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Report No. P-3081-TA

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

June 1, 1981

CURRENCY EQUIVALENTS

Currency Unit	=	Tanzania Shilling (TSh)
TSh 1.00	=	US$0.12
US$1.00	=	TSh 8.30
US$1.00	=	SDR 0.817472
SDR 1.00	=	US$1.223283

(As the Tanzania Shilling is officially valued in relation to a basket of the currencies of Tanzania's trading partners, the US Dollar/Tanzania Shilling exchange rate is subject to change. Conversions in this report were made at US$1.00 to TSh 8.30 which is close to the 1979/80 average exchange rate. The US$/SDR exchange rate used in this report is that of February 27, 1981.

ABBREVIATIONS AND ACRONYMS

DELs	-	Direct Exchange Lines
EAC	-	East African Community
EAPTC	-	East African Posts and Telecommunications Corporation
km	-	Kilometer (1,000 meters)
MOF	-	Ministry of Finance
MOP	-	Ministry of Planning and Economic Affairs
MCT	-	Ministry of Communications and Transport
TPTC	-	Tanzania Posts and Telecommunications Corporation
UHF	-	Ultra High Frequency Radio Circuit
VHF	-	Very High Frequency Radio Circuit

FISCAL YEAR

Government:	July 1 - June 30
TPTC:	January 1 - December 31

TANZANIA

TELECOMMUNICATIONS PROJECT

Credit and Project Summary

Borrower: United Republic of Tanzania

Beneficiary: Tanzania Posts and Telecommunications Corporation (TPTC)

Amount: SDR 22.1 million (US$27 million) equivalent

Terms: Standard

Relending Terms: The proceeds of the credit would be onlent by the Government to TPTC at 10% interest per annum for 20 years, including 5 years of grace. TPTC would bear the foreign exchange risk.

Project Description: The project would cover part of TPTC's current investment program (1980-84). It would improve telecommunications services through extending local services and providing reliable urban and long distance networks. It would also provide basic telecommunications facilities to rural areas and to Zanzibar. Specifically, the project would finance:

(a) construction of about 550 km of overhead line routes; of about 12 VHF or UHF radio links and of 4 microwave links; installation of power supply equipment and of about 850 channels of rural carriers; of about 600 additional channels of multiplex equipment in broadband transmission systems; and of a digital telephone exchange in Zanzibar;

(b) expansion of the local cable network at about 90 urban and rural centers; provision of dropwire and of about 700 teleprinters;

(c) importation of cement and other construction materials;

(d) provision of an air-conditioning plant, vehicles, training equipment and spare parts; and

(e) provision for studies, overseas training and fellowships.

The project faces limited risks. TPTC is capable of implementing the project satisfactorily, and as the project comprises a relatively large number of independent activities, delay in the completion of a few works is not expected to prevent the use of other newly created assets. The project also includes features designed to reduce, if not eliminate, causes of delay.

Estimated Project Costs:

	Local	Foreign	Total 1/
	------US$ Million-------		
Local Network Facilities	8.7	10.4	19.1
Inter-urban and Rural Network Facilities	2.8	6.7	9.5
Telex and Gentex Network (Teleprinters)	0.2	2.0	2.2
Vehicles, Spare Parts, and Imported Building Materials	0.4	2.1	2.5
Training Facilities, Fellowships and Consultancy Services	1.3	1.0	2.3
Sub-Total	13.4	22.2	35.6
Physical Contingencies	0.6	1.0	1.6
Price Contingencies	6.0	3.8	9.8
Total Project Cost	20.0	27.0	47.0

Financing Plan:

	Local	Foreign	Total 1/
	------US$ Million-------		
IDA	-	27.0	27.0
TPTC	20.0	-	20.0
Total Project Cost	20.0	27.0	47.0

Estimated Disbursements:

IDA Fiscal Year	1982	1983	1984	1985	1986
	----------US$ Million----------				
Annual	0.8	5.0	8.7	11.0	1.5
Cumulative	0.8	5.8	14.5	25.5	27.0

Rate of Return: 24%

Staff Appraisal Report: Report No. 3133-TA dated April 2, 1981.

1/ The project is exempted from identifiable taxes and duties.

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

1. I submit the following report and recommendation on a proposed credit to the United Republic of Tanzania of SDR 22.1 million (US$27.0 million) equivalent on standard terms to help finance a telecommunications project. The proceeds of the credit would be relent by the Government to the Tanzania Posts and Telecommunications Corporation (TPTC) at an interest rate of 10% per annum for 20 years, including 5 years of grace. TPTC would bear the foreign exchange risk.

PART I - THE ECONOMY

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

Background

3. At Independence in 1961, Tanzania (then Tanganyika) was one of the poorest countries in the world. Almost solely dependent on subsistence agriculture and a few estate crops, the country had a very modest industrial base (less than 5% of GDP), and a very small number of educated and trained personnel. For the first six years after Independence, the Government's development objectives resembled those of many other less developed countries, stressing growth in per capita income and national self-sufficiency in skilled manpower, based on market forces and capital-intensive agricultural projects. This approach had a number of drawbacks, such as high investment costs in the agricultural sector, and led in the Government's view to unacceptable economic and social conditions, such as widening income differentials and unequal opportunities for advancement in the rural areas. In response to this situation, the national development strategy was reassessed in 1967. The new priorities, enunciated in the Arusha Declaration and related policy statements, were directed towards establishing a socialist society, with greater emphasis on broad-based rural development, self-reliance in development efforts, and the development of mass education. To accomplish these ends, the State, with guidance from the Party 1/, was expected to play the leading role, especially in the reform and creation of appropriate institutions. This led in the late

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

1960s to the nationalization of large-scale industry, commerce and finance; the creation of numerous parastatal bodies, the formation of ujamaa (cooperative) villages, the decentralization of government (1972); and the mass campaign of villagization (1974-76).

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

5. The oil price increases and world recession of 1973-74 coincided with two years of below average rainfall in Tanzania. Also affected by disruptive changes in the rural areas at this time (decentralization and villagization), agricultural production plummeted and there was a serious shortfall in foodgrain production. The Government was forced into the world market, making large purchases of foodgrain for cash. Food imports rose from US$39 million in 1973 to US$149 million in 1974 and US$136 million in 1975. Export crop production also fell during this period and the barter terms of trade dropped by 22.5% from 1974 to 1975. Combined with the drop in export volumes, the income terms of trade fell by about one-third during these two years. As a result, the current account deficit rose from US$118 million in 1973 to around US$340 million in both 1974 and 1975. Domestically, the recurrent budget fell into deficit and Government bank borrowing rose from TSh. 416 million in 1973/74 to TSh. 753 million in 1974/75 and TSh. 1,061 million in 1975/76.

6. The Government prepared a program to deal with at least the short-term effects of the crisis and was able to receive some assistance from the IMF and a program loan from the Bank. Under this program, import levels were tightly restricted, wages were frozen, government development expenditures 1/

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

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

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

8. According to the official National Accounts statistics, GDP in constant prices has risen by 4.7% per annum since 1966, and by a slightly higher rate of 5.1% per annum over the past six years. However, this latter trend assumes an 8.6% per annum increase in subsistence agriculture, which seems somewhat overstated in the light of Bank Group project experience and the known marketed surpluses of food. Assuming a more realistic growth rate of 4.0% per annum for subsistence agriculture, overall GDP growth since 1973 would also be reduced to 4.0% per annum. With population growing by around 3.3% per annum, this implies an increase in per capita GDP of only 0.7% per annum. There also has been a change in the structure of the economy over the past six years, away from the productive monetary sector and towards subsistence and service activities. Excluding public administration, commercial services and trade, the monetary sector has grown by only 2.3% per annum over the past six years, well below the population growth rate. This change in the structure of the economy has been a major factor hampering the Government's efforts to mobilize domestic resources.

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

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

The Current Balance of Payments Crisis and Medium Term Prospects

11. The decline in agricultural production, transport bottlenecks, and external shocks described above have all contributed to the severe deterioration in the balance of payments over the past two to three years. Export volumes are estimated to have fallen by 7% during 1980, to a level one-third below the peaks of the mid-1960s and early 1970s. Furthermore, the terms of trade have declined by 27% since the coffee boom of 1977, due to a sharp increase in import costs, especially for petroleum, at a time when the overall level of export prices has been rising very slowly. Owing to these

adverse developments, the purchasing power of Tanzania's exports in 1980 was one-third lower than in 1977 and only one-half of the 1966 level. Part of this shortfall has been made good by additional external resources, including a sharp increase in commodity and program aid to more than US$200 million in 1980, as well as by drawings under the IMF standby program concluded in September 1980. But Tanzania has also had to utilize large amounts of exceptional financing, including suppliers' credits and an increase in import payment arrears. Despite this, the volume of imports has had to be severely curtailed, and in 1980, was still no higher than in the mid-1970s.

12. Given the recent negative developments on coffee prices and oil supplies, as well as the limited scope for further exceptional financing, there is little prospect for any immediate improvement in the balance of payments, and present indications are that the situation will continue to deteriorate during 1981. This continuing balance of payments constraint is inevitably having a debilitating effect on the economy, with lower imports reducing production and maintenance of existing assets, resulting in further falls in exports and available foreign exchange. This vicious circle will be difficult to break, unless there is a substantial injection of foreign exchange and major changes in domestic policies designed to improve producer incentives, parastatal operations, import allocations, the promotion of non-traditional exports, and overall government planning and budgeting. The Government has recently introduced a number of significant measures -- such as higher producer prices for coffee, sisal and tobacco and the establishment of a Special Agricultural Account at the Bank of Tanzania to ensure a substantial proportion of foreign exchange for food and export crop production. This Export Rehabilitation Program is to be supported by a recently approved credit from IDA (See Report No. P-3009) and could stem and then reverse the decline in Tanzania's export earnings.

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

14. Although it may be possible to finance a small portion of the current account gap through commercial borrowings, the scope of this is clearly limited; in addition to the difficulties of raising commercial credit during a period of balance of payments problems, Tanzania simply cannot afford the heavy burden of debt service payments. Therefore, the bulk of the financing requirement will have to be met by additional foreign assistance. Possible sources for this include further drawings from the IMF (which could add US$100

million per annum), deferred payment arrangements and other concessional financing from oil-supplying countries, additional new commitments from traditional bilateral and multilateral sources, and a continued movement towards non-project assistance.

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

PART II - BANK GROUP OPERATIONS IN TANZANIA

16. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1963, 48 IDA credits and 19 Bank loans, two of these on Third Window terms, amounting to US$949.3 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of 10 loans totalling US$244.8 million which were extended for the development of the common services and development bank operated regionally by Tanzania, Kenya and Uganda through their association in the East African Community. IFC investments in Tanzania, totalling US$4.7 million, were made to the Kilombero Sugar Company in 1960 and 1964. This Company encountered financial difficulties and in 1969, IFC and other investors sold their interest in the Company to the Government. A new IFC investment of US$1.7 million in soap manufacturing in Mbeya was approved by the Executive Directors on June 8, 1978 and an investment of US$1.5 million in metal product manufacturing was approved on May 10, 1979. Annex II contains summary statements of Bank loans, IDA credits and IFC investments to Tanzania and the East African Commmnity organizations and notes on the execution of ongoing projects.

