tanzania - Selected Indicators of Bank Portfolio Performance and Management

Indicator	*FY94*	*FY95*	*FY96*	*FY97* \a
Portfolio Performance				
Number of projects under implementation	23	21	22	22
Average implementation period (years)	3.5	4.0	4.6	4.7
Percent of projects rated U or HU (%) \b				
Development objectives	8.7	9.5	4.6	4.6
Implementation progress	13.0	9.5	22.7	18.2
Canceled during FY (US$ million)	1.7	3.3	0.0	14.4
Disbursement ratio (%) \c	12.0	12.6	18.4	13.2
Disbursement Lag (%) \d	9.5	23.6	27.9	30.4
Memorandum item: % of completed projects rated unsatisfactory	59.3	53.3	54.1	54.1
Portfolio Management				
Supervision resources (total in US$ 000s)	1463.2	1541.6	2158.8	1493.6
Average supervision (US$ 000/project)	63.6	73.4	98.1	67.9
Supervision resources by location (in %)	100.0	100.0	100.0	100.0
Percent headquarters	84.4	72.1	57.45	59.8
Percent resident mission	15.6	27.9	42.55	40.2
Supervision resources by rating category (US$ 000/project) \d				
Projects rated HS or S \b	63.7	77.1	87.9	59.7
Projects rated U or HU \b	63.4	38.1	132.9	104.9

\a As of March 31, 1997.

\b Rating scale: HS denotes 'Highly Satisfactory'; S denotes 'Satisfactory'; U denotes 'Unsatisfactory' and HU denotes 'Highly Unsatisfactory'.

\c For investment projects only.

\d For all projects comprising the Bank's country portfolio, the percentage difference between actual cumulative disbursements and the cumulative disbursement estimates as given in the 'Original SAR/PR Forecast' or, if the loan amounts have been modified, in the 'Revised Forecast'. The country portfolio disbursement lag is effectively the weighted average of disbursement lags for projects comprising the Bank's country portfolio, where the weights used are the respective project shares in the total cumulative disbursement estimates.

Portfolio Improvement Indicators: FY97 Targets

	FY96 Actual (as of 6/30/96)	FY97 Targets	FY97 Actual Performance as of 2/28/97
1. Project Rating			
• % of problem projects	22.7 % (5)	9.5% \a (2)	23.8% (5)
•			
2. Disbursement Ratio			
• aggregate disbursement ratio	18.4 %	at least 20.0 %	17.7%
• average disbursement ratio	25.0 %	at least 25.0 %	32.7%
3. Time b/w Board Approval and Effectiveness	The portfolio average = 7.2 months (6.5 for a new project)	All new projects become effective within 6 months.	2 of the three new projects that became effective this FY met the target; Lake Victoria became effective 8 months after board approval; the hold-up for this regional operation was not due to any issue on the Tanzanian front but rather due to delays in the appointment of Ugandan Project staff.
4. Audit Compliance			
• % overdue audits by end FY \b	18.6 %	0.0 %	20.8% \b
• % on-time audits \c	48.6 %	70.0 %	52.0%
• % qualified audits \c	5.7 %	3.0 %	
• delays in audits during FY \c	11.4 % of received audits were late by more than 4 months.	None of the received audits are late by more than 3 months.	0.0 % of the received audits are late by more than 3 months.

Notes: \a *Assuming 23 projects in total, the PIP put these targets at 8.7 % and 30.4 % for problem and at risk projects, respectively. These targets have been modified to reflect the 21 active projects in the portfolio.*

\b *Of total audits expected during the fiscal year. 21 audits from a total of 101 were overdue at 2/28/97; of these 21 -- 8 reports (or 40% of the overdue reports) had been submitted to the Auditor General's office.*

\c *Of audits which are actually received; however of the overdue audits, three were overdue by 8 months or more and the remaining were overdue by 2 months.*

TANZANIA - Bank Group Fact Sheet, FY94-FY99

IBRD/IDA Lending Program, FY1994-FY2000

	Past			Current	Planned		
Category	*FY94*	*FY95*	*FY96*	*FY97*	*FY98*	*FY99*	*FY00*
Commitments (US$m)	194.7	12.5	115.9	167.5	[150-300 per year] a/		
Sector (%)							
Agriculture	12.6			40.3		15.2	
Mining and other extractive		100.0					
Finance			9.4				21.7
Power					84.7		
Multisector				59.7	8.5	48.4	34.8
Transportation	87.4						
Urban development			90.6				
Human resources					6.8	36.4	43.5
Public sector management							
Environment							
Other non-sector-specific							
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Lending instrument (%)							
Adjustment loans	0.0	0.0	0.0	59.7	0.0	48.5	27.0
Specific investment loans and others	100.0	100.0	100.0	40.3	100.0	51.5	73.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Disbursements (US$m)	216.8	126.5	166.9	100.0	160.6	107.3	57
Adjustment loans	125.1	7.8	0.0	0.0	0.0	0.0	0.0
Specific investment loans and others	91.7	118.7	166.9	100.0	160.6	107.3	57
Repayments (US$m)	45	42	44	30	39	42	39
Interest (US$m)	26	25	24	20	22	22	22

Sources: IBRD/IDA Lending program; MIS; LOA data as of 03/31/97.

a/ Average $200 per year, base case.

