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Report No. 7913

PROJECT COMPLETION REPORT

TANZANIA

TOURISM REHABILITATION PROJECT
(CREDIT 860-TA)

JUNE 29, 1989

Infrastructure Operations Division
Southern Africa Department
Africa Regional Office

GLOSSARY OF ABBREVIATIONS

ATC	Air Tanzania Corporation
EAA	East African Airways
GOT	Government of Tanzania
HTTI	Hotel and Tourism Training Institute
ICB	International Competitive Bidding
IDA	International Development Association
MNR&T	Ministry of Natural Resources and Tourism
MOW	Ministry of Works
NCA	Ngorongoro Conservation Authority
SSLL	Serengeti Safari Lodges Ltd.
TANAPA	Tanzania National Parks
TTC	Tanzania Tourist Corporation

COUNTRY EXCHANGE RATES

Name of Currency: Tanzania Shilling (Tsh)

Year:		Exchange Rate:	
Appraisal Yr. avg.	1978	US$1 =	Tsh 8.00
Intervening Yrs avg.	1979-82	US$1 =	Tsh 8.50
	1983-85	US$1 =	Tsh 14.60
Completion Yr.	1986	US$1 =	Tsh 32.70

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of Director-General
Operations Evaluation

June 29, 1989

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Project Completion Report on Tanzania Tourism Rehabilitation Project (Credit 860-TA) Project Completion Report

Attached, for information, is a copy of a report entitled "Project Completion Report on Tanzania - Tourism Rehabilitation Project (Credit 860-TA)" prepared by the Africa Regional Office. No audit of this project has been made by the Operations Evaluation Department at this time.

Attachment

TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)
PROJECT COMPLETION REPORT

Table of Contents

Page No

ANNEXES

CHARTS

TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)
PROJECT COMPLETION REPORT

PREFACE

This is a Project Completion Report (PCR) for a Tourism Rehabilitation Project for which Credit 860-TA was approved in December 1978 in the amount of US$14.0 million. The credit was reduced in September 1984 to US$12.5 upon cancellation of the Hotel and Tourism Training Institute (HTTI) component. The original Closing Date, June 30, 1983 was postponed twice to the final Closing Date of June 30, 1985; final disbursement was made in April 1986 1/ at which time approximately US$1.1 million of the reduced credit was cancelled. At project completion, i.e. six months after the final Closing Date, physical works were about 80% complete.

The PCR was prepared by the Infrastructure Operations Division, Southern Africa Department, of the Africa Regional Office, on the basis of a draft Completion Report prepared by the Tanzania Tourist Corporation, documents contained in regional files, information provided by staff members involved with the project during its execution and a final PCR mission to Tanzania in May 1988.

This PCR was read by the Operations Evaluation Department (OED). The draft PCR was sent to the Borrower on May 4, 1989, for comments by June 9, 1989, but none were received.

1/ IDA agreed to keep the credit open to allow for the processing of expenditures committed prior to the extension of the Closing Date.

TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)
PROJECT COMPLETION REPORT

Basic Data Sheet

KEY PROJECT DATA

Item	Appraisal Expectation	Actual or Current Est.
Total Project Cost (US$ million)	19.5	15.8
Overrun or underrrun (%)	-	(18.9)
Credit Amount (US$ million)	14.0	12.5 1/
Disbursed	14.0	11.4
Cancelled	-	1.1
Date Physical Components Completed	12/31/82	12/31/85
Proportion Completed by Above Date	100%	80% 2/
Proportion of Time Underrun/Overrun	-	200% 2/
Economic Rate of Return (%)	22	n.a.
Financial Performance	Fair	Poor
Institutional Performance	Fair	Poor

OTHER PROJECT DATA

Item	Original Plan	Revisions	Actual or Current Est.
First mention in files			08/26/75
Government Application			01/06/76
Negotiations			10/24/78
Board Approval			12/12/78
Signature			01/22/79
Effectiveness Date	04/24/79	06/25/79	03/24/79
Closing Date	06/30/83	06/30/84	06/30/85
Borrower	United Republic of Tanzania		
Executing Agencies	MNR&T, MOW, TTC, TANAPA, NCA		TTC, MNR&T, TANAPA, NCA
Fiscal Year of Borrower		July 1 to June 30	
Fiscal Year of Executing Agencies		Jan. 1 to Dec. 31	
Follow-on Project Name		n.a.	
Amount (US$ million)		n.a.	
Loan/Credit Agreement Date		n.a.	

1/ This total reflects a cancellation of US$1.5 million from the Credit in September 1984 following the deletion of the HTTI component (para 3.03).

2/ This figure is indicative only; comparisons have been difficult to make because of significant changes in the scope of work.

CUMULATIVE ESTIMATES AND ACTUAL DISBURSEMENTS (IDA)
(US$ million)

		FY80	FY81	FY82	FY83	FY84	FY85	FY86
(a)	Appr.	1.2	5.4	11.2	14.0			
(b)	Act.	1.0	1.2	3.6	5.6	6.9	9.5	11.4
(c)	Act. as % of Appr.	83%	22%	32%	40%	49%	68%	81%

MISSION DATA

Item	Month/ Year	No. of Weeks	No. of Persons	Staff-weeks	Date of Report
Ident. I	09/76	2.0	3	6.0	10/29/76
Ident. II	12/76	0.2	2	0.4	12/16/76
Ident. III	05/77	0.5	2	1.0	06/01/77
Preappraisal	11/77	1.0	3	3.0	01/09/78
Appraisal	03/78	3.0	5	15.0	11/20/78
Post-Appraisal I	05/78	2.0	2	4.0	08/12/78
Post-Appraisal II	08/78	1.0	2	2.0	09/26/78
Sub-total		9.7	19	31.4	
Supervision I	03/79	1.0	2	2.0	04/11/79
Supervision II	11/79	2.0	3	6.0	01/07/80
Supervision III	05/80	2.0	2	4.0	06/20/80
Supervision IV	07/81	2.0	2	4.0	08/24/81
Supervision V	02/82	1.5	2	3.0	
Supervision VI	10/82	1.5	2	3.0	11/12/82
Supervision VII	05/83	2.0	2	4.0	06/10/83
Supervision VIII	02/84	3.0	2	6.0	04/10/84
Supervision IX	06/84	0.5	3	1.5	07/12/84
Supervision X	09/84	2.0	2	4.0	10/12/84
Supervision X_	05/85	1.0	2	2.0	06/11/85
Completion I	10/86	1.5	2	3.0	12/01/86
Completion II	05/86	1.5	1	1.5	PCR
Sub-total		21.5		44.0	
Total		31.2		75.4	

Staff Inputs
(staff weeks)

	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85
Preappraisal	.7	21.9	14.6							
Appraisal			57.5	14.2						
Negotiation				8.1						
Supervision				7.7	15.7	16.9	33.8	21.2	15.4	18.3
Other								2.1		
Totals	.7	21.9	72.0	29.9	15.7	16.9	33.8	23.3	15.4	18.3

	FY86	FY87	FY88	TOTAL
Preappraisal				37.2
Appraisal				71.7
Negotiation				8.1
Supervision	1.9	2.7	5.5	139.0
Other				2.1
Totals	1.9	2.7	5.5	

TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)
PROJECT COMPLETION REPORT

EVALUATION SUMMARY

Introduction and Objectives

1. The objective of the Tourism Rehabilitation Project was to assist the Government of Tanzania (GOT) to reverse the physical deterioration of tourist facilities in order to reestablish tourism as an important foreign exchange earning industry. The project also sought to provide Tanzania with the trained manpower and marketing tools to optimize use of the improved facilities. To this end, the originally appraised project consisted of (a) upgrading and improving seven hotels and five lodges, including acquisition of needed hotel equipment; (b) construction of a hotel and tourism training institute (HTTI); (c) preparation of marketing tools and implementation of promotional campaigns; (d) improvements in the airport terminal at Dar es Salaam; and (e) technical assistance to (i) the Tanzania Tourist Corporation (TTC) in the fields of engineering, marketing, hotel supplies, hotel communications and tourism services and (ii) the HTTI during its first two years of operations, as well as training of local teachers prior to its opening.

2. The project was partially redesigned in April 1982 eliminating the airport terminal component, in view of the provision of a new terminal with French assistance. In September 1984, the project was further scaled down replacing the construction of HTTI by a more modest training program based on upgrading of existing facilities. The latter change led to the cancellation of US$1.5 million from the credit in 1984.

Implementation Experience

3. Project implementation, affected by a series of delays and setbacks, can only be described as fair, at best. The project was carried out during a period of severe economic downturn which affected not only the volume of tourists (i.e. revenues) but also the availability of materials and resources for physical execution of the project. Within the context of the macroeconomic difficulties, implementation difficulties besetting the project include: underestimation of materials not available locally, late ordering, lack of coordination of site activities, ineffective construction management by TTC's consultants, and shortage of local funds to pay contractors. The small volume and the type of works (largely maintenance) dispersed over far and remote areas rendered virtually impossible the coordination of overlapping works (i.e. between civil, electrical and mechanical works). As a result, imported materials remained idle for a number of years and, in some locations, materials have still not been put to use (para 3.16). The project was halted in mid-1986 with 90% completion in the best cases, to less than 30% completion in the worst.

4. Lengthy delays led to a significant reduction in the volume of work performed and cost escalations (in local shillings), due to inflation, and progressive devaluation of the shilling, among other factors (para 3.31).

5. The major problem with the project in retrospect, however, is a problem of project design which underestimated the amount of work required to physically rehabilitate the designated hotels and lodges. This was compounded by the lengthy delays during implementation which led to further physical deterioration. It appears that the more critical physical needs of, say, a selected number of hotels and lodges were omitted from the project, e.g., structural problems caused by beach erosion undermining one of TTC's beach hotels; extensive roofing damages; and corrosion of the plumbing systems. A more serious evaluation and prioritization of the rehabilitation needs prior to start of project might have helped to identifying these critical shortcomings and including them in a concentrated program of urgent repair and upgrading of a selected number of facilities.

6. IDA's supervision of the project was only fair as it was affected by the Bank's termination of direct involvement in the tourism sector in the early 1980s and corresponding shift in sectoral priorities. IDA's role in project supervision might have been enhanced if a general mid-implementation review of the project had taken place.

7. Project management was affected by the lax supervision of the consultancy services provided to TTC (para 3.35, 3.36).

8. The impact of technical assistance under the project was mixed. The training program was partially successful in improving standards at the hotels, and TTC considered the technical assistance provided in finance, auditing and hotel systems to be useful while the experts were on site. However, because of the absence of a structured training program, local counterparts who have now taken up these positions remain ineffective. The performance of the remaining experts was judged to be only fair.

9. Marketing and promotional campaigns were effectively carried out. However, it was felt that these efforts were not well-timed as the allocation for this component was spent before contracts for rehabilitation works were awarded. The long-term effects of the marketing and promotional campaigns may have already been jeopardized by the closing of all of TTC's foreign offices (para 4.10).

