TANZANIA

COUNTRY PORTFOLIO PERFORMANCE REVIEW

ANNEX III

PROFILES OF PROJECTS IN FY03 LENDING PROGRAM

April 3-4, 2003

The Government of Tanzania

The World Bank
**POVERTY REDUCTION SUPPORT CREDIT I (PRSC I)**

<table>
<thead>
<tr>
<th>Planned Dates</th>
<th>Net Credit &amp; Grant Commitment</th>
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<tbody>
<tr>
<td>Board</td>
<td>Effective closing</td>
</tr>
<tr>
<td>05/27/03</td>
<td>07/1/03 06/30/2004 USD 132.0 million, of which $32.0 million equivalent is by way of an IDA Grant</td>
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</table>

**Macro Context:** IDA is in the process of preparing a $132 million equivalent Poverty Reduction Support Credit (PRSC I) for supporting the Government’s poverty reduction and growth program, via budget support. It will be the first in a series of three single tranche PRSCs to underpin and support the implementation of policies and institutional development programs for sustainable growth and poverty reduction. PRSC 1 seeks to deepen the Bank’s policy dialogue in the areas of improving the business environment and strengthening public expenditure management and public service delivery. In addition, this operation will also entail policy dialogue related to scaling up pro-poor growth, especially through a focus on rural development, and the operationalization of an appropriate monitoring and evaluation system to enhance accountability for results and outcomes of sectoral programs. Fundamental principles which underlie Tanzania PRSC I include, country ownership of program content; use of the Government’s own poverty monitoring system to assess progress in achieving desired outcomes from PRS implementation; predictability of resource flows and policy dialogue; and minimizing transaction costs. The operation will include cross-sectoral and institutional measures as well as priority policy interventions to promote rural development and foster private sector led growth. It is envisaged that there will be at least two further single-tranche PRSCs (each up to US$ 150 million equivalent) in FY04 and FY05.

**Development Objectives of PRSC I:** The proposed Credit and Grant operation would build on recent reforms undertaken by the Government and support the implementation of Tanzania’s Poverty Reduction Strategy (PRS) as summarized in the Poverty Reduction Strategy Paper (PRSP) and subsequent updates undertaken with annual progress reports. The first PRSC would focus on private sector development and public sector management to complete and deepen the reform agenda defined under the Programmatic Structural Adjustment Credit (PSAC) and lay the ground for attacking income poverty more aggressively. Specific development objectives of the operation include: (i) reduction in the breadth and depth of income poverty; (ii) improving the quality of life and social well being; (iii) improved quality and cost effectiveness in the delivery of public services; and (iv) sustaining a conducive development environment encompassing macroeconomic stability and good governance.

**PRSC Components/Activities:** The operation consists of measures to (a) accelerate growth; (b) broaden the impact of growth; (c) align public investment with the PRS goals, and (d) increase efficiency of public service.

**Key Issues & Challenges for:**

- **Government:** Full implementation of the agreed conditions under the Programmatic Structural Adjustment Credit (PSAC)
- **Bank:** Harmonization of appraisal/review process and proposed policy actions under the PRSC with Poverty Reduction Budget Support (PRBS) in the context of the performance assessment framework (PAF) so as to minimize transaction costs.
• Other Stakeholders: Harmonization among Tanzania’s development partners around budget support and away from stand-alone/discrete project funding. Integration of development support within the Government’s PER/MTEF processes.

TANZANIA MULTI-SECTORAL AIDS PROJECT (TMAP)

<table>
<thead>
<tr>
<th>Planned Dates</th>
<th>Net Grant Commit.</th>
<th>Total Project Cost</th>
</tr>
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<tbody>
<tr>
<td>Board Effect. Closing</td>
<td>70 million</td>
<td>106 million</td>
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<tr>
<td>05/27 2003 07/01/2003 09/30/2008</td>
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**Sectoral Context:** Since the first AIDS cases in Tanzania were recorded in 1983 the epidemic has increased to a level where it is estimated that 12% of the sexually-active adults (15 – 49) in the country are infected with HIV and about 2 million people are estimated to be living with HIV/AIDS. Adult mortality in Tanzania has increased considerably in recent years due to HIV/AIDS and it is estimated that AIDS is leading cause of death among adults. Life expectancy at birth by 2010 will be reduced to 47 years as opposed to the projected 56 years without AIDS and there is a rapidly increasing proportion of orphans due to HIV/AIDS. By 2000, 1.1% had lost parents; 6.4% had no father and 3.5% no mother and is expected to reach 1 million by 2015 if current trends continue. Without effective action, Tanzania's GDP in 2015 could be 15-20 percent lower than it would have been without the HIV/AIDS epidemic.