TANZANIA - Summary of Economic and Sector Work
(US$ thousands)

Category	*FY95*	*FY96*	*FY97*	*FY98*	*FY99*	*FY00*
Agriculture	--	--	--	--	--	x
Industry	--	--	30.1	--	--	x
Finance	--	115.0	26.0	x	--	--
Water	80.4	10.1	--	--	--	--
Education	108.0	68.0	34.4	--	--	--
Population, health, nutrition	--	--	1.5	--	--	--
Social sectors	40.0	48.0	--	x	--	--
Environment	--	--	85.3	--	--	--
Other non-sector-specific	20.0	70.0	119.6	x	x	--
Other economic work	814.0	533.1	328.7	--	--	--
Poverty Assessment/CEM	394.0	145.0	--	--	x	--
Public Expenditure Reviews	160.0	110.0	--	x	x	x
Export Promotion	40.0	99.0	--	--	--	--
Policy Framework	80.0	78.1	--	--	--	--
General	140.0	101.0	--	--	--	--
Total	1062.4	844.2	625.6			

Note: Based on Departmental All-in-Cost (including overheads).

ESW includes CAS and PFP.

"X" indicates ESW work planned for FYs98-00.

TANZANIA - IFC and MIGA Program, FY96-FY00

	FY96	*FY97*	*FY98-00*
IFC approvals (US$m)	5.0	9.6	40.0
Sector (%)			
Agribusiness	35.0	30.0	30.0
Capital markets			20.0
Infrastructure		28.0	30.0
Tourism	9.0		10.0
Transport	10.0		
Manufacturing	46.0	42.0	10.0
Investment instrument (%)			
Loans	88.0	80.0	70.0
Equity	12.0	20.0	30.0
Quasi-equity	..	..	..
TOTAL	100.0	100.0	100.0
MIGA guarantees (US$m)	8.3	8.3	8.3
MIGA commitments (US$m)	..	..	..

Tanzania - Key Economic Indicators

Indicator	Actual			Estimate		Projected		
	1991	1992	1993	1994	1995	1996	1997	1998
National accounts (as % GDP at current market prices)								
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture[a]	49.8	49.9	50.2	50.2	53.0	53.2	53.2	53.0
Industry[a]	13.5	14.6	15.2	14.8	12.9	11.5	11.4	11.4
Services[a]	25.2	25.7	26.2	26.7	24.9	25.3	25.0	25.2
Total Consumption	90.4	96.0	97.5	98.3	95.8	90.8	90.3	90.1
Gross domestic fixed investment	29.7	28.9	28.4	25.7	23.9	23.2	22.4	21.7
Government investment	3.0	2.8	3.7	4.1	3.8	3.8	3.8	3.8
Private investment (includes increase in stocks)	29.6	28.9	27.7	24.6	24.0	23.8	23.4	23.2
Exports (GNFS)[b]	12.3	13.6	18.0	23.0	24.0	19.8	19.9	20.4
Imports (GNFS)	35.3	41.3	46.9	50.1	46.3	36.4	35.4	34.9
Gross domestic savings	9.6	4.0	2.5	1.7	4.2	9.2	9.7	9.9
Gross national savings[c]	19.4	13.3	11.1	8.0	8.6	8.7	8.1	8.6
Memorandum items								
Gross domestic product (US$ million at current prices)	3644	3415	3153	3280	3974	5134	5431	5773
Gross national product per capita (US$, Atlas method)	105.0	130.0	155.0	145.0	130.0	130.0	150.0	150.0
Real annual growth rates (%, calculated from 1991 prices)								
Gross domestic product at market prices	5.7%	3.8%	3.9%	3.5%	4.5%	4.4%	4.0%	4.0%
Gross Domestic Income	3.7%	2.9%	5.8%	3.6%	2.4%	4.6%	3.9%	3.9%
Real annual per capita growth rates (%, calculated from 1991 prices)							0.1	
Gross domestic product at market prices	2.5%	0.7%	0.9%	0.6%	1.5%	1.4%	1.0%	1.1%
Total consumption	-0.7%	2.0%	2.0%	-2.5%	-3.4%	0.5%	0.1%	0.1%
Private consumption	-0.7%	2.3%	2.3%	-2.1%	-2.8%	0.5%	0.1%	0.1%

(continued)