Results, Sustainability and Findings

10. Financial performance has not been satisfactory, based on limited financial data received to date. TTC has been showing increasing operating losses in all of the past eight years but one. Its hotels have also been running annual operating deficits in spite of regular annual rate increases. None of the financial criteria identified at appraisal were met during execution. TTC still needs substantial strengthening in its accounts section, particularly to assist it to bring its records up to date and to sort out the investment costs incurred at each hotel in order to apportion these costs and their eventual debt servicing appropriately.

11. Largely on account of the marginal improvements in most of the hotels, the high costs incurred, the lengthy time overruns, the lower than anticipated tourist traffic (the basis for the incremental revenues) combined with leakages in the foreign exchange control system (para 7.08), the actual

economic rate of return would be much lower than the appraisal estimate of 22% and perhaps even negative. An ex post economic rate of return has not been calculated because of the lack of reliable data on which to base such an analysis. The additional employment generated, consisting primarily of temporary employment during physical implementation, was modest. Significant staff reductions have taken place in the industry, and mo.s are anticipated (para 7.06).

TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)
PROJECT COMPLETION REPORT

I. INTRODUCTION

1.01 Tanzania's tourist attractions combine exotic scenery, wildlife and beaches, as well as historical and archaeological sites. Its wildlife resources, among the finest in the world, together with the attraction of Africa's highest mountain, the Kilimanjaro, have long been part of an established East African tourist circuit. Additional attractions include the fine sandy beaches south of Dar-es-Salaam, the "spice islands" of Zanzibar and Pemba, and Mafia Island which is widely known for deep sea fishing. Along the Indian Ocean coast are the remains of ancient settlements of great interest to historians, including the discoveries of the traces of the earliest man at Olduvai.

1.02 Despite these attractions, tourist flows into Tanzania experienced a dramatic decline in the 1970s. Total visitor bed-nights increased by only 3.5% per annum from 1972 to 1976 compared with an 18% annual increase experienced from 1962 to 1972. Bed occupancy rates remained at the low 1972 levels throughout the seventies (about 40 to 45%). This depressed performance had a negative impact on foreign exchange earnings which actually dropped in real terms during the 70s.

1.03 The relative decline in the performance of the tourism industry had been attributed to the generally unfavorable socio-political attitude to tourism which prevailed in Tanzania in the early 1970s; the main issue being the compatibility of tourism and socialist development. The period was also marked by a worsening in the country's economic condition and a steady deterioration in the level and quality of tourism services. A related problem constraining the tourism industry was the strict control on foreign exchange and reluctance of the GOT to provide foreign exchange funds to purchase even the most basic hotel supply items. Major hotel appliances and fixtures deteriorated rapidly as foreign exchange needed for their maintenance, spare parts or replacements was in very short supply. Finally, there were a number of problems relating to lack of adequate hotel training and staffing of the TTC, a parastatal organization controlling about two-thirds of hotel capacity, in the areas of hotel supplies, engineering, reservations and marketing.

1.04 Beginning in mid 1975 the attitudes of the GOT began to change as information became available on the contribution of tourism to foreign exchange earnings and employment, and as GOT became confident that any adverse impact of tourism on political and social values could be avoided. Accordingly, the GOT and the hotel managements embarked on a campaign to educate workers. Subsequently, the GOT relaxed its restrictions on foreign exchange allocations to the sector and increased its financial support to the TTC for promoting Tanzania's tourist attractions. Hotels were allocated foreign exchange to purchase essential equipment and supplies from abroad, and maintenance expenditures at state hotels were increased.

1.05 Additionally, following the closure of the Kenya border, and the cessation of operations of the East African Airways (EAA) in 1977, the GOT provided funds for the startup of Air Tanzania Corporation (ATC) to provide links between Tanzania and its neighboring countries and Europe and allowed the expansion of small charter airlines.

1.06 It was further stated by the GOT that it had no intention to nationalize the tourism industry and that all foreign investors were protected under the Foreign Investment Protection Act of 1963, which guarantees foreign investments against expropriation. The Association of Hoteliers was revived in early 1978 and discussions on the needs of the private sector were initiated between GOT and the private hotel operators. Private investors, national and foreign, were invited to invest in tourism.

II. PROJECT IDENTIFICATION, PREPARATION AND APPRAISAL

A. The Process

2.01 The Tourism Rehabilitation Project in Tanzania arose from a request from the GOT for IDA support to reverse the deterioration of the tourism industry. This project was first conceived by a Bank sector mission in December 1975 and further defined by an identification mission in September 1976. The latter mission also prepared, at the request of the GOT, detailed terms of reference for a study of the measures required for rehabilitating and increasing the utilization of existing tourist facilities. Funds for the study were made available through an IDA technical assistance Credit to Tanzania (Credit 601-TA). Proposals from four consulting firms were received in March 1977 and in May, Coopers and Lybrand, in cooperation with Norman and Dawbarn, were chosen to conduct the study. The consultants completed work in early 1978 and based on their report "Tanzania Tourism Study", the project was appraised by IDA in March 1978. Cost estimates were based on preliminary architectural and engineering studies carried out by the consultants and were updated to October 1978 prices.

2.02 Negotiations were held in Washington in October 1978. The Government delegation consisted of representatives from the Ministry of Finance and Planning, Attorney General's Chambers, Ministry of Natural Resources and Tourism, TTC, and Tanzania National Parks. The main issues centered on: (i) a requirement for the GOT to classify tourism as an export industry by December 31, 1979, in order to ensure the availability of adequate foreign exchange; (ii) GOT providing the Serengeti Safari Lodge Limited (SSLL) with additional equity funds (totalling TSh 19.5 million) equal to the due and overdue principal and interest on its loans; (iii) GOT providing sufficient funding for TTC to perform all its obligations; and (iv) the need for an increase in the international airport departure tax once improvements to the terminal building were completed in order to recover the improvement costs.

2.03 Agreement was reached on most of these issues and recorded in the amended draft Development Credit Agreement. The requirement for an increase in the international departure tax could not be endorsed by the Government delegation as it dealt with a taxation issue which could only be finalized by

Parliament. In view of this and their assurance that IDA's views on this matter would be considered at the appropriate time, IDA had no objection.

2.04 The following additional amendments were made to the project at that time: (i) a covenant initially added to the Development Credit Agreement committing the GOT to upgrade and maintain the Makuyuni-Serengeti Road (essential for access to the northern national parks) was deleted as it was agreed that the then proposed Highway Maintenance Project (IDA-financed, Credit 876-TA) would include financing for this construction, and its implementation would address this requirement; (ii) an anti-poaching component totalling about US$500,000 was added based on proposals presented by GOT at negotiations; and (iii) based on the revised cost estimates brought to the negotiations by the Tanzanian delegation for the interim passenger facility for the Dar es Salaam airport, an increase of US$250,000 was made. These changes led to an increase of approximately US$1.0 million in the IDA allocation for this project to US$14.0 million.

B. Objectives and Project Description

2.05 The principal objective of the project was to assist the Government in reversing the deterioration of tourist facilities and services begun in the early 1970s and to provide the country with the trained manpower and marketing tools to optimize use of its facilities. It therefore included provisions for hotel rehabilitation, training of hotel employees, and intensified promotion of Tanzania's tourist attractions.

2.06 The project components as agreed at appraisal consisted of the following:

i. Rehabilitation of seven hotels and five lodges operated and owned by the TTC;

ii. Construction, furnishing, and equipping of a Hotel and Tourism Training Institute (HTTI) to be located in Dar es Salaam;

iii. Technical assistance to:

(a) the TTC consisting of 15 man-years of internationally recruited specialists' services in the fields of hotel maintenance, marketing, hotel supplies, hotel communications, and project coordination;

(b) the HTTI consisting of 18 man-years of internationally recruited specialists' services and 20 man-years of fellowships;

iv. Marketing campaigns and the preparation of promotional materials aimed at the tourist travel trade;

v. Improvement of the terminal building of the Dar es Salaam airport, including construction of a new international passenger processing unit adjacent to the existing terminal building, and installation

of luggage conveyors and equipment for moving luggage to and from the aircraft; and

vi. Equipment and vehicles for the anti-poaching units of the Tanzania National Parks (TANAPA) and the Ngorongoro Conservation Authority (NCA).

2.07 The project scope was amended in April 1982 and September 1984 with the deletion of the airport terminal component at Dar es Salaam and the replacement of the construction of the HTTI by a training program based on upgraded facilities, respectively (paras 3.02 and 3.03).

III. IMPLEMENTATION

A. Effectiveness

3.01 Credit effectiveness was delayed by about four months pending compliance with the only condition of effectiveness -- the signing of a subsidiary loan agreement between the GOT and the TTC. The Credit became effective on August 24, 1979. The delay in credit effectiveness did not forestall preliminary startup activities, however, as equipment and materials for the marketing program were purchased early in 1979; retroactive financing in the amount of US$400,000 was made available for these items.

Amendments to the Project

3.02 Part D of the project, improvements to the Dar es Salaam airport terminal building, was deleted from the project in April 1982, as it was included in a larger package of major improvements to the Dar es Salaam airport, including construction of a new terminal building funded by the GOT with French bilateral assistance. This led to a reallocation of US$0.9 million to the civil works component of the Credit.

3.03 Likewise, the establishment of the HTTI in Dar es Salaam was deleted, primarily because of cost escalation brought about by delays in site selection. After a lengthy search for a suitable site, acceptable to the GOT and IDA, one was finally selected in March 1981, and consultants were appointed to prepare preliminary design and revised cost estimates. Despite IDA's warnings to the contrary, preliminary designs were drawn up for an elaborate institute, in accordance with the requirements of the MNR&T. The estimated cost exceeded appraisal estimates by over 170%. Attempts by GOT to secure additional and/or alternative financing failed. As training of hotel staff was still considered to be essential, and as time available for the construction of HTTI began to run out, it was agreed in August 1984, to substitute it with an expansion of training activities at existing training facilities to cater for the project's needs. Following its deletion, US$1.5 million was cancelled from the Credit on September 1, 1984.

B. Physical Progress

3.04 The physical components consisted essentially of the rehabilitation

of the twelve hotels and lodges owned by TTC, located in different and not always easily accessible parts of Tanzania (see map attached). Rehabilitation consisted mainly of maintenance and minor repairs to kitchens, laundry areas, and sanitary facilities. Provisions were also made to rectify the electrical, ventilation and airconditioning systems. Overall progress was poor; physical works took over seven years to complete as opposed to four years and a much lower volume of work was done than had been anticipated at appraisal.

3.05 Implementation was slowed by a series of interrelated factors both internal and external to the project. The country was going through a very difficult economic period which restricted the availability of foreign exchange and slowed the procurement of vehicles, and other essential equipment and materials required to execute the project efficiently. At the same time, the project got off to an ominously slow start caused by (i) a ten-month delay in the appointment of the Project Coordinator; and (ii) delays caused by the change of supervising consultants. The original consultants were replaced by a team of architects, engineers and quantity surveyors (already engaged by TTC in the construction of an extension to the New Africa Hotel). IDA agreed to this change cautioning that new consultants would unnecessarily drive up the costs as they would duplicate work already done, e.g. re-survey of all facilities involved and review of the work done by the earlier consultants.