There is growing commitment among national and local leaders - political, religious and commercial - to encourage all members of society to play a role in stopping the spread of HIV and care for those affected. The Tanzania Commission for AIDS (TACAIDS) was established and was formally ratified through Parliament’s passage of the TACAIDS Act in November, 2001. This body is expected to provide the strategic leadership necessary to galvanize the national social movement to effectively reduce the spread of HIV/AIDS. Furthermore, the Poverty Reduction Strategy includes HIV/AIDS as a central development challenge requiring that all sector and local government plans address this issue, and this is reflected in the TACAIDS Act’s establishment of HIV/AIDS Technical Committees at the local government level.

**Project’s Development Objectives:** The project will provide grant financing to support Tanzania's National Programs on HIV/AIDS (for both Mainland and Zanzibar governments) which aims to reduce the spread of HIV in the general population of Tanzania through multisectoral action involving Government, Non-Government, Civil Society and community organizations. The project is being designed in collaboration with other development partners, some of whom will be co-financing certain components. While the project development objective is the reduction of the spread of HIV in the general population of Tanzania, the mitigation of the health and socio-economic impact of HIV/AIDS at individual, household and community levels and the strengthening of national capacity to respond to the epidemic will also be supported as activities of the project.

**Project Components/Activities:** The project will have the following four components:

1. Community AIDS Response Fund (CARF)
2. Public Multi-Sector Fund
3. Tanzania AIDS Commission Institutional Support
4. Zanzibar HIV/AIDS Support

**Component 1. Community AIDS Response Fund:** This component will focus on social mobilization and community level response to HIV/AIDS. A fund will be set up to expand and strengthen HIV/AIDS activities being carried out by communities and Non-Government Organizations (NGOs), including Employers and Workers’ organizations, Community Based Organizations (CBOs), private sector, religious sector, persons living with HIV/AIDS (PLWHAs). Activities to be funded will include the full spectrum of HIV/AIDS activities within the broad groups of prevention, care & support and mitigation of socio-economic impact. There will be clearly-defined eligibility criteria for organizations to be funded under this component; these criteria will be elaborated in the Operational Manual for Facilitating Agencies. Groups which receive funding will be encouraged to focus, but not
necessary limit, their activities to the most vulnerable groups which include: people living with HIV/AIDS (PLWHA), hospital workers, orphans, youths, commercial sex workers and truck drivers.

**Component 2. Public Multi-Sector Fund.** This component will comprise a fund to scale up and strengthen prevention, care, support and mitigation of the social economic impact of HIV/AIDS through programs/activities of the public sector. It will support public sector institutions to protect their own personnel from the impact of HIV/AIDS and, when applicable, to integrate HIV/AIDS activities into their core business. Sub-contracting by ministries, local authorities and parastatals will be encouraged in order to make the best use of the implementation capacity that may be available outside the public sector. Each public sector agency will define a work program which, as a minimum, will address issues regarding HIV/AIDS among its employees. Public agencies will also be expected to extend HIV/AIDS services to their clients and neighboring communities.

The largest share of funds under this component will be dedicated to supporting the Ministry of Health in its unique role in combating the epidemic. This support will partially finance the Ministry's HIV/AIDS workplan, developed in collaboration with the Ministry's development partners and reviewed during the annual Sector Review. All line ministries will receive support toward the implementation of their comprehensive HIV/AIDS workplans to:

1. Extent to which HIV/AIDS has affected the quality, quantity and substance of available services, the ability to supply the required services, the organization of the sector, the role of service providers, human resources policy and management practices, the planning and management of sector resources, and the availability of resources to the sector would provide the framework for assessing the internal impact of the epidemic on the specific line ministry; and to the extent to which the specific sector can contribute to the prevention of further spread of HIV in order to protect both its staff and target populations, and the increase in access to and use of care and support for the affected or infected among staff members and their families. LGAs will also receive under this component support for the implementation of HIV/AIDS workplans which will be integrated into the LGA workplan as prepared during the existing annual planning exercise.