17. In support of Tanzania's overall development strategy, Bank Group lending operations have assisted a wide spectrum of activities. Nearly every sector in which the Bank Group has operational capacity has received some attention. While this broad involvement in Tanzania's development efforts will be continued, future work is expected to concentrate on: (i) agriculture; (ii) transport and communications; (iii) industry; and (iv) education and manpower development. As agriculture and related activities constitute the largest single sector in the economy, it has received 30% of

the Bank Group's direct lending to Tanzania. The lending program in agriculture has featured three main types of projects. A series of regional rural development projects are focusing on production and the development of regional infrastructure needed to remove production constraints. The Kigoma Project (Credit No. 508-TA) was the first of these, and similar projects have been approved for Tabora (Credit No. 703-TA) and Mwanza/Shinyanga (Credit No. 803-TA). Another group of projects is centered on specific crops (such as maize, tea, tobacco and pyrethrum) and are the responsibility of the Ministry of Agriculture or one of its parastatals. A third set of projects, such as the Tanzania Rural Development Bank Project (Credit No. 987-TA) is designed to improve general support services for the agricultural sector. However, in view of growing evidence of persistent underfinancing of capital maintenance and replacement in the sector, new Bank Group lending in agriculture is likely to focus increasingly on the rehabilitation and fuller use of existing production and processing capacity, rather than on expansion of such capacity.

18. Alongside agriculture, there has been a major focus in Bank Group work on transport and communications. Transportation difficulties are continuously cited as critical constraints to development in Tanzania. Indeed, the Government's inability to ensure the timely availability of inputs or the regular collection of crops has been a major bottleneck to increased production in the agriculture sector. Furthermore, during the seventies, transport investments were primarily concentrated around the Tanzania-Zambia Corridor and since 1977, no systematic investment program has been prepared for the subsectors which were overseen by EAC Corporations. The major objectives of the proposed Bank Group activities are to develop a more balanced investment program in transport and communications and to strengthen the ministries and newly established national corporations responsible for railways, ports, and telecommunications. In industry, future lending is expected to provide further support to well developed financial intermediaries like the Tanzanian Investment Bank (TIB) which are intending to consolidate their portfolio and place stress on capacity utilization and export promotion. Shortages in skilled manpower are also a worsening bottleneck to development. Bank Group involvement in education has supported and is expected to continue support for specialized training and the development of the secondary education sector to assist the Government in meeting its manpower needs.

19. Projects which have been recently approved or appraised reflect the above outlined priorities. Those approved include a Pyrethrum Project (Credit No. 1007-TA), a Foodgrain Storage and Milling Project (Credit No. 1015-TA), a Tea Processing Project (Credit No. 1037-TA), the Dar es Salaam Port Engineering Project (Credit No. S-24-TA), a Seventh Education Project (Credit No. 1056-TA), a Second Technical Assistance Project (Credit No. 1060-TA) and an Export Rehabilitation Program Credit (Credit No. (1133-TA). Projects which have been appraised include a rural development project for Mara Region, a second line of credit to the Tanganyika Development Finance Corporation (TDFL) and a small scale industries project.

20. In addition to financing specific projects, the Bank Group has on several occasions provided non-project credits in support of the Government's

efforts to deal with its balance of payments difficulties. The first such credit was made in 1974, the second in 1977, and the most recent in April 1981 (Credit No. 1133-TA).

21. Although the comparatively high undisbursed proportion of loans and credits, detailed in Annex II, is to some extent the result of the recent approval of many of these projects, it also reflects mounting problems in project implementation, particularly in agriculture and rural development. The causes of these difficulties are varied. To a large extent they arise from the scarcity of suitably trained and experienced manpower, which call for stepped-up efforts in higher education and specialized training, as well as for sustained high levels of technical assistance in future project design. Other implementation problems reflect the difficulty of identifying and disseminating agronomic input packages appropriate to the needs of smallholder farmers or result from administrative overextension in the undertaking of a far-reaching development program. These problems have been compounded by frequent and fundamental administrative changes, which--though potentially the source of long-term benefits--have disrupted orderly execution of some projects and made aspects of other project designs obsolete. The Uganda war had some early impact on project implementation by diverting equipment and manpower away from development purposes; however, by contributing to the current economic crisis, the temporary logistical problems caused by the conflict have been superseded by deeper and more lasting difficulties arising from a critical shortage of essential goods and services. During the last half of 1980, the direct and indirect effects of prolonged under-financing of essential import requirements became painfully obvious. Most industrial facilities were working at less than half their installed capacity and the lack of maintenance and operations funds (particularly for replacement equipment, spare parts, and fuel) was compounding the already serious effects of deferred maintenance of capital stock, especially in the agricultural sector. Until the general economic situation improves, the outlook is for continued and sometimes unforseen interruptions in project disbursements.

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

their project monitoring and implementation capacity. As a result of such steps - and a necessary slowing of the growth rate of the country's overall development program during the next three years - we expect some gradual improvement in project implementation.

East African Community (EAC)

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

PART III - THE TELECOMMUNICATIONS SECTOR

Background

24. Tanzania, with land area of about 945,000 km^2, has an uneven population density. About 5% of the total population live in Dar es Salaam and another 5% in the twenty other biggest urban centers. The rural population, about 90% of the total population, is spread over the territory, with higher densities near the Indian Ocean ports of Tanga and Mtwara, the Lake Victoria area, and the highlands around Kilimanjaro and near Lake Nyasa in the south. Poor road conditions and limited transport facilities slow down the impact of administrative and social reforms, and adversely affect the marketing of agricultural products and the timely delivery of inputs. In view of these transportation difficulties, telecommunications services are increasingly becoming the least cost means of communication for a growing proportion of the population. The Tanzania Posts and Telecommunications Corporation's (TPTC) 1980-84 development program for the telecommunications sector is designed to continue the expansion of services to regions outside Dar es Salaam, and increase access of isolated rural areas to telecommunications services by expanding the capacity of the system, and upgrading the quality of local and long distance telephone service.

Organization

25. With the breakup of the East African Community (EAC), including the East African Posts and Telecommunications Corporation (EAPTC), the Government

of Tanzania established TPTC in 1977 as an autonomous government-owned corporation under the Ministry of Communications and Transport (MCT). TPTC has to handle the postal and the telecommunications services which are sufficiently separated. TPTC has the absolute monopoly for handling the telecommunications systems in Tanzania which means TPTC is responsible for the establishment, expansion, operation, and maintenance of all local, national and international telecommunications services. These services are adequately organized. By agreement with TPTC, the military organizations, the Ministry of Home Affairs, and the Aerodromes Department operate some telecommunications services for their administrative needs. Private users can also operate point-to-point telecommunications services after obtaining a license from TPTC. These licenses are issued only when TPTC is not in a position to provide such services adequately; they are renewed on an annual basis. Tariffs for telecommunications services are fixed by MCT upon recommendation by TPTC's Board. The country has no significant industry to manufacture telecommunications material and equipment.

Access to and Usage of Service

26. In Tanzania, the number of direct telephone exchange lines (DELs) in service per 100 population, about 0.21, is among the lowest in the world. For Africa as a whole, except for the Republic of South Africa, the corresponding average figure is 0.4; for Asia, except for Japan and the People's Republic of China, it is 0.9; for Latin America 3.2 and for North America 32.0. Existing services are concentrated in Dar es Salaam (44% of the DELs) with 5% of the population, that is, 1.8 connections per 100 inhabitants. Another 42% of the DELs are installed in the other 24 regional capitals, making the average telephone density there about 1.4 connections per 100 inhabitants. This leaves 14% of the DELs for the rural areas with 90% of the population; an average density of only 0.04 connections per 100 inhabitants in the countryside, including district and other development centers. While all the regional capitals (20 on the mainland and 5 on Zanzibar and Pemba) have some telephone service, 60 of the 100 districts are not yet satisfactorily connected to the telecommunications network. About 60 other towns have manual telephone service of varying quality and, in addition, about 200 remote centers are equipped with radio call service, 1/ but most towns and villages have no access to telecommunications facilities.

27. No precise figures are available in regard to categories of subscribers or users. However, provision is made under the project to support TPTC's efforts to find out more about users and usages of its telecommunications services (see para. 61). Up to now, it is known that 60% of telecommunications revenues comes from government users, including the parastatal entities. This category dominates the number of subscribers in the regions outside Dar es Salaam, whereas private business and residential subscribers account for nearly one-half of the total number in that city. It is also known that due to the prevailing shortage of lines, a telephone is used mostly for business transactions, even when it is installed in a residence. This is reflected in

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1/ a shortwave radio facility for emergency and specialized purposes, but unsuitable for public communications.

the pronounced peaks in the traffic load of both local and long distance facilities during working hours.

28. As of December 31, 1979, Tanzania had about 38,300 DELs to which about 88,700 telephones were connected. The current ratio of telephones to connections, about 2.3 for the whole country, is abnormally high, particularly in Dar es Salaam. This situation is detrimental to good service in a network of the Tanzanian type. The high degree of utilization of the available exchange equipment and facilities, has left TPTC with little flexibility for new connections and has hampered growth during the last two to three years. However, for the few lines that can still be connected, TPTC has an allocation system which gives priority to essential services; this system is being implemented satisfactorily. With some adjustments in the present tariff structure (para. 55), it is expected that cost considerations would, to some extent, help allocate telecommunications services to priority uses.

29. There are 426 telex subscribers in the country, of which 110 are outside Dar es Salaam and connected to either of the two telex exchanges in Arusha and in Dar es Salaam. Only 15 of the regional capitals have telex connections, and in these regions TPTC uses teleprinters connected to the telex network for telegram transmission.

Quality of Service and Existing Facilities

30. Heavier demand for services than the network was designed to handle has led to poor service, and all systems are heavily congested during daytime (peak period). Due to lack of spare parts and inadequate maintenance, the transmission lines are frequently out of order, reducing the number of available channels and further aggravating the congestion problem. Also, the high number of telephones (an average of 2.3, see para. 28) on each connection necessitates numerous attempts to complete calls during peak business hours; according to sample studies, only 5.5% of call attempts are successful. More than 80% of the telephones are connected to local automatic exchanges, the rest to manual exchanges. About 95% of local and inter-urban traffic is automatic. The long waiting time for manually connected long distance calls makes the service of little value and discourages clients. Despite the fact that underground cables are old and cause faults, especially by leakage during the rainy season, the quality of the service from the local cable networks is relatively satisfactory. TPTC's performance in rectifying faults and reducing telephone failures is reasonable.