3.06 The change in consultants in reality turned out to be superficial, involving only the change in leadership but essentially maintaining the same staff, although the fears expressed by IDA regarding cost increases turned out to be the case. Following a re-assessment of work required by the consultants, a program for minimum requirements was agreed upon which substantially exceeded the original envisaged scope. In order to keep the total cost of rehabilitation close to appraisal estimate of US$10 million, the list of rehabilitation works had to be reduced to "items considered absolutely essential for an effective minimum standard of operation". Tender documents were delayed and did not become available until the end of 1980; as the nature of works (largely maintenance) did not attract an overwhelming response from civil contractors, TTC resorted to local competitive bidding. The first award of contracts for civil works were made in May 1982, almost three years after Credit effectiveness.

3.07 Contracts for the implementation of civil works went to four different local contractors: (i) one contract for all hotels and lodges in the Northern area; (ii) one contract for the two hotels in Dar es Salaam; (iii) one contract for Mikumi Wildlife lodge; and (iv) one contract for Kunduchi Beach Hotel and the Mafia Island Lodge. Civil works contracts were packaged by location in order to attract contractors to the small volume of works to be done at each site. Contracts for the electrical and mechanical works were packaged by specialty as opposed to location of hotel unit and went to three contractors (one separate contract for Mafia Island because of its remoteness). What ensued was a cumbersome job of scheduling and coordinating work between contractors, organizing overlapping activities and bringing them in line with the necessary building works, all of which overburdened the management capacity of the contractors. Schedules were poorly maintained; supervision ineffective; communication weak; and coordination, which is highly essential in the context of Tanzania's difficult logistics and low level of

infrastructure development, was virtually non-existent.

3.08 Once the civil works contracts were awarded, startup was delayed by almost one and a half years (end-1983) primarily because various building materials were not available locally and because of management difficulties within TTC. The lack of foreign exchange, another inhibiting factor, was circumvented by special arrangements between IDA and the Treasury allowing import of materials, construction equipment, tools and vehicles for the contractors financed out of the Credit. (This was achieved by limiting IDA's financing of Civil Works to covering only the direct foreign expenditures). The costs were to be recovered in Tanzania shillings equivalent from the contractors, though with great difficulty (para 3.37). The imported materials finally arrived in December 1983, held up in part by uncertainties caused by IDA's country-wide suspension of disbursement between July to November 1982 (para 3.32). The Bills of Quantities were then out of date and, for cost containment purposes, the scope of the civil works was further reduced.

3.09 During the same period, the fixtures, spare parts and equipment (needed by the mechanical and electrical contractors) arrived and were distributed to the hotels but had to be stored for considerable periods before they could be installed, as their installation had to be coordinated with the civil works.

3.10 Overall project supervision on the part of the supervising consultants (para 3.35) was considered lax; they relied largely on the reports of clerks of works for information. This situation contributed to sluggish performance and poor workmanship. Supervision was done without the benefit of a consolidated schedule of works, which added to the confusion and lack of control over contractors during implementation. Supervision of physical progress improved moderately at the final stages of the project, as IDA made the preparation of a firm schedule of implementation a requirement for the second extension of the Closing Date from June 1984 to June 1985.

3.11 In summary, physical works proceeded rather slowly, affected largely by the way the contracts were packaged, the small volumes and distant location of works, contractual disputes, failure of contractors to perform leading to their suspension, delays in importation of materials, poor supervision and, at times, failure of TTC to pay because of the shortage of local funds. Some of the works that were eventually carried out have been overtaken by accumulated physical deterioration. By June 1985, the Closing Date of the Credit, approximately 80% of the works that were finally commissioned were completed. The total value of physical works amounted to Tshs 147.9 million which is 140% over the appraisal estimates for physical works.

3.12 The status of work performed at each hotel and lodge is provided in Annex 1; related contract data are provided in Annex 2. The details of the physical progress for each hotel/lodge follow:

Moshi hotel

3.13 The civil works specified in the Bill of Quantities was satisfactorily completed; cost overruns were minor (1.5%). The supply of

equipment procured for this hotel, however, have not been fully utilized, e.g., sanitary facilities were installed but have not yet been connected and remain dysfunctional as pipes to connect them to the drainage system were not available.

New Safari hotel

3.14 Civil works are 90% complete. The mechanical and electrical works appearing in the Bill of Quantities were carried out satisfactorily but remained incomplete because of the unavailability of basic spares and material. The specialized contractor for these works claimed that requirements for materials and equipment given in the Bill of Quantities were insufficient to complete the works. This was partly due to deterioration of existing installations which took place during the long intervening period between preparation of tender documents and eventual startup of implementation, and partly also to changes in design introduced during implementation. As a result, this hotel was left with the basic work incomplete, e.g. removal of kitchen windows and tiling of kitchen floor; repairs to the ceilings of the dining room and reception/lounge; and paint to bar area walls. The steam and plumbing installation consisting essentially of supplying and installing waste and vent pipes and fittings was also not done for lack of basic supplies. Final contract for civil works amounted to Tshs 2.3 million, an increase of 7% over the bid value.

Lobo Wildlife Lodge

3.15 Most of the works included in the Bill of Quantities were carried out as planned. The final civil works contract amounted to Tshs 3.7 million, an increase of 40% over initial estimates.

Seronera Wildlife lodge

3.16 Civil works on this facility is essentially 95% complete. The quality of workmanship suffered from the lack of basic materials, e.g. door handles to toilet doors, locks, bolts and shelving. Water and sanitary facilities, including overhauling of boiler were left incomplete because stop valves, seals and washers were not provided. Also, materials were procured but not installed, e.g. water softener equipment. Final civil works contract amounted to Tshs 2.5 million, a difference of Tshs 0.4 million over bid value.

New Mwanza hotel

3.17 Civil works, mechanical and electrical works were carried out as commissioned on the kitchen, ground and first floor public areas. The sanitary installations were not done though it was part of the contract. Final contract amounted to Tshs 4.1 million, an increase of Tshs 1.8 million over bid value.

Lake Manyara hotel

3.18 Most of the works (95%) described in the Bill of Quantities were carried out in addition to extra work executed under variation orders. There

were several ommissions, e.g. construction of water pump foundation was never installed due to an oversight in specifications, neither the steam installations nor sanitary installations were done. Final civil works contract amounted to Tshs 6.1 million, an increase of Tshs 1.9 million over the bid value. Currently, the Manyara appears to be one of the better preserved hotels as it has received post-project maintenance funding from the GOT.

Ngorongoro Wildlife lodge

3.19 Most of the works, including repairs to the kitchen, boilers, generators and roof were executed. Final civil works contract value amounted to Tshs 17.3 million, an increase of Tshs 12.0 million over bid value.

New Africa hotel

3.20 Civil works were 90% complete by the end of the project. Unlike many of the other facilities, most of the steam installations were completed except for the installation of gas due to the non-availability of gas valves. Final contract amounted to Tshs 4.8 million, an increase of Tshs 0.3 million over bid value.

Kilimanjaro hotel

3.21 Civil works started in December 1983 and ended in mid-1986. Extensive work was carried out on the mechanical, electrical and airconditioning installations of this hotel. Replacement of the airconditioning units added US$350,000 to the cost of rehabilitating this unit, procured through a reallocation of the proceeds of the Credit. Additional works were commissioned in December 1985 to operationalize the aircondition system. The cooling system is still not functioning well, however, because of mechanical flaws and system deterioration: e.g the chiller had defective units, and the blowing fans corroded more quickly than expected needing replacement. By the end of the project, the civil works on this hotel were 80% complete. Final contract value amounted to Tshs 4.5 million, an increase of Tshs 0.4 million over bid value.

Mikumi Wildlife lodge

3.22 Approximately 95% of the civil works were executed, with some variation, and in general, physical works were satisfactorily done despite extended delays. These delays were caused largely by the lengthy period for procuring additional mechanical (e.g. fittings and plumbing accessories) and electrical materials required for kitchen operations. Connection of the airconditioning units to the electrical system was delayed by an oversight as the lodge was not connected to the main supply. Later in the project, two small generators were procured for the operation of the aircondition units; the airconditioning units, however, remain inoperative. Steam and plumbing installations were also initially hampered by lack of fittings and accessories. Final civil works' contract amounted to Tshs 4.7 million, approximately 47% above original estimates.

Kunduchi Beach hotel

3.23 Many items in the Bill of Quantities were not fully carried out, some due to professional oversight and to failure to discharge obligations (lack of vehicles, equipment and personnel). This resulted in work being left half done or totally undone. For example, two chillers and compressors had to be replaced in order to have the airconditioning equipment functioning, but these were never replaced. Completion of the civil works at the Closing Date is about 80%. The total civil works' contract for this facility amounted to Tshs 3.9 million as compared to the original contract amount of Tshs 4.0 million.

Mafia Island lodge

3.24 This facility was about 30% complete by the end of the project. Start-up was initially delayed by contractors' reluctance to accept the small volume of work to be done in an isolated and difficult to access region of the country. Moreover, labor on the Island is scarce. The contractor who finally accepted the work performed poorly. Materials were delivered on site but not installed by the contractor who was subsequently ordered to leave the site. In order to avoid lengthy arbitration procedures, the termination of the contract was negotiated and the contractor was paid for preliminaries and minor work to staff quarters and drainage channels plus suspension costs amounting to TShs 770 thousand. The remaining works were awarded to another contractor, whose performance was also unsatisfactory. TTC managed to install the air condition units with its own in-house labor, but most of the equipment currently remain unused on the Island. The difficult logistics on the remote Island (complicated by the ineffectiveness of the contractors) proved to be the major constraining factor to rehabilitating this lodge. The final contract value amounted to Tshs 2.7 million, which is Tshs 1.97 million less than bid value despite the fact that only 30% of the work was carried out.

Training

3.25 Initially, a sum of US$2.9 million was earmarked for the construction of the HTTI and an ambitious technical assistance package for its staff. By 1984 when construction was deemed no longer feasible (para 3.03), IDA agreed to utilize a portion of the funds for a scaled-down training program for staff employed by TTC hotels. By contract dated October 29, 1984, TTC and MNR&T engaged consultants for this purpose. After a comprehensive evaluation of the TTC hotels and lodges, the consultants prepared a program consisting of local and overseas training for approximately 160 hotel staff in management and services. The overseas program in Switzerland included both theoretical and practical training, including a four-week on-the-job practicum at first class hotels and restaurants in Switzerland.

Hotel and Tourism Training Institute (HTTI)

3.26 After spending about three years preparing for the erection of this facility it was eventually dropped from the project.

Passenger Terminal at Dar-es-Salaam Airport

3.27 This component was timely deleted from the project in April 1982 as alternative financing was secured for more elaborate improvements to the airport, including a new terminal building, which have been completed and is in use.