Tanzania - Key Economic Indicators (Continued)

Indicator	Actual				Estimate	Projected		
	1991	1992	1993	1994	1995	1996	1997	1998
Balance of Payments (US$m)								
Exports (GNFS)[b]	528.1	548.6	610.5	848.0	940.5	1017.3	1083.5	1177.0
Merchandise FOB	393.6	414.1	411.4	485.9	592.9	658.0	696.1	757.3
Imports (GNFS)[b]	1569.3	1885.0	2017.2	2241.7	1817.6	1870.6	1921.3	2014.0
Merchandise FOB	1174.1	1227.7	1250.9	1351.9	1283.2	1317.9	1341.9	1399.3
Resource balance	-1041.2	-1336.4	-1406.7	-1393.7	-877.1	-853.4	-837.8	-836.9
Net current transfers (including official current transfers)	407.7	456.4	463.2	465.0	416.6	443.0	501.7	510.0
Current account balance (after official capital grants)	-458.3	-478.8	-621.8	-757.9	-398.7	-371.4	-291.7	-282.7
Net private foreign direct investment	10.0	15.0	61.7	63.0	67.3	70.0	75.0	80.0
Long-term loans (net)	60.7	45.9	-182.8	-150.7	-50.7	31.8	206.2	192.7
Official	173.4	262.1	95.1	159.5	0.5	46.3	224.8	166.6
Private	-112.7	-216.2	-277.9	-310.2	-51.2	-14.5	-18.7	26.1
Other capital (net, including errors and omissions)***	450.6	520.1	619.9	952.6	428.4	279.1	37.4	71.4
Change in reserves[d]	-63.0	-102.2	123.1	-107.0	-46.3	-9.5	-26.9	-61.4
Memorandum items								
Resource balance (% of GDP at current market prices)	-28.6%	-39.1%	-44.6%	-42.5%	-22.1%	-16.6%	-15.4%	-14.5%
Real annual growth rates (1991 prices)								
Merchandise exports (FOB)	3.2%	5.7%	11.4%	6.0%	24.1%	11.3%	4.7%	7.0%
Primary	2.6%	-14.4%	19.8%	-10.2%	5.8%	17.7%	8.0%	12.3%
Manufactures	-29.9%	-18.2%	-16.7%	-13.0%	-9.1%	-4.3%	2.5%	2.7%
Merchandise imports (CIF)	-0.4%	1.5%	1.5%	23.2%	-21.2%	5.3%	3.9%	3.6%
Public finance (as % of GDP at current market prices)[e]								
Current revenues	16.7	17.1	12.8	14.5	14.5	15.0	15.8	16.9
Current expenditures	16.9	16.0	18.8	17.0	17.6	15.8	14.6	15.3

(Continued)

Tanzania - Key Economic Indicators (Continued)

Indicator	Actual				Estimate	Projected		
	1991	1992	1993	1994	1995	1996	1997	1998
Current account surplus (+) or deficit (-)	-0.3	1.1	-6.0	-2.5	-3.1	-0.9	1.2	1.6
Capital expenditure	2.1	3.2	5.1	4.5	3.8	4.0	3.6	3.7
Foreign financing	1.1	2.2	2.3	2.9	5.2	0.3	2.8	4.6
Monetary indicators								
M2/GDP (at current market prices)	19.9	22.0	25.2	28.1	32.8	25.0	23.3	23.3
Growth of M2 (%)	26.9	40.5	43.9	45.9	59.8	0.0	11.3	11.8
Private sector credit growth / total credit growth (%)	63.7	-4784.7	49.3	158.8	-53.0	27.2	-55.9	-60.5
Price indices(1991 =100)								
Merchandise export price index	100.0	104.4	103.1	107.4	136.1	105.3	106.4	108.2
Merchandise import price index	100.0	105.6	100.8	88.7	117.8	104.3	102.2	102.9
Merchandise terms of trade index	100.0	98.8	102.3	121.1	115.5	101.0	104.1	105.2
Real exchange rate (US$/LCU)[f]	100.0	96.6	93.1	76.2	62.3	48.5	48.5	48.5
Real interest rates								
Consumer price index (% growth rate)	28.7%	21.8%	25.3%	30.2%	30.3%	19.0%	13.8%	7.2%
GDP deflator (% growth rate)	12.6%	22.6%	21.0%	26.4%	30.8%	25.7%	15.0%	7.5%

*** Includes accumulation of arrears.

a. If GDP components are estimated at factor cost, a footnoote indicating this fact should be added.

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Central government.

f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Tanzania - Key Exposure Indicators

Indicator	Actual			Estimate		Projected		
	1991	1992	1993	1994	1995	1996	1997	1998
Total debt outstanding and disbursed (TDO) (US$m)[a]	6688.6	6781.4	6962.5	7441.5	7428.5	7346.5	7631.2	7883.0
Net disbursements (US$m)[a]	133.4	283.9	170.2	477.6	29.1	119.2	294.7	250.4
Total debt service (TDS) (US$m)[a]	207.8	236.9	218.0	168.9	338.9	474.3	381.2	342.7
Debt and debt service indicators (%)								
TDO/XGS[b]	1253.7	1219.9	1115.2	860.6	775.8	708.2	694.9	661.5
TDO/GDP	183.5	198.6	220.8	226.9	186.9	143.1	140.5	136.6
TDS/XGS	39.0	42.6	34.9	19.5	35.4	45.7	34.7	28.8
Concessional/TDO	..	..	..	..	62.2	63.4	65.5	66.2
IBRD exposure indicators (%)								
IBRD DS/public DS	27.5	19.5	21.0	25.8	12.4	6.8	6.3	5.3
Preferred creditor DS/public DS	64.5	43.2	42.2	66.0	34.9	26.1	31.8	42.9
IBRD DS/XGS	10.5	8.1	7.2	4.9	4.3	3.1	2.2	1.5
Share of IBRD portfolio	..	..	..	..	..	..	..	..
IFC (US$m) **								
Loans (commitment)	2.5	0.0	7.5	18.5	2.7	2.1	2.9	..
Equity and quasi-equity /c	0.3	0.0	2.1	7.9	0.0	0.0	0.0	..
MIGA								
MIGA guarantees (US$m)	..	..	..	..	..	8.3	8.3	8.3

** Refers to approval Fiscal Year

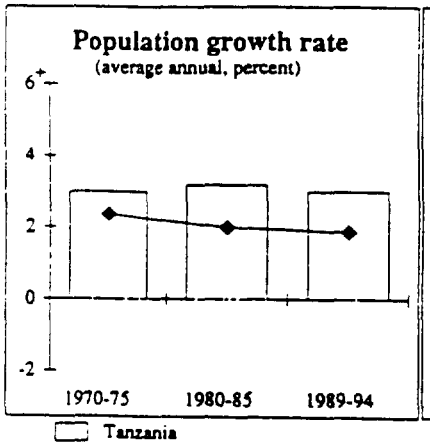
a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

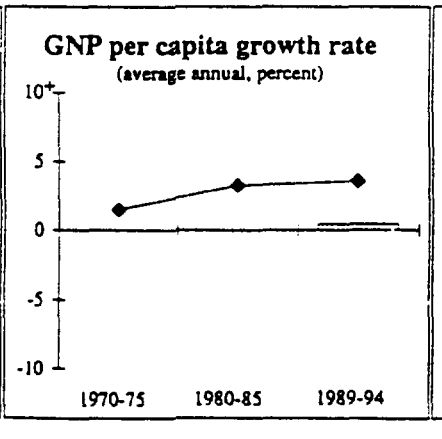
b. "XGS" denotes exports of goods and services, including workers' remittances.

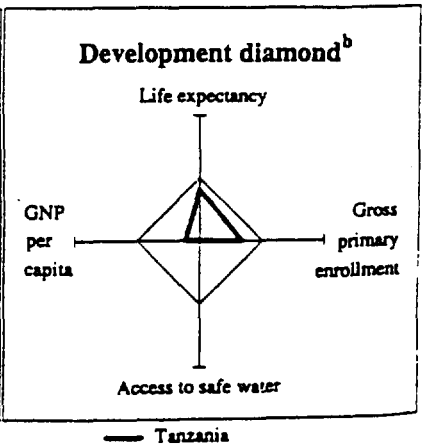
c. Includes equity and quasi-equity types of both loan and equity instruments.

Tanzania

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1989-94	Same region/income group: Sub-Saharan Africa	Same region/income group: Low-income	Next higher income group
Priority Poverty Indicators							
POVERTY							
Upper poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	..	..
Lower poverty line	local curr.	..	..	..	..	..	..
Headcount index	% of pop.	..	..	..	..	..	..
GNP per capita[a]	US$	170	290	90	500	390	1,670
SHORT TERM INCOME INDICATORS							
Unskilled urban wages	local curr.	..	..	..	..	..	..
Unskilled rural wages	"	..	..	..	..	..	..
Rural terms of trade	"	..	..	..	..	..	..
Consumer price index	1987=100	8	58	591	..	..	..
Lower income	"	..	..	..	..	..	..
Food[a]	"	..	..	..	..	..	..
Urban	"	..	57	337	..	..	..
Rural	"	..	..	..	..	..	..
SOCIAL INDICATORS							
Public expenditure on basic social services	% of GDP	..	..	..	..	..	..
Gross enrollment ratios							
Primary	% school age pop.	53	75	70	71	105	104
Male	"	62	76	71	77	112	105
Female	"	44	74	69	64	98	101
Mortality							
Infant mortality	per thou. live births	125	98	84	92	58	36
Under 5 mortality	"	..	..	134	161	101	47
Immunization							
Measles	% age group	..	66.0	75.0	51.4	86.2	77.4
DPT	"	..	67.0	79.0	53.5	89.1	82.0
Child malnutrition (under-5)	"	..	..	28.0	..	38.2	..
Life expectancy							
Total	years	46	51	51	52	63	67
Female advantage	"	3.2	3.5	2.8	3.5	2.4	6.4
Total fertility rate	births per woman	6.8	6.7	5.8	5.9	3.3	2.7
Maternal mortality rate	per 100,000 live births	..	370	748	..	..	..
Supplementary Poverty Indicators							
Expenditures on social security	% of total gov't exp.	0.5	0.7	..	..	..	..
Social security coverage	% econ. active pop.	..	..	..	..	..	..
Access to safe water: total	% of pop.	39.0	52.6	52.1	..	..	..
Urban	"	88.0	88.0	75.0	..	..	..
Rural	"	36.0	42.0	46.4	..	..	..
Access to health care	"	..	73.0	93.0	..	..	..







Tanzania
Low-income

Tanzania
Low-income

a. See the technical notes, p.387. b. The development diamond, based on four key indicators, shows the average level of development in the country compared with its income group. See the introduction.

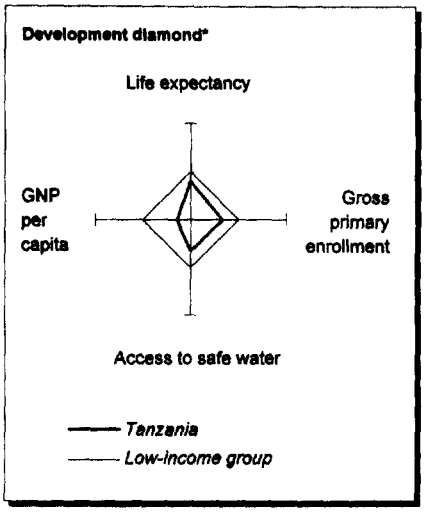
Tanzania

Indicator	Unit of measure	Latest single year 1970-75	Latest single year 1980-85	Most recent estimate 1989-94	Same region/income group: Sub-Saharan Africa	Same region/income group: Low-income	Next higher income group
Resources and Expenditures							
HUMAN RESOURCES							
Population (mre=1994)	thousands	15,900	21,797	28,817	571,902	3,182,221	1,096,881
Age dependency ratio	ratio	1.01	0.98	0.94	0.94	0.66	0.63
Urban	% of pop.	10.1	17.6	23.7	30.6	28.3	55.9
Population growth rate	annual %	3.0	3.2	2.9	2.8	1.7	1.3
Urban	"	10.0	6.5	6.0	4.9	3.2	2.7
Labor force	thousands	8,347	11,208	14,796	254,250	1,590,533	488,647
Agriculture	% of labor force	88	85	84	65	67	36
Industry	"	4	5	5	9	14	26
Female	"	50	50	49	41	39	40
Labor participation rates							
Total	% of pop.	52	51	51	44	50	45
Female	"	26	26	25	37	41	36
NATURAL RESOURCES							
Area	thou. sq. km	945.09	945.09	945.09	24,273.83	40,391.42	40,594.43
Density	pop. per sq. km	16.82	23.06	29.63	22.90	77.44	26.66
Agricultural land	% of land area	42.75	42.90	43.57	50.61	52.42	41.05
Change in agricultural land	annual %	0.03	0.03	0.00	0.01	0.16	-1.38
Agricultural land under irrigation	%	0.14	0.34	0.39	0.86	17.84	11.40
Forests and woodland	thou. sq. km	..	379.36	335.55	5,323.14	7,632.00	5,969.25
Deforestation (net)	% change, 1980-90	..	..	1.22	..	..	..
INCOME							
Household income							
Share of top 20% of households	% of income	53	..	45	..	..	..
Share of bottom 40% of households	"	14	..	18	..	..	..
Share of bottom 20% of households	"	5	..	7	..	..	..
EXPENDITURE							
Food	% of GDP	..	55.0	..	..	..	..
Staples	"	..	27.4	..	..	..	..
Meat, fish, milk, cheese, eggs	"	..	9.4	..	..	..	..
Cereal imports	thou. metric tonnes	461	412	215	14,051	36,922	68,936
Food aid in cereals	"	148	125	35	5,079	8,516	5,771
Food production per capita	1987 = 100	103	106	86	102	115	102
Fertilizer consumption	kg/ha	0.8	1.0	1.3	5.3	58.5	46.3
Share of agriculture in GDP*	% of GDP	..	45.9	52.0	19.5	27.6	14.0
Housing	% of GDP	..	6.9	..	..	..	..
Average household size	persons per household	..	..	..	..	..	..
Urban	"	..	..	..	..	..	..
Fixed investment: housing	% of GDP	2.1	1.7	..	..	..	..
Fuel and power	% of GDP	..	2.2	..	..	..	..
Energy consumption per capita	kg of oil equiv.	52	35	34	251	373	1,602
Households with electricity							
Urban	% of households	..	..	..	..	..	..
Rural	"	..	..	..	..	..	..
Transport and communication	% of GDP	..	1.8	..	..	..	..
Fixed investment: transport equipment	"	3.7	2.5	..	..	..	..
Total road length	thou. km	40	82	88	..	..	..
INVESTMENT IN HUMAN CAPITAL							
Health							
Population per physician	persons	22,540	28,271	..	..	..	3,064
Population per nurse	"	3,403	7,988	..	..	..	..
Population per hospital bed	"	..	768	981	1,316	1,034	592
Oral rehydration therapy (under-5)	% of cases	..	..	83	37	38	..
Education							
Gross enrollment ratios							
Secondary	% of school age pop.	3	3	5	24	48	63
Female	"	2	2	5	23	42	62
Pupil-teacher ratio: primary	pupils per teacher	54	34	37	40	39	..
Pupil-teacher ratio: secondary	"	20	19	19	..	20	..
Pupils reaching grade 4	% of cohort	91	89	87	..	..	..
Repeater rate: primary	% of total enroll	0	1	5	..	..	..
Illiteracy	% of pop. (age 15+)	..	..	32	53	35	..
Female	% of fem. (age 15+)	..	..	43	54	46	..
Newspaper circulation	per thou. pop.	4	5	8	12	..	236

World Bank International Economics Department, April 1996
*Data cover mainland Tanzania only.

Tanzania at a glance

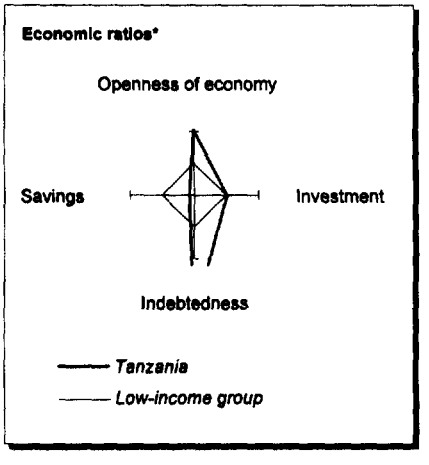
POVERTY and SOCIAL	Tanzania	Sub-Saharan Africa	Low-income
Population mid-1995 *(millions)*	29.6	589	3,188
GNP per capita 1995 *(US$)*	130	490	460
GNP 1995 *(billions US$)*	3.8	289	1,466
Average annual growth, 1990-95			
Population *(%)*	2.9	2.8	1.8
Labor force *(%)*	2.8	2.8	1.9
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	50	..	..
Urban population *(% of total population)*	24	31	29
Life expectancy at birth *(years)*	51	52	63
Infant mortality *(per 1,000 live births)*	83	92	58
Child malnutrition *(% of children under 5)*	28	..	38
Access to safe water *(% of population)*	49	47	75
Illiteracy *(% of population age 15+)*	32	43	34
Gross primary enrollment *(% of school-age population)*	70	71	105
Male	71	77	112
Female	69	64	98



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1994	1995
GDP *(billions US$)*	2.6	5.5	3.4	4.0
Gross domestic investment/GDP	21.1	17.7	31.3	31.0
Exports of goods and non-factor services/GDP	19.8	7.7	23.8	28.0
Gross domestic savings/GDP	8.6	8.7	3.3	4.7
Gross national savings/GDP	..	9.8	12.0	9.1
Current account balance/GDP	-12.4	-9.3	-26.7	-16.2
Interest payments/GDP	0.6	0.5	1.8	1.8
Total debt/GDP	49.0	76.1	220.3	196.0
Total debt service/exports	7.3	38.8	20.4	11.6
Present value of debt/GDP	..	..	160.5	..
Present value of debt/exports	..	..	634.6	..

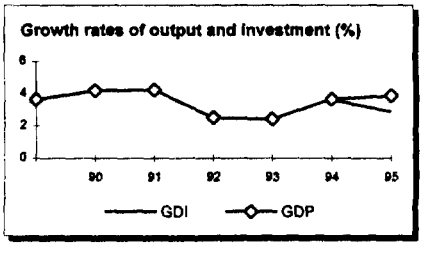
	1975-84	1985-94	1994	1995	1996-04
(average annual growth)					
GDP	1.7	4.0	3.7	3.9	4.8
GNP per capita	..	..	..	..	..
Exports of goods and nfs	..	..	..	..	..



STRUCTURE of the ECONOMY

	1975	1985	1994	1995
(% of GDP)				
Agriculture	41.2	52.1	56.9	56.8
Industry	22.0	12.0	16.8	16.8
Manufacturing	10.4	7.9	7.8	7.8
Services	36.8	35.9	26.3	26.3
Private consumption	74.1	74.9	88.4	85.1
General government consumption	17.2	16.4	8.3	10.3
Imports of goods and non-factor services	32.3	16.8	51.8	54.4

	1975-84	1985-94	1994	1995
(average annual growth)				
Agriculture	2.0	5.4	3.5	4.0
Industry	-0.6	6.8	2.9	4.3
Manufacturing	-0.8	2.8	-0.9	4.5
Services	2.4	1.3	4.1	4.1
Private consumption	..	..	..	..
General government consumption	..	..	..	..
Gross domestic investment	4.4	27.3	3.7	2.9
Imports of goods and non-factor services	..	..	..	..
Gross national product	..	4.1	4.9	..



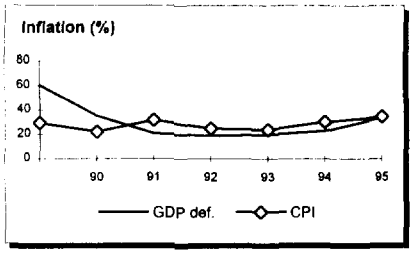
Note: 1995 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Tanzania

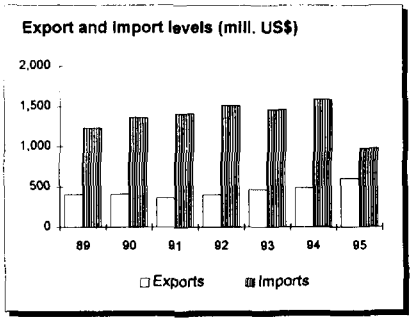
PRICES and GOVERNMENT FINANCE

	1975	1985	1994	1995
Domestic prices				
(% change)				
Consumer prices	26.1	33.3	30.2	34.7
Implicit GDP deflator	15.3	22.8	22.8	34.0
Government finance a/				
(% of GDP)				
Current revenue	24.4	18.5	15.0	14.5
Current budget balance	-1.2	-2.3	-3.4	-4.3
Overall surplus/deficit	-1.6	-7.8	-8.0	-11.5



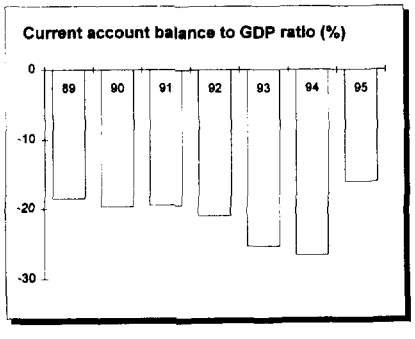
TRADE

	1975	1985	1994	1995
(millions US$)				
Total exports (fob)	379	326	486	600
Coffee	66	119	90	177
Cotton	43	27	92	85
Manufactures	74	33	89	79
Total imports (cif)	775	999	1,589	980
Food	137	78	130	18
Fuel and energy	92	223	149	157
Capital goods	241	434	729	394
Export price index *(1987=100)*	..	96	126	.
Import price index *(1987=100)*	..	85	122	.
Terms of trade *(1987=100)*	..	114	103	.



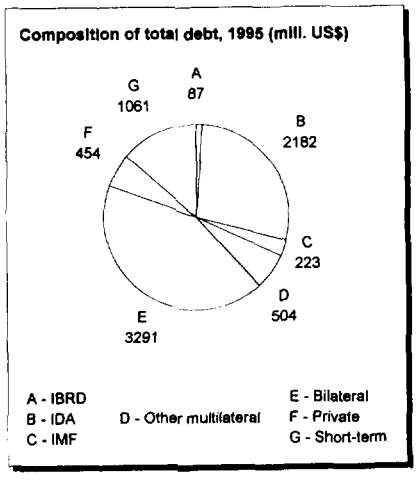
BALANCE of PAYMENTS

	1975	1985	1994	1995
(millions US$)				
Exports of goods and non-factor services	482	445	855	1,072
Imports of goods and non-factor services	811	1,016	2,068	2,013
Resource balance	-329	-571	-1,213	-941
Net factor income	-3	-93	-154	-139
Net current transfers	12	148	465	437
Current account balance, before official transfers	-321	-516	-902	-644
Financing items (net)	306	531	892	611
Changes in net reserves	15	-14	10	33
Memo:				
Reserves including gold *(mill. US$)*	65	16	306	255
Conversion rate *(local/US$)*	7.4	17.9	477.6	624.1



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1994	1995
(millions US$)				
Total debt outstanding and disbursed	1,264	4,206	7,442	7,802
IBRD	80	266	114	87
IDA	81	568	1,998	2,182
Total debt service	36	173	174	195
IBRD	5	40	42	43
IDA	3	7	25	28
Composition of net resource flows				
Official grants	128	267	564	620
Official creditors	248	55	160	148
Private creditors	5	46	12	51
Foreign direct investment	0	14	0	27
Portfolio equity	0	0	0	0
World Bank program				
Commitments	40	45	183	11
Disbursements	60	46	183	160
Principal repayments	3	27	44	46
Net flows	57	18	139	114
Interest payments	5	20	24	25
Net transfers	52	-1	115	89

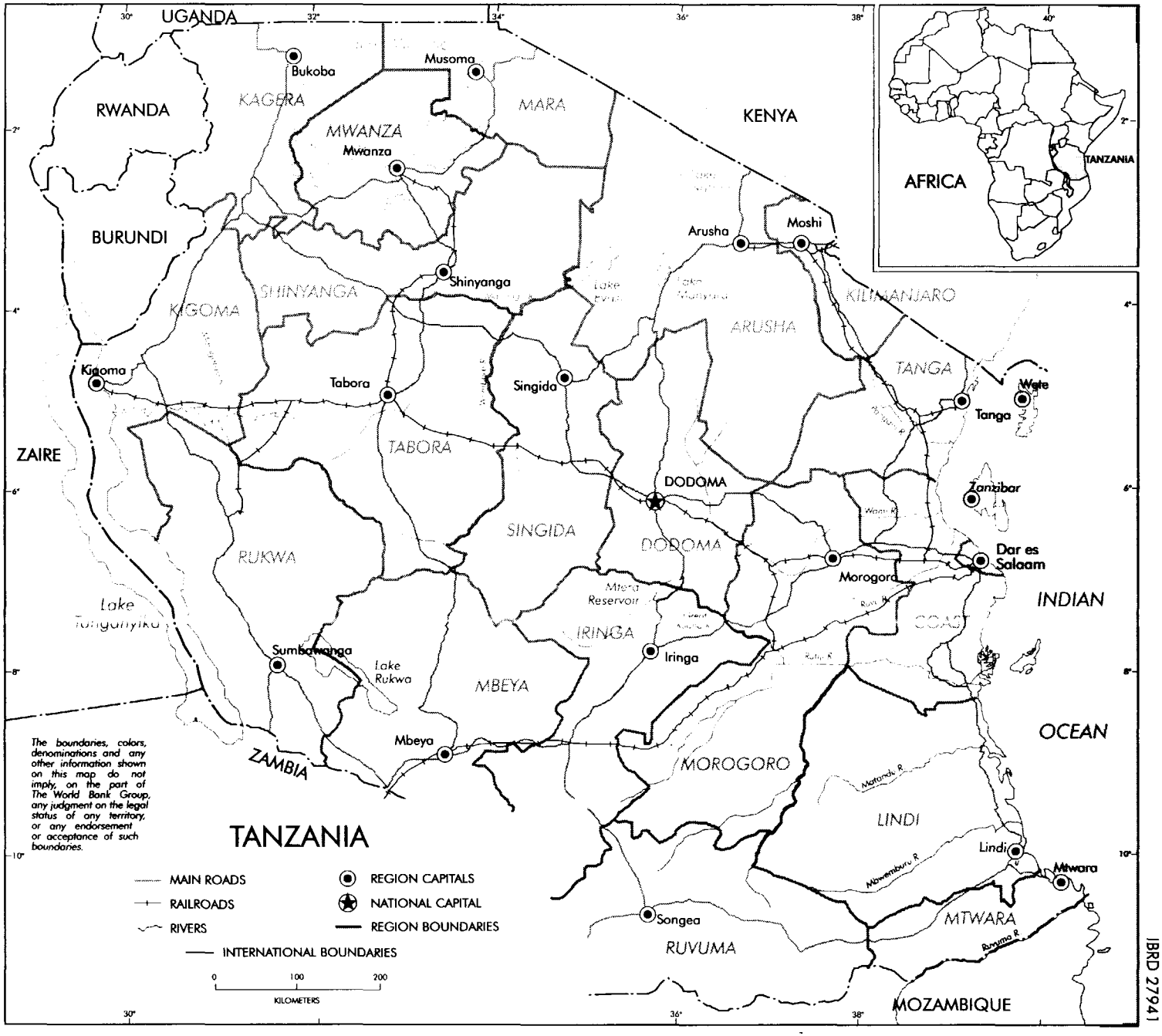


International Economics Department and AF2CO staff estimates

8/20/96

Note: Economic data refer to mainland Tanzania only.
a. Government finance fiscal year (July to June).

MAP SECTION



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