**Component 3. Tanzania AIDS Commission Institutional Support.** The project will support the Tanzania Commission for AIDS (TACAIDS) to fulfill its national HIV/AIDS co-ordination mandate as provided by the TACAIDS Act, passed by Parliament in November, 2001. TACAIDS mandate is mainly on advocacy, providing leadership for the multisectoral response to HIV/AIDS, co-ordination and monitoring and evaluation. TACAIDS is not envisioned to have implementation or funding responsibilities. Support, in particular, will be given to TACAIDS for:

1. Establishment of an effective secretariat and networks at the regional and district levels; (ii) establishment of financial management and procurement systems; (iii) resource mobilization; and (iv) monitoring & evaluation systems.

**Component 4. Zanzibar HIV/AIDS Support.** Zanzibar and Pemba have a largely separate Government structure for domestic issues, and will be establishing their own AIDS Commission. Therefore, while it is considered essential that the project provide support to Zanzibar (including Pemba) as well as the mainland, the administrative reach of TACAIDS and the structures for implementing the other components does not extend to Zanzibar. Therefore, an allocation has been made for support to the HIV/AIDS Program on Zanzibar. It is envisioned that this support will mirror the support provided to the mainland through the first three components of this project, though on a smaller scale. However, given that Zanzibar is less advanced in the establishment of the necessary structures for preparation of this component, the details of this component will be elaborated during the first year of the project.

### Key Issues & Challenges for:

- **Government** Preparation of the project is on track for the March/April Appraisal as scheduled. After the recruitment of the Directors, their support staff have been recruited as well and they joined the TACAIDS team in January. Several working groups have been set up, those on M&E and Financial Management being the most critical at this moment and most of the targets to be achieved before appraisal are on track. However, there following are the main challenges:

  - **On the role of the Ministry of Health vs the role of TACAIDS:** Clear message to the MOH is that, as far as the Bank is concerned, nothing is taken away from the Ministry of Health, the establishment of TACAIDS is primarily to co-ordinate the overall national response and the mobilization of additional stakeholders. The crucial role of the Ministry of Health in the national response has not decreased but is likely to increase as the demand for services such as Voluntary Counseling and Testing, and Home Based Care is likely to grow.
On the Community AIDS Response Fund: Draft TOR for Regional Facilitating Agency(s) and Draft Operational manual are being finalized ready for appraisal. In the preparation of these documents TACAIDS is involving all the major stakeholders (bigger NGOs such as CARE, AMREF, TANESA and DAC group members (GTZ, WB, WHO and UNAIDS).

Bank: The Bank needs to maintain its flexibility and responsiveness to changing situations and continue to be engaged in the broader partnership that support the Tanzania Government and its citizens in the efforts to urgently forge the HIV epidemic. Roles & Responsibilities of individual members of the preparation team clarifies in terms of who is responsible for what output? What does that involve? What are our expectations of each other?

• Other Stakeholders: The main challenge for all stakeholders is to urgently forge the contributions of the various partners into a comprehensive support program under Tanzania leadership.

Way Forward:

i) Appraisal of March 31, 2003 April and Board date of May 27, 2003 are on schedule ii) TACAIDS’ Progress against agreed actions from the mission updated every week.

PARTICIPATORY AGRICULTURAL DEVELOPMENT AND EMPOWERMENT PROJECT (PADEP)

Planned Dates: Board May 27, 2003; Effectiveness July 2003

Total Project Cost: US$ 70 million
IDA Credit US$ 50 million

Sectoral Context: The project is an integral part of the broader Rural Development Strategy (RDS) and Agricultural Sector Development Strategy (ASDS). The project’s development objective is to assist participating smallholders in achieving sustainable growth in agricultural productivity, increase farm income and reduce food insecurity. The project’s main objectives are to: (i) strengthen the capacity of rural communities to plan and implement demand driven agricultural development initiatives; (ii) strengthen the institutional and human capacities of Local Authorities and national level to plan and implement community agricultural development initiatives; (iii) increase agricultural productivity and production by promoting better land management and agricultural intensification practices through adoption of new and affordable technologies; and (iv) enhance private sector participation in input and output markets, and in provision of services to rural communities.

