Statement by Yahya A. Alyahya
Date of Meeting: June 15, 2000

**TANZANIA: Country Assistance Strategy and Programmatic Structural Adjustment Credit and Health Sector Development Program Project**

The Government of Tanzania is to be commended for its economic achievements since 1997. It has managed to achieve macroeconomic stability and economic growth averaging 4 percent a year in spite of severe weather conditions and difficult external environment. Inflation has fallen to its lowest level in 25 years, the fiscal situation has improved, the foreign exchange market and the trade regime have been liberalized, and foreign reserve coverage has increased to over 4 months. Nonetheless, as the Government is aware, much remains to be done to reduce poverty and improve the social indicators, and remove the remaining obstacles to private sector development to accelerate the supply response and achieve higher growth.

The Government is pursuing the right track to address the remaining challenges. As mentioned in the CAS report, the Government has outlined its Development Vision 2025 and a National Poverty Eradication Strategy. It is currently preparing the Tanzania Assistance Strategy (TAS) and the PRSP, both of which are firmly anchored in the Vision 2025. When successfully implemented, Tanzania will move surely and progressively towards the international development goals. To this end, I find this joint IDA/IFC CAS to be in line with the Government’s development strategy and provide appropriate support to the major priority areas, which have been identified by Tanzania.

Regarding the Bank Group assistance strategy, I have the following few comments:

First, I support the proposal by staff to focus lending and non-lending interventions in the four areas of strategic importance, which are outlined in paragraph 46. I particularly welcome the emphasis on private sector development, infrastructure and social sector development, and rural development.
Regarding infrastructure development, the objectives are to strengthen the regulatory and legal framework, and to improve the quality and reliability of services at affordable costs. I believe the lending program envisaged during the CAS period, and including the proposed Programmatic Structural Adjustment Credit (PSAC), achieve these objectives. For example, the proposed PSAC would improve the enabling environment for private sector investment, and would lower the cost of transportation and communication services. At the same time, the proposed Songo Songo Gas Development and Power Generation Project would allow the country to use its most abundant energy resource to provide reliable power supply at affordable prices.

Of course, I wondered initially whether the proposed lending program was based on a PSD strategy jointly developed by the Bank Group. I noticed, however, the Private Sector Profile study, which is planned for FY01, and noted that it is focussed on improving knowledge and problem solving. Action oriented ESW such as this one should be highly encouraged.

Regarding social development, I welcome the emphasis in the CAS period on education. It is clear from the report that currently there is a crisis in education, which is described in paragraph 12. But, there has been better progress in the health sector, and the Government has developed a program that is well supported by donors. In this context, I believe supporting these two sectors through the APL instrument is appropriate. The proposed Health Sector Development Program, which will be implemented over four phases, provides a good vehicle for coordinating the activities of the many donors involved in this sector. I am particularly intrigued by the pooled financing mechanism that will be used at the central and local levels to establish and refine disbursement, financial management, reporting, auditing, and procurement systems. It would be interesting to report on how this mechanism is working in the subsequent phases of the APL.

Regarding the APL for education, I was wondering whether donors are also as heavily involved in this sector, and whether it will follow similar design as the Health Sector Development Program. Perhaps staff can elaborate.

As for rural development, it is clear that if the country is to make a serious dent in poverty, it will have to address this challenge. In fact, given that more than 95 percent of Tanzania’s agriculture is privately managed, and it accounts for about half of GDP and 70 percent of foreign exchange, private sector development by necessity needs to target this sector. In this context, I note that there is an ongoing dialogue on rural development with the Government, and that a rural development strategy is planned for completion in FY02. I am however, not clear about how the proposed operations in support of rural development, which are described in paragraph 56, fit into the strategy in terms of targeting and sequencing to have the greatest impact on poverty. Perhaps staff could elaborate.

The CAS argues that the biggest risks to the development program are internal and not external. The export base is well diversified and foreign reserves are adequate to withstand external shocks. For a country with a per capita income of $240, this is very assuring. Nonetheless, I agree with the CAS that the biggest risk is that the Bank Group and donors might overestimate the county’s implementation capacity. This calls for a careful design of operations, adequate support for capacity building, and careful monitoring. I also agree that capacity
building could be better provided through program support rather than through individual projects.

Finally on the CAS, I welcome the incorporation of the lessons learned from OED and OEG evaluation, and the efforts to be selective and coordinate among the Bank Group and with the many donors. I can support the composition of the lending and non-lending program, and the triggers that move the program to the alternative scenarios.

I want to turn now to the Programmatic Structural Adjustment Credit, on which I have the following comment and question: First, the programmatic approach is appropriate for a number of reasons. In this case, the pending general elections at the end of this year, and the dissolution of the present Parliament, make a programmatic approach even more appropriate. The phased tranche releases will test the commitment of the new Parliament and Government.

Second, looking at the Table on page 8, it is not clear whether the indicative phase II is part of PSAC or PSAC 1, and whether phase II will come to the Board as a new operation for approval, or just for information. I would like staff to explain.

In conclusion, I wish the authorities success in implementing their reform agenda.