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REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED LOAN  
TO  
THE UNITED REPUBLIC OF TANZANIA  
FOR A  
FORESTRY DEVELOPMENT PROJECT

June 18, 1976

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CURRENCY EQUIVALENTS  
(As at November 1, 1975)

Tanzania Sh    =    US\$0.12  
US\$1.00        =    T Sh 8.05

(The Tanzania Shilling is officially valued at a fixed rate of 9.66 T Sh to the SDR. The US Dollar/Tanzania Shilling exchange rate is therefore subject to change. Conversions in this report were made at US\$1.00 to T Sh 8.05, which is close to the short-term average exchange rate.)

ABBREVIATIONS

ADS       -    Agricultural Development Service  
TWICO     -    Tanzania Wood Industries Corporation  
NDC       -    National Development Corporation  
TPA       -    Tons Per Annum

TANZANIA FISCAL YEAR

July 1st - June 30th

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN  
TO THE UNITED REPUBLIC OF TANZANIA  
FOR A FORESTRY DEVELOPMENT PROJECT

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1. I submit the following report and recommendation on a proposed loan to the United Republic of Tanzania for the equivalent of US\$7.0 million to help finance the Sao Hill Forestry Project. The proposed loan will be for twenty five years including five years of grace at an interest rate of 8.85 percent per annum.

PART I - THE ECONOMY

General

2. Although it has been sometime since the last full economic and updating reports on Tanzania were finalized in May and December 1972, respectively, considerable staff economic work has been accomplished on the country since that time. An agricultural sector report was issued in December 1974. The report of an industry and mining mission was distributed in April 1975 and a study of the fiscal aspects of Tanzania's recent decentralization was completed in April 1975. In March 1976, at the request of the Government, the Bank mounted a special mission which analyzed the fiscal implications of the Government's programs for Universal Primary Education and Universal Rural Water Supply. The work of this mission will provide a substantial input to the work of the basic economic mission which is scheduled to visit Tanzania in mid-1976. Throughout the last two years or so Bank staff have engaged in a continuous economic dialogue with the Government on the serious balance of payments difficulties which have been encountered by the country and the Government's policies and programs designed to close the external gap. These policies and programs were reviewed in the Program Loan President's Report No. P-1517a-TA, dated November 25, 1974 and in a memorandum (M75-687) from the Secretary dated September 25, 1975. The Consultative Group for East Africa met in April 1975 to discuss the progress and prospects of the Tanzania economy and the need for additional resources to support the Government's development program.

3. The TANU Party, under the leadership of President Nyerere, has been the guiding force in Tanzania's political evolution since the 1950's. Over the years following independence the political leadership has developed a philosophy of egalitarian socialism which has been articulated in many documents, most central of which is the Arusha Declaration of 1967. In restructuring the political, economic and social life of the country the leadership has introduced an impressive series of far-reaching institutional reforms. For the past decade Tanzania's social and economic policy has been guided by three fundamental objectives: (a) the achievement of a participatory,

decentralized socialist economic order; (b) the eradication of absolute poverty and progress toward greater income equality; and (c) more rapid long-term economic growth with full participation of all regions and population groups in the development process. Reflecting this philosophy some of the Government's most significant decisions have been in the area of incomes policy. The tax structure is highly progressive and middle and upper incomes have been restrained while lower income wages have been increased. In the provision of social infrastructure services, poorer areas have been favored. As a result of these and related policies, differentials in living standards between upper and lower urban dwellers have been narrowed and some impact has been made on urban/rural differentials and regional disparities of income.

4. The overriding goal is to develop a socialist economic system and the consequence has been a series of industry nationalization measures and proliferation of government parastatal enterprises. The state has increasingly intervened in the price mechanism; prices of domestic factors and products and imports are controlled directly or by such indirect methods as import licensing. These structural changes have resulted in some implementation problems. In addition, scarce managerial manpower has been spread very thinly, exacerbating already serious shortages of top and middle-level staff. Some of these conflicts should be seen, however, as the inevitable consequences of a "frontal" attack on poverty and underdevelopment.

5. With a per capita income of only \$130, Tanzania is classified as one of the 25 least developed countries as defined by the United Nations (country data are provided in Annex I). Between 1968 and 1973 Tanzania's GDP grew at 4.6 percent per annum. Domestic savings averaged 17 percent of GDP, while gross investment averaged 21 percent -- extremely high rates for a country at Tanzania's low level of per capita income. The growth rate of GDP was not commensurate with the magnitude of the investment effort, however, in part because of the high proportion of investment which was directed into infrastructure and social services projects such as the transportation links with Zambia, because of sluggish growth in the agricultural sector, and because of stagnant or declining productivity in parastatal enterprises. During this period the balance of payments position of Tanzania was generally satisfactory, despite the disappointingly slow growth of exports (overall export volume grew at only three percent per year from 1968 to 1972 and in 1973 export volume fell back to the 1968 level). Nevertheless, because of a sharp increase in capital inflows, the overall balance of payments was in surplus from 1971 to 1973, and there was a modest build-up in foreign exchange reserves. As a result of prudent financial management, net reserves were increased to approximately \$145 million by the end of 1973, the equivalent of four months' imports.

6. Events then occurred which resulted in a drastic change in the overall balance of payments of Tanzania. The 1973 and 1974 rains failed in many parts of the country necessitating substantial increases in imports of basic food items beginning in mid-1974. The drought also affected cash crops, leading to a further decline in the export volumes of coffee, cotton

and sisal. Although world prices for Tanzania's exports jumped 52 percent in 1974, total export receipts rose only 18 percent due to drought-affected crop yields. At this same time as a result of higher prices for imports the total import bill for 1974 rose by 60 percent over 1973. The outcome of these forces was a rapid depletion of net reserves to only \$50 million at the end of 1974, equivalent to only three weeks of imports. Industrial production also stagnated in 1974, due in part to shortages of imported raw materials and spare parts stemming from the growing foreign exchange constraint. As a result, overall GDP may have actually declined slightly during the year although official statistics indicate an increase of 2 percent. While production declined, domestic demand increased rapidly, due to expansionary fiscal, monetary and wage policies, causing severe pressure on the domestic price level. The retail price index for low income workers rose by 57 percent in 1974 while that for middle-grade civil servants jumped 35 percent.

7. During 1975, while the food production shortfall was substantially reversed and inflation was reduced to around 30 percent, grain imports were still required and the balance of payments situation remained critical. In addition, export performance was extremely disappointing with total value of exports declining by over 11 percent. The overall balance of payments gap for 1975 was about \$140-145 million, equal to the deficit for 1974. Tanzania was able to cover the 1975 foreign exchange gap by curtailing imports to the bare minimum and by securing substantial program type assistance, including a \$30 million Program Loan (No. 1063-TA) from the Bank and a \$24.3 million drawing on the IMF special oil facility approved in August 1975. Tanzania's present economic crisis cannot be attributed exclusively to drought-related crop failures and import price escalation. The most disturbing aspect of Tanzania's economic situation has been the declining growth rate of output from the agricultural, industrial and mining sectors. The growth rate of agricultural output had been running slightly behind the rate of growth of population for six years prior to the harvest failure of 1974. Inadequate producer price incentives, inefficiencies in the transport and distribution systems for inputs and marketed production, and the effects of inadequately planned villagization (paragraph 2 below) contributed to this disappointing performance. In the modern sector many enterprises have experienced declining labor productivity which has been attributed to lack of incentives, poor discipline and ineffective management. Furthermore, while the ratio of domestic savings to GDP rose during the 1960's, it began to decline by 1973 and fell drastically to 7.5 percent in 1974 as a direct outcome of the balance of payments crisis. In addition to the above-mentioned factors, the high level of investment which has gone into slow-gestation social and economic infrastructure rather than into the directly productive sectors has prevented more rapid growth of output.

8. The Tanzanian Government in late 1974 formulated a comprehensive program of policy actions to bring the balance of payments under control in the medium run and to restore the growth rate of output. The principal elements of the program included a reallocation of investment in favor of directly productive sectors, measures to raise agricultural output, steps to improve incentives in industry and mining and to increase the export orientation of these sectors, and constraints on public and private consumption demand. Imports were cut through direct controls and measures were introduced

to slow down the rate of growth of private consumption. Indirect taxes were raised and further increased in the 1975/76 budget. User charges for water and electricity were also raised and an extremely restrictive wage and salary policy has been followed. Further, the Government is making a serious effort to bring the rate of growth of public consumption expenditures under control. The 1975/76 budget called for a level of current expenditures below the revised estimate for 1974/75 and while this target may not be realistic the intentions of the Government are nevertheless clear. In addition cuts of about 7 percent in the civil service were made in March 1976.

9. On the production side, several steps have been taken to increase output. The Government has raised agricultural producer prices to levels approaching world parity and certain progressive export taxes have been reduced or eliminated. The overall planning capability of the Ministry of Agriculture is being strengthened and a project coordination unit to improve implementation has been established in the Ministry. Furthermore, as a major component of its effort to expand material production the Government has made significant progress in reallocating public investment in favor of the directly productive sectors of agriculture, industry and mining. Another problem area in which action has been undertaken is that of export development. In October 1975, Tanzania, in conjunction with Kenya and Uganda, devalued the shilling by approximately 14 percent. Given the heavy reliance of the East African Community on export markets in the U.K. and the substantial recent decline in the value of sterling, this devaluation can be construed as an attempt at restoration of competitiveness of exports to the U.K. and also an incentive to exporters to non-sterling markets. The Government's progress in implementing policies and programs designed to close the balance of payments gap in accordance with understandings relating to the program loan was the subject of a memorandum (M75-687) from the Secretary to the Executive Directors dated September 25, 1975 (paragraph 2 above). The most encouraging aspect of the Government's response to the balance of payments crisis was the demonstration that Tanzania retains the ability to push through necessary and unpopular measures over a wide front. It is this characteristic of a "hard state", together with the basically sound program of economic restructuring, which holds the promise for the future.