The project is consistent with the Agricultural Sector Development Program (ASDP) which is being finalized by the government and supported by donors. Both have been designed under the same principles: (i) decentralized implementation through district councils; (ii) empowerment of farmer groups and local communities; (iii) strengthening of public/private partnerships; and (iv) improvement of agricultural productivity and profitability through adoption of new and affordable technologies. Specifically, PADEP will contribute to implementing the ASDP “Sub-program A” (Agricultural Sector Support and Implementation at District and Field Level), in particular Component A.1 (Investment and Implementation), through its first Component on Community Agricultural Development Sub-projects. The project will also contribute to “Sub-program B” (Agricultural Sector Support at National Level) through its second Component on Capacity Building and Institutional Strengthening. PADEP will constitute the first major operation to channel resources to the districts to finance activities identified, prepared and implemented by beneficiary farmers and rural communities themselves in the context of the ASDP. PADEP activities will be integral components of the District Agricultural Development Plan (DADP), which forms part of District Development Plan (DDP) prepared by each district council. Also, the project will build on the “Vision for Extension 2010” strategic note which the Government approved in 2001.
The project is fully consistent with the strategy outlined in the CAS, which recognizes that poverty in Tanzania is essentially a rural phenomenon, and that lack of economic growth and income opportunities for the poor are at the root of the problem. The rural poor earn their livelihoods primarily from agriculture. Limited access to improved technological options, adverse movements in terms of trade, and poor access to input and output markets restrict the scope for increases in agricultural productivity and the structural transformation of smallholder agriculture. The CAS also recognizes protection of biodiversity and forests as important objectives, and these can be addressed by enhancing the incentives to smallholders to make more sustainable use of the land presently under cultivation and discouraging migration to more fragile lands. Furthermore, the CAS specifically recommends an IDA-supported operation to enhance soil fertility and improve agricultural productivity for smallholders.

Project’s Development Objectives: The project will assist participating smallholders in achieving sustainable growth in agricultural productivity, farm income and reduce food insecurity. The project’s interventions are designed to restore and enhance soil fertility and agricultural intensification by:

- empowering rural communities and farmers groups in their ability to make decisions regarding sustainable productive technology, service delivery, and access to inputs;
- promoting improved land and crop husbandry practices;
- strengthening the ongoing decentralization process at the District level; and
- enhancing the performance of key rural markets.

Project Components/Activities

Component 1) Community Agricultural Development Subprojects would be comprised of village-level and farmer group-level investments focusing on three thematic areas:

- Soil Fertility Recapitalization
- Agricultural Intensification
- Inputs and Outputs Marketing

Each village or farmer group would undergo a participatory planning process to identify their key challenges and come up with solution (“activities”) which would be submitted for approval to the District in the form of “investment subprojects.” Each subproject would be location-specific and may contain one or more subcomponents related to soil fertility recapitalization, agricultural intensification or input/output marketing.

Component 2) Institutional Strengthening and Capacity Building would strengthen the institutional and human capacity to address the challenges of rural development and provide capacity for project implementation at the local, regional and national levels, both among the public and private sector service providers. Significant resources will be devoted to need-based technical assistance and training, particularly at the local level.

Key Issues & Challenges:

The project’s main challenges will be to: (i) reform the policy environment to improve the income-enhancing opportunities for smallholder farmers, (ii) empower rural communities and improve the diagnostic capacity of soil and agricultural productivity problems at local and farmers’ group levels, (iii) facilitate the access to inputs for improved technology by organized smallholder farmer groups, and (iv) create a better environment for private sector growth in input and output markets.