Anti-Poaching Program

3.28 The anti-poaching program was carried out as foreseen in the Development Credit Agreement. By mid 1980, the Wildlife Division of MNR&T in charge of this component, had acquired 28 landrovers through MOW directly from the importer of these vehicles (Landrover, Australia) and had prepared a list for remaining equipment to be procured through ICB, consisting of vehicles, radio transmitters, receivers, and binoculars for the anti-poaching program in Serengeti National Park and in the area of Ngorongoro Conservation Authority. By mid-1981, the vehicles had arrived and were being put to use effectively. The Division also complied with the covenant in the Development Credit Agreement to report annually on the wildlife situation in Tanzania and on the results of antipoaching activities.

Marketing and Promotion

3.29 TTC embarked upon its publicity and promotional campaign early in the project. By end 1979, TTC had already commissioned the design and printing of brochures, maps and the opening of a new office in Stockholm. Its overseas marketing and promotion have since come to an abrupt halt, however (para 4.10), due to budgetary constraints.

C. Costs and Financing Plan

3.30 Annexes 3 and 4 indicate that the actual total cost of the project amounted to TShs 221.6 million, or 42% above the appraisal estimates of TShs 156.5 million. The actual cost of the project in US dollar equivalent has been estimated at US$15.8 million, or 19% less than the appraisal estimate of US$19.5 million. This reduction reflects savings in US dollars caused by successive devaluations of Tanzanian shilling against the US dollar during implementation of the project. The IDA Credit of US$11.4 million financed 72% of total project costs as summarized below and detailed in Annexes 3 to 5.

Summary Project Financing
(1980-86)

	(TShs mill)		(US$ mill)	
	Est.	Act.	Est.	Act.
IDA Credit	112.0	160.0	14.0	11.4
GOT Funds	44.0	61.5	5.5	4.4
TOTAL	156.0	221.5	19.5	15.8

3.31 Given the implementation context of this project, cost overruns in Tanzania shillings were minimal. They would have been excessive had the volume of rehabilitation works not been significantly scaled down. An analysis of the cost overruns suggests the following causes: (a) implementation delays; (b) frequent changes in consultants/contractors; (c) additional costs for early contract termination and suspension; (d) domestic price increases; and (e) exchange rate movements.

D. Disbursements

3.32 Disbursements from the various categories of the Credit are shown in Annex 6, and accumulated disbursements from the credit by quarters compared with appraisal estimates are given in Chart 2. Project capital expenditures were expected to commence in the second quarter of calendar year 1979, with disbursements lagging behind expenditures by one quarter. Actual disbursements took place at a much slower rate, requiring seven years compared to the appraisal estimate of four years. While the capital expenditures commenced on target, the level of expenditures and therefore disbursements, was much lower, so that by the end of the third year of implementation, disbursements totalled US$3.6 million, or 32% of appraisal expectations. Initial delays were primarily attributed to TTC's procedural errors in submitting withdrawal applications to IDA. For example, applications for the purchase of hotel equipment had to be returned to TTC for rerouting through the proper channel, i.e., the Treasury. The late start of civil works and delays in deciding on the fate of HTTI also contributed to the lag in disbursement. The general country-wide suspension of disbursements for non-payment of loans between mid July 1982 and November 1982 was a further contributory factor. By mid-1986, approximately ten months after the close of the project, a total of US$11.4 million was disbursed; the remaining balance of the reduced credit (para 3.03) was then cancelled.

E. Procurement

3.33 Procurement, except for civil works, was generally carried out in accordance with provisions of the Credit Agreement and of IDA Procurement Guidelines. Tenders for civil works were invited early in 1981 under international competitive bidding; poor initial responses (only two bids received) led to further retendering, with little success. It is believed that the comparatively low value of some components, small quantities, and scattered location of the facilities rendered the contracts unattractive. Civil works contracts were subsequently awarded to local contractors following local competitive bidding procedures, with IDA agreement. Contracts for the supply and installation of equipment were also awarded on the basis of local competitive bidding.

3.34 The procurement process was cumbersome and inefficient. Centralization of the procurement procedures in TTC and poor coordination were important contributory factors. Bidding documents were not well prepared and required frequent clarification of items and subsequent retendering. For example, inconsistencies were found in unit costs and other conditions of tender. There were numerous changes in specifications for the items which were to be procured from overseas largely due to omissions in the Bills of

Quantities. Poor coordination between TTC and the supervising consultants led to the carrying out of variation orders by TTC technical personnel in conjunction with the contractor without any liaison with the supervising consultants; these procedures added to the delays in procuring of overseas items and in delivering materials on site.

F. Performance of Consultants and Contractors

Supervising Consultants

3.35 Involvement of the initial consultants in the project started in September 1979 and proceeded smoothly until a dispute arose between the consultants and the TTC about remunerations. The dispute arose just at the time when the already delayed bidding for civil works was to start. Work stopped, and again almost one year was lost. As no suitable agreement could be reached, the consultants decided to withdraw their services in early 1981. This had a marked effect on physical progress and project costs. By the time the "new" consultants took up their positions in mid 1982, the costs on which the Bills of Quantities were based at appraisal in 1978 could no longer be applied because of inflation and further deterioration of facilities.

3.36 The change in consultants represented merely a change in leadership as the personnel remained essentially the same. It is not surprising therefore that performance of the new consultants did not improve appreciably, marked by loose supervision and staffing problems (e.g. premature termination of key staff in 1982 after only four months on the project), and the residual effects of the dispute on remuneration. It is unclear to what extent the retention of the same staff affected the quality of supervision of the project, but overall consulting supervision was judged to be lethargic by both IDA supervision missions and TTC. For example, little attempt was made to guide the pace of implementation, to establish a schedule of implementation of the various works and estimates of final costs and to propose a method of recovering from the civil works contractors the advanced expenditures for imported materials (para 3.37).

Physical Works Contractors

3.37 The performance of the civil works' contractors was generally unsatisfactory both in terms of efficiency and in the quality of work performed. They were slow in responding to payments for the local costs of acquiring plant and vehicles needed to speed up implementation as had been agreed on (para 3.08), and thus held up implementation. Consequently, while TTC agreed to hand over plant and construction equipment to the contractors prior to receiving any payments from them, the vehicles had to be stored with the supplier's local agent pending payment. The contractors were therefore slowed by the lack of vehicles needed for their work. Eventually a compromise was reached whereby TTC reluctantly agreed to recover payments from payment certificates as the contractors claimed they were experiencing cash shortages.

3.38 The mechanical contractors performed satisfactorily, but because of poor supervision they overextended their work submitting numerous and often unnecessary variation orders. The contractors responsible for the

airconditioning repairs performed only fairly, partly due to the fact that the scope of work was not well defined initially, which led to a complete overhauling of the airconditioning systems when the contractors were halfway through their initial work. The electrical work was judged to be fair in terms of materials and workmanship. Furniture repairs suffered from poor workmanship which led to early termination of the contractors. One can fairly surmise that the contractors' ineffectiveness was linked to a lack of commitment to contractual obligations at the expense of TTC which eventually had to pay approximately Tshs 4.14 million in suspension costs.

Training of Hotel Personnel

3.39 The consultants contracted for training of TTC hotel personnel performed efficiently, within the agreed time frame and budget allocation. The consultants were able to procure vehicles and all required equipment and ship them to Tanzania on time to start the local training program at the Kunduchi Beach Hotel. The overseas training program was implemented without incident.

G. Reporting, Accounting and Auditing

3.40 At the start of project implementation, it had been agreed with the executing agencies (TTC, TANAPA and MNR&T) that quarterly progress reports would be prepared by the agencies and forwarded to the Project Coordinator in the MNR&T who would summarize the information and then forward the report to IDA. The first report was expected in January 1980 covering the six-month period July to December 1979 in view of the startup delays, followed by regular quarterly progress reports. The frequency as well as the quality of reporting was less than satisfactory. By June 1985, a total of 12 reports had been forwarded. In order to simplify the process, IDA suggested during a supervision mission in 1984 that future quarterly progress reports be submitted by TTC directly to IDA and a copy be sent to the Ministry. IDA had made its recommendation on the basis that TTC was the sole executing agency from 1984 onward, with the deletion of the airport component, the completion of the anti-poaching component, and the imminent deletion of the HTTI. The reports, however, were not forthcoming. One of the reasons adduced by TTC was that the slow pace of execution did not justify the preparation of periodic quarterly reports.

3.41 Project accounts were not kept separately as agreed upon. The project accountant did maintain commitment records in a subsidiary ledger for all foreign expenditures and in a cash book for local payments, but no information on actual expenditures was recorded. This has made the process of accounting for commitments/expenditures by project component very time-consuming at the project completion phase and has rendered very difficult the task of apportioning expenditures by hotel/lodge. Auditing of individual hotels and lodges was done as agreed, though it tended to lag considerably, by at least three to four years. The reasons for the delays in submitting financial records to IDA still persist today, namely, lack of experienced staff, high turnover of accounting staff, and TTC's inability to lure qualified accountants to upcountry locations. TTC's involvement in litigation during project execution further delayed the processing of accounts as records

were being held by the police as evidence in legal proceedings.

H. Covenants

3.42 The Development Credit Agreement and the Project Agreement include a comprehensive set of covenants. The overall performance of the GOT and TTC in meeting the various covenants was fair, at best (Annex 7 provides a list of covenants and status of compliance). In some cases, e.g., the appointment of a Project Coordinator, the covenanted deadline had to be extended by about ten months, which delayed project startup. TTC did not fully comply with the covenant to increase the annual level of maintenance expenditures to at least 6% of its annual hotel sales or 2% of the total current value of its fixed assets. Despite general statements in supervision reports (not benefitting from details per hotel) that this covenant was complied with, it was very unlikely, given the difficulties in procuring essential materials for maintenance and repair, that adequate maintenance could have been taking place, even if sufficient funds were available for this purpose (as suggested in TTC reports).

3.43 Most of the covenants were appropriate, particularly the covenant requiring TTC headquarters to submit audited accounts reflecting project related revenues and expenditures. In retrospect, however, submission of audited accounts for each of TTC's subsidiary did not appear to be of any specific value under the scope of the project.

I. The Role of IDA

3.44 IDA's role in the supervision of this project was less than satisfactory, both in terms of IDA's frequency of supervision as well as supervision quality. A total of 39.5 staffweeks or an average of 1.5 supervision missions per year were spent on this project, which, in retrospect, turned out to be far too low for a project which faced major execution problems from start-up and throughout its evolution. Staffing continuity was not a problem under this project although it did not turn out to be an enabling factor to efficiency. IDA could have been more firm on particular aspects of the project given the macroeconomic problems of the country at the time. Instead, IDA took a soft approach e.g. making foreign exchange available to contractors for importation of basic supplies. In hindsight, however, it did not work out and it highlights the lack of commitment of management of TTC to the project.