10. Tanzania's prospects for bringing the balance of payments deficit under control in the medium term clearly depend upon the effectiveness of the program of policy actions outlined above. It is not possible to determine the time period over which all the policy measures introduced by the Tanzanian Government will take effect. The austerity measures introduced in 1974 and 1975 have already had an impact on imports and on domestic consumption, and the recovery of food production in 1975 has clearly helped to alleviate the food deficit. However, the basic program of economic restructuring will require more time before its full effects can be realized. For example, some new investments in agriculture, industry and mining that will directly benefit the balance of payments will take several years to come to fruition. Thus the balance of payments will remain weak in the short run. However, Tanzania should have a stronger economy at the end of the restructuring process. The central focus of the assistance efforts should be, therefore, to ensure that the balance of payments gaps arising over the next few years

do not prevent Tanzania from implementing a development program designed to incorporate the required policy changes. In this connection, negotiations for a proposed second program loan were recently held in Dar es Salaam. In addition, and despite Tanzania's impressive domestic savings performance, a continued capital inflow in excess of the foreign exchange component of high priority projects will also be required if Tanzania is to achieve its development targets. Financing of some local expenditures will, therefore, be justified.

11. In terms of debt outstanding and disbursed, the Bank Group is Tanzania's second largest creditor after the People's Republic of China. Other major lenders are Sweden, Canada, Denmark, the Netherlands and the Federal Republic of Germany. The current low overall debt service ratio of about 7 percent is expected to rise to about 11 percent by 1980 and remain at about that level throughout the 1980's. Including a notional one-third share of the debt of the East African Community Corporations, the IBRD is presently holding 13 percent of Tanzania's outstanding external debt and IDA 10 percent; the IBRD share is expected to rise to about 23 percent in the next five years, and the IDA share to rise to about 13 percent. Debt service payments to the Bank are about 13 percent of total debt service payments; the corresponding share for IDA is about 3 percent. These two figures are projected to rise to about 25 percent and 3 percent, respectively, by 1980. The debt service ratio of Bank loans to exports is expected to rise to about 2 percent by 1980. The Bank's exposure is high because several major donors are now making their aid available either on grant basis or very concessional terms and because as a result of prudent debt management suppliers' credits have been kept to a minimum. The average interest rate on loans to Tanzania outstanding at December 31, 1974 amounted to only 2.4 percent and the average term was 22 years.

#### East African Community

12. The East African Community Corporations have experienced difficulties in recent years. While the 1967 Treaty for East African Cooperation is one of the most far-reaching and comprehensive economic cooperation agreements in existence among sovereign states in the developing world, in practice, the degree of economic integration and cooperation among the Partner States is much less than what was envisaged in the Treaty. Political developments in the Partner States have created tension within the Community and impaired the growth of interstate trade. These difficulties have been compounded by the balance of payments constraints which all three Partner States experienced.

13. Of the Community Corporations, the East African Railways Corporation (EARC) has been the most severely affected. As a result of long delays by the Partner States in approving increases in tariffs and restrictions on the interstate transfer of corporate funds, EARC was unable to order essential spare parts and supplies with the result that its operational capacity has deteriorated considerably. In July 1974, the Partner States agreed, with Bank assistance, on a package of financial measures to rehabilitate the EARC including interstate transfer of funds and injection of additional capital. However, this agreement was never fully implemented and as a

result disbursements under Loan No. 674-EA (East African Railways III) were suspended in February 1975. A further meeting was held in July 1975 at which an agreement was again reached on formula for sharing of debt service payment by the Partner States, and suspension of the loan was lifted.

14. The Partner States recognized that because of their fundamental political and economic differences, a review of the 1967 Treaty was called for. For this purpose a Commission has been established consisting of three Cabinet level officials from each country, with Mr. Demas, President of the Caribbean Development Bank, as Chairman. This Commission is expected to submit its reports by the end of 1976. While there is hope that the Commission may deal with the structural differences in the long run, the Corporations are still facing a difficult period.

15. Since February 1976 the relationship between the Partner States has further deteriorated. Arrangements for debt service payments were again disrupted resulting in long delay in making debt service payments to the Bank. Disbursements to the East African Railways Corporation, the East African Harbours Corporation, the East African Posts and Telecommunications Corporation and the East African Development Bank were suspended by the Bank on April 28, 1976. As the Executive Directors were informed on May 25, 1976 (Sec. M76-383), a mission visited East Africa in May to discuss with the Presidents and Finance Ministers the debt service problems which endangered both the Bank's operations in East Africa and the credit standing of the Community and the Partner States (being jointly and severally responsible). Agreement has been reached to ensure remittances from the Regional offices of the Corporations to complete all over-due payments and these were made by June 1, 1976. Disbursements on the Community loans were, therefore, resumed with effect from June 1. Regarding future debt service payments, the agreement (i) specifies fixed contributions by each Partner State to meet external debt obligations, (ii) commits the Governments to ensure remittances from the Regional offices of the Corporations, (iii) establishes a mechanism and procedure for timely payments, and (iv) provides automatic foreign exchange cover for debt service remittances.

## 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, 23 IDA credits and nine Bank loans amounting to \$349.8 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of 10 loans totalling \$244.8 million, which have been 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. The only IFC investments in Tanzania to date, totalling \$4.7 million, were made in 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. Annex II contains summary statements of Bank loans and IDA credits to Tanzania and the East African Community organizations as of May 31, 1976 and notes on the execution of ongoing projects.

17. In keeping with Tanzania's overall development strategy our lending operations are increasingly focusing on the rural sector and directly productive projects. Up to the end of FY72 10 out of 14 loans and credits made directly to Tanzania had been for infrastructure. Of the 18 Tanzania operations approved since then all but four: Urban Sites and Services (Credit No. 495-TA), Highway Maintenance (Credit No. 507-TA) and Education IV and V (Credits No. 371-TA and 607-TA), were for directly productive projects. These directly productive projects are supporting both the agriculture and industrial sectors, including the Kigoma Integrated Rural Development Project (Credit No. 508-TA), and our first direct lending for an industrial project (Mwanza Textiles, Loan No. 1123-TA). In addition, a tobacco processing project and a project to support selected industries at Morogoro are expected to be ready for consideration by the Executive Directors in the near future. A proposed second rural development project and a water supply project have recently been appraised in the field and negotiations for a second program loan were recently held in Dar es Salaam (see paragraph 10 above).

18. While it should be borne in mind that over one half of total Bank Group lending to Tanzania has been approved in the last two fiscal years and that initial start-up difficulties are perhaps inevitable, the project implementation difficulties referred to in Annex II of this report have been greater than anticipated. Some of these problems stem from the scarcity of suitably trained and qualified manpower, some reflect the understandable reluctance and apprehension of an essentially conservative traditional sector to adopt new "technology" and others are undoubtedly a reflection of the strains created in a society which is attempting a unique traverse from one set of economic, institutional and political rules to another. The Government has become extremely conscious of these implementation issues and is taking steps to resolve these problems. An earlier reluctance to recruit technical assistance for planning and implementation has been replaced by a willingness to utilize such assistance whenever it is demonstrably necessary. A technical assistance project designed to strengthen project preparation and implementation was recently approved by the Executive Directors. At the request of the Government about 10 technical staff have been supplied by the Agriculture Development Services (ADS) and a Bank staff member has recently been seconded to the Project Implementation Unit in the Ministry of Agriculture. In a longer

term attempt to alleviate the human resource constraints our lending is expected to increasingly emphasize formal and non-formal training. Furthermore, a conscious attempt is being made to develop less complex projects.

19. The difficulties facing the EAC and the common services corporations (paragraphs 12-15) have affected the Bank's lending program to the Community. Yet, while the exact form of the reorganized Community services remains to be determined, the development of the transport and communications infrastructure to facilitate national programs of the Partner States will continue to be an important aspect of the development of the three countries. We, therefore, anticipate a continuing role for the Bank in these sectors. Field appraisal of a fourth Posts and Telecommunications project has been completed and a Railways project and a Harbours project will be ready for appraisal in fiscal year 1977. In each instance all organizational and guarantee questions will be resolved before conclusion of lending arrangements.

### PART III - THE AGRICULTURE SECTOR AND FORESTRY

#### General Background

20. Agriculture and related activities constitute the largest single sector in the Tanzanian economy. Roughly 40 percent of GDP is derived from this sector (of which half is subsistence production) and over 90 percent of the economically active population is involved in agriculture. Furthermore, agricultural exports, mainly sisal, cotton, cashewnuts and coffee, comprise about 80 percent of total exports. Most agricultural production is from rural smallholdings using family labor: of the country's 2.5 million farmers, 83 percent have holdings of less than 2 ha and 97 percent have holdings below 5 ha. Major smallholder food crops include maize, millet, sorghum, potatoes, cassava, bananas and beans produced on a subsistence basis. Large-scale agriculture includes the small number of private estates and state farms producing sisal, coffee, tea, wheat, rice and livestock. Tanzania's national herd, the second largest in Africa, is grazed extensively over the 40 percent of the country free from tsetse fly inflection.

21. With the Arusha Declaration and the consequent emphasis on rural needs, priority in the agricultural sector has been directed toward addressing the needs and developing the potential of the rural smallholder. Villagization through the ujamaa program was proposed and is being implemented as an effective method of delivering essential economic and social services to a widely scattered rural population. Parallel with the ujamaa program, the Government had decentralized major planning and implementation responsibility to regional and district level authorities. With this decentralization, some of the Government's best staff were transferred to the local authorities. This reorganization was intended to complement the

villagization effort, as the delegation of authority to the local level should increase the Government's responsiveness to local conditions.

22. Unsatisfied with the rate of villagization in 1974, the Government accelerated this program. When combined with the inevitable problem of adjusting to the reorganized structure of Government, this increased pace of villagization overburdened the Government's capacity to plan and coordinate the development of ujamaa. Added to the fact that villagization itself involved fundamental changes in rural life (new fields to plow, greater concentrations of population, in some cases communal farming, etc.), these changes made declines in agricultural production unavoidable. However, as the 1974 season progressed, weather became the most significant influence on output - the major drought which Tanzania faced during 1974 outweighed the disruptive effect of villagization and massive food imports were required. When the drought persisted in 1975, this food crisis continued. Only the Government's willingness to devote almost all available foreign exchange to imports averted wide scale starvation.