In the context of this project, Government intends to adopt a number of policy measures aimed at improving the performance of key rural markets:

- Grain marketing policy (reduction of restrictions on internal and external trade of agricultural commodities, improved marketing information, revision of operational procedures of the Strategic Grain Reserve)
- Rationalization of local levies and taxation
- Inputs policies (fertilizer policy, facilitating bulk importation of fertilizers, revision of KR-II fertilizer imports, quality control of seeds, adoption of integrated pest management plans)
- Disposition of state-owned assets to expand private sector involvement
The project will also empower rural communities and farmer groups in their ability to make decisions regarding sustainable productive technology and service delivery through participatory planning and development of strategies. The project would not support the implementation of pre-conceived solutions designed at the top and rolled down to the village level. The ability to diagnose soil fertility problems would be improved through introduction of a soil testing service oriented toward working with smallholders and their producers’ organizations. Once the state of the soil is understood, specialists from the research and extension services will assist producers and their organizations in identifying alternative technologies that are profitable, can help recapitalize depleted soils, and suit the specific production goals of participants. In addition, organized farmers’ groups and Village Councils will have the primary responsibility for implementing small scale investment activities envisioned by the project, including planning of subprojects, implementation of technical recommendations, local procurement of inputs, and contracting of service providers.

This increased responsibility of beneficiaries will be coupled with direct transfers of financial resources to them on a matching-grant basis to increase their bargaining power vis-à-vis input providers and their implementation capacity of investment subprojects. These mechanisms for community-driven development will be introduced in a phased manner, to allow for improvements in the course of project implementation.

The project would also support Government efforts to build stronger partnerships with the private sector to improve the agricultural input supply and output marketing chains. The project would be instrumental in facilitating these partnerships by supporting critical policy measures, providing improved marketing information, and development of specific coordination agreements aimed at increasing the efficiency of these marketing chains.
The project will be co-financed by the African Development Bank (US$48 million), the European Development Bank (US$37 million), an already selected private Operator (US$8.5 million) and cash generation from DAWASA’s operations (US$12.5 million).

**Sectoral Context:** Since 1997, the urban water supply service is under the responsibility of 26 autonomous Urban Water and Sewerage Authorities. UWSA are expected to meet operational costs, but many still rely on subsidies from the Ministry of Water and Livestock Development (MWLD). Sanitation is in the hands of municipal councils, but sewerage operations under UWSAs. In Dar es Salaam, the recent Household Budget Survey mentions that about 85% of the population has some kind of access to piped water; a few hours per day however. This poor quality of service has led to the development of a very active vending “industry”; most of the poor have to rely on its expensive substitutes. The city obtains most of its water from the Ruvu River; boreholes have also recently been developed in the city, but the safe yield of the aquifer is unknown. The current production capacity is likely to be sufficient to supply a city of 3.0 million. An independent regional environmental impact assessment would have to be carried out before a decision can be made on a new source. The main production unit is almost out of order, and only a fraction of the total production reaches the city because of offtakes on the transmission lines, also in poor condition. Because of limited coverage of the secondary distribution, many neighborhoods have to rely on long and leaking connections. Only about 10% of the population is hooked on sewers connected to either a marine outfall or to nine waste water stabilization ponds. About 20% of the total population use septic tanks and 70% use pit latrines. Septage is disposed of in the stabilization ponds. The waste water infrastructure is at various stages of collapse and raw sewage overflows in storm water drains. The Dar es Salaam Water and Sewerage Authority (DAWASA) bills about 95,000 water customers and 22,000 sewerage customers. DAWASA does not meter the water produced and distributed and bills its customers on the basis of estimations; because of the poor service it provides and systematic overestimation of consumption, only about 50% of the customers pay their bill regularly. MWLD still pays DAWASA electricity bill but GOT agencies do not pay their water bills regularly. DAWASA revenue in 2001 was about Tsh15bn (US$ 15.3 million). Maintenance has not been funded for decades.

**Project’s Development Objectives:** The project objective is to provide a **reliable, affordable and sustainable** water supply service and to improve the waste water and sanitation service in Dar es Salaam and the Coast region. This will be achieved by:

- Rehabilitating existing water production, transmission, storage and distribution facilities and waste water collection and treatment facilities that have lacked maintenance for decades;
- Extending piped water supply service to unserved areas through a balanced construction program of primary and secondary distribution pipes and implementation of a commercial policy favoring connections of households;
- Upgrading DAWASA commercial operations, reducing physical and commercial unaccounted for water (UfW) and increasing collection of water and sewerage bills through the sub-contracting of operations to a private Operator; and
- Enhancing DAWASA financial situation by raising the Customer Tariff to a level that would initially cover operation and maintenance (O&M) costs, service long term debt and contribute to the capital expenditure program and eventually compare with the Long Run Marginal Cost (LRMC) of service.

**Project Components/Activities:** A major reform took place during project preparation with the transformation of DAWASA into an **Asset Holding Authority** responsible for financing development of the service sub-contract technical and commercial operations to a **private Operator** within the framework of a ten year **Lease contract**. The majority shareholder/manager of the Operator has already been selected according to a process satisfactory to the Bank. Also a regulator of electricity and water services (EWURA) has been created. By effectiveness of the IDA Credit, the Lease and several other key contracts will have been signed and disbursement during the first 12 months should reach US$15.0 million.

- **Component 1: Rehabilitation and Extension of Water Supply Facilities**. Rehabilitation of water production, transmission, storage and primary distribution facilities; the rehabilitation and extension of...
secondary distribution network and connections (about 900 km of small diameter pipes, about 135,000 existing connections and 35,000 new connections) and the supply of 173,000 meters.

- **Component 2: Rehabilitation and Extension of Wastewater Facilities.** Rehabilitation of 140 km of existing sewers, 3,100 manholes, 15 waste water pumping stations, nine waste water stabilization ponds and of an existing ocean outfall and construction of 26 km of new sewers.

- **Component 3: Community Water Supply and Sanitation Program.** Provision of a minimum service to low income communities that may not immediately benefit from piped water through about 50 community sub-projects implemented with the assistance of specialized NGOs.

- **Component 4: Institutional Strengthening.** Improvement of the operation of the WSS service including: (a) assistance to the Operator to finance its start-up activities; (b) TA to DAWASA: engineering, financial, legal, assets revaluation, audits, communication, environmental monitoring; (c) training of DAWASA and MWLD staff; (d) supply of operational equipment to DAWASA; and (e) technical assistance to the Wami/Ruvu Basin Agency.

- **Component 5: Preparation of the Medium Term WSS Development Program.** Preparation of a medium term water supply and sanitation extension program including: (a) studies for the selection of the future raw water source for Dar es Salaam, in association with a regional environmental assessment; (b) an assessment of the ground water capacity in Dar es Salaam; (c) studies of the extension of the water supply system; and (d) a strategic sanitation plan.

**Key Issues and Challenges for:** The key elements that will affect the sustainability of the project benefits are:

- The clarity of the contractual arrangement and the predictability of the regulatory framework;
- The accountability of the various actors and their incentives to perform;
- The capacity of GOT to implement a tariff policy gradually achieving cost recovery, demand management and minimum service to low income communities.
- The ability of the GOT in promptly paying for water and sewerage bills incurred by its agencies.

The overall risk is assessed as “substantial”. The project has been designed to address the following critical risks:

- **Contractual Arrangement and Regulatory Framework:** (a) inexperience of DAWASA in monitoring the performance of the Operator and in dealing with requests to adjust the terms of Lease contract of the Operator Tariff to reflect changing conditions; (b) inexperience of EWURA in monitoring performance of the various actors (GOT, DAWASA, Operator, customers) and in appraising requests for Customer and Operator Tariffs adjustments; (c) "capture" of EWURA by one stakeholder (GOT, DAWASA, the Operator or customers);

- **Accountability of the Various Actors:** (a) poor performance of the Operator as a result of inadequate staffing, procedures and/or funding; (b) poor performance of the Operator for tasks executed on behalf of DAWASA (mostly management of the Connection Fund and of a large Delegated Work Program); (b) low profits of the Operator resulting in the withdrawal of its IPP; (c) inadequate focus by DAWASA and the Operator on construction activities rather than on improvement of the WSS service to customers; (d) poor performance of DAWASA in implementing the construction programs eventually affecting the performance of the Operator; (e) insufficient cash generation from operations affecting counterpart funding for the project; (f) poor discipline of GOT agencies in budgeting and paying their water bills;

- **Tariff Policy:** (a) inadequate adjustment of the Operator tariff leading to low profits or losses of the Operator;