3.45 In retrospect, the GOT might have benefitted and physical progress enhanced if a general mid-cycle implementation review of the project had been undertaken by IDA. This might have facilitated timely redefinition and adjustments to the scope of the project and might have resulted in greater effectiveness in the use of the country's scarce resources. It appears that the project would have had a greater impact on the industry if the rehabilitation works were scaled down by at least half, concentrating on, say, six hotels as opposed to diluting efforts on twelve. TTC's supervision and coordination would have been more manageable, contractual problems reduced, transportation and communication difficulties minimized, and the benefits of civil works, electrical and mechanical repairs might have increased. The

quality of IDA's supervision reflects largely the shift in sectoral priority in the early 1980s when the Bank terminated its direct involvement in tourism.

IV. OPERATING PERFORMANCE

A. Hotels and Lodges

4.01 There have been a number of enhancements to the hotel facilities and the industry as a whole as a result of the project, which have led to improved operating performance in some areas of TTC's hotels and lodges. These include the establishment and improvement of radio communication; an intensive training program of hotel managers and service personnel; the provision of vehicles in each hotel; and the renovation of staff housing for hotel employees.

4.02 Most of the hotels and lodges are in a marginally better physical condition than they were prior to the rehabilitation, having benefitted from some mechanical, electrical and building works, additional furniture and recreational equipment. Much more needs to be done, however; major upgrading is required in order to rescue the structures from collapse, in extreme cases, while, in others, to bring them up to international standards.

4.03 In terms of the impact of the rehabilitation on tourist arrivals and hotel occupancy rates, recent statistics reveal that the package of improvements introduced by the project has done little to attract foreign visitors to the country. A 50% decline in tourist arrivals was recorded for Tanzania during the period 1975-85. Kenya, on the other hand, a good comparator for Tanzania, recorded an increase of more than 20% over the same period. Compared with three neighboring countries (Kenya, Botswana and Zimbabwe) Tanzania recorded the lowest volume of tourists during 1975-84. Foreign visitor bednights have been low (in several hotels far below the level required to breakeven) as indicated in the tourism statistics in Annexes 8 to 11. Correspondingly, data on foreign exchange earnings per foreign bednight (Annex 8) indicate declining rate of earnings.

4.04 The lack of improved performance in the industry can be attributed to the following additional factors: (a) relatively high tariffs combined with low standard of facilities; (b) fewer purchases of services offered by the industry; and (c) leakages in foreign exchange controls.

B. Anti-Poaching Program

4.05 The anti-poaching program effectively implemented under the project has led to increased attention to the need for protection of Tanzania's wildlife.

C. Technical Assistance and Training

4.06 A total of 10 technical assistance experts were financed under the project to strengthen TTC in various areas which are vital to operational efficiency. The management operations of TTC have not significantly improved

despite the technical assistance provided under the project. Four experts in finance and hotel services were appointed. The performance of the finance experts was fair; manuals, systems and procedures were introduced for use by TTC. The effectiveness of the new procedures, however, was limited by the absence of an on-the-job training program. Thus, while local counterparts have taken over these key finance positions, they have not been able to achieve improvements in standards. This problem is complicated by the difficulty TTC has experienced in retaining qualified local accountants and financial managers because of the comparatively low pay offered by TTC.

4.07 Technical assistance for hotel services proved to be marginally useful; it triggered further actions in setting up improved systems and procedures in hotel operations (e.g reorganizing the hotel supply and distribution systems, upgrading the hotels reservation and communications system).

4.08 The participants in the training program were motivated and received passing marks in their final exams. The success of the comprehensive training program is evident in the relatively improved standard of performance in several areas of hotel operations. The overseas training element has made managers aware of the meaning of international standards. Much remains to be done, but this initial effort has resulted in improvements in services and operations. The benefits of training can only be sustained, however, if necessary tools, spare parts and equipment are provided to adequately operate hotel facilities. Moreover, the training received under the project needs to be continually reinforced to enhance the country's competitiveness in the regional tourist arena in the long term.

4.09 In general, it appears that the dollar amounts spent would have been more effective in the long term had the institutional needs, particularly in finance and accounting, been more comprehensively evaluated at appraisal and followed-up during implementation. This might have helped to sensitize TTC to the structural nature of its financial problems and to the critical need for long-term solutions. An action plan for upgrading the accounts department might have been an important legacy of the project and a useful contribution to the development of TTC's weak finance and accounts' section.

D. Marketing

4.10 The promotion and marketing abroad of Tanzania's tourism industry was given added impetus under the project with the printing of marketing materials and the opening of an additional foreign office in Stockholm. A total of US$0.5 million was expended on promotional materials such as brochures, films, slides, postcards, maps used by TTC hotels, travel agents and overseas tourism offices. Initial Government commitment to authorize outlays for the marketing program was dampened, however, by the overall shortage of foreign exchange and the recurrent cash flow problems of TTC. It is difficult to assess the impact of this program on the industry since it was shortlived (approximately two years), and all the foreign offices (13) have now been closed for lack of financing, and, in any case, the physical facilities in Tanzania for tourism are less than what would reinforce the promotional campaign's messages.

V. INSTITUTIONAL ARRANGEMENT & PERFORMANCE

5.01 Overall project coordination was vested in the office of the Principal Secretary, MNR&T. An expatriate project coordinator was appointed for this purpose. Startup difficulties, largely communication and adaptation to country conditions led to his early termination. He was replaced by a local coordinator within the TTC who oversaw the contracts related to the hotel rehabilitation component. The effectiveness of the local coordinator was limited by lack of decision-making authority. As the other major components (i.e. construction of HTTI and airport improvements) were dropped, the project became more streamlined and the coordination function placed within TTC seemed to be apt and logical.

5.02 Because of its relative inexperience in supervising rehabilitation works, and its weak capacity, TTC would have benefitted from a strengthened project unit instead of having a single project coordinator. The project unit concept would have been beneficially applied to TTC, providing it with the team experience to supervise and monitor wide-ranging rehabilitation works and transferring this experience to future operations.

5.03 TTC's ineffectiveness in coordinating the flow and pace of implementation was exacerbated by its sometimes strained relations with IDA and TTC's perception of being sidelined during IDA's supervision of the project. TTC felt that the connecting point was the consultants as the project coordinator (at TTC) was not kept fully apace with developments.

VI FINANCIAL PERFORMANCE

6.01 At appraisal the project was expected to contribute to a significant strengthening of TTC's weak financial position to enable it to produce the following results:

(a) by 1982, internally generate sufficient funds to cover all debt service and operating requirements, including normal capital replacement;

(b) by 1983, considerably improve its liquidity and debt service capability to produce a consolidated current ratio of 1.5 to 1 and debt service coverage of 3.9, assuming no new capital expansion projects or long-term borrowings other than those already initiated; and

(c) in 1983, show a net income of about TSh 22 million, representing a return of 11.6% on equity and 6% on book-value of total assets employed, compared with a return of negative 14.2% on equity and a negative 5.9% on total assets in 1977.

6.02 It has not been possible to evaluate the financial impact of the rehabilitation project on TTC to the same degree as projected at appraisal. The major reason has been that TTC defaulted on the subsidiary loan agreement between TTC and GOT signed in January 1979 which required TTC to start

repayment in 1983. Its failure to do so stems in part from delays in apportioning the expenditures to the individual hotels because of deficient record-keeping of project accounts, which makes it difficult to determine the exact amounts of the project costs incurred at each hotel in order to levy the appropriate charges. Moreover, despite the technical assistance received under the project, TTC remains unable to produce its financial results according to standard accounting principles (para 6.03). The accounting section is in the process of attempting to bring its records up to date; this is an important area in TTC's operations where a carefully targetted program of technical assistance could have been provided under the project, but it still remains critically lacking. Based on financial and operational data obtained from the accounting section of TTC, a partial assessment can be made of its financial condition.

6.03 TTC's audited financial statements for the period 1980 to 1984 (Annexes 12 and 13) depict a continued, inconsistent and unprofitable financial performance. While revenues from room sales and sales of food and beverage have more than doubled over the five-year period 1980 to 1984, largely due to regular price increases and the favorable exchange rates as a result of the devaluation of the Tanzania shilling, during the same period, expenses almost tripled, and salaries and other admiministrative overhead accounted for more than 70% of total expenses. Debt servicing, mainly interest payments, also grew substantially, from TShs3.2 million in 1980 to TShs 6.1 million in 1984. These results are illustrative at best, as financial management controls and procedures at TTC and its subsidiaries do not meet with standard requirements of a business enterprise. The auditors were not able to provide an unqualified opinion about the accuracies of TTC's accounts for several years because of significant inconsistencies in reporting, specifically of depreciation charges, accounts receivables, cash, interest on long term loans, and capital reserve.

6.04 Related to its financial weakness are the poor operational results obtained in the industry: lower than anticipated tourism traffic (declining by 50% during 1975 to 1985); decline in foreign bednights as a percentage of the total by more than 50% during 1975-1985. Lower than anticipated hotel sales did not allow several of TTC's subsidiaries to breakeven from year to year. It is unlikely that these facilities would be able to service their debt (once apportioned) from internally generated funds without a sizeable infusion of soft loans or subventions from GOT. As such, the project has defaulted on its financial goals agreed upon at appraisal as outlined in para 6.01 above and covenanted in the Credit documents.

VII. ECONOMIC RE-EVALUATION

7.01 At appraisal, the basic rationale for the increased economic benefits to the sector was the increased visitor traffic to Tanzania brought about by (a) the establishment of alternative transport to Tanzania following the 1977 border closure with Kenya and the cessation of operations of East African Airways (EFA); (b) hotel renovation and improvement in hotel services provided by the project; and (c) lower prices attainable in Tanzania than competing destinations offering similar services. On the benefits side,

increased visitor traffic to Tanzania was expected to result in higher hotel occupancies and greater total expenditures by holiday and business visitors. A second source of project benefits was expected to arise from increases in room rates, averaging 10% in wildlife and beach hotels and 15% in city hotels.

7.02 The related costs included project investment, replacement of investment, procurement of goods and services related to the incremental guests and repair and maintenance. Maintenance costs were estimated at the higher of 2 to 3% of replacement costs or 6% of hotel sales. Occupancy levels of the various facilities was expected to expand, the ratio of operating costs to sales to decline, reflecting the fixed cost component in total operations. Based on the above cost and benefit streams a rate of return of 22% was projected at appraisal.

7.03 The methodology used at appraisal included a second analysis incorporating the costs of the airport terminal building, 45% of the cost of marketing and 45% of the cost of the HTTI and costs of the tourist road to the northern wildlife area lodges. Added benefits included the incremental revenues to the Mt. Meru Hotel (non-project hotel) and the benefits to the airport users. A parallel ex post analysis, however, was deemed unfeasible because of the cancellation of relevant cost items needed for this analysis (i.e., construction of the HTTI, and repairs to the airport terminal building), and the overall poor state of record-keeping.

7.04 It is unlikely that the ex-post analysis could parallel the appraisal analysis in detail, as the same constraints identified above for the financial performance have affected analysis of the economic effectiveness of the project. Annexes 8 through 11 provide statistics on tourism flows and revenues. Visitor traffic and therefore hotel occupancies measured by the room occupancy rates for the period 1979-1985 showed a steady decline. Actual bed occupancies registered far below appraisal projections for years 1980 and 1985 (the only two years for which comparable data exist). Correspondingly, the ratio of foreign bednights declined continuously over the seven years of project implementation, from high levels of 38% in 1979 and 41% in the following two years, down to 26% by 1985 (Annex 8). Tourist receipts fluctuated in current shillings from TShs 170 million in 1980 to TShs 149 million in 1982 rising to TShs 199 million in 1983 then dropping again to TShs 185 million by 1985. The periodic increases registered from year to year can be attributed to price increases at periods of devaluation of the shilling. In current dollar terms, however, tourist receipts declined dramatically. By 1985, foreign exchange earnings registered at 50% (US$10 million) of the earnings of the peak year 1981. The actual project investment costs incurred were higher than anticipated and for a much lower volume of work than appraisal expectations. Given the very low levels of incremental revenues from year to year, and the slump in foreign tourism traffic, the actual rate of return would be much lower than had been anticipated at appraisal and most likely even negative.

Additional Benefits

7.05 Direct beneficiaries of this project were expected to be (a) the GOT; (b) employees in hotel and other tourist services; (c) owners of other

hotels catering to tourists; and (d) producers of curios and handicrafts. The budgetary gains that were to accrue to GOT were expected to be in the form of reduction of subsidies and higher receipts of taxes on profits. By 1983, taxes on TTC profits were expected to amount to TSh 20 million and after-tax profits of TTC estimated to amount to TSh 22 million. Sales taxes on hotel room and full board rates, directly attributable to this project were expected to add an incremental TSh 3 million. GOT revenues and incremental entry fees to parks and wildlife areas were also expected to add a similar amount. As indicated in Section V, financial and operational results indicate that these targets have not been achievable and suggest that unless TTC reorganized, perhaps even turning the operations over to the private sector as is the case in Kenya, the budgetary effects on the GOT could produce significant incremental financial demands on the public treasury.

7.06 In terms of employment benefits, some 600 construction jobs were expected during the construction period, and about 450 jobs created or saved in TTC hotels as a result of the project. A similar number of jobs were to be added in directly related areas such as shops, travel agencies, parks, transportation services and handicrafts. Mainly because of the generally slower rate of growth in the tourism industry during the project, employment performance since project commencement has not been as optimistic as anticipated at appraisal. Direct employment as a result of the project amounted to about 600 by 1984 (i.e., from 2,400 in 1982 to 2,995 in 1986) but declined steadily thereafter to about 2,500 at present, and further cuts are planned in all areas of the industry, including hotels, state travel services, TTC headquarters, gift shops, safaris and overseas offices.

7.07 The benefits from the marketing and promotion component were to spread beyond TTC hotels to other hotel owners through increased occupancy rates and earnings. Producers of curios and handicrafts were also to benefit from the project through increased tourist expenditures on curios and handicrafts which were expected to reach about TSh 16 million compared to about TSh 8 million in 1976. Despite the efforts and aspirations of the TTC, the marketing and campaigning program had to come to an abrupt halt as funds to maintain these initiatives were not made available.

7.08 Tanzania was expected to retain an average of about 72% of the gross foreign exchange receipts it earned from the project. While the foreign exchange inflows coming from tourist expenditures within the country has been increasing in current shillings over the years from Tshs 95 million in 1978 to an estimated Tshs 185 million in 1985, it is very unlikely that there has been a net inflow of foreign exchange earnings over the project execution period. Given the significant outflows arising from replacement of investments, repair and maintenance costs (both current maintenance as well as the accumulated backlog), operating costs and credit repayments, they would exceed possible inflows from tourist expenditures. Further, weak exchange controls, with implications of major leakages, worsened the foreign exchange earnings' position from tourism. Government has tightened up these loopholes and has initiated measures to tap a more significant amount of potential benefits derivable from the tourist industry. These include: stricter exchange control monitoring at points of entry, accommodation, and departure; strengthening of the capacity of the exchange control offices; and enhancing

the quality of tourism sector data.

VIII. CONCLUSIONS AND LESSONS

A. Conclusions

8.01 The project was a single, one-time operation done without the benefit of plans or a vision for a long-term program of improvements in the industry. If this project was intended to stimulate the GOT to revive the tourism industry, then the project has been a partial success. The GOT has shown renewed interest in revitalizing tourism as evidenced by its frequent discussions with foreign investors to participate in the industry, including divestiture of management responsibilities of TTC-owned hotels and lodges. Opening up the industry to keen competition would further its revitalization. TTC now needs to introduce with urgency a major program of continued rehabilitation, upgrading, and regular maintenance of project investments already sunk in order to consolidate any gains made under the project. Its limited manpower needs to be further strengthened and developed in order to prepare for the challenges ahead.

8.02 With respect to the design of the project, it appears that a more thorough review and analysis of the components prior to implementation might have identified some of the weaknesses in design which afterwards became apparent, and could therefore possibly have reduced the lengthy implementation overruns. IDA nevertheless proceeded with the project as it considered that conditions in Tanzania justified a start being made on addressing some of the fundamental bottlenecks stifling the tourism industry.

8.03 Given the record of this project, the question arises whether the GOT should have been involved in the hotel management aspect of tourism. The dollars invested in this project might have yielded appreciable returns if the Government had focussed more on the policy aspects of tourism and on facilitating more involvement from the private sector. Success in the industry in the future would inevitably depend upon appropriate and efficient management.

8.04 At this juncture, the Bank/IDA no longer provides direct financial support for the development of tourism. The Bank's policy limits its involvement to indirect support through specific investments such as transportation, water supply and sewerage, urban services, financial sector operations and technical assistance. The GOT may find it useful to capitalize on the Bank's involvement by encouraging increased participation of, and further investments by, the private sector in revitalizing tourism.

B. Lessons

8.05 The following lessons have been derived from the experience of this project:

i. IDA should have been more realistic in its financial, operating and economic expectations for the tourism industry in Tanzania given the adverse economic climate in which the project was

identified and eventually evolved. Logistical and manpower constraints in Tanzania were not realistically assessed, and these factors turned out to be major inhibitors of project efficiency;

ii. IDA might have been more thorough in its analysis of the project's components and might have been more selective in what could have been realistically accomplished at the time; instead IDA tried to cover too many minor repair tasks (in distant locations); more serious rehabilitation work was left undone; the logistics stretched the management capacity of the project and reduced the project's effectiveness;

iii. Technical assistance requirements should have been more effectively assessed at appraisal and an appropriate program of technical assistance provided to strengthen TTC in critical areas of operations, particularly in finance and accounting. It is important for a country such as Tanzania to capture and retain some of the benefits of project-related technical assistance after the departure of the experts; and

iv. IDA supervision would have been more effective if timely measures were taken to redirect, adjust and redefine the project scope and pace of implementation, particularly during the lengthy periods of work stoppage.

ANNEX
Table 1

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Status of Works Executed as at December 1985

Type of Contract	Location of Contract Works											
	Kili.	New Afr	Kunduchi	Mikumi	Mafia	Mwanza	Lobo	Seron.	Ngorong	Manyara	Safari	Moshi
Civil Works	80	90	80	100	30	95	100	95	95	95	90	100
Plumbing & Steam Installation	90	95	90	95	0	90	80	80	95	90	95	95
Aircondition & Ventilation	90	-	100	100	100	90	90	90	90	90	100	100
Electrical Installations	75	75	97	0	98	80	-	50	95	95	100	100
Diesel Generator	-	-	-	100	-	-	100	100	100	100	-	-
Cold Machinery Installation	100	100	100	100	100	100	100	100	100	100	100	100
Furniture Supply & Rehabilitation	90	90	100	*	90	90	70	90	90	*	95	*
Radio Communication	-	100	100	100	100	-	100	100	100	100	100	100

NOTE:
- means 'not commissioned'
* furniture was approximately 75 percent complete, but was rejected because of inadequate specification and poor workmanship.

Minor additional improvements have been made at specific locations subsequent to IDA's involvement, financed by GOT funds.

ANNEX
Table 2

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

C O N T R A C T D A T A
(Amounts in Tshs)

Loan Cat.	Description	Location/ Hotel Name	Contractor	Nationality	Contract Date	Bid Value TShs	Final Cost
(1)	Civil Works	Moshi	United Builders	Tanzania	Mar 1983	2,110,036	2,141,698
		New Safari				2,170,658	2,326,573
		L. Manyara				4,220,413	6,132,780
		Ngorongoro				5,275,912	17,306,681
		Serenera				2,180,165	2,545,876
		Lobo				2,619,197	3,666,169
		New Mwanza				2,305,724	4,110,211
						20,882,105	38,229,987
(1)	Civil Works	Kilimanjaro	Kassam Constr.	Tanzania	Sep. 1982	4,094,625	4,461,919
		New Africa				4,548,984	4,848,939
(1)	Civil Works	Kunduchi	Saggu Constr.	Tanzania	Oct. 1982	4,006,427	3,857,698
		Mafia				4,643,552	2,670,071
(1)	Civil Works	Mikumi	Taj Mohamed	Tanzania	Sep. 1982	3,160,543	4,694,620
	Subtotal					41,336,236	58,763,234
(2)	ELECTRICAL & ME						
	Plumbing & Steam Inst. (12 units)	all hotels and lodges	B&S Intn'l	Tanzania	Apr. 1982	17,994,629	16,897,272
	Electrical Inst	all facil.					
	- inc. supply	except Mikumi & Lobo	B&S Intn'l	Tanzania	May 1981	4,116,775	4,806,399
	- bulk order		B&S Intn'l		May 1985	4,845,493	5,992,695
	Diesel Generator Plant	5 facilit.	B&S Intn'l	Tanzania	May 1981	1,759,000	2,192,550
	Airhand. Unit	Kunduchi	B&S Int' 'l	Tanzania	May 1985	4,596,845	4,596,845
	Airconditioning	All except NAH	ETCO Ltd.	Tanzania	May 1981	5,962,150	6,050,000
	Airconditioning	Kunduchi New Africa Mikumi	AISCO Ltd.	Tanzania	1985	3,143,569	3,203,155
	Cold room machinery	All facilities	AISCO Ltd.	Tanzania	May 1981	2,603,990	3,332,987
(2)	FURNITURE Furn. rehab.	All facilities	Timber & Hard.	Tanzania	1983	2,172,397	2,689,774
(2)	VEHICLES, EQUIP						
	Vehicles		Toyota Landrover	Japan U.K. Australia			
	Radio Comm. & Telephones	All except KH & NMH	Telefonalatie Bolaget	Sweden	1985		

Sanitary Appl.	Delta Delbex					
	Armitage, Shanks & Carron Ltd.		1982			
Kitchen equip.	Horwoods	U.K.	1982	5,287,000	8,230,000
Tables & benche (stainless stee	Horton Covell	U.K.	1982	620,000	620,000
Laundry equip.	Nyborg	Denmark	Aug. 1981	1,250,000	2,481,000
Oper. equip.	Horton Covell Rebecca Vickers	U.K.		6,560,000	10,738,000
Recreation equipment	U.B.M. Kristiensen Nishizawa Ltd.	U.K. Sweden Japan			
Carpeting	Bonar & Hotex	U.K.	Feb. 1985	816,000	816,000
Spares	Various supplier			2,300,000	2,722,000
Subtotal					
(3) Consulting Services	Cowiconsult Claus Brenner Barker & Barton			4,350,000	16,156,898
Subtotal					
(4) Technical Assistance	10 Specialists TouristConsult	Italy, U.K. Holland, In Pakistan, N Zealand Switzerland	1980-1985		41,288,098
Subtotal					
(5) Marketing	Mahler	Austria	Oct. 1981		6,967,000
GRAND TOTAL					

Contractors not mentioned in above list: MEDCO, KJ Motors

ANNEX
Table 3

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Itemized Total Project Costs

	Appraisal Estimate Tshs'000	Actual Tshs'000	Appraisal Estimate US$'000	Actual US$'000
A. Furniture, Fixtures & Equipment				
Plumbing and Steam		21,000		1,500
Airconditioning & Ventilation		17,500		1,250
Electrical Installations		10,790		771
Diesel Generator Plant		2,192		157
Communications		900		64
Cold Room Machinery		3,333		238
Sanitary Appliances		1,500		107
Kitchen Equipment		8,230		588
Stainless Steel Tables & Benches		620		44
Laundry Equipment		2,481		177
Operating Equipment		10,738		767
Furniture		2,690		192
Seafaris Equipment		2,000		143
Vehicles		2,500		179
Spare Parts		2,722		194
Additional Airconditioning				
Subtotal A	37,566	89,196	4,696	6,371
B. Civil Works	23,970	58,763	2,996	4,197
C. Professional Services	7,244	16,157	906	1,153
D. Marketing Expenditures	6,688	6,967	836	498
E. Tech.Asst. & Training	6,592	41,288	824	2,949
F. Contingencies	19,220		2,403	
Subtotal Hotel Rehab.	101,280	212,371	12,660	15,169
G. Antipoaching	5,170	6,900	646	493
H. Cons. Services	11,550	2,300	1,444	164
I. HTTI Construction	22,000	--	2,750	--
J. Airport Terminal	16,000	--	2,000	--
TOTAL	156,000	221,571	19,500	15,827
Exchange Rate	1:8	1:14 (avg)		

ANNEX
Table 4

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Comparison of Appraisal and Actual Costs

	APPRAISAL						ACTUAL	
	TSh (millions)			US$ (millions)			TShs (millions)	US$ (millions)
	Local	Foreign	Total	Local	Foreign	Total	Total	Total
A. Rehab. of hotels and lodges	18.90	48.80	67.70	2.35	6.11	8.46	147.95	10.57
B. TTC marketing expenditures	1.40	4.40	5.80	0.19	0.54	0.73	7.00	0.50
C. HTTI	5.70	9.70	15.40	0.71	1.22	1.93	0.00	0.00
D. Airport Terminal	3.30	7.30	10.60	0.41	0.92	1.33	0.00	0.00
E. Technical Asst.								
a. TTC	0.50	4.90	5.40	0.07	0.61	0.68	59.75	4.27
b. HTTI	0.80	7.30	8.10	0.10	0.91	1.01	0.00	0.00
F. Anti-poaching equipment	0.60	3.20	3.80	0.07	0.40	0.47	6.90	0.49
Subtotal	31.20	85.60	116.80	3.90	10.71	14.61	221.60	15.83
Phys. cont. (8%)	2.50	6.85	9.34	0.31	0.86	1.17		
Price cont. (26%)	8.11	22.26	30.37	1.01	2.78	3.80		
Subtotal conting.	10.61	29.10	39.71	1.33	3.64	4.97	0.00	0.00
TOTAL COSTS	41.81	114.70	156.51	5.23	14.35	19.58	221.60	15.83

ANNEX
Table 5

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

ALLOCATION OF CREDIT EXPENDITURES

	CATEGORY	AMOUNT OF CREDIT ALLOCATED IN US$ EQUIV. (a)	(b)	(c)	(d)
(1)	Civil works	3,500,000	3,400,000	1,100,000	1,549,507
(2)	Furniture, fixtures, equip. & vehicles	5,000,000	5,000,000	7,475,000	5,384,617
(3)	Consulting services for (1) and (2)	400,000	360,000	700,000	575,855
(4)	Other tech. asst.	1,300,000	1,640,000	2,400,000	2,502,309
(5)	Marketing expenses	500,000	500,000	700,000	424,952
(6)	Unallocated	3,100,000	3,100,000	125,000	0
	TOTAL	14,000,000	14,000,000	12,500,000	11.437,239

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Legend
(a) As published in the Development Credit Agreement dated Jan. 22, 1979.
(b) As amended on April 1, 1982
(c) As amended August 15, 1984
(d) Actual results. In April 1986 US$1.1 million of the reduced Credit was cancelled.

ANNEX
Table 6

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 840-TA)

Performance of Disbursements
(Actual vs Appraisal)
(US$ millions)

		Appr. Est.	Appr. Cumul.	Actual	Actual Cumul.
1980	1				
	2	0.4	0.4	0.2	0.2
	3				
	4	0.8	1.2	0.8	1.0
1981	1				
	2	1.8	3.0	0.2	1.2
	3			0.0	1.2
	4	2.4	5.4	0.0	1.2
1982	1			1.2	2.4
	2	2.8	8.2	0.0	2.4
	3			0.0	2.4
	4	3.0	11.2	1.2	3.6
1983	1			0.8	4.4
	2	2.2	13.4	0.0	4.4
	3			1.2	5.6
	4	0.6	14.0	0.0	5.6
1984	1			0.4	6.0
	2			0.0	6.0
	3			0.9	6.9
	4			0.0	6.9
1985	1			1.0	7.9
	2			0.8	8.7
	3			0.5	9.2
	4			0.3	9.5
1986	1			1.8	11.3
	2			0.1	11.4

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Compliance with Major Credit Covenants

Dev. Credit Agreement Sections	Covenant	Results
3.01 (c)	Complete a Subsidiary Loan Agreement between Govt and TTC	In compliance
3.01 (a)	Locate the HTTI in Dar es Salaam on a site determined in consultation with IDA	Condition met, but component finally deleted from the project
3.02 (b)	Undertake study on financing operation of the HTTI	No longer relevant as the HTTI was deleted from the project
3.02 (e)	Nominate head teacher for HTTI	No longer relevant as the HTTI was deleted from the project
3.03	GOT to fund capital expenditures by TTC in excess of Tsh2 million per year if funds not received through long-term borrowing by TTC and if TTC's ratio of current assets to current liabilities after such expenditures fall below 1:1	The situation did not arise
3.07	Upgrade major access road to National Parks (Makuyuni-Serengeti Road) to all-weather standard	Some improvements were carried out
3.08	GOT to continue to pursue policies consistent with preservation of wild-life resources. GOT to furnish annually to IDA report dealing with wildlife situation and results and antipoaching activities.	In compliance
Project Agreement Sections		
2.02	Employ a qualified and experienced specialist to supervise and coordinate hotel rehabilitation program by Dec. 1979	In compliance
3.05	Prepare and submit to IDA a study examining feasibility and magnitude of real rate increases at hotels and lodges by Dec. 1979	In compliance
4.02	Audit accounts and furnish to IDA within 6 months after end of	Not in compliance

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

ANNEX
Table 8

Bednights Sold and Foreign Exchange Earnings

Year	Bednights in '000			Bednights	Foreign Exchange		Avg Rate per bed night	Avg. Length of Stay
	Domestic	Foreign	Total	% Foreign	Tshs mill.	US$ mill.	(US$)	(days)
1975	467	532	999	53	83	-	-	3.4
1976	436	562	998	56	88	13	23	3.4
1977	440	383	823	47	72	9	23	2.5
1978	589	318	907	35	95	12	38	2.4
1979	629	383	1012	38	140	18	47	6.0
1980	661	453	1114	41	170	18	40	6.0
1981	695	486	1181	41	187	20	41	6.6
1982	801	415	1216	34	149	15	36	6.4
1983	842	397	1239	32	199	16	40	6.6
1984	1037	364	1401	26	177	10	27	6.1
1985	1088	383	1471	26	185	10	26	5.1

Source: Tanzania Tourist Corporation

ANNEX
Table 9

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Comparative Foreign Exchange Earnings
(US$ Millions)

Year	Tanzania	Kenya	Zimbabwe	Zambia
1976	13	103	n.a.	13
1977	9	121	15	13
1978	12	158	15	13
1979	18	176	18	15
1980	18	220	16	20
1981	20	240	17	45
1982	15	192	20	n.a.
1983	16	152	26	n.a.
1984	10	190	30	n.a.
1985	10	196	n.a.	n.a.

Source: Tanzania Tourist Corporation

ANNEX
Table 10

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Room Occupancies by Hotel 1977-1987

Location/Name of Unit	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
DAR ES SALAAM											
Kilimanjaro Hotel	93	95	95	95	92	92	46	63	63	89	90
New Africa Hotel	97	95	99	94	88	86	83	84	90	75	79
DAR ES SALAAM BEACH											
Kunduchi Beach Hotel	62	80	87	64	46	47	33	32	39	50	53
NORTHERN WILDLIFE											
Lake Manyara Hotel	17	19	27	25	27	25	21	31	26	31	45
Ngorongoro W'life L.	20	17	22	20	32	19	21	31	40	41	62
Seronera W'life Lodge	14	17	29	28	22	24	20	24	29	38	55
Lobo W'life Lodge	7	9	15	11	12	9	6	7	9	13	20
ARUSHA/MOSHI											
Moshi Hotel	32	38	40	45	48	87	67	73	75	71	64
New Safari Hotel	35	35	44	35	43	40	53	67	65	67	64
Mt. Meru Hotel	15	29	42	40	51	40	41	44	40	37	45
OTHERS											
Mikumi W'life Lodge	32	29	34	40	33	40	44	50	44	59	60
Mafia Is. Lodge	16	24	24	22	17	20	31	22	29	20	24
New Mwanza Hotel	68	77	89	49	76	60	n.a.	n.a.	n.a.	73	81
Weighted Average	45	50	48	44	45	45	39	52	52	44	49

Source: PCR Mission Compilation

NOTE: These figures are meant to be illustrative and represent the best estimate (within a 10 to 15 percent margin of error) based on data provided by TTC. The data were often inconsistent and conflicting containing numerous arithmetical flaws. Caution should be used in citing these figures.

ANNEX
Table 11

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

Actual vs. Projected Bed Occupancy Rates of TTC Hotels

Location/Name of Unit	No. of Beds	1976 Actual	1980 Proj	1980 Actual	1984 Actual	1985 Proj	1985 Actual	1986 Actual	1987 Actual
DAR ES SALAAM									
Kilimanjaro Hotel	392	53	57	75	41	57	43	56	54
New Africa Hotel	159	89	90	51	84	90	91	80	83
DAR ES SALAAM BEACH									
Kunduchi Beach Hotel	200	43	50	46	24	70	31	41	43
NORTHERN WILDLIFE									
Lake Manyara Hotel	202	56	30	25	25	73	28	29	44
Ngorongoro W'life L.	156	53	29	24	32	69	34	32	58
Seronera W'life Lodge	150	34	19	28	23	44	9	36	50
Lobo W'life Lodge	150	36	20	11	11	47	9	40	21
ARUSHA/MOSHI									
Moshi Hotel	108	37	29	n.a.	78	39	63	76	65
New Safari Hotel	113	61	32	n.a.	58	60	51	58	52
Mt. Meru Hotel	392	n.a.	21	27	34	54	30	27	33
OTHERS									
Mikumi W'life Lodge	96	35	33	29	43	46	39	16	49
Mafia Is. Lodge	60	20	20	18	17	50	23	9	22
New Mwanza Hotel	112	45	52	45	42	70	58	41	46
Weighted Average	176	45	50		44		42	45	48

Source: PCR Mission Computations

ANNEX
Table 12

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

COMPARATIVE BALANCE SHEETS OF ALL TTC HOTELS (end December)
(Tsh'000)

	1980		1981		1982		1983		1984
	APPR	ACTUAL	APPR	ACTUAL	APPR	ACTUAL	APPR	ACTUAL	ACTUAL
Current Assets									
Cash	13,180	16,044	16,060	16,021	18,450	21,807	26,680	14,758	4,086
Inventories	14,170	24,409	16,180	24,382	18,040	32,514	21,360	27,298	17,117
Receivables	30,120	50,994	38,890	52,650	47,320	63,917	56,980	87,325	37,600
Total Current Assets	57,470	91,447	71,130	93,053	83,810	118,238	105,020	129,381	58,803
Fixed Assets									
Net Fixed Assets	225,320	185,228	251,640	451,598	250,430	428,360	242,680	409,920	368,843
Other L.T. Assets	12,650	8,567	15,510	6,367	20,960	4,706	17,070	4,602	2,116
Total Assets	295,440	193,795	338,280	457,965	355,200	433,066	364,770	414,522	370,959
Current Liabilities									
Creditors & Accruals	30,120	83,431	38,890	85,744	47,320	101,837	56,980	110,716	91,121
Bank Overdrafts	36,550	5,213	35,660	2,120	11,340	2,875	0	1,951	2,671
Current Maturities	12,550	4,297	11,910	5,808	11,730	12,678	10,870	15,011	11,660
Total Current Liabil.	79,220	92,941	86,460	93,672	70,390	117,390	67,850	127,678	105,452
Long Term Loans	85,550	103,727	103,900	107,452	108,970	96,779	98,100	94,961	37,192
TOTAL LIABILITIES	164,770	196,668	190,360	201,124	179,360	214,169	165,950	222,639	142,644
Capital	215,650	145,194	224,490	413,655	229,010	413,721	230,220	427,373	417,136
Retained Earnings	(84,980)	(148,067)	(76,570)	(156,814)	(53,170)	(194,824)	(31,420)	(235,490)	(188,821)
Net Worth	130,670	(2,873)	147,920	256,841	175,840	218,897	198,800	191,883	228,315
TOTAL LIABIL.& NET WORTH	295,440	193,795	338,280	457,965	355,200	433,066	364,750	414,522	370,959
NET WORKING CAPITAL	(21,750)	(1,494)	(15,330)	(619)	13,420	848	37,170	1,703	(46,649)
Current ratio	0.73	0.98	0.82	0.99	1.19	1.01	1.55	1.01	0.56
Debt/equity ratio	0.65	0.00	0.70	0.42	0.62	0.44	0.49	0.49	0.16

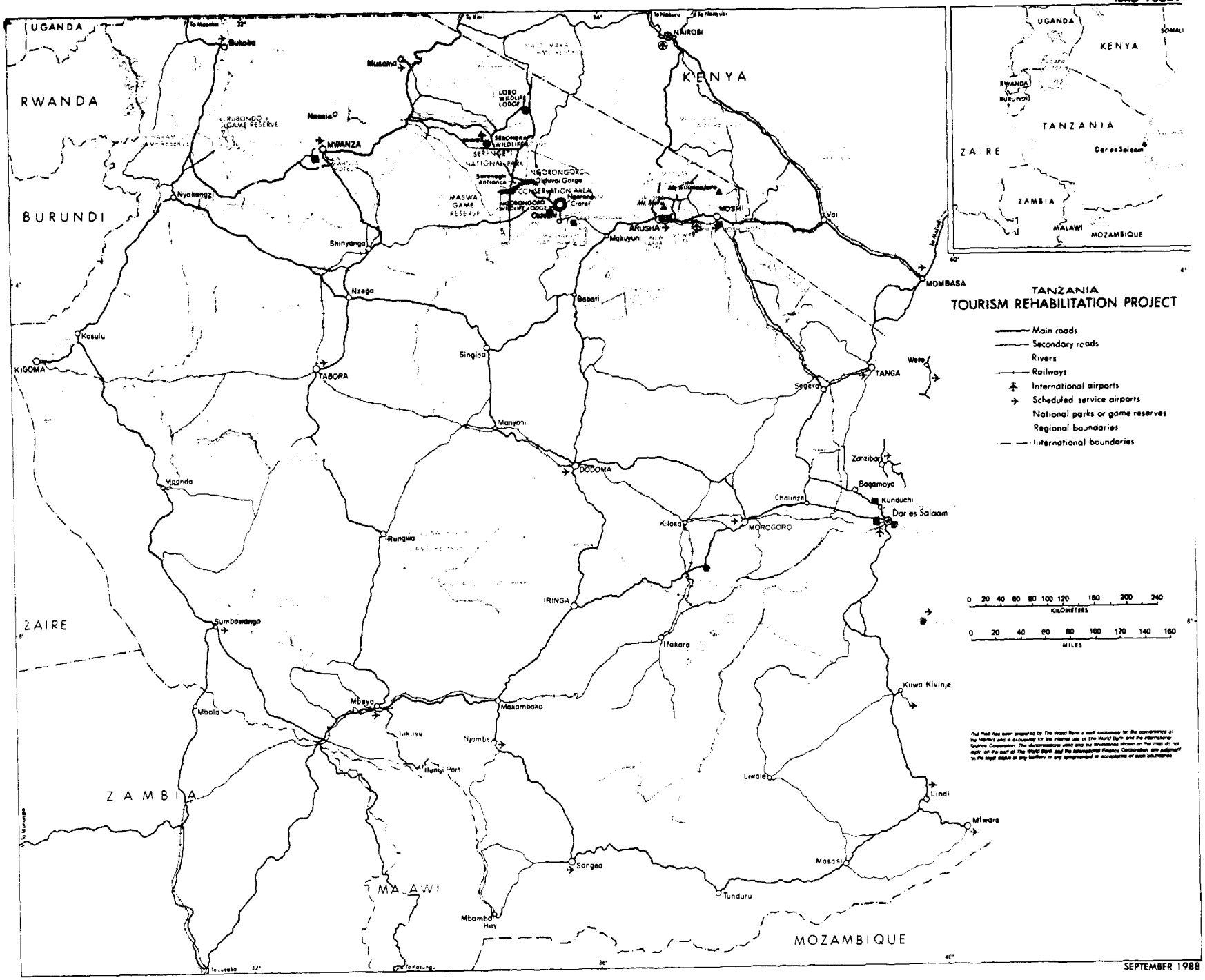
ANNEX
Table 13

PROJECT COMPLETION REPORT
TANZANIA
TOURISM REHABILITATION PROJECT (CREDIT 860-TA)

COMPARATIVE INCOME STATEMENTS OF ALL HOTELS
(TShs 000)

	1980		1981		1982		1983		1984
	APPR	ACTUAL	APPR	ACTUAL	APPR	ACTUAL	APPR	ACTUAL	ACTUAL
Revenue									
Rooms	59,790	64,565	79,940	77,770	100,650	82,740	119,480	77,932	93,100
Food & Beverage	80,320	107,127	101,840	133,919	123,060	174,833	147,170	199,604	270,615
Others	43,100	7,247	54,820	7,428	64,160	9,610	79,960	8,768	10,696
Total Revenue	183,210	178.939	236,600	219,117	287,870	267,183	346,610	286,304	374,411
Cost of Sales									
Rooms	10,150	10,606	12,780	11,970	15,310	14,892	18,120	18,078	15,774
Food & Beverage	60,930	79,126	76,030	96,686	90,210	126,748	106,710	135,925	170,698
Others	15,380	7,739	20,240	7,826	25,630	10,557	32,190	10,568	14,121
Total Cost of Sales	86,460	97,471	109,050	116,482	131,150	152,197	157,020	164,571	200,593
Gross Operating Income	96,750	81,468	127,850	102,635	156,720	114,986	189,590	121,733	173,818
Undistributed Expenses									
Admin. & General	51,400	45,840	58,150	59,682	60,170	68.288	67.120	78.867	117,543
Repairs & Maintenance	11,240	6,825	14,020	11,584	16,410	9,631	19,020	12,091	20,146
Heat, Light & Power	9,090	12,802	11,490	9,343		14,860	16,100	18,067	12,680
Total Undistr. Expenses	71,730	65,467	83,660	80,609	76,580	92,779	102,240	109,025	150,369
House Profit/Loss	25,020	16,001	44,190	22,026	80,140	22,207	87,350	12,708	23,449
Usage of Operational Assets									
Linen		1,191		414		1,524		584	479
Cutlery/Crockery		958		444		646		830	549
Glassware/Tableware		421		380		480		90	614
Total Usage Oper Assets		2,570		1,238		2,650		1,504	1,642
General Expenses									
Management fees		9,884		11,667		13,956		15,157	20,039
Loan Interest	5,040	3,171	7,900	5,387	5,700	5,337	11,000	5,931	6,145
Depreciation/Amort.	20,230	9,558	23,980	20,561	28,930	17,701	34,240	18,901	21,109
Total General Expenses	25,270	22,613	31,880	37,615	34,630	36,994	45,240	39,989	47,293
Other Income	510	4,543	3,600	5,242	8,37[illegible]	5,973	20,360	6,661	7,384
Net Profit/Loss Pretax	(760)	(4,639)	8,710	(11,585)	37,140	(11,464)	21,750	(22,124)	(18,102)
Working ratio	0.39	0.37	0.35	0.37	0.27	0.35	0.29	0.38	0.40
Operating ratio	0.50	0.42	0.45	0.46	0.37	0.41	0.39	0.45	0.46

IBRD 13689



SEPTEMBER 1988