23. While reaffirming its commitment to the rural smallholder, the Government has responded to these events by redirecting the focus of agricultural efforts to developing productive capacity. Social components of ujamaa have been deemphasized and the importance of directly productive investment stressed. The Government has launched economic and political initiatives in support of this redirection. The role of producer price incentive has been significant in this regard -- the major increases in producer prices (para 7 above) and tax reforms have been approved to stimulate production. Also, the broadly based National Maize Project (supported by IDA Credit No. 606-TA) has been designed to ensure long-term self sufficiency in maize, Tanzania's most important subsistence food crop. In addition, the Government and TANU have mounted a massive effort to mobilize peasants to grow more food under the campaign slogan "farming as a matter of life and death". The effects of these measures are presently being realized. With the return of adequate rains during this year, food imports have been significantly reduced.

24. The long-term potential of the new villages remains, of course, to be proven. Increased demands for social as well as economic services can be anticipated. The Government's ability to respond to these demands or to encourage village communities to engage in self help activities when the Government cannot provide the services will be critical to the success of ujamaa. However, it is hoped that with the end of the drought and the reduced impact of the problems related to the acceleration of the villagization effort, the ujamaa villages can provide a framework for substantial cash crop production as well as adequate food crop production. It will be particularly important that the present desire to re-establish self-sufficiency does not result in deterioration in cash crop production.

The Government must ensure that the relative prices of the two types of crops do not fall substantially out of balance and that within the villagization context an appropriate system for supporting cash crop production and collection is developed. The Government is attempting to address the latter problem through its restructuring of village cooperatives but an entire framework of coordinated policy decisions and actions will be required before viability can be assured. While villagization has demonstrated an impressive potential for innovation, it must now take significant steps toward realizing its objective of providing a basis for long-term agricultural development.

## FOREST DEVELOPMENT

### Resources

25. About 50 percent of the total area of Tanzania is classified as forest land, the greater part of which is open woodland. There are 540 forest reserves totalling 13 million ha (about 30 percent of the forest area), and about 1.6 million ha of these reserves have been gazetted as catchment protection forests. Although hardwood forests have produced most of the country's domestic sawn lumber requirements in the past, Government's present forest policy aims at the development of these resources for production of valuable veneers and plywood which could be exported. As the remaining native forests have a very low stocking of merchantable timber per hectare and are widely scattered, prospects for their economic utilization and development are poor.

26. Presently there are 42,000 ha of softwood exotic plantations and 6,000 ha of mostly native hardwood plantations. While these plantations presently cover a very small area of the country, given the limited potential of native forests they are expected to supply most of the timber required by the anticipated expansion of forestry industries. Furthermore, as many potential plantation areas are located along the recently completed Tazara Railway, they are now within relatively easy reach of the country's main consumer centers and the port of Dar es Salaam.

27. The Government is also beginning to address the problem of rural afforestation for both conservation purposes and the production of building poles (used in the construction of low income houses) and fuel wood for rural consumption. In a number of the regional development programs being prepared forestry components are being incorporated. These local efforts will grow in importance as a result of the Government's decentralization of forestry staff (paragraph 30 below) and the experience gained under the initial efforts.

### Demand for Forest Products

28. Total wood consumption, estimated by the Government at 34 million m<sup>3</sup> in 1973 is expected to rise to 37 million m<sup>3</sup> by 1980 and

48 million m<sup>3</sup> by 2000. Demand can be divided into two major categories, domestic (primary rural) and industrial. At present the overwhelming proportion of total consumption (about 98 percent) consists of the domestic demand for fuelwood, wood for charcoal and poles. Moreover, this category of use is expected to dominate demand throughout the century -- in 2000 it is still expected to exceed 90 percent of total consumption.

29. As Tanzania has not yet developed a sizeable forest products industry consumption remains low in that category. With anticipated growth in this area, the demand for industrial wood (currently about 500,000 m<sup>3</sup>) is expected to increase to 3 million m<sup>3</sup> by 2000. In addition to the 150 small and badly equipped sawmills presently in operation, a major new sawmill is being completed at Sao Hill. Tanzania also has plywood mills, a particle-board factory, a fiberboard mill, and few small paper conversion plants. Of far greater significance than these facilities would be the construction of the proposed pulp and paper mill at Mufindi -- Tanzania's first mill. The Government has under consideration a mill design of about 65,000 tons per annum which would provide Tanzania with almost all its expected requirements in the common types of both cultural and industrial papers. This mill would be based upon existing and future forestry plantations in the project area.

#### Government Forest Services

30. Overall responsibility for formulating forest policy, forest administration and management rests with the Forestry Division within the Ministry of Natural Resources and Tourism. The administration of the Division was decentralized in 1972, with the regional and district forest officers becoming directly responsible for all regional and district forestry matters. Overall sectoral policy, general administration, sectoral planning and national projects were left to be dealt with centrally. As part of this effort, some of the Forestry Division's best staff were transferred to provide administrative cadres for the regions and districts. The Division currently employs a total of 5,000 people, including some 20 professional foresters, 70 technical (diploma) foresters, as well as nearly 500 general technical officers and 700 field assistants. Although the Division is now seriously understaffed at higher technical levels, it is expected that by 1980 sufficient trained staff will be available from both the Faculty of Agriculture and Forestry in Morogoro and from other local and foreign training institutes.

31. Silvicultural research is carried out by the Forestry Division in the Lushoto station and forest utilization research at the Moshi center. The Division also administers the State forests, maintains the provincial forest services, and implements the large scale industrial plantation program. In addition, the Division is responsible for national park and wildlife protection, beekeeping and soil and water conservation. Other major forest related programs are being carried out by the Tanzania Wood

Industries Corporation (TWICO) and the National Development Corporation (NDC). TWICO is responsible for the development of wood-using industries in general and NDC is in charge of the planning and development of the pulp and paper project.

### Sectoral Development

32. Tanzania has obvious and substantial potential in this sector. In addition to the vast area of unutilized land, its soil and climatic conditions are especially well suited for forestry. Reflecting this, the planting to felling cycle for pine in Tanzania is from one half to one third that required for similar species in Northern Europe. The Government has recognized this potential and intends to give high priority to its development and productive use. It has stressed the importance of the demarcation and reservation of sufficient forested land for ecological reasons and in order to provide a sustained yield of forest produce for both internal use and export. Furthermore, the Government views proper forest management as critical in order to obtain the best financial and economic return from this valuable resource. With these objectives in mind the Government has expressed its intention to undertake research and education to support the forestry effort and is prepared to assist local government and industry in forestry development.

33. Given this combination of potential and government commitment, the future role of forestry development in Tanzania could be considerable. In efficiently expanding raw material resources, plantations are expected to provide the necessary base for establishing a wide range of directly productive forestry industries. In the short-run these industries can be expected to save significant amounts of foreign exchange through import substitution. Over the longer-run (with experience in forestry industries and a broader range of investments) this sector has substantial possibilities for generating needed export earnings.

34. Significant Bank and bilateral activity has focused on this sector. Through this Project the Bank would be directly supporting the development of what is viewed as Tanzania's highest priority plantation area to meet projected industrial demand. Bilateral agencies, especially SIDA, have also been involved in plantation development as well as general financial support of the Forestry Division. In the rural areas, regional development plans are beginning to focus on increasing the production of fuelwood and poles to meet growing demand. Through its integrated rural development projects under preparation in both Tabora and Mwanza/Shinyanga, the Bank is attempting to address the rural afforestation problem. Hopefully, these trial efforts will lead to the development of a flexible and successful approach to meeting rural requirements.

#### PART IV - THE PROJECT

35. An appraisal mission visited Tanzania in September/October 1975 and negotiations for this loan took place in Washington, D.C. on May 25-28, 1976. Mr. Janguo, Commissioner in the Ministry of Finance and Planning, led the Tanzanian delegation. A report entitled "Appraisal of the Sao Hill Forestry Project" (Report No. 1107-TA dated June 18, 1976 is being circulated separately to the Executive Directors. A Loan and Project Summary is attached as Annex III to this report.

##### General

36. Over the next five years the proposed project would form a major part of the ongoing Government afforestation program. After review of the potential forestry resources it was concluded that plantations offer the most efficient means of developing forest resources to meet industrial demand. Furthermore, studies indicate that the Sao Hill area offers the most encouraging prospect for establishing a large scale plantation in Tanzania and the Government has given this Project high priority. This afforestation program would produce raw material which could be utilized to produce a variety of end products. Tanzania's proposed first pulp and paper mill would be based primarily upon existing and future forest plantation in the Sao Hill area and the country's largest sawmill is under construction in Sao Hill.

37. This Project would finance one phase of the planned afforestation program in the Sao Hill area, a program which ultimately will involve the establishment and maintenance of about 60,000 ha of pine and eucalyptus plantation. Over its full development period (1976/77 to 1980/81) the Project would provide for the planting and maintenance of about 16,000 ha of this total area, for the maintenance of some 11,000 ha of existing plantations, as well as for the development of infrastructure and forest services within the Project area.

##### Detailed Features

38. Providing for the afforestation of a total of 15,750 ha of pulpwood plantations over its 5-year period, the annual planting program in this Project would build from 1,500 ha in year 1 to 4,500 ha in year 5. The program would include surveying of the area to be planted, establishment of nurseries, ground preparation, planting and replacing failures, weeding, silvicultural treatment and disease control. In addition, some 330 ha within the designated sawlog area would be replanted during the Project following the completion of clear-felling operations. The reservation of adequate land (60,000 ha) for the different phases of the afforestation in the Sao Hill area is a condition of loan effectiveness.

39. Since good maps of the project area exist and a general survey of the project area is expected to be completed, the project only requires detailed surveying of plantable areas. This would be completed by a special survey section in the Forestry Division (Section 3.04 of the Loan Agreement). The Forestry Division has prepared a study on the socio-economic impact of the Project on villages in the surrounding areas. This study indicates that the Project is compatible with the socio-economic growth of these villages. Agreement was reached to the effect that the Government would take all necessary measures to prevent encroachment on the plantation area (Section 4.05, Loan Agreement). To meet the seedling requirements of this Project (9 million per year at full development), the existing nursery at Sao Hill would be expanded and a second nursery established for the northern and eastern Project areas. Because none of the Project areas carries a tree cover, no special land clearing will be required. However, it is assumed that some bush clearing would be required over 10 percent of the planting area. The method of soil preparation would be the traditional one used at Sao Hill, strip ploughing. While existing experience has shown that fertilization is not necessary, trials would be carried out during the Project to confirm this finding. Planting would be done by hand during the early part of the rainy season, which extends from December to March. About 80 percent of the area would be planted with various pines and the remainder with eucalyptus. Weeds are not a severe problem at Sao Hill, but as they compete seriously with the plants for moisture they must be kept under control. Provision has therefore been made for both mechanical and hand weeding during the first two years of the Project. Pruning and thinning would only be done within the small sawlog working circle at such ages when the crop is liable to show a response. A comprehensive system of fire prevention and control would be set up throughout the project area.