31. Access to international services (telephone and telex) is operator-handled and channelled through an earth satellite station operating since September 1979, and through very high frequency (VHF) and ultra high frequency (UHF) radio circuits, or openwire systems to neighboring Uganda and Kenya. The quality of service through the earth satellite portion of the system is fully satisfactory.

Demand for Service

32. As of December 31, 1979, the official waiting list contained 18,000 registrations, most of them for more than two years, and there is a latent

demand of at least the same size. It is difficult to forecast accurately the future demand for services since the official waiting list does not necessarily reflect the demand because of frustration and discouragement by the long waiting time. Furthermore, after the villagization program, there are now over 8,000 villages containing more than three-quarters of Tanzania's rural population almost all without access to any telecommunications services. Satisfying this demand is a task which has to be undertaken in addition to the more urgent one of meeting the unsatisfied requirements in regional and district centers and urban areas.

33. TPTC's investment program (1980-84) would make about 60,000 additional telephone connections available; however, it is projected that by 1984 TPTC would still have an unsatisfied demand of about 12,000 (66% of the 1979 level). It is also projected that this situation will continue for the next few years as TPTC does not have the traffic handling and investment implementation capacity to meet the demand.

34. During 1979, the number of telex subscribers increased by 22% to 426, while the waiting list was extended by 76 to 314. The reasons for the relatively large increase (32%) in the waiting list is the shortage of exchange lines and teleprinters. It is projected that once the present waiting list has been eliminated through new installations under TPTC's investment program, the unsatisfied demand for new telex subscriptions would stabilize at around 150 a year.

Sector Goals and Constraints

35. The objectives established by the Government of Tanzania for the telecommunications sector are:

(a) to improve substantially the functional efficiency of the present installations;

(b) to improve communications with the rural areas and establish an infrastructure enabling such improvement; and

(c) to expand and improve Tanzania's international telecommunications.

These telecommunications development objectives are consistent with those of the national development plans which give priority to rural development and equitable regional distribution of the development efforts. Rapid two-way communication is seen as an important means of achieving this goal.

36. TPTC's autonomy, responsibility, and organization are adequate for the operation and expansion of the Tanzanian telecommunications services. Its present management is well qualified, and experienced staff is available at all levels in the organization. However, the number of trained and experienced staff is not adequate for increased efficiency in the utilization and maintenance of the existing installations and in expansion work. Realizing this short-coming, TPTC established a strong training department. Training facilities, however, are extremely inadequate.

37. TPTC is expected to finance the local cost of its expansion program from its internally generated funds without financial support from the Government or any significant local borrowing. However, the lack of secured long-term foreign exchange financing has up to now been a major constraint which has impeded progress in the telecommunications sector. It caused slow and somewhat erratic expansions, and resulted in an inability to implement longer term planning, and in a failure to sustain an adequate maintenance program. The proposed credit would help to alleviate this bottleneck at least partially.

TPTC's Investment Program Objectives

38. After considering the present shortcomings in its services and sector objectives, TPTC established targets for its 1980-84 investment program. These targets, which have been endorsed by the Government, are:

(a) to install manually operated facilities in unserviced district centers and in other towns of major rural development importance;

(b) to provide satisfactory telecommunication channels to all neighboring countries and to install manually operated telephone facilities in all border towns;

(c) to provide subscriber long distance dialing between all regional capitals;

(d) to increase the extension, reliability, and capacity of the long distance network to ensure acceptable levels of call completion;

(e) to increase the reliability and capacity of the local switching and cable networks at various cities and towns, to decrease the present number of outages, and to reduce the unsatisfied demand for connections registered on the waiting lists (including the additions up to the end of 1984) to two-thirds of the present level;

(f) to install at least one public call box at all places with a telephone switchboard installation; and

(g) to provide teleprinter installations at all district centers and at some other towns with major rural development importance for rapid and reliable transmission of telegrams, and for public access to the telex network.

These targets appear to be well conceived, with a view to developing a technically and economically balanced telecommunications network which can support the country's economic and social development.

39. The main components of the investment program are:

(a) to increase the country's total telephone switching capacity by about 54,000 automatic and 7,000 manual lines and the local cable networks by about 75,000 lines;

(b) to install about 30,000 new DELs, 700 private branch exchanges, and 60,000 telephones;

(c) to construct about 70 VHF, UHF, or microwave radio links for reliable long distance circuits, and to increase the capacity of existing links by adding equipment for channeling and switching;

(d) to increase the capacity of the telex central office in Dar es Salaam by 900 lines and adding about 1,400 teleprinters and telegraph transmission equipment as needed;

(e) to improve the reliability of power supply facilities for telecommunications installations; and

(f) to complete the construction of TPTC's new training center.

The cost of completing this investment program is estimated at US$204 million of which US$133 million in foreign exchange. This investment program has been reviewed in the context of Tanzania's prevailing foreign exchange crisis. First, the program is a long-term one, and is subject to annual reviews to adapt it to the prevailing economic situation, including the availability of foreign exchange. TPTC is aware that its investments program is likely to be stretched over a longer period of time than originally anticipated. However, there would be no repercussions of such a longer investment period on the investments financed through this credit as outlined below (para. 65). Second, TPTC is actively trying to secure its foreign exchange requirements with Government assistance from bilateral donors and through suppliers' credits. Additional recurrent foreign exchange requirements generated by the new investments are expected to be negligible.

Bank Group Role and Previous Lending in the Sector

40. Prior to 1977, the telecommunications services in the EAC were managed by EAPTC (para. 25). The Bank Group has been associated with these services since February 1967, when it approved a US$13.0 million loan (No. 483-EA) to EAPTC to help finance a project designed to expand local and long distance facilities. The project was satisfactorily completed in early 1974. A second loan (No. 675-EA) for US$10.4 million was approved in 1970 to finance a project to further extend the telecommunications services. This project was satisfactorily completed in June 1975. The combined Project Performance Audit Report on these two projects (No. 893 dated October 21, 1975), while generally positive in its view of the achievements of EAPTC under these projects, points to (i) long delays in project implementation caused by inadequate planning and project management; (ii) problems in procurement; and (iii) failure to meet the demand for service. A third loan (No. 914-EA) was approved in May 1973 for US$32.5 million; due to problems in the EAC leading to its breakup, the works to be undertaken under this project have been delayed. The Tanzania part of the project is now expected to be completed in 1981, about five years behind schedule.

41. The Bank Group first became involved with the telecommunications sector in Tanzania through a sector mission in January 1979, followed by a project identification mission in September 1979. These missions focused on institutional development and staff training, provision of independent technical and economic advice, promotion of an improved tariff structure, and provision of a sound long-term foreign exchange base on which realistic and cost effective plans could be prepared and implemented. While EAPTC's management of the three EAC projects was not completely satisfactory, it is expected that TPTC would after further training of some of its staff have the ability to implement the project satisfactorily. TPTC now has significant experience in planning, engineering, and in construction of telecommunications installations, gained during execution of the Tanzanian part of earlier projects.

PART IV - THE PROJECT

42. The project was prepared by TPTC, and appraised in April/May 1980. A Staff Appraisal Report entitled "Tanzania Telecommunications Project" (Report No. 3133-TA) dated April 2, 1981, is being circulated separately to the Executive Directors. Negotiations were held in Washington in March 1981; the Tanzanian delegation was led by Mr. Kazaura, Principal Secretary in the Ministry of Finance. A Credit and Project Summary is at the beginning of this report. Annex III contains supplementary project data.

Project Objectives and Description

43. The project has been designed to support TPTC's current investment program (1980-84) which is considered to be technically and economically balanced. The project would comprise works to be undertaken during 1981, 1982 and the first half of 1983. In addition to providing physical facilities, the project would help TPTC to improve its services to generate significant amounts of local funds. It would have a number of broad objectives. It aims at strengthening TPTC as an institution, increasing its capacity for training of staff, expanding services in rural areas, and spreading the network to presently unserved or insufficiently served areas, both urban and rural. Specifically, it would include:

(a) construction of about 550 km of overhead line routes and of 12 VHF or UHF links, as well as installation of about 850 channels of rural carrier equipment and power supply equipment for telecommunications facilities in approximately 90, mostly rural, centers. (These facilities will be used to connect district centers and other rural towns, as well as border towns, to the telecommunications networks, and to ensure reliable services);

(b) construction of four microwave links and installation of about 600 channels of multiplex equipment in new and existing broadband transmission systems. (This equipment is essential to the development of the principal long distance network);

(c) expansion of the local cable network at about 90 urban and rural centers, pressurization of junction cables in Dar es Salaam, and provision of dropwire for about 23,000 new DELs. (The local cable and the dropwire correspond to outside network plant and subscriber installations. The necessary switching equipment and telephone instruments are partly available or under installation; the supply of the remainder is being secured under bilateral financing);

(d) provision of about 700 teleprinters required during the first two years of the project for the connection of telex subscribers (about two-thirds), leased circuit terminals, and installations in district and major rural centers to increase public access to the telex networks, and to facilitate transmission of telegrams;

(e) provision of cement and other construction materials. (The local production of these materials does not adequately satisfy the needs of the country; the balance has to be imported. The quantities included under the project are intended to meet the requirements for construction of antenna tower foundations, cable ducts, and operational buildings);

(f) provision of spare parts for existing power supply and telecommunications installations, for air-conditioning installations in equipment rooms, and for vehicles used in the installation of project items and in the operation of telecommunications facilities. (The general shortage of foreign exchange has caused extreme difficulties for TPTC's ongoing activities. Thus, about one-third of TPTC's vehicle fleet is not used, waiting for spare parts. About 30% of the long distance network is out of use, due to lack of spare parts. Some equipment installed in the coastal areas will have its life reduced by corrosion, because the air-conditioning does not work for lack of spare parts);

(g) provision of an air-conditioning plant and of training equipment. (These items are critical in the completion of the new training center now being built near Dar es Salaam);

(h) provision of 40 vehicles. (These vehicles are specialized or four-wheel-drive vehicles required for handling cable drums and other heavy or bulky items, and for other installation and maintenance work. In computing the number of vehicles needed, it has been assumed that practically all of the repairable vehicles would be brought back into service after procurement of required spare parts); and

(i) equipment for a digital telephone exchange in Zanzibar as a pilot project. (Because of its geographical situation, Zanzibar would be an ideal place to study the best arrangements for utilizing this kind of equipment in the Tanzanian environment as such equipment has to be installed in a few years on the mainland on a large scale); and

(j) provision for training fellowships, overseas study tours, and studies. (The training is intended to specialize staff in outside plant engineering, construction and operation, stores and supplies management, etc. and would complement the locally available training. TPTC would study the appropriateness of its tariff structure and the impact of its telecommunications services on national economic development).

Project Costs and Financing Plan

44. The total cost of the project is estimated at TSh 390.0 million (US$47.0 million equivalent). TPTC is exempted from taxes and customs duties on imported goods. The foreign exchange component would amount to US$27.0 million equivalent or 57% of total cost. Details of project costs are included in the Credit and Project Summary. The proposed IDA credit of SDR 22.1 million (US$27.0 million) equivalent would cover the entire foreign exchange cost of the project; the local cost (US$20.0 million) would be provided by TPTC.

45. The proceeds of the credit would be onlent by the Government to TPTC for a period of 20 years, including 5 years of grace, at an annual interest rate of 10% (which is the current borrowing rate for parastatal organizations) and TPTC would bear the foreign exchange risk (Section 3.01(b) of the draft Development Credit Agreement). Execution of a subsidiary loan agreement between the Government and TPTC, acceptable to the Association, would be a condition of credit effectiveness (Section 5.01 of the draft Development Credit Agreement).

Procurement and Disbursement

46. All equipment to be financed under the project would be bulked as far as possible and would be procured on the basis of international competitive bidding (ICB), in accordance with Bank Group Guidelines, except for a few items costing a total of about US$1.5 million equivalent. In the evaluation of bids, qualified domestic manufacturers would be accorded a preference of 15% or the existing rate of duty, whichever is lower. Items excluded from ICB and proposed for negotiated purchase on the grounds of compatibility are spare parts for existing vehicles, and existing telecommunications and auxiliary equipment with an aggregate cost not exceeding US$0.75 million equivalent. The procurement procedures to be followed and the prices paid for the negotiated purchases would be subject to the approval of the Association and would have to be reasonable in terms of ICB prices offered on similar items. Contracts for vehicles, construction materials, sundry maintenance equipment and other spare parts costing less than US$150,000 each, but not exceeding an aggregate of US$0.75 million equivalent, would be awarded following TPTC's procurement procedures which are satisfactory. Except for construction materials, none of the material and equipment to be financed under the project are manufactured in Tanzania, and are expected to be imported.

47. Disbursements under the credit would be on the basis of 100% of foreign expenditures and 85% of local expenditures for all goods and services to be financed under the project. Where necessary, disbursements would include the foreign cost of installation of equipment. All disbursements would be fully documented.

Project Implementation

48. TPTC would be responsible for project implementation. TPTC staff would (i) prepare engineering designs for all equipment, prepare bidding documents, evaluate bids, and prepare contract documents; (ii) lay and commission all local and junction cables, and install subscriber facilities both in rural and urban areas; and (iii) install the microwave, multiplex, and radio equipment. TPTC's management and staff are sufficiently experienced and capable of managing the above work satisfactorily. TPTC's staff is preparing bid documents and technical specifications for nearly all the goods to be financed under the project. Implementation and operations within TPTC have been hampered by lack of spare parts for vehicles; TPTC would monitor closely the use of spare parts and tools provided under the project, the maintenance of the vehicles and the deployment of equipment to avoid bottlenecks in its operations. The design of the telecommunications network is based on appropriate technology to minimize capital and recurrent costs, and appropriate intervals for the extension of the various plants have been adopted. Subscriber dialing instead of operator-handled calls for traffic between regional capitals is desirable, though somewhat less labor intensive and slightly more expensive, to improve reliability and efficiency on these routes.

Tanzania Posts and Telecommunications Corporation (TPTC), the Beneficiary

49. Established in 1978 by the Tanzania Posts and Telecommunications Corporation Act, TPTC, the project implementing agency, is an autonomous government-owned public corporation responsible for all domestic and international postal and telecommunications services in Tanzania. The Ministry of Communication and Transport (MCT) has direct responsibility for overseeing the activities of TPTC, which is headed by a Board of Directors representing concerned Government ministries and regional authorities, together with a member representing the employees' union. TPTC's day-to-day operations are controlled by a Director General; a Director of Research and Corporate Planning, and two Assistant Director Generals in charge of Operations and Development, and of Finance and Administration respectively report to him. Postal and telecommunications activities share the common services of research and corporate planning, finance and administration, and buildings. From an accounting point of view, the operations of postal and telecommunications services are separately identifiable.

50. TPTC's telecommunications staff consists of 155 engineers, 911 technicians and specialist workers, 962 operators, 724 laborers, and 402 administrative staff, a total of 3,154. These numbers are high when compared with the number of telephones in service (77 per 1,000 DELs). Despite the introduction of more sophisticated systems during the project period, TPTC does not anticipate expanding its staff at the same rate as in the past (about

7% p.a.) and expects that by end 1984, staff density would be reduced to about 58 per 1,000 DELs, which is close to the average of similar telecommunications systems.

Training

51. TPTC's needs to expand and improve the training of its staff, both in order to improve operation and maintenance of existing installations, and to cater for expansion. Currently, TPTC has two training campuses in Dar es Salaam. In addition, for managerial and administrative training, TPTC has access to a multinational training institution in Arusha. The available facilities are, however, inadequate, and a new training center is being built on the outskirts of Dar es Salaam. Completion is expected in early 1983, at which time the activities at all the campuses would be consolidated. The major part of the training would be done at the new center, although some would still be undertaken at the present centers and some trainees would be sent to the management institute in Arusha.

52. TPTC's instruction and training programs cover the significant aspects of its business (engineering, maintenance, finance, civil works, etc.). There is both in-house and on-site training, with instructors having formerly worked on site. Maintenance personnel are given a two week refresher course every year. Middle- and senior-level technicians are sent overseas for short- and medium-term courses. SIDA, the Swedish aid agency, has provided a number of instructors for the training centers and this aid is expected to continue. Several small items of equipment as well as air conditioning for the machinery rooms are required; the project would provide for these items to ensure optimum benefits. TPTC's present training plans foresee a successive increase from 6,000 student-weeks in 1979 to 14,000 student-weeks in 1984, which corresponds to the needs of the organization.

TPTC's Finances

53. Historically TPTC's financial performance has been good, both in terms of financial returns, and internal cash generation. TPTC's financial position is sound and its capital structure is adequate. To ensure the financial viability of its operations, TPTC is required to achieve a rate of return after taxes of not less than 12% on revalued net fixed telecommunications assets in operation. For purposes of the rate of return calculations, TPTC would propose to the Association by September 30, 1981, a method for the revaluation of fixed assets and would revalue annually its fixed assets on the basis of the agreed method, starting with the financial statements for the year ending December 31, 1981 (Section 4.03 of the draft Project Agreement). TPTC's net internal cash generation finances about 54% of its development program. TPTC's projected financial performance is satisfactory and the average operating ratio is 52%, which is acceptable.

Settlement of EAPTC's Assets and Liabilities

54. The final division of EAPTC's 1/ assets and liabilities among the former partner states, after the breakup of the EAC in 1977, is still pending

1/ and its subsidiary, the East African External Telecommunications Company Limited.

and settlement may take some time (para. 23). The Government has authorized TPTC to operate EAPTC´s assets in Tanzania. However, these assets cannot be declared the property of TPTC until final agreement is reached. This situation implies that historic and projected financial statements presented for TPTC are provisional and may be adjusted to take account of a future final settlement of EAPTC´s assets and liabilities. Pending the final settlement, TPTC´s audit reports would be qualified by the Auditors to reflect the estimated share of TPTC in these assets and liabilities, and revaluation of assets would be based on the provisional accounts and financial statements (Section 4.02(b) of the draft Project Agreement). According to TPTC´s estimated balance sheet as at December 31, 1979, the book value of EAPTC´s Tanzania based assets represents less than 10% of TPTC´s current net fixed assets.

Tariffs

55. The allocational aspects of tariff policy have not in the past been a prime factor in determining the level or structure of tariffs; the last tariff increase was in February 1975 under EAPTC management. Currently, installation, rental, and call charges are uniform across the country. In the higher demand areas, telephone installation and rental charges seem to be relatively low. Inter-urban tariffs, on the other hand, seem to be relatively high. In order to promote overall national equity and to balance the tariff level and structure, TPTC would review its tariff structure by December 31, 1982, under terms of reference acceptable to the Association and would by June 30, 1983, submit for the Association´s review and comments, the results of the study along with TPTC´s recommendations (Section 4.04(a) of the draft Project Agreement). The tariff structure study would be carried out by TPTC´s Tariff Review Committee which includes the Director General, the two Assistants Director Generals and the Directors of Finance and Accounts, and Research and Corporate Planning.

Billing and Collection

56. The billing system is computerized and its cycle is on a monthly basis, which is adequate for the current level of activities--rentals are billed in advance and call charges after they have been incurred. At present, bills are issued about three-and-a-half months after the period to which they relate. Two months of this delay occurs prior to receipt of billing information by the centralized computer center, located in Dar es Salaam. Subscribers can pay in any post office and are expected to do so within two weeks of receiving their bill. If a subscriber has not paid within one month after receipt of the bill, the telephone is disconnected. Accounts receivable at December 31, 1979, are estimated to be TShs 170 million, equivalent to over 50% of the telecommunications revenues, which is rather high. In order to clarify and improve the accounts receivable situation, every six months, TPTC would prepare and forward to the Association a receivables aging analysis by type of user and would institute procedures to ensure that the level of outstanding receivables compared with gross telecommunications revenues would not exceed 35% by December 31, 1982, and 25% by December 31, 1984. To assist in this improvement, TPTC would investigate and suggest methods of improving the

three-and-one-half months delay in bill issuance and forward such report and analysis along with its recommendations to the Association by December 31, 1981 (Section 4.05 of the draft Project Agreement). TPTC's Board has recently instructed its management to take strong actions against all defaulters, including Government parastatals, and improvements in the billing system, has reduced the delay from 14 to 10 weeks.

Accounts, Auditing, Monitoring and Reporting

57. TPTC enjoys a considerable degree of financial autonomy, prepares its accounts on a commercial basis, and is required by the TPTC Act to present its audited accounts within six months of the end of the financial year. TPTC prepares annual budget forecasts which are presented to the Board of Directors for its review, comment, and approval, in September of each year (three months in advance of the concerned fiscal year). Capital development budgets are forwarded to the Government for final approval and as the Government controls the foreign exchange allocation to TPTC, it determines the size and scope of expansion.

58. TPTC has an internal audit section which was recently expanded. This section operates with an audit program which covers both routine accounting and management control procedures. An internal audit report is issued to management every two months. The Tanzania Audit Corporation (TAC) is TPTC's external auditor. The audit of the 1978 accounts has been recently completed; delays have occurred in the presentation of draft accounts and in auditing work. However, TPTC has agreed to furnish to the Association the audited financial statements and the audit reports as soon as available, but not later than eight months after the end of the fiscal year in 1981, seven months in 1982, and six months in subsequent years (Section 4.02(a) of the draft Project Agreement). These arrangements are satisfactory to the Association. Also, in order to improve management control TPTC is working on a management information system expected to be completed during the next 12 months.

59. TPTC would maintain separate accounts of expenditures under the project and would closely monitor project implementation. Detailed progress reports would be submitted by TPTC to the Association on a quarterly basis. Performance indicators have also been established to assist TPTC in monitoring the project's progress. Within six months of the completion of the project, TPTC would prepare and submit to the Association a project completion report, analyzing the implementation of the project and achievement of its objectives (Section 2.05(d) of the draft Project Agreement).

Project Benefits and Risks

60. The Government's development efforts, which are focused on rural areas where 90% of the population lives, have an indispensable need for a countrywide network of reasonably well functioning telecommunications services. These efforts are being seriously hampered by the inadequacy or unavailability

of communications channels. Lack of access to rapid and reliable communications coupled with a poor transportation system have created significant problems or aggravated existing problems in the coordination and management of all sectors. In the transport sector, trucks often return to base empty even though there are cargoes waiting to be picked up, breakdowns are not quickly reported, and there are delays in analyzing mechanical problems and sending repair teams. Agricultural development efforts also suffer; supplies are not ordered or provided on a timely basis, and information on prices, transport, and administrative problems is either untimely or unavailable resulting in a reduction in the quantities of agricultural products exported and reducing the quantities and the timeliness of locally produced food available in the domestic markets. This in turn adversely affects the producers, and the country's economy at large. Government officials, responsible for project implementation, who require daily information from parastatals and other ministries, spend hours travelling due to inadequate telecommunications links. Other government officials and private businessmen must make costly, time- and fuel-consuming trips on a monthly or even weekly basis because of the absence of adequate long distance telephone connections. Instead of a situation where adequate telecommunications services contain the pressure on the strained transport system, the present inadequacy of these services exaggerates the burden on the system.

61. In order to obtain a basis for appreciation of the impact of the availability and quality of telecommunication services on the economic development in Tanzania, it has been agreed that a study be undertaken to this effect (Section 4.04(b) of the draft Project Agreement). The cost of consultancy services for the study would be covered within the framework of the project; consultants would be employed whose qualifications and experience would be satisfactory to the Association. The study would be completed by December 31, 1982.

62. TPTC's 1980-84 investment program has been designed to improve the reliability and efficiency of the present telephone installations to more acceptable levels. It would also increase the capacity of the local and long distance networks, so as to enable automatic and manual calls to be established without excessive delays. It would expand the network to about 42 presently unserved towns, enabling access both from public telephone booths and subscriber installations. Although the program would not eliminate unsatisfied demand for subscriber connections or immediate access, it would significantly improve the present situation, thus alleviating some of the difficulties indicated above.

63. The completion of the program would contribute to greater efficiency in business, transportation, and Government administration as well as rural development, health, and educational programs. By the end of 1984, the telephone density would have increased from 1.80 DELs per 100 inhabitants to 2.00 (an 11% increase) in urban areas and from 0.04 to 0.09 (a 125% increase) in rural areas; the long distance network would have been improved, and additional public call boxes installed.

64. The project would have a favorable financial impact on Government development programs in other sectors and would generate significant public savings. Over the project period, it is estimated that TPTC would pay corporate tax of US$84 million equivalent in local currency. The project's financial rate of return is estimated at 17%, but this significantly understates the economic benefits from the investment program because the benefit stream used in the calculations does not include a major portion of the indirect and external benefits to be gained by the non-users of the service. It also does not include much of the consumer surplus which telephone users receive. By estimating the consumer surplus on the basis of the prices now paid by existing subscribers and the registered applicants are willing to pay, the economic rate of return would be 24%.

65. The project presents limited risks. The main risk is that physical implementation of some components might be delayed. However, as the project comprises a relatively large number of independent works, a delay in the implementation of a few works would not generally prevent the use of other newly created assets. Furthermore, where delays do occur, the costs and benefits would be delayed in roughly the same proportion; hence, the impact on the rate of return would not be significant. In addition, the project includes features designed to reduce, if not eliminate, causes of delay. The project would not have any adverse effect on the environment as telecommunications presents a substitute for physical movement thereby reducing pollution, and has potential to conserve energy.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

66. The draft Development Credit Agreement between the United Republic of Tanzania and the Association, the draft Project Agreement between the Association and Tanzania Posts and Telecommunications Corporation (TPTC), and the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement of the Association are being distributed to the Executive Directors separately.

67. Specific conditions of the project are listed in Section III of Annex III to this Report. In addition, execution of a subsidiary loan agreement between the Government and TPTC is a condition precedent to the effectiveness of the Development Credit Agreement (Section 5.01 of the draft Development Credit Agreement).

68. I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

69. I recommend that the Executive Directors approve the proposed Credit.

Robert S. McNamara
President

Attachments

Washington, D.C.
June 1, 1981

TABLE 3A
TANZANIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)
TOTAL 945.1
AGRICULTURAL 498.0

	TANZANIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) /a	
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
GNP PER CAPITA (US$)	70.0	130.0	270.0	260.0	868.0
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	41.0	62.0	65.0	80.0	599.4
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (MILLIONS)	10.2	13.3	17.4	.	.
URBAN POPULATION (PERCENT OF TOTAL)	4.8	6.9	10.8	17.3	28.9
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			32.0	.	.
STATIONARY POPULATION (MILLIONS)			92.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2145	.	.
POPULATION DENSITY					
PER SQ. KM.	11.0	14.0	18.0	27.4	61.7
PER SQ. KM. AGRICULTURAL LAND	21.0	26.0	35.0	82.6	126.0
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	42.7	44.4	45.7	44.9	45.5
15-64 YRS.	54.3	52.5	51.2	52.2	51.6
65 YRS. AND ABOVE	3.0	3.1	3.1	2.8	2.8
POPULATION GROWTH RATE (PERCENT)					
TOTAL	2.2	2.7	3.4	2.7	2.7
URBAN	5.0	6.3	8.9	6.8	4.9
CRUDE BIRTH RATE (PER THOUSAND)	47.0	47.0	48.0	47.4	46.8
CRUDE DEATH RATE (PER THOUSAND)	22.0	19.0	16.0	19.6	16.4
GROSS REPRODUCTION RATE	..	3.2	3.2	3.2	3.2
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	93.6	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	95.0	104.0	91.0	91.8	94.0
PER CAPITA SUPPLY OF					
CALORIES (PERCENT OF REQUIREMENTS)	85.0	91.0	86.0	90.2	92.7
PROTEINS (GRAMS PER DAY)	44.0	49.0	47.0	53.0	53.0
OF WHICH ANIMAL AND PULSE	17.0	21.0	20.0	18.4	15.6
CHILD (AGES 1-4) MORTALITY RATE	32.0	25.0	20.0	27.7	21.3
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	42.0	47.0	51.0	45.3	50.1
INFANT MORTALITY RATE (PER THOUSAND)	..	155.0/c	..	..	..
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	13.0	39.0	23.2	31.0
URBAN	..	61.0	88.0	58.0	66.8
RURAL	..	9.0	36.0	16.8	..
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	..	17.0	28.9	..
URBAN	..	..	88.0	67.0	..
RURAL	..	..	14.0	..	..
POPULATION PER PHYSICIAN	21020.0/d	24770.0	18160.0	30910.4	14508.2
POPULATION PER NURSING PERSON	10440.0/d,e	3830.0	3080.0	5793.2	3279.5
POPULATION PER HOSPITAL BED					
TOTAL	570.0/d	..	520.0	1198.9	1141.5
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ADMISSIONS PER HOSPITAL BED	..	..	..	..	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	4.4/c	..	..	..
URBAN	..	3.2/c	..	..	..
RURAL	..	4.5/c	5.3	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

TABLE 3A
TANZANIA - SOCIAL INDICATORS DATA SHEET

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

.. Not available
. Not applicable.

NOTES

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

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

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

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

October, 1980

DEFINITIONS OF SOCIAL INDICATORS

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

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

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

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

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

POPULATION AND VITAL STATISTICS
- Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1978 data.
- Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.
- Population Projections
  - Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.
  - Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.
  - Year stationary population is reached - The year when stationary population size has been reached.
- Population Density
  - Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
  - Per sq. km. agricultural land - Computed as above for agricultural land only.
- Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.
- Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.
- Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.
- Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.
- Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.
- Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.
- Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.
- Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION
- Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1978 data.
- Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.
- Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.
- Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.
- Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

HEALTH
- Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.
- Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.
- Access to Safe Water (percent of population) - total, urban, and rural - N. Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.
- Access to Excreta Disposal (percent of population - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.
- Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
- Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.
- Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHOs principal general and specialized hospitals, and rural hospitals local or rural hospitals and medical and maternity centers.
- Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING
- Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.
- Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.
- Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION
- Adjusted Enrollment Ratios
  - Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.
  - Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.
  - Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.
  - Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.
  - Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION
- Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
- Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
- TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.
- Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.
- Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE
- Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.
- Female (percent) - Female labor force as percentage of total labor force.
- Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.
- Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.
- Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.
- Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

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

POVERTY TARGET GROUPS
- Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.
- Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.
- Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
October 1980

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

TANZANIA - ECONOMIC INDICATORS[b/]

Indicator	Amount (million US$ at current prices) 1979	Annual Growth Rates (%) Actual 1976	1977	1978	1979	1980[a/]	Projected 1981	1982	1983	1984	1985
NATIONAL ACCOUNTS											
Gross domestic product[d/ e/]	4,564.3	6.7	4.7	5.4	3.9	-1.5	3.7	3.6	3.6	3.6	3.6
Agriculture[e/]	2,210.2	9.8	7.5	7.4	8.0	-6.1	4.2	3.6	3.6	3.6	3.6
Industry	549.0	0.9	3.1	-2.2	3.1	-	3.0	4.0	4.0	4.0	4.0
Services	1,374.8	3.4	5.5	6.5	3.4	4.0	3.4	3.4	3.4	3.4	3.4
Consumption	4,115.8	1.6	12.3	14.6	-3.4	1.7	4.6	1.9	3.2	3.1	3.2
Gross investment	958.6	11.5	2.1	3.8	10.9	-6.2	3.6	3.6	3.6	3.6	3.6
Exports of GNFS	647.9	16.8	-22.8	-2.4	-2.8	-9.6	1.7	7.9	5.2	5.2	5.3
Imports of GNFS	1,158.0	0.5	4.4	34.9	-19.2	1.9	-2.9	-1.0	2.9	2.6	3.0
Gross national savings	468.0	64.5	-6.8	-58.0	99.4	-16.9	-23.9	19.0	8.8	9.7	8.8
PRICES											
GDP deflator (1978 = 100)		77.2	92.4	100.0	108.5	124.8	140.4	154.4	168.3	181.8	194.5
Exchange rate (T.Sh. per US$)		8.4	8.3	7.7	8.3	8.2	8.2	8.2	8.2	8.2	8.2

	Share of GDP at Market Prices (%) (at current prices)[c/] 1970	1975	1980	1985	1990	Average Annual Increase (%) (at constant 1978 prices) 1970-75	1975-80	1980-85	1985-90
Gross domestic product[e/]	100.0	100.0	100.0	100.0	100.0	4.9	4.1	3.6	3.6
Agriculture[e/]	36.9	36.9	47.5	47.8	47.9	2.1	5.8	3.7	3.6
Industry	15.5	14.5	11.9	12.0	12.3	3.7	0.7	3.9	4.0
Services	37.2	37.8	31.1	30.8	30.6	6.5	4.6	3.4	3.4
Consumption	81.9	91.7	90.3	88.2	86.4	5.9	6.0	3.1	3.1
Gross investment	22.5	21.1	20.0	18.0	18.0	0.2	4.6	2.1	3.6
Exports GNFS	-24.0	-18.2	-12.1	-13.9	-15.2	-5.3	-6.2	5.3	5.4
Imports GNFS	28.4	31.0	22.5	20.2	19.7	-3.8	4.2	1.1	3.0
Gross national savings	18.3	7.8	9.9	11.6	13.5	-2.4	-3.6	5.7	7.0

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

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

a/ Estimate
b/ Apart from trade projections, which include small but offsetting amounts of Zanzibar trade, all data in this table are for Mainland Tanzania only.
c/ Projected years at constant prices.
d/ At market prices; components are expressed at factor cost and will not add due to exclusion of net indirect taxes and subsidies.
e/ Historical trend from 1973 to 1979 is based on official estimates, which include subsistence production growth rate of 8.6% per annum. We estimate that a more realistic growth rate for subsistence production over this period would be nearer 4% per annum, reducing agricultural growth to 3.4% per annum and GDP growth to 3.6% per annum.

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

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

	As % of Debt Outstanding at End of Most Recent Year (1979)
Maturity structure of debt outstanding	
Maturities due within 5 years	28.4
Maturities due within 10 years	62.7
Interest structure of debt outstanding	
Interest due within first year	3.0

a/ Estimate
b/ Excludes official grant receipts.
c/ Includes financing of projected gap on IDA terms.

pulation : 17.5 million (mid-1979)
P Per Capita: US$270 (1979)

TANZANIA - EXTERNAL TRADE[b/]

Indicator	Amount (million US$ at current prices) 1979	Annual Growth Rates (%) (at constant 1978 prices) Actual 1976	1977	1978	1979	1980[a/]	Projected 1981	1982	1983	1984	1985
TERNAL TRADE											
Merchandise exports	543.6	7.8	-19.4	-6.5	6.1	-7.8	2.1	8.5	5.3	5.3	5.3
Major primary products	339.5	9.5	-20.1	-9.7	-0.1	-4.8	3.0	8.8	4.1	4.1	4.1
Others	204.1	3.3	-18.1	2.7	21.5	-14.0	-	8.0	8.0	8.0	8.0
Merchandise imports	1,099.6	-16.4	7.7	36.8	-18.8	1.0	-3.4	-1.5	2.8	2.8	2.9
Foodgrains	19.3	-65.2	23.3	-14.7	-42.4	334.0	-3.0	-47.5	-	-	-
Petroleum	171.7	11.0	-11.5	12.8	-8.9	2.1	-7.9	5.0	3.1	3.3	3.4
Machinery and equipment	515.0	-15.2	25.1	55.1	-10.0	-7.6	-5.4	2.9	2.9	2.9	2.9
Others	393.6	-13.9	0.7	33.9	-28.9	-7.6	0.7	3.0	3.0	3.0	3.0
RICES											
Export price index		77.4	106.9	100.0	106.9	122.1	116.6	123.8	136.2	149.4	163.4
Import price index		81.1	89.5	100.0	118.2	138.2	155.7	173.3	188.5	204.4	220.9
Terms of trade index		95.4	119.4	100.0	90.4	88.3	74.9	71.4	72.2	73.1	74.0

	Composition of Merchandise Trade (%) (at current prices) 1970	1975	1980	1985	1990	Average Annual Increase(%) (at constant 1978 prices) 1970-75	1975-80	1980-85	1985-90
Exports	100.0	100.0	100.0	100.0	100.0	-4.5	-5.2	5.6	5.5
Major primary products	59.2	66.3	69.2	67.6	63.5	0.2	-6.9	5.0	4.1
Others	40.8	33.7	30.8	32.4	36.5	-12.9	-1.0	6.8	8.0
Imports	100.0	100.0	100.0	100.0	100.0	1.8	2.6	0.9	3.0
Foodgrains	2.5	15.3	9.2	4.5	3.9	44.8	-5.8	-14.1	-
Petroleum	8.5	11.9	12.7	13.1	13.7	4.8	-	2.0	3.9
Machinery and equipment	35.2	30.8	41.2	38.8	36.9	0.7	11.1	1.7	2.9
Others	53.8	42.0	36.9	43.6	45.5	-1.7	-3.3	2.7	3.1

	Share of Trade with Industrial Countries (%) 1970	1975	1978	Share of Trade with Developing Countries (%) 1970	1975	1978	Share of Trade with Capital Surplus Oil Exporters (%) 1970	1975	1978
IRECTION OF TRADE									
Exports	54.0	48.2	68.0	40.0	43.3	23.2	0.6	0.4	0.7
Imports	57.9	59.7	74.2	27.3	25.1	17.9	1.2	3.2	0.8

a/ Estimate
b/ Data are for all Tanzania (Mainland and Zanzibar)

THE STATUS OF BANK GROUP OPERATIONS IN TANZANIA

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

(US$ million)

No.	Year	Borrower	Purpose	Amount less cancellation: Bank 1/	TW	IDA 1/	Undisbursed
Five loans and fifteen credits fully disbursed				77.20		115.26	
287-TA	1972	Tanzania	Smallholder Tea			10.80	0.01
371-TA	1973	Tanzania	Fourth Education			10.30	0.11
454-TA	1974	Tanzania	Cotton			17.50	5.20
1014-TA	1974	Tanzania	Cashewnut	21.00			1.22
495-TA	1974	Tanzania	Sites and Services			8.50	0.58
507-TA	1974	Tanzania	Highway Maintenance			10.20	1.73
508-TA	1974	Tanzania	Rural Development			10.00	1.46
1041-TA	1974	Tanzania	Sugar	9.00			0.18
580-TA	1975	Tanzania	Dairy			10.00	5.61
1128-TA	1975	Tanzania	Textile	15.00			1.74
1172-TA	1975	TIB	Tanzania Investment Bank	15.00			0.97
601-TA	1976	Tanzania	Technical Assistance			6.00	1.75
606-TA	1976	Tanzania	National Maize Program			18.00	8.50
607-TA	1976	Tanzania	Fifth Education			11.00	5.60
1306T-TA	1976	Tanzania	Power		30.00		0.72
1307-TA	1976	Tanzania	Forestry	7.00			2.15
652-TA	1976	Tanzania	Fisheries			9.00	6.79
658-TA	1976	Tanzania	Tobacco Processing			8.00	1.01
1354-TA	1977	Tanzania	Urban Water Supply	15.00			5.47
1385T-TA	1977	Tanzania	Morogoro Industrial Complex		11.50		2.25
1386-TA	1977	Tanzania	Morogoro Industrial Complex	11.50			1.61
703-TA	1977	Tanzania	Rural Development (Tabora)			7.20	5.11
732-TA	1977	Tanzania	Second Sites and Services			12.00	10.44
743-TA	1977	Tanzania	Trucking			15.00	9.99
1498-TA	1977	TIB	Tanzania Investment Bank	15.00			1.88
801-TA	1978	Tanzania	Second Cashewnut			27.50	9.20
802-TA	1978	Tanzania	Tobacco Handling			14.00	11.77
803-TA	1978	Tanzania	Rural Dev. (Mwanza/Shinyanga)			12.00	8.27
1607-TA	1978	Tanzania	Morogoro Textile	25.00			24.60
833-TA	1978	Tanzania	Morogoro Textile			20.00	17.33
860-TA	1979	Tanzania	Tourism Rehabilitation			14.00	13.08
861-TA	1979	Tanzania	Sixth Education			12.00	11.87
875-TA	1979	Tanzania	Mufindi Pulp and Paper			30.00	19.13
1650-TA	1979	Tanzania	Mufindi Pulp and Paper	30.00			29.65
876-TA	1979	Tanzania	Fifth Highway			20.50	20.48
1745-TA	1979	TDFL	Tanganyika Development Finance Co., Ltd.	11.00			6.44
1750-TA	1979	TIB	Tanzania Investment Bank	25.00			21.03
S-24-TA	1979	Tanzania	Dar es Salaam Port Engineering			2.50	1.61
987-TA 2/	1980	Tanzania	Tanzania Rural Dev. Bank			10.00	10.00
1007-TA	1980	Tanzania	Pyrethrum			10.00	10.00
1015-TA 2/	1980	Tanzania	Grain Storage & Milling			43.00	43.00
1037-TA	1980	Tanzania	Smallholder Tea			14.00	14.00
S-27-TA	1980	Tanzania	Songo-Songo Petroleum			30.00	19.27
1056-TA	1980	Tanzania	Education VII			25.00	25.00
1060-TA 3/	1981	Tanzania	Second Technical Assistance			11.00	11.00
1070-TA 3/	1981	Tanzania	Coconut Pilot			6.80	6.80
1133-TA2/3/	1981	Tanzania	Export Rehabilitation Program			50.00	50.00
Total				276.70	41.50	631.06	
of which has been repaid				15.24	-	9.01	
Total now outstanding				261.46	41.50	622.05	
Amount sold			.09				
of which has been repaid			.09				
Total now held by Bank and IDA 1/				261.46	41.50	622.05	
Total undisbursed				96.94	2.97	365.70	465.61

1/ Net of exchange adjustments.
2/ Not yet effective.
3/ Sixth replenishment; approximate US$ equivalent of SDR's.

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

Loan No.	Year	Borrower	Purpose		Amount Bank 1/	(US$ million) (less cancellations) Undisbursed
Five loans fully disbursed					93.40	
638-EA	1969	EAHC	Harbours		35.00	0.52
674-EA	1970	EARC	Railways		42.40	0.03
865-EA	1972	EAHC	Harbours		26.50	0.35
914-EA	1973	EAPTC	Telecommunications		32.50	0.34
1204-EA	1976	EADB	Development Finance		15.00	3.38
Total					244.80	4.62
of which has been repaid					63.80	
Total now outstanding					181.00	
Amount sold				24.36		
of which has been repaid				24.36	0.00	
Total now held by Bank 1/					181.00	
Total undisbursed					4.62	6.38

1/ Net of exchange adjustments.

C. PROJECTS IN EXECUTION 1/
(As of April 30, 1981)

There are currently 44 projects under execution in Tanzania.

AGRICULTURAL SECTOR

Credit No. 287-TA - Smallholder Tea Project: US$10.8 million Credit of March 3, 1972; Date of Effectiveness - July 26, 1972; Closing Date - December 31, 1980

After initial serious management problems, the Tanzania Tea Authority (TTA) has finally reached a satisfactory level of senior staffing and this has had a clear impact on the working of TTA and resulted in improved control over field activities. Factory engineers have been appointed for all factories. Because of weak extension and poor farm practices in the past, about 1,600 ha of the 9,671 ha planted since 1971 must be infilled or rehabilitated, and yields have been lower than anticipated. In line with the 1976 survey of the tea industry, additional planting has been carried out and effective rehabilitation and infilling has been achieved except in the Bukoba area. Recommendations of the survey regarding crop yields, husbandry techniques, field organization, TTA structure and extension activities are also being implemented. In general, progress on the project is improving. Since eligible disbursements will be completed within three months of the closing date, this date was not postponed.

Credit No. 382-TA - Second Livestock Development Project: US$18.5 million Credit of May 23, 1973; Date of Effectiveness - September 28, 1973; Closing Date - December 31, 1980

This project was the subject of an in-depth review in November 1976 and again in January 1979. Although progress has been made in alleviating the financial problems of the meat processing parastatal (TPL), in correcting some of the deficiencies in the livestock marketing parastatal (TLMC), and in adopting some of the decentralized management recommendations in the ranching parastatal (NARCO), TPL will still need to improve its overall efficiency, and NARCO its unsatisfactory financial situation. In the meat processing component, the settlement of a dispute between the Livestock Development Authority (LIDA)

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

and the contractor enabled completion of the meat plant in Kawe; the two new meat plans in Shinyanga and Mbeya will be completed by June 1981. There is little change in other project components, where major difficulties remain to be resolved. Since the Credit is expected to be fully disbursed within three months of the Closing Date of December 31, 1980, this date was not postponed.

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

The project has continued to show good progress. However, in view of the failure of the crop technical packages to give economic responses, the project must now be considered to be an infrastructure and adaptive research project rather than an agricultural production project. A major objective is now to develop a more soundly based and productive agricultural strategy. The most significant progress has been in the trial program with about 50 well distributed and supervised trial sites and improved credit recovery. Recruitment of staff has been more vigorously pursued since the Project Implementation Reviews began. Project problems remaining are the lack of senior staff, the shortage of extension staff, delay in deliveries of some equipment and financing of road construction. The project will continue to be kept under close review.

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

Construction of the five factories and ancillary facilities is proceeding well in accordance with the revised completion schedule. Processing plant and machinery has been delivered to two factories, and is under shipment for the remaining three. However, the project continues to face problems arising from a sharp decline in the marketed production of raw nuts. The producer price has been recently increased and the Cashewnut Authority (CATA) is considering the introduction of additional incentive and tree-planting schemes for farmers, but these measures are not likely to have a significant impact for several years. As a result, the completed cashewnut factories are expected to operate well below capacity for a number of years.

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

Despite senior staff changes in the Region and continuing procurement constraints, construction of agricultural and other training facilities, as well as water supply and feeder roads, is proceeding satisfactorily. The coffee rehabilitation and expansion program, and the land-use surveying and mapping, are also making reasonable progress. While the keeping of crop records is not yet regular or systematic, there has been a substantial increase

in maize, bean and cotton production in the Project area. However, the village fertilizer trials have yet to produce conclusive results, and recommendations for recasting the trials are under review. The Project is not likely to be completed before June 30, 1982. Consequently, the closing date has been postponed to December 31, 1983.

Credit No. 513-TA and Loan No. 1041-TA - Kilombero Sugar Development Project: US$9.0 million Credit and US$9.0 million Loan of September 27, 1974; Date of Effectiveness - February 14, 1975; Closing Date - December 31, 1980

Project work is virtually completed. Kilombero Sugar Company's (KSC) land development on behalf of outgrowers continues and is expected to exceed appraisal estimates due to lower than expected cane yields. A new management advisory agreement for a further two years with emphasis on agriculture will be financed by the Netherlands. Phase III of the Sugar Study has been started and should be completed shortly. With regard to the Sugar Development Corporation's request to Treasury to consider KSC's proposals as to its debt-equity ratio, the Treasury has decided to provide KSC TSh. 100 million as equity and TSh. 100 million as loan from Dutch/Danish sources. The loan will be at an interest rate of 7% p.a. with 30 years repayment including 5 years of grace. The Subsidiary Loan Agreement has been signed by the Treasury. As the credit fully disbursed within three months of the December 31, 1980 closing date, this date was not postponed.

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

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

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

Although the project has made some progress with regard to village participation, delivery of inputs and concentration of high potential maize regions, it is beset by a number of problems which must be overcome if the project is to achieve its primary objective. Following a midterm review of

the project, the Government submitted in September 1978 draft proposal for a three year Intensification Phase in six regions where potential for increasing production exists, extending the project period from July 1979 to June 1982. The project has therefore been redesigned in order to intensify the project activities during the remaining period. The redesign of the project has been agreed upon by the Government, BADEA (the co-financier) and the Association.

Credit No. 580-TA - Dairy Development Project: US$10.0 million Credit of August 15, 1975; Date of Effectiveness - November 13, 1975; Closing Date - April 30, 1981

There was some improvement in project implementation during 1980 as a result of stricter budget and cost control by the Livestock Development Authority (LIDA) and the Dairy Farming Company (DAFCO). Farm management is also improving and production costs per litre of milk are somewhat lower than in 1978 and 1979. However, the financial prospects for the parastatal farms remain poor and Ujamaa village development is negligible. The Government is considering alternative approaches to re-capitalization of the dairy farms and has also requested a reallocation of credit funds from Ujamaa village production to smallholder dairying. The project will continue to be kept under close review. A decision on whether to postpone the closing date to allow completion of the project will be taken shortly.

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

After a slow start and serious management problems during the first year, project implementation has improved considerably and is now ahead of schedule. Plantation targets have been exceeded in spite of labor shortages, a lack of equipment and a prolonged drought during the last planting season. All key staff have been appointed and there are no serious procurement or disbursement problems.

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

Improvements to the existing line were completed except for installation of the main circuit breaker equipment. Building work at Morogoro is proceeding satisfactorily. TAT/TTPC are preparing a properly coordinated building program to cover the balance of the project, and proposals are awaited from the Treasury rationalizing the financial and functional responsibilities of these entities. TAT's financial position is critical due to high bank overdrafts. The Treasury has agreed to reimburse TAT TSh. 29 million representing the local contribution it has spent on the project. In addition, TAT has also claimed TSh. 13 million from the Treasury to meet the cost incurred by them during 1977-78. TTPC's accounts for 1976/77 have been audited and the report is expected shortly.

Credit No. 703-TA and Credit No. 703-TA-5 - Tabora Rural Development Project: US$12.0 million Credits 1/ of May 11, 1977; Date of Effectiveness - November 11, 1977; Closing Date - June 30, 1983

Project implementation has slowed down considerably as a result of severe and continuing shortages of construction materials and diesel fuel. These shortages have affected all components, except land-use planning which is proceeding satisfactorily. The roads and water supply programs have been the worst affected and are also suffering from shortages of technical staff. The agricultural trials and production program, too, appears to have been disrupted by the recent drought. Project management is attempting to resolve the materials shortages by increasing the use of local substitutes. However, overall progress in institution-building is likely to remain slow.

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

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

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

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

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

While some of the senior support staff have been recruited, most key posts remain to be filled, and although good progress has been made in the livestock, water resource and forestry components, the expected implementation of an experimental program of agricultural extension has not been initiated.

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

Future supervision missions will pay particular attention to progress made by the agricultural extension staff towards improving the extension system. The effects of the Uganda war are still being felt in the project's area causing problems for the supplies situation.

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

This credit is not yet effective.

Credit No. 1007-TA - Pyrethrum Project: US$10.0 million Credit of October 24, 1980; Date of Effectiveness - April 20, 1981; Closing Date - June 30, 1982

This credit became effective on April 20, 1981.

Credit 1037-TA - Smallholder Tea Project: US$14.0 million Credit of August 20, 1980; Effectiveness Date - April 27, 1981; Closing Date - June 30, 1985

This credit became effective on April 27, 1981

Credit 1070-TA - Coconut Pilot Project: US$6.5 million Credit of October 24, 1080; Date of Effectiveness - April 20, 1981; Closing Date - March 31, 1986

This credit became effective on April 20, 1981.

EDUCATION SECTOR

Credit No. 371-TA - Fourth Education Project: US$10.3 million Credit of April 13, 1973; Date of Effectiveness - July 2, 1973; Closing Date - December 31, 1980

All facilities have been completed with the exception of three Community Education Centers. The project is expected to be completed and the credit fully disbursed within three to four months after the revised Closing Date of December 31, 1980. This date was, therefore, not postponed. All completed facilities are in operation with the exception of the Bagamoyo College of National Education which will be used for the in-service training of primary school science teachers.

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

Progress in physical implementation is satisfactory. The Village Management Technicians' training program was completed on schedule in July 1980 with 1,500 technicians trained. The primary education subsector

review and the secondary education facilities survey are in progress. Preparation of diversified curricula for general secondary education and staffing plans for the project secondary schools are also in preparation. There are reasonable prospects that the project will be completed by its Closing Date.

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

The Ministry of Labor has appointed a representative to the Project Unit and is working with the Ministry of Education on a plan for coordinating project implementation, is still largely in the design phase. Due to the rapid increase in construction cost, the cost of civil works to be financed under the project is estimated to be at least 40% above appraisal estimate..

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

This credit became effective on December 29, 1980.

TOURISM SECTOR

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

Project implementation is progressing satisfactorily. Recruitment of project coordinator is being finalized and the consultants for the rehabilitation of project lodges and hotels, have been appointed.

TRANSPORTATION SECTOR

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

After a slow start, project implementation improved and all equipment procured through ICB has been delivered. However, rehabilitation, regravelling and routine maintenance activities have been seriously affected by the war in Uganda and by the termination of some expatriate technical assistance. It was necessary to recast the project by amending its scope to address the problems which have been encountered in its implementation; these changes will bring the project in line with the Fifth Highway Project. The previous Closing Date of December 31, 1980 has been postponed to December 31, 1982 to allow for completion of the project and the disbursement. The technical assistance contract with the consulting firm "ORT" expired in November 1979, and the Government is now recruiting individual experts to complete the project.

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

Implementation planning is progressing well. Initial progress in the recruitment of technical assistance has been good, with 24 people in post or approved out of a total of 29. The project is experiencing some problem with equity contribution for the proposed project transport companies. The Treasury proposed to provide the balance of the equity contribution for 1979/80. The National Transport Coordination (NTC) has submitted a report to the Treasury regarding the availability and distribution of vehicle spare parts in recent years. NTC has also commissioned a study of the role and objective of the National Institute of Transport. The design of the transport data collection system is progressing well.

Credit No. 876-TA - Fifth Highway Project; US$20.5 million Credit of March 2, 1979; Date of Effectiveness - December 3, 1980; Closing Date - December 31, 1984

This Credit became effective on December 3, 1980 and will involve follow-up to Credit No. 507-TA in the maintenance of the national trunk road system. All three key advisers and six key local staff are now in post. In addition, ten individual specialists for various other technical assistance positions have been recruited.

PORTS SECTOR

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

This Credit became effective on August 13, 1980 and is progressing well. The consultants have submitted a number of reports and drawings to the Tanzania Harbours Authority (THA) for their review and comment. The only major problem is one of coordination concerning the commissioning of the new oil jetty which requires that all of the necessary pipe work link to the refinery and the existing network be completed and ready for use as soon as the jetty is completed. This problem has been raised with THA and it was asked to take a firm decision on who will prepare the design, carry out the actual site work, and finance the foreign exchange costs of those activities.

URBAN SECTOR

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

Infrastructure construction has been completed satisfactorily on all project sites. Construction of health facilities in Dar es Salaam is completed and ready of occupation. Education facilities for the Dar es Salaam sites have been completed; the rest of the community facilities in the

project are nearing completion. Progress on the lending program administered by the Tanzania Housing Bank is slow although satisfactory progress is being made in the implementation of the action program to improve it. Total project cost is estimated (at current exchange rates) at US$15.9 million, compared to the appraisal estimate of US$16.7 million. As the remaining balance under the Credit of US$1,713,650 is expected to be fully disbursed within three to four months after the December 31, 1980 closing date, this date was not postponed.

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

Progress on implementation is satisfactory for the residential components although overall implementation progress is slow. Preparation of the small scale industry component is also making satisfactory progress. All project staff have now been appointed. The Consultants' report on the Land Rent and Service Charge Study was approved by the Government in January 1978 and a pilot test of the new Urban Charge System for cost recovery proposed in the study was carried out in Morogoro. However, progress in the implementation of this system in other areas is slow. Disbursements are substantially behind appraisal estimates. These issues will be reviewed during the next supervision mission.

WATER SUPPLY SECTOR

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

Of the five main contracts for water supply works in Morogoro, contract for exploratory drilling at Mindu Dam site is completed, two contracts for plant (pumping and treatment) are in the stage of final inspection of goods prior to shipment to Tanzania, and two construction contracts were awarded in December 1978 and March 1979. Completion of the water works expansion is expected in February 1981, 21 months behind schedule, but a pilot operation is scheduled to commence in November 1980. Project cost is now estimated at US$27.6 million, 43% over the appraisal estimate of US$19.2 million. In December 1978, the Government approved an increase in its contribution to the project to cover the financing gap. Some progress has been made towards creation of a parastatal national urban water supply authority and increase in tariff to maintain their levels in real terms at the level existing in July 1976. Progress in project implementation and the expected large increase in project costs will have to be closely monitored.

ENERGY SECTOR

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

The project is financed by IBRD, SIDA and KfW. All contracts have been awarded. Project construction is on schedule at all sites. TANESCO has

obtained approval on its tariff increase. Current estimated project cost is US$97.8 million compared to appraisal estimate of US$89 million, a cost overrun of 28%. This is mainly due to underestimation of the project costs by the engineering consultants. KfW has already increased its contribution to the project and SIDA has indicated that it would be prepared to increase its allocation to cover its proportionate share of the cost overruns. Plans to make any additional contribution by the Bank to bridge the gap is being reviewed. An EEC Special Action Credit (No. 55-7A) in the amount of US$7.0 million, to be administered by IDA, has been allocated to this project.

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

This Credit became effective on September 12, 1980 and most bidding documents have been received and approved. Drilling of the onshore well began in January 1981, slightly behind schedule because of shipment delay. Drilling of the offshore well has not started because no bids were received. Both the Tanzania Petroleum Development Corporation (TPDC) and the drilling management consultants are actively pursuing all avenues for the acquisition of a contract rig capable of meeting the requirements.

INDUSTRIAL SECTOR

Credit No. 460-TA - Tanzania Investment Bank Project: US$6.0 million Credit of February 13, 1974; Date of Effectiveness - April 18, 1974; Closing Date - June 30, 1980

This Credit has been fully committed. Because of a reallocation of funds from a subproject previously approved to a new one still under implementation, the credit is still not fully disbursed and the closing date has been postponed to June 30, 1980.

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

This loan is fully committed. However, because of slow implementation of some of the sub-projects financed by TIB under this project, the closing date has been postponed to December 31, 1981 in order to finalize disbursement. The undisbursed balance remaining under the loan to date is US$1,463,031.

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

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

Loan No. 1750-TA 1/ - Tanzania Investment Bank: US$25.0 million Loan of August 20, 1979; Date of Effectiveness - February 5, 1980; Closing Date - June 30, 1984

This loan became effective on February 5, 1980.

Loan No. 1128-TA - Mwanza Textile Project: US$15.0 million Loan of June 19, 1975; Date of Effectiveness - October 6, 1975; Closing Date - June 30, 1981

The project provides for expansion of an existing textile mill and is designed to increase annual fabric production capacity by 20 million linear meters. Project implementation performance has been acceptable and all technical installations are now operating satisfactorily. The National Textile Corporation (TEXCO), the holding company for state-owned textile mills, has agreed to institute an immediate action program to improve the operating performance of existing mills. The project was technically completed in October 1978 with a savings of about US$1.7 million. In order to utilize this amount for rehabilitation of the existing facilities, which are essential parts of the project, the Closing Date was postponed to June 30, 1981.

Credit No. 601-TA - Technical Assistance Project: US$6.0 million Credit of January 9, 1976; Date of Effectiveness - September 14, 1976; Closing Date - June 30, 1981

Total commitments as of March 31, 1980 were US$4.74 million (net of cancellations) for consultancy services, training and project unit services. The procedures for processing proposals have been streamlined and are working well. The credit will be fully committed by December 1980. The Closing Date was postponed to June 30, 1981 in order to complete disbursement.

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

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

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

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

This loan and this credit became effective on May 7, 1979. Preparation of tender documents are progressing satisfactorily and no delay in project completion is anticipated.

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

Site preparation and procurement have been proceeding satisfactorily with contract for the main civil/structural work signed and most of the major equipment packages awarded. Good progress has also been made for arrangements on railway spur and escarpment roads. As a result of primarily changes in current values, delay in implementing essential related infrastructure components outside the project, particularly the power line and the township, and unanticipated taxes payable to the Government, the estimated project cost has increased by about 15%. This cost overrun is anticipated to be covered by appreciation of currencies to be provided by cofinanciers, by contingent financing from the Nordic Investment Bank, and by savings obtained by the Government on equipment packages.

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

This loan became effective on November 1, 1979. About 70% of the loan amount has been committed.

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

This credit became effective on February 10, 1981.

EAST AFRICAN COMMUNITY

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

1/ Since October 1, 1977, the East African Community loans (excluding the East African Development Bank) have been disbursed on the basis of separate national guarantees. The agreed allocation of undisbursed balances for each loan, as proposed in a report to the Executive Directors dated December 29, 1977 (R77-312) and approved on January 12, 1978, is given in this Annex. The closing date for Loans 638-EA, 674-EA and 865-EA have passed. However, since the amount allocated to and guaranteed by each Partner State is clearly identified under the terms of the Agreement signed on January 25, 1978 as proposed in the above report (R77-312), we are continuing disbursements.

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

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

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

For Loan No. 638-EA	(US$ million)
Kenya	0.7
Tanzania	0.6
Total	1.3
For Loan No. 865-EA	
Kenya	1.7
Tanzania	0.3
Total	2.0

Loan No. 674-EA - Third Railways Project: US$42.4 million Loan of May 25, 1970; Date of Effectiveness - October 30, 1970; Closing Date - June 30, 1978

The original purpose of the project was to complete the Railways' 1969-1972 Development Program, including track improvement, procurement of rolling stock and other equipment, and to finance studies of the economic feasibility of certain railway lines and services. The physical execution of the original project has been seriously delayed due to administrative and political problems within the Community. In November 1974, the Executive Directors approved a reallocation of the uncommitted balance of the Loan to be used for consultant services and emergency investments in track material. All three countries have now enacted legislation to establish their own Railways Corporations. The agreed allocation of undisbursed funds at October 1, 1977 among the various countries concerned is given below:

	$ Million
Kenya	2.0
Tanzania	3.8
Uganda	1.9
Total	7.7

On January 12, 1978, the Executive Director approved the utilization of US$1.2 million equivalent to finance the East African Mediation effort. This amount, in addition to US$0.5 million provided by UNDP for this purpose, is expected to cover the total estimated cost of the mediation service.

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

The project included provision for procurement of local telephone exchange equipment, cables and subscriber apparatus, microwave and UHF/VHF systems and multiplex equipment, interurban cables and wires, automatic switching and signalling equipment, telegraph, telex and data equipment, and training. All project items except the microwave radio system have been completed; this system is likely to be completed by mid-1980. The slippage of the project's completion was due to initial delays in procurement caused by staffing and other problems associated with the relocation of headquarters. About US$32.16 million of the loan had been disbursed to date. The agreed allocation of undisbursed funds as at October 1, 1977 among the countries concerned is as follows:

	$ Million
Kenya	2.4
Tanzania	3.5
Uganda	0.1
Total	6.0

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

The environment within the Community has continued to have a negative impact on EADB operations. Level of operations both for appraisal and supervision has been depressed, but there has been some improvement in the state of the portfolio with the arrears affected portfolio falling from 50% as of June 30, 1977 to 43% as of June 30, 1979. Some US$11.62 million of the loan has been disbursed to date, and the uncommitted balance amounts to US$3.0 million.

D. STATEMENT OF IFC INVESTMENT IN TANZANIA
As of April 30, 1981

Fiscal Year	Obligor	Type of Business	Amount in US$ Million		
			Loan	Equity	Total
1960 and 1964	Kilombero Sugar Company	Food Processing	3.96	0.70	4.66
1978	Highland Soap and Allied Products Limited	Soap Manufacture	1.38	0.36	1.74
1979	Metal Products Limited	Household Utensils	1.33	0.18	1.51
	Total gross commitments		6.67	1.24	7.91
	Less cancellations, terminations, repayments and sales		3.96	0.70	4.66
	Total commitments now held by IFC		2.71	0.54	3.25
	Total Undisbursed		0.06	-	0.06

ANNEX III

TANZANIA

TELECOMMUNICATIONS PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I. Timetable of Key Events.

(a)	First presentation to the Association and date of first Association Mission	: September 1979
(b)	Appraisal mission	: April/May 1980
(c)	Completion of negotiations	: March 1981
(d)	Estimated date of effectiveness	: December 1981

Section II. Special Association Implementation Actions.

None

Section III. Special Conditions.

(a) By September 30, 1981, TPTC would propose and agree with the Association on a method for valuation of its fixed assets and would revalue annually its fixed assets on the basis of such agreed method, starting with the financial statements for the year ending December 31, 1981 (para. 53);

(b) TPTC would achieve an annual rate of return on revalued net fixed telecommunications assets of not less than 12% after taxes (para. 53);

(c) By December 31, 1982, TPTC would have completed a study of the structure of its tariffs. By June 30, 1983, TPTC would furnish to the Association for its review and comments, the results and the implementation implications of this tariff structure study (para. 55); and

(d) By December 31, 1981, TPTC would submit to the Association for its review and comments, a report containing analysis and recommendations for improving bill issuance and collection of receivables (para. 56).