40. Two major types of roads would be built and maintained at the Project area in order to provide access to and mobility within the Sao Hill plantation: primary and secondary access roads (totalling 146 km) and tracks (396 km). In addition, all existing roads within the Project area would be maintained. As existing buildings in the Sao Hill area are inadequate and insufficient, new forestry stations and related facilities as well as housing for senior staff, technical staff and incremental laborers would be provided under this Project. The required equipment for afforestation (ground preparation, transport of labor, soil, materials and plants, and fire control), road construction and maintenance, construction of buildings and workshop/garages, and administration (mainly vehicles) would also be financed under this loan.

41. Under this Project provision would be made for the employment of a Project Manager, a Financial Controller, two internationally recruited specialists (a Silviculturist/Forest Economist and Roads/Mechanical Engineer), technical, clerical and financial supporting staff, and health personnel. Appointments to the first four positions will be made in consultation with the Bank and the appointment of the Project Manager and Silviculturist/Forest Economist is a condition of loan effectiveness (Section 5.01(a) of the Loan Agreement) whereas the Financial Controller and the Engineer will be appointed by November 15, 1976 (Section 3.02 of the Loan Agreement).

In addition, the Government will not transfer key local staff to other Government employment without adequate replacement (Section 3.07 of the Loan Agreement). Provision would also be made for administrative costs and the running costs of project vehicles during the 4 year development period. Forest research in the project area would be carried out by the Forestry Division under the direct supervision of the Project Manager.

42. The Project would include financing for a pulp mill water study, a road engineering study and aerial photography of the project area. The availability of required water for the proposed 65,000 ton pulp mill (and for its subsequent expansion to 180,000 tons) and the most economical solution to effluent disposal of the mill would be investigated in the first study. In addition, because of the need to link the Sao Hill plantation area with the proposed mill site, provision would also be made for experts to carry out an engineering study identifying the best alignment of a connecting road down the escarpment. These experts would also prepare preliminary engineering plans and cost estimates. Terms of reference and expert selection for both these studies would be in consultation with the Bank (Section 3.03 of the Loan Agreement). Aerial photographs of the total planted area and areas selected for second phase plantations would be carried out in the fourth year so as to allow checking of plantation boundaries with field data and to permit detailed planning of future plantation layout.

#### Organization and Management

43. The Project would be executed by the Forest Division of the Ministry of Natural Resources and Tourism. Project activities would be directed by a Project Manager with headquarters at Sao Hill, who would be responsible to the Director of Forestry. He would be assisted by a Financial Controller and two internationally recruited specialists (a Silviculturist/Forest Economist and a Roads/Mechanical Engineer). All would be stationed at Sao Hill headquarters during the Project period. The tasks of the Silviculturist/Forest Economist would include the planning of the planting program, the review of silvicultural methods and the introduction of more efficient operating methods, cost-benefit control and monitoring of Project indices, on-the-job training and the review of the labor and staff situation. The Roads/Mechanical Engineer would be responsible for the construction and maintenance of roads and firebreaks, the maintenance of vehicles and equipment and the operation of workshops and stores. In addition to their normal duties, these two individuals would train their counterparts and the Project staff in their respective fields of competence and responsibility. The Manager responsible for this year's plantation program would be expected to remain in post as the Project Manager.

44. The Forestry Division would set up and maintain records and accounts adequate to reflect its operations, resources and expenditures, and it would keep separate accounts for the Project (Section 4.02(a) of the Loan Agreement). Project accounts would be audited annually by the

the Auditor General and these audited accounts, together with the Auditor's report, would be forwarded to the Bank within six months of the end of each fiscal year (Section 4.02(b) of the Loan Agreement).

#### Project Costs and Financing

45. Total Project costs net of taxes are estimated at \$8.1 million. The foreign exchange component is estimated at \$2.4 million or approximately 30 percent of total costs. Physical contingencies of 10 percent on equipment, housing, building and service road construction, and price contingencies amounting to 49 percent of baseline Project costs are included in Project costs. The latter reflects the projection of continued rapid domestic inflation. Details of Project costs are included in Annex III. The proposed Bank loan of \$7.0 million would finance 86 percent of Project costs: the foreign exchange component as well as \$4.4 million of local costs. Financing of local costs is considered justified (para. 9 above). The Government would provide the remaining 14 percent of Project costs.

#### Procurement and Disbursements

46. Procurement of equipment and vehicles in orders exceeding US\$80,000 would be by international competitive bidding in accordance with Bank guidelines; orders would be bulked whenever possible. Orders less than US\$80,000 would be obtained under Government procurement procedures which are satisfactory. The infrastructure work and the afforestation would be completed by the Forestry Division under force account: due to the labor-intensive nature of the work and the remoteness of the area it would not be likely to attract either local or international competitive bidding.

47. The Bank loan would finance 100 percent of the c.i.f. cost of imported equipment, 100 percent of the fees and expenses of the internationally recruited personnel, 90 percent of the costs related to studies and aerial surveys, and 70 percent of plantation establishment, forest roads, and Project management costs. Disbursements for expenditures in respect of items procured through international or local competitive bidding and for studies and technical assistance would be subject to standard Bank disbursement procedures requiring full documentation. Operating costs and expenditure by force account would be approved by the Project Manager and by the Ministry of Finance. The documentation for these would not be submitted, but would be retained by the borrower for review during Project supervision. Retroactive financing for the Silviculturist/Forest Economist up to the amount of US\$25,000 is proposed in order to ensure an early Project start-up.

#### Stumpage Rates

48. Stumpage rates (fees) are payable on forest produce when the produce is removed. Based on the present rates for plantation poles and

logs (the latter was more than doubled in 1975), pulpwood stumpage rates would have been about TSh 40/m<sup>3</sup> in 1975 prices. Yet, in order to achieve full recovery of total plantation costs it was estimated by the appraisal mission that the Government would have to charge an average stumpage rate of TSh 54/m<sup>3</sup> in March 1976 prices for appropriate pulpwood inputs. This figure would, of course, have to be adjusted upward in the future in order to maintain its real value. Reflecting the basic principle of charging fees which incorporated the real plantation costs, the Government will charge stumpage rates which ensure self-supporting industrial plantations, by January 1, 1985 for eucalyptus and on January 1, 1992 for pine; this will be the stage at which these species planted under the Project will begin to be harvested (Section 4.04 of the Loan Agreement).

#### Project Benefits -- Economic Justification

49. The plantations established and maintained under this Project will provide the major source of raw materials for the proposed pulp and paper mill. In addition, some of the Sao Hill reserves would be set aside for a sawlog working circle as an input for the new TWICO sawmill beginning in 1976. The Project itself is an integral part of the Government's long-term plantation program at Sao Hill which involves the establishment of a total of 65,000 ha of plantations by the early 1990's. The economic justification of this Project is based upon this entire afforestation program as well as related industrial development. This overall pulp and paper program comprises the plantation of a total area of 60,000 ha of pine and eucalyptus; maintenance of existing pulpwood plantations (some 8,800 ha); logging operations over 850 ha of 15-year old pines and 280 ha of eucalyptus per annum (rising to 2,600 ha of pine and 1,200 ha of eucalyptus); the establishment of a 65,000 TPA pulp and paper mill and its extension to a capacity of 180,000 TPA and the subsequent processing of wood. The major quantifiable benefits would arise from the production of paper and paperboard -- at full development in 21 years, the annual value of production is expected to reach TSh 995 million (US\$123 million). A sawlog working circle of 5,000 ha would eventually support two shifts of the TWICO mill presently under construction. Based on the entire long-term program, the economic rate of return of the pulp and paper portion is estimated at 13.5 percent over 37 years. The rate of return for sawlog production has been estimated at 21.4 percent over 26 years.

50. Anticipated project benefits would be distributed among those to be employed directly in the plantation program (who would fall within the lower rural income bracket) and those employed in related processing industries. The project would result in direct additional employment of about 500 man-years. The project would have various unquantifiable benefits from the training and research programs as well as the rural road system. In addition, the project will prevent erosion in the Sao Hill area and improve soil and water conservation. As the project is located in a grassy highland, no indigenous forest would have to be

felled to implement this plantation scheme. The Project is not expected to have any tangible negative effects on the ecosystem of the area to be planted.

### Risks

51. The principal risk facing this Project would be that the envisaged pulp and paper mill would not be constructed. However, the preparation of the pulp and paper mill (now in an advanced stage) has indicated that the present proposal has strong economic merits and is financially viable, even with the increased stumpage rates proposed in para 48. Since the mill project also has the strong backing of the Government and has received initial support and provisional interest in cofinancing by bilateral sources, there is a high likelihood that it will be implemented. Furthermore, even in the unlikely event that no pulp and paper mill is constructed at any time, the resources established under this Project could be redirected toward sawlog production. This would simply involve limiting the afforestation program to this first phase and allowing the Sao Hill plantation to grow a 25-year rotation producing sawlogs. Additional sawmills would then have to be constructed and their production could be used to meet new local demand and for export. In view of these considerations, and the overlying fact that this Project is directed at providing necessary raw materials to an industry in which Tanzania appears to have significant long-range comparative advantages, it is concluded that the risks are acceptable.

## PART V - LEGAL INSTRUMENTS AND AUTHORITY

52. The draft Loan Agreement between the United Republic of Tanzania and the Bank, the recommendation of the Committee referred to in Article V, Section 1(d) of the Articles of Agreement of the Bank and the draft resolution approving the proposed Loan are being distributed to the Executive Directors separately. The draft Loan Agreement follows the form previously used for this type of project.

53. Features of the draft Loan Agreement of special interest are referred to in paragraphs 39, 41, 44 and 48. The employment of the Project Manager and Silviculturist/Forest Economist and the reservation for the afforestation program of 60,000 ha in the Sao Hill area are conditions of Loan effectiveness.

54. I am satisfied that the proposed Loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

55. I recommend that the Executive Directors approve the proposed Loan.

Robert S. McNamara  
President

Attachments  
Washington, D.C.  
June 18, 1976



TABLE 3A  
- SOCIAL INDICATORS DATA SHEET

TANZANIA	TANZANIA			REFERENCE COUNTRIES (1970)		
	1960	1970	MOST RECENT ESTIMATE	KENYA	KOREA, REP. OF	MALAYSIA**
LAND AREA (THOU KM <sup>2</sup> )						
TOTAL	945.1					
ARABLE	..					
GMP PER CAPITA (US\$)	60.0	110.0	130.0	140.0	270.0	440.0
POPULATION AND VITAL STATISTICS						
POPULATION (MIO-YR. MILLION)	9.6 /a	12.9 /a	14.0 /a	11.2	31.4	10.9
POPULATION DENSITY PER SQUARE KM. PER SQUARE KM. ARABLE LAND	10.0 ..	14.0 147.0	15.0 ..	19.0 ..	319.0 749.0	33.0 ..
VITAL STATISTICS						
CRUDE BIRTH RATE PER THOUSAND	46.0 /a,b	47.0 /b	..	48.0	28.0	34.0 /b
CRUDE DEATH RATE PER THOUSAND	25.0 /a,b	22.0 /b	..	18.0	8.0	7.0 /a
INFANT MORTALITY RATE (/THOU)	190.0	160.0 /b	..	55.0 /a	..	41.0 /a
LIFE EXPECTANCY AT BIRTH (YRS)	38.0 /b	42.0	44.0	48.0	65.0	64.0 /a
GROSS REPRODUCTION RATE	..	3.2	3.2	3.4	2.6	2.8
POPULATION GROWTH RATE (%)						
TOTAL	2.3	3.0	2.9	3.1	2.4	3.1
URBAN	..	5.0 /a	4.5	7.0 /b	6.0	..
URBAN POPULATION (% OF TOTAL)	4.0	6.0 /a	7.0	10.0	41.0	29.0 /a
AGE STRUCTURE (PERCENT)						
0 TO 14 YEARS	42.0 /a,b	44.4 /b	..	48.4	42.1	45.0 /a
15 TO 64 YEARS	56.0 /a,b	53.0 /b	..	48.0	54.6	52.0 /a
65 YEARS AND OVER	2.0 /a,b	2.6 /b	..	3.6	3.3	3.0 /a
AGE DEPENDENCY RATIO	0.8 /a,b	0.9 /b	..	1.1	0.8	0.9 /a
ECONOMIC DEPENDENCY RATIO	0.9 /c	1.2 /b	..	1.1 /c	1.4	1.6 /a
FAMILY PLANNING-						
ACCEPTORS (CUMULATIVE, THOU)	..	..	..	..	..	220.0 /a
USERS (% OF MARRIED WOMEN)	..	..	..	..	..	8.0 /a
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSAND)	4900.0	5600.0 /a,b	..	5100.0 /d	10400.0	2900.0 /a
LABOR FORCE IN AGRICULTURE (%)	..	91.0 /a,b	..	90.0 /d	50.5	47.0 /a
UNEMPLOYED (% OF LABOR FORCE)	..	..	..	..	5.0 /a	6.0 /a,b
INCOME DISTRIBUTION						
% OF PRIVATE INCOME REC'D BY-						
HIGHEST 5% OF POPULATION	..	33.5 /c	..	20.2 /e	20.1	28.3 /c
HIGHEST 20% OF POPULATION	..	63.3 /c	..	52.6 /e	47.1	56.0 /c
LOWEST 20% OF POPULATION	..	2.3 /c	..	3.9 /e	6.1	3.5 /c
LOWEST 40% OF POPULATION	..	7.8 /c	..	11.7 /e	16.2	11.2 /c
DISTRIBUTION OF LAND OWNERSHIP						
% OWNED BY TOP 10% OF OWNERS						
% OWNED BY SMALLEST 10% OWNERS						
..	..	..	..	..	28.0	..
..	..	..	..	..	2.0	..
HEALTH AND NUTRITION						
POPULATION PER PHYSICIAN	20000.0 /a,d	21570.0 /a	21450.0 /a	7830.0 /f	2210.0 /b	3860.0 /a,d
POPULATION PER NURSING PERSON	8770.0 /a,d	4890.0 /a	4170.0 /a	1470.0 /f	1760.0 /b	1080.0 /a,e
POPULATION PER HOSPITAL BED	530.0 /a,d	700.0 /a	..	810.0	1920.0	270.0 /a
PER CAPITA SUPPLY OF -						
CALORIES (% OF REQUIREMENTS)	69.0	73.0	98.0	101.0	103.0	94.0 /f
PROTEIN (GRAMS PER DAY)	42.0	43.0	63.0	71.0	65.0	49.0 /f
-OF WHICH ANIMAL AND PULSE	22.0 /e	23.0	..	29.0	19.0	20.0 /f
DEATH RATE (/THOU) AGES 1-4	..	..	..	..	..	4.0
EDUCATION						
ADJUSTED ENROLLMENT RATIO						
PRIMARY SCHOOL	25.0	37.0	..	67.0	104.0	89.0
SECONDARY SCHOOL	2.0	3.0	..	9.0 /g	41.0	34.0
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)	13.0	13.0	13.0	13.0	12.0	13.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)	23.0	10.0 /d	..	2.0 /g	15.0	3.0
ADULT LITERACY RATE (%)	..	..	..	30.0 /g	..	77.0 /g
HOUSING						
PERSONS PER ROOM (AVERAGE)	1.8 /f	..	..	..	2.7	2.3
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)	..	30.0 /b,e	..	..	80.0 /c	65.0 /h
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)	..	..	..	..	50.0	43.0
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)	..	..	..	..	30.0	30.0
CONSUMPTION						
RADIO RECEIVERS (PER THOU POP)	2.0	11.0	16.0	48.0	126.0	41.0
PASSENGER CARS (PER THOU POP)	..	3.0	3.0	9.0	2.0	25.0
ELECTRICITY (KWH/YR PER CAP)	15.0 /a	29.0 /a	31.0 /a	68.0	309.0	366.0 /a
NEWSPRINT (KG/YR PER CAP)	0.1 /g	0.1	0.1	0.9	3.4	4.0

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimate between 1971 & 1973.

⇒ Malaysia has been selected as an objective country because its population is comparable in size and its economic development is several steps ahead of Tanzania.

<u>TANZANIA</u>	1960	/a Mainland Tanzania; /b 1957, African population; /c Ratio of population under 15 and 65 and over to total labor force. /d 1962; /e 1961-63; /f 1958, Zanzibar; /g 1963.
	1970	/a Mainland Tanzania; /b 1967; /c Households; /d 1965; /e Urban only.
		<u>MOST RECENT ESTIMATE:</u> /a Mainland Tanzania.
<u>KENYA</u>	1970	/a Registered only; /b 1962-69; /c Ratio of population under 15 and 65 and over to labor force age 15-59 years; /d Labor force age 15-59 years; /e Urban households; /f Registered, not all practicing in the country; /g Includes teacher training at the third level.
<u>KOREA REP. OF</u>	1970	/a Registered; /b Registered, not all practicing in the country; /c Piped water inside.
<u>MALAYSIA</u>	1970	/a West Malaysia; /b Registered applicants for work; /c Households; /d Registered, not all practicing in the country; /e Government only; /f 1964-66; /g 1967; /h Piped water inside.

R0 March 19, 1976

DEFINITIONS OF SOCIAL INDICATORS

<p><u>Land Area (thou km<sup>2</sup>)</u> <u>Total</u> - Total surface area comprising land area and inland waters. <u>Arable</u> - Most recent estimate of land area used temporarily or permanently for cultivation, pastures, market and kitchen gardens or to lie fallow. <u>GNP per capita (US\$)</u> - GNP per capita estimates at market prices, calculated by same conversion method as World Bank Atlas (1972-74 basis). <u>Population and vital statistics</u> <u>Population (mid-yr, million)</u> - As of July first; if not available, average of two end-year estimates. <u>Population density - per square km</u> - Mid-year population per square kilometer (100 hectares) of total area. <u>Population density - per square km of arable land</u> - Computed as above for arable land only. <u>Vital statistics</u> <u>Crude birth rate per thousand</u> - Annual live births per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries. <u>Crude death rate per thousand</u> - Annual deaths per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries. <u>Infant mortality rate (/thou)</u> - Annual deaths of infants under one year of age per thousand live births. <u>Life expectancy at birth (yrs)</u> - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries. <u>Gross reproduction rate</u> - Average number of live 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 1975 for developing countries. <u>Population growth rate (%) - total</u> - Compound annual growth rates of mid-year population for 1950-60, 1960-70, and 1960 to most recent year. <u>Population growth rate (%) - urban</u> - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries. <u>Urban population (% of total)</u> - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries. <u>Age structure (percent)</u> - Children (0-14 years), working age (15-64 years), and retired (65 years and over) as percentages of mid-year population. <u>Age dependency ratio</u> - Ratio of population under 15 and 65 and over to those of ages 15 through 64. <u>Economic dependency ratio</u> - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years. <u>Family planning - acceptors (cumulative, thou)</u> - Cumulative number of acceptors of birth control devices under auspices of national family planning program since inception. <u>Family planning - users (% of married women)</u> - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group. <u>Employment</u> <u>Total labor force (thousand)</u> - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable. <u>Labor force in agriculture (%)</u> - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force. <u>Unemployed (% of labor force)</u> - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.</p>	<p><u>Population per nursing person</u> - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience. <u>Population per hospital bed</u> - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care. <u>Per capita supply of calories (% of requirements)</u> - 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 distributions of population, and allowing 10% for waste at household level. <u>Per capita supply of protein (grams per day)</u> - 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 Economic Research Service provide for a 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. <u>Per capita protein supply from animal and pulse</u> - Protein supply of food derived from animals and pulses in grams per day. <u>Death rate (/thou) ages 1-4</u> - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition. <u>Education</u> <u>Adjusted enrollment ratio - primary school</u> - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education, for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age. <u>Adjusted enrollment ratio - secondary school</u> - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instruction for pupils of 12 to 17 years of age; correspondence courses are generally excluded. <u>Years of schooling provided (first and second levels)</u> - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded. <u>Vocational enrollment (% of secondary)</u> - Vocational institutions include technical, industrial or other programs which operate independently, or as departments of secondary institutions. <u>Adult literacy rate (%)</u> - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over. <u>Housing</u> <u>Persons per room (average)</u> - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts. <u>Occupied dwellings without piped water (%)</u> - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings. <u>Access to electricity (% of all dwellings)</u> - Conventional dwellings with electricity in living quarters as percent of total dwelling in urban and rural areas. <u>Rural dwellings connected to electricity (%)</u> - Computed as above for rural dwellings only. <u>Consumption</u> <u>Radio receivers (per thou pop)</u> - 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. <u>Passenger cars (per thou pop)</u> - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles. <u>Electricity (kwh/yr per cap)</u> - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita; generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity. <u>Newsprint (kg/yr per cap)</u> - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint.</p>
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**ECONOMIC DEVELOPMENT DATA**  
(Amounts in millions of U.S. dollars)

NATIONAL ACCOUNTS	Actual		Projected			1967-	1973 -	1974 -	1975 -	1973	1975	1980
	1973	1974	1975	1976	1980	1972	1974	1975	1980			
	At 1973		Prices & Exchange Rates			Average Annual Growth Rates				As Percent of GDY		
Gross Domestic Product	1819.2	1867.8	1940.6	2027.9	2464.9	4.9	2.7	3.9	4.9	100.0	102.4	103.3
Gains from Terms of Trade (+)	-	-14.2	-45.6	-50.3	-79.8					-	-2.4	-3.3
Gross Domestic Income	1819.2	1853.6	1895.0	1977.6	2385.1	4.5	1.9	2.2	4.7	100.0	100.0	100.0
Import (incl. NFS)	519.8	530.6	469.3	483.3	584.8	6.8	2.1	-11.6	4.5	28.6	24.8	24.5
Exports " (import capacity)	417.0	308.8	257.8	283.4	382.8	2.6	-25.9	-16.5	8.2	22.9	13.6	16.0
Resource Gap	102.8	221.8	211.5	199.9	202.0					5.7	11.2	8.5
Consumption Expenditures	1538.6	1668.4	1688.4	1722.2	2052.5	4.8	8.4	1.2	4.0	84.6	89.1	86.1
Investment " (incl. stocks)	406.6	407.0	418.1	455.3	533.6	8.4	0.2	2.7	5.0	22.4	22.1	22.4
Domestic Savings	280.6	185.2	206.6	255.4	331.6	2.7	-34.0	11.6	9.9	15.4	10.9	13.9
National Savings	286.8	187.2	213.9	251.8	291.7	3.4	-34.7	14.3	6.4	15.8	11.3	12.2

MERCHANDISE TRADE	Annual Data at Current Prices				As Percent of Total		
	1972	1973	1974	1980	1973	1975	1980
Imports							
Capital goods	125.2	135.1	185.7	329.6	29.4	25.7	29.3
Intermediate goods (excl. fuels)	154.4	169.4	189.2	378.2	36.8	31.9	33.7
Fuels and related materials	41.3	53.1	148.5	301.1	11.6	26.0	26.8
of which: Petroleum	(41.3)	(53.1)	(148.5)	(301.1)	(11.6)	(26.0)	(26.8)
Consumption goods	82.9	102.2	215.1	114.8	22.2	16.5	10.2
Total Merch. Imports (cif)	403.8	459.8	738.5	1123.7	100.0	100.0	100.0
Exports							
Primary products (excl. fuels)	208.6	263.6	309.8	471.0	79.8	75.0	69.8
Fuels and related materials	30.7	12.5	18.5	52.5	3.8	5.8	7.8
of which: Petroleum	(30.7)	(12.5)	(18.5)	(52.5)	(3.8)	(5.8)	(7.8)
Manufactured goods	49.1	54.4	55.4	151.2	16.5	19.2	22.4
Total Merch. Exports (fob)	288.4	330.5	383.7	674.7	100.0	100.0	100.0
Tourism and Border Trade	..	..	..	..			
Merchandise Trade Indices	Average 1973 = 100						
Export Price Index	89.6	100.0	152.0	142.2	157.9	201.6	
Import Price Index	86.7	100.0	159.0	177.1	185.9	243.6	
Terms of Trade Index	100.2	100.0	95.6	80.3	84.9	82.8	
Exports Volume Index	109.7	100.0	81.2	71	79	111	

VALUE ADDED BY SECTOR	Annual Data at 1973- Prices and Exchange Rates				Average Annual Growth Rates			As Percent of Total				
	1972	1973	1974	1980	1967-72	1972-74	1975-80	1973	1975	1980		
Agriculture	640.6	647.7	634.1	665.8	685.8	784.7	2.6	-0.5	3.3	39.3	37.9	35.6
Industry and Mining	206.6	208.7	210.8	217.1	228.0	281.1	5.0	0.6	5.3	12.7	12.3	12.7
Service	737.0	790.0	834.3	876.0	919.8	1141.6	6.1	6.4	5.4	48.0	49.8	51.7
Total	1584.2	1646.4	1679.2	1758.9	1833.5	2207.3	4.5	3.0	4.6	100.0	100.0	100.0

PUBLIC FINANCE	Actual				Est. Budget			As Percent of GDP <sup>2/</sup>				
	FY72	FY73	FY74	FY75	FY76	FY72	FY73	FY74	FY72	FY73	FY74	
(Central Government)	(in millions of current T Shillings)											
Current Receipts	1859	2357	3002	3884	4007				17.7	19.7	23.2	
Current Expenditures	1717	2134	2685	3694	3530				16.4	17.8	20.8	
Budgetary Savings	142	223	317	190	477				1.3	1.9	2.5	
Other Public Sector <sup>1/</sup>	241	264	..	..	..				2.3	2.2	..	
Public Sector Investment	1694	1836	1996	2301	..				16.2	15.3	15.4	

CURRENT EXPENDITURE DETAILS	Actual		Prelim.	Est.
	FY1972	FY1973	FY1974	FY1975
As % Total Current Expend.)				
Education	17.5	16.7	14.8	16.1
Other Social Services	12.5	11.8	11.7	14.6
Agriculture )				
Other Economic Services )	28.3	25.4	31.4	23.2
Administration and Defense )				
Other )	41.8	46.1	42.2	46.1
Total Current Expenditures	100.0	100.0	100.0	100.0

SELECTED INDICATORS	1965	1973	1976	1981
	(Calculated from 3-year averaged data.)	1970	1975	1980
Average ICOR	2.9	6.2	7.7	4.3
Import Elasticity	1.6	-0.5	1.0	1.1
Marginal Domestic Savings Rate	0.1	-0.6	0.3	0.2
Marginal National Savings Rate	0.2	-0.6	0.2	0.1

LABOR FORCE AND OUTPUT PER WORKER	Total Labor Force		Value Added Per Worker (in current prices)	
	In Millions	% of Total	In U.S. Dollars	Percent of Average
	1971	1971	1971	1971
Agriculture	5.3	91	98	43
Industry	0.1	2	1590	694
Service	0.4	7	2170	948
Total	5.8	100	229	100

.. not applicable - nil or negligible  
 .. not available -- less than half the smallest unit shown  
 1/ Parastatal contribution to net current income.  
 2/ Averaged from calendar year.

EACPIA  
May 1976

**BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT**  
(amounts in millions of U.S. dollars at current prices)

	Actual			Projected					Avg. Annual Growth Rate 1972 -1980
	1972	1973	1974	1976	1977	1978	1979	1980	
<b>SUMMARY BALANCE OF PAYMENTS</b>									
Exports (incl. NFS)	397.5	417.0	491.0	574.4	643.0	718.7	816.2	922.1	11.1
Imports (incl. NFS)	476.1	519.8	843.6	775.8	883.5	989.4	1113.1	1265.4	13.0
Resource Balance (X-M)	-78.6	-102.8	-352.6	-201.3	-240.5	-270.6	-297.0	-343.3	28.8
Interest (net)	-3.4	10.4	-6.8	-24.8	-30.1	-32.7	-35.6	-39.8	34.2
Direct Investment Income	-	-5.5	0.5	-2.0	-2.0	-2.0	-2.0	-2.0	-
Workers' Remittance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Current Transfers (net)	-1.7	0.7	15.7	22.4	15.0	15.0	15.0	15.0	-
Balance on Current Accounts	-83.7	-97.2	-343.2	-205.7	-257.6	-290.4	-319.6	-320.1	-
Private Direct Investment	-	1.5	2.7	2.8	2.8	2.8	2.8	2.8	12.5
Official Capital Grants	16.0	16.0	20.0	27.5	30.3	33.3	36.6	40.3	-
Public M&LT Loans									
Disbursements	110.6	88.4	107.6 2/	112.9 4/	111.3 5/	133.5 5/	160.8 5/	191.4 5/	11.2
-Repayments	-13.4	-18.3	-12.7	-18.4	-21.1	-27.4	-30.5	-39.6	12.5
Net Disbursements	95.2	70.1	94.9	94.5	90.2	106.1	130.3	151.8	6.0
Other M&LT Loans 1/	-	-	-	-	-	-	-	-	-
Disbursements	-	-	-	-	-	-	-	-	-
-Repayments	-	-	-	-	-	-	-	-	-
Net Disbursements	4.5	9.9	24.5	-	-	-	-	-	-
Use of IMF Resources	-	-	46.3	-	-	-	-	-	-
Capital Transactions n.e.i.	28.2	-29.3	63.8	-	-	-	-	-	-
Change in Net Reserves	-60.2	-20.5	91.0	-	-	-	-	-	-
<b>GRANT AND LOAN COMMITMENTS</b>									
Official Grants & Grant-like									
Public M&LT Loans									
IBRD	-	-	65.0	-	-	-	-	-	-
IDA	10.8	28.8	61.2	-	-	-	-	-	-
Other 6/	-	-	-	-	-	-	-	-	-
Other Multilateral	3.3	1.8	7.1	-	-	-	-	-	-
Governments	49.3	94.9	112.5	-	-	-	-	-	-
Suppliers	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-
Public Loans n.e.i.	-	-	-	-	-	-	-	-	-
Total Public M&LT Loans	63.4	125.5	245.8	-	-	-	-	-	-
<b>EXTERNAL DEBT</b>									
Actual Debt Outstanding on Dec. 31, 1974									
	Disbursed Only	Percent							
World Bank	40.9	7.8							
IDA	63.3	11.8							
Other Multilateral	10.4	1.9							
Governments	389.9	72.5							
Suppliers	0.1	-							
Financial Institutions	12.3	2.3							
Bonds	7.9	1.5							
Public Debts n.e.i.	13.0	2.4							
Total Public M&LT Debt	537.9	100.0							
Notional one-third share of EAC debt	86.0								
of which World Bank	(38.0)								
Other	(48.0)								
TOTAL	623.9								

	1972	1973	1974	1975
<b>DEBT AND DEBT SERVICE 7/</b>				
Public Debt Out. & Disbursed	335.6	416.4	565.2	789.7
Interest on Public Debt	6.9	8.2	8.9	12.2
Repayments on Public Debt	29.0	11.4	12.7	22.0
Total Public Debt Service	35.8	19.6	21.6	34.2
Other Debt Service (net)	-	-	-	-
Total Debt Service (net)	-	-	-	-
Burden on Export Earnings (%)				
Public Debt Service	9.0	4.7	4.5	7.1
Total Debt Service	-	-	-	-
TDS+Direct Invest. Inc.	10.2	6.0	4.4	9.5
Average Terms of Public Debt				
Int. as % Prior Year DO&D	2.7	2.4	2.1	2.1
Amort. as % Prior Year DO&D	11.1	3.4	3.1	3.9
IBRD Debt Out. & Disbursed	-	-	-	-
" as % Public Debt O&D	7.2	7.9	7.3	9.7
" as % Public Debt Serv 9/	3.6	11.2	13.0	16.9
IDA Debt Out. & Disbursed	-	-	-	-
" as % Public Debt O&D	14.6	13.8	13.2	9.6
" as % Public Debt Serv. 9/	1.1	2.0	2.8	1.9

. not applicable  
 .. not available  
 ... not available separately  
 but included in total

e staff estimate  
 - nil or negligible  
 -- less than half the  
 smallest unit shown

1/ Parastatal and Private M&LT loans.  
 2/ Includes drawing on Arab Fund for Africa (\$7.1 m.)  
 3/ Includes bilateral and multilateral program assistance of \$91.0 m.  
 4/ Includes proposed IBRD program credit of \$30.0 m.  
 5/ No program assistance assumed.  
 6/ IMF Oil Facility and Credit Tranche.  
 7/ Not including Tanzania's share in EAC debt.

9/ IBRD and IDA Debt Service as % of Public Debt Service

EACPLA  
 May 1976

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA  
AS OF MAY 31, 1976

No.	Year	Borrower	Purpose	(US\$ million)		
				Amount Bank	less IDA	cancellations Undisbursed
Three loans and six credits fully disbursed				65.2	43.0	
586	TA	1969	Tanzania Roads	7.0		1.9
149	TA	1969	" Education		5.0	0.5
217	TA	1970	" Tobacco		9.0	1.2
232	TA	1971	" Education		3.3	1.3
265	TA	1972	" Roads		6.5	2.6
287	TA	1972	" Smallholder Tea		10.8	4.6
371	TA	1973	" Education		10.3	9.7
382	TA	1973	" Livestock <sup>1/</sup>		18.5	14.4
454	TA	1974	" Cotton		17.5	15.7
460	TA	1974	" Tanzania Investment Bank		6.0	3.0
715	TA	1974	TANESCO Power	5.0		0.6
1014	TA	1974	Tanzania Cashewnut	21.0		13.8
495	TA	1975	" Sites and Services		8.5	6.4
507	TA	1975	" Highway Maintenance		10.2	10.2
508	TA	1975	" Rural Development		10.0	9.4
513	TA	1975	" Sugar		9.0	3.4
1041	TA	1975	" Sugar	9.0		9.0
580	TA	1975	" Dairy		10.0	9.9
1128	TA	1975	" Textile	15.0		14.7
1172	TA	1975	" Tanzania Investment Bank	15.0		14.3
601	TA	1976	" Technical Assistance <sup>2/</sup>		6.0	6.0
606	TA	1976	" National Maize Program		18.0	18.0
607	TA	1976	" Education		11.0	11.0
<b>Total</b>				<b>137.2</b>	<b>212.6</b>	<b>181.6</b>
of which has been repaid				<u>1.0</u>	<u>3.4</u>	
Amount sold						0.1
of which has been repaid						0.1
Total now outstanding <sup>3/</sup>				136.2	209.2	
Total undisbursed				54.3	127.3	

<sup>1/</sup> Includes grant participation of \$6.2 million of which \$3.4 is undisbursed.  
<sup>2/</sup> Not yet effective  
<sup>3/</sup> Net of exchange adjustments

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED  
BY KENYA, TANZANIA AND UGANDA AS OF MAY 31, 1976

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	(US\$ million)	
				<u>Amount</u>	<u>less cancellations</u>
				<u>Bank</u>	<u>Undisbursed</u>
Three loans fully disbursed				75.0	
638	EA	1969	EAHC Harbours	35.0	2.3
674	EA	1970	EARC Railways	42.4	12.0
675	EA	1970	EAPTC Telecommunications	10.4	.0*
843	EA	1972	EADB Development Finance	8.0	1.0
865	EA	1972	EAHC Harbours	26.5	11.3
914	EA	1973	EAPTC Telecommunications	32.5	10.4
1204	EA	1976	EADB Development Finance	15.0	15.0
Total				244.8	52.0
of which has been repaid				32.7	
Total now outstanding				212.1	
Amount sold				24.4	
of which has been repaid				24.4	0
Total now held by Bank				212.1	
Total undisbursed				52.0	

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\* \$21,251.53 remains undisbursed

C. PROJECTS IN EXECUTION<sup>1/</sup>  
(As of March 31, 1976)

There are currently 21 projects under execution in Tanzania.

AGRICULTURAL SECTOR

Credit No. 217 TA - Tobacco Project: \$9.0 million  
Credit of October 9, 1970; Date of Effectiveness -  
February 1, 1971; Closing Date - September 30, 1976

As a result of the Tanzanian Government's acceleration of its villagization program a total of about 7,200 families have been moved to villages in the tobacco complexes, bringing the number of project farmers to 10,000. With these vigorous efforts, it is now likely that the appraisal target of 15,000 farmers will be reached in 1976. Strict measures to enforce minimum tobacco acreages per family are expected to contribute to increased tobacco production. However, yields per hectare and quality of leaf have been below anticipated levels. Improvements are required to strengthen the extension and cooperative services. Provision of water supplies and social infrastructure is progressing well.

Credit No. 287 TA - Smallholder Tea Project: \$10.8 million  
Credit of March 3, 1972; Date of Effectiveness -  
July 26, 1972; Closing Date - December 31, 1976

After initial serious management problems in Tanzania Tea Authority (TTA) has now finally reached a satisfactory level of senior staffing and this has had a clear impact on the working of TTA and a definite improvement in the control over the field activities. The completion of 956 ha of new planting during 1974/75 brings the total project planting to 5,086 ha or 61% of the total target area. A further 500 ha is planned for 1975/76 season. The past lack of technical, administrative and financial control over the four widely dispersed project areas reflected in TTA's current financial problems. A special supervision mission has been scheduled to examine these problems and propose remedial measures.

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<sup>1/</sup> 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 actions 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.

Credit No. 232 TA - Second Livestock Development  
Project: \$18.5 million Credit of May 23, 1973;  
Date of Effectiveness - September 28, 1973;  
Closing Date - December 31, 1977

Although improvements to the organization and management involved in this project were made during 1975, implementation has been extremely slow and disbursements thus far have been a fraction of the appraisal forecast. Slow implementation is mainly a result of the size and complexity of the Project and of the delays encountered in recruiting staff and in concluding contracts for the construction of abattoirs and the supply of heavy earth moving machinery. Project implementation is expected to pick up momentum now that these problems have been resolved.

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

The conditions in which the project is operating were radically changed by the 1974 decision that farmers throughout the district should move into villages and by relative price changes in the producer prices for maize and cotton which occurred in 1974 and 1975. In addition, management problems have slowed project implementation. For the 1975/76 cropping season the project is focusing on twenty selected villages and it is hoped that this will accelerate implementation.

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

The project has been progressing satisfactorily with materials for civil works either on site or in transit. Original completion target dates are likely to be achieved in spite of an initial delay of about two months. The Cashewnut Authority's take-over of the industry and consolidation of its activities are proceeding slowly. Recruitment and strengthening of staff needs to be intensified in order to fully utilize five additional cashewnut processing factories contained in this project.

Credit No. 508 TA - Kigoma Rural Development Project:  
\$10.0 million Credit of August 21, 1974; Date of Effective-  
ness - November 20, 1974; Closing Date - December 31, 1980

Significant improvements in institutional arrangements were noted in the most recent supervision mission and the parastatal organizations involved in this project have become both more active and effective. Agricultural prospects have also improved with better standards of land clearance and preparation, timing and spacing of planting and use of fertilizers.

However, implementation of the credit provisions of the project to start up later this year is likely to be difficult and little has been done with regard to a number of minor project components (involving feeder roads, livestock and tsetse clearance). While planning and procurement of materials are complete construction of the social and regional infrastructure program has lagged behind schedule. A preparation team was recently installed in Mwanza to prepare integrated rural development projects for Mwanza and Shinyanga Regions, and the existing and future information base and supporting activities appear promising.

Credit No. 513 TA and Loan No. 1041 TA - Kilombero Sugar Development Project: \$9.0 million Credit and \$9.0 million Loan of September 27, 1974; Date of Effectiveness - February 24, 1975; Closing Date - December 31, 1979

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Estate field development is ahead of schedule with 2,740 acres of sugar cane planted during 1974/75 (about 500 acres over the target) while outgrowers planting of 400 acres is about 200 acres behind schedule. Construction of the new sugar mill, financed by Dutch and Danish loans, is on schedule and should be completed by July 1976. Procurement of field machinery and equipment and supporting project activities are progressing reasonably well. Due to cost escalation of the housing and community development component some problems have been encountered in initiating construction of staff housing.

Credit No. 580 TA - Dairy Development Project: \$10.0 million Credit of August 15, 1975; Date of Effectiveness - November 28, 1975; Closing Date - April 30, 1981

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The Government is proceeding with the recruitment of key personnel and the first phase of procurement.

Credit No. 606 TA - National Maize Project: \$18.0 million Credit of January 29, 1976; Date of Effectiveness - May 28, 1976; Closing Date - June 30, 1980

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This project was declared effective on May 28, 1976. The initial stages of project implementation are proceeding well. Key personnel for the project have been recruited.

EDUCATION SECTOR

Credit No. 149 TA - Second Education Project: \$5.0 million Credit of May 29, 1969; Date of Effectiveness - June 19, 1969; Closing Date - December 31, 1976

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Most project schools are finished but the Closing Date was extended to finalize disbursements. Schools are adequately furnished but not yet fully equipped. Procurement and installation of the remaining furniture and equipment is in progress. The project has experienced a minor overrun of \$0.4 million. A completion mission is scheduled for late 1976.

Credit No. 232 TA - Third Education Project: \$3.3 million Credit of February 5, 1971; Date of Effectiveness - May 10, 1971; Closing Date - December 31, 1976

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The Closing Date for this project has been extended 18 months to December 31, 1976, to provide ample time for its completion. All civil works, furniture and equipment contracts have been awarded. Civil works are about 75% complete, but contracts are behind schedule because of material shortages. Ineffective project management and failure of Government to appoint a Project Accountant have limited follow-up activities and correction of deficiencies and may result on further delays. A number of changes in the programs and management of the institutions involved in this project are being discussed with the Government.

Credit No. 371 TA - Fourth Education Project: \$10.3 million Credit of April 13, 1973; Date of Effectiveness - July 2, 1973; Closing Date - June 30, 1978

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Design work of all project institutions, except for the three secondary schools eliminated because of cost overruns, will be completed by the end of 1975. Out of 18 project institutions construction works had started on eight sites only. All construction work is scheduled to be completed in the beginning of 1978. The project unit is now working satisfactorily and a new project coordinator has been appointed by the Government. Most recent estimate of project costs came to about US\$22 million, excluding the three secondary schools, a cost overrun of about 15%. While disbursements are expected to increase substantially it is likely that the Closing Date will have to be extended until the end of 1978.

Credit No. 607 TA - Fifth Education Project: \$11.0 million Credit of January 29, 1976; Date of Effectiveness - March 23, 1976; Closing Date - December 31, 1981

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The Government has begun to implement the Rural Training component and the Project Unit responsible for the secondary schools is already in operation assisting in the implementation of previous Bank education projects.

INDUSTRIAL SECTOR

Credit No. 460 TA - Tanzania Investment Bank Project  
\$6.0 million Credit of February 13, 1974; Date of  
Effectiveness - April 18, 1974; Closing Date - June 30, 1978

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The credit has been fully committed.

Loan No. 1172 TA - Tanzania Investment Bank: \$15.0  
million Loan of November 12, 1975; Date of Effectiveness -  
February 30, 1976; Closing Date - December 31, 1980

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Commitments under this loan are proceeding quickly. Nine sub-  
projects totalling \$7.8 million have been approved for disbursements.

Loan No. 1128 TA - Mwanza Textile Project: \$15.0 million  
Loan of June 19, 1975; Date of Effectiveness - October 6,  
1975; Closing Date July 1, 1979

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The Textile Corporation of Tanzania (TEXCO) has appointed the  
project engineers and technical advisors and tenders for major project  
components have been received and are being evaluated. TEXCO has also  
appointed the consultants to carry out the feasibility study for constructing  
a textile plant for producing polyester-cotton blended materials.

Credit No. 601 TA - Technical Assistance Project: \$6.0  
million Credit of January 9, 1976; Closing Date -  
June 30, 1980

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After some initial delays, necessitating the postponement of the  
terminal date of effectiveness, the Tanzanian Investment Bank is now re-  
cruiting key project unit staff who will supervise the execution of this  
credit. A great deal of interest has been generated in this project and it  
is anticipated that it will be declared effective as soon as the head of  
the project unit has been recruited.

POWER SECTOR

Loan No. 715 TA - Kidatu Hydroelectric Project: \$30.0 million  
Loan of December 14, 1970 and \$5.0 million Supplementary Loan  
No. 712-2 TA of June 24, 1971; Date of Effectiveness - March 31,  
1971 and September 26, 1974; Closing Date - June 30, 1976

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Construction work for this project is essentially completed. The  
project is on schedule and the first and second unit came on stream in

March 1975 and July 1975, respectively. Negotiations were recently held for the second stage Kidatu power project.

TRANSPORTATION SECTOR

Credit No. 265 TA - Third Highway Project: \$6.5 million  
Credit of August 6, 1971; Date of Effectiveness -  
October 12, 1971; Closing Date - December 31, 1976

After long delays in completing tender arrangements, the contract for the Mtwara-Masasi road was signed at nearly three times the appraised cost. Most of the overrun is covered by a \$4.4 million loan from ADB and use of the \$1.8 million balance from the Bank's Second Highway Project (Loan No. 586 TA). The portion of the road now financed by the Bank is nearing completion. Execution of road betterment works in two agricultural areas commenced about a year ago and is progressing satisfactorily in one area but is behind schedule in the other. Preinvestment studies for Kilombero and Kilimanjaro areas have been completed and final reports are being reviewed.

Credit No. 507 TA - Highway Maintenance Project: \$10.2 million  
Credit of August 21, 1974; Date of Effectiveness -  
November 20, 1974; Closing Date - June 30, 1979

The project is more than one year behind schedule. Tenders for equipment procurement were opened in October 31, 1975 and orders have now been placed. The Government has been negotiating with consultants for assistance in recruiting experts with no result so far. The Bank has been discussing with the Government how this problem can be resolved as it is seriously delaying the project. Consultants have submitted the draft final report of the Trucking Industry Study, being supported under the Credit and this report may form the basis for a future Bank project.

URBAN SECTOR

Credit No. 495 TA - Sites and Services Project: \$10.0 million  
Credit of July 12, 1974; Date of Effectiveness -  
October 3, 1974; Closing Date - December 31, 1978

The project is proceeding very well. Contracts for infrastructure construction at all seven sites have been awarded and are expected to be completed on schedule. Other components of the project, i.e. training, monitoring/evaluation and nutrition studies are progressing satisfactorily.

EAST AFRICAN COMMUNITY

General

Owing to delays in meeting debt service on various loans to the East African Corporations disbursements to the East African Railways Corporation, East African Harbours Corporation, the East African Posts and Telecommunications Corporation and the East African Development Bank were suspended on April 28, 1976. Following receipt of outstanding payments the suspension was lifted on June 1, 1976. The background to these events is described in paragraphs 12 to 15 above.

Loan 674 EA - Third Railways Project: \$42.4 million  
Loan of May 25, 1970; Date of Effectiveness -  
October 30, 1970; Closing Date - June 30, 1977

The physical execution of the original project has been seriously delayed due to administrative and political problems within the Community and the East African Railways Corporation's unsatisfactory procedures for procurement, investment planning and coordination. 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. Agreement was reached in July 1975 for the hiring of consultants to assist EARC with outstanding organizational and financial issues. Coopers and Lybrand (financial consultants hired by ODM) completed their asset studies in early 1976 and CANAC (technical consultants) are proceeding with the decentralization study.

Loan No. 638 EA - Second Harbours Project: \$35.0 million  
Loan of August 25, 1969: Date of Effectiveness -  
December 16, 1969; Closing Date - December 31, 1976

Loan No. 865 EA - Third Harbours Project: \$26.5 million  
Loan of December 18, 1972: Date of Effectiveness -  
April 16, 1973; Closing Date - June 30, 1977

Considerable delays have occurred in implementing the project financed partly by Loan 638-EA. However, construction is now more than 95% complete. The Closing Date has been postponed from December 31, 1975 to December 31, 1976. The major civil works financed partly by Loan 865 EA were completed in September 1975, six months behind schedule. Some smaller project elements intended to be financed under Loan 865 EA, will have to be deleted. Serious cost overruns for cargo handling equipment, tugs and lighters financed by CIDA have occurred, and its credit has been increased accordingly from Can.\$26.0 million to Can.\$33.5 million. Port labor productivity has stagnated in Mombasa and declined in Dar es Salaam. At the same time cargo throughput has declined considerably for Mombasa

and increased above forecasts for Dar es Salaam, where the three berths financed under Loan 865-EA are now being used, although transit sheds and open storage areas for them have not yet been completed.

Loan No. 843·EA - East African Development Bank Project:  
\$8.0 million Loan of June 28, 1972; Date of Effectiveness -  
September 28, 1972; Closing Date - June 30, 1977

Operations of the Bank have been decentralized and the newly formed regional office teams are now competent in dealing with all aspects of development financing operations. The entire first loan has now been committed by EADB.

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

This loan was declared effective on June 7, 1976.

Loan No. 914 EA - Third Telecommunications Project:  
\$32.5 million Loan of June 22, 1973; Date of Effectiveness -  
September 19, 1973; Closing Date - December 31, 1976

Problems within the EAC have only marginally affected the Posts and Telecommunications Corporation due to the considerable existing decentralization of operating authority. Deterioration of the corporate cash position and rate of return has been slight in comparison to other Community Corporations and the situation has improved by a rate increase allowed by the Community in February 1975. All major items have been completed by mid-1975, except two microwave links which, due to a long lead time for delivery, will be delayed by 12 months.

TANZANIA - SAO HILL FORESTRY PROJECT

Loan and Project Summary

BORROWER: United Republic of Tanzania

AMOUNT US\$ 7 million equivalent

TERMS: 25 years including 5 years of grace and interest at 8-1/2% per annum

PROJECT DESCRIPTION: The Project would, over five years (1976/77 to 1980/81), provide for the planting and maintenance of about 16,000 ha of forests, for the maintenance of about 11,000 ha of existing plantations, and for the development of infrastructure and forest services within the Project area. Specifically, the Project would provide for the afforestation of a total of 15,750 ha of pulpwood plantations, surveying of the area to be planted, the establishment of nurseries, ground preparation, weeding, silvicultural treatment and disease control. In addition, some 330 ha within the designated sawlog area would be replanted during the Project; 8,800 ha of existing pulpwood plantations and of about 2,500 ha of sawlog plantations would be maintained; some 164 km of primary and secondary roads and 393 km of tracks would be constructed; staff housing and 20 administrative and social buildings would be established; and financing for research, training and studies would be provided.

<u>COST OF PROJECT:</u>	----- US\$ 000 -----			Foreign
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Exchange %</u>
Afforestation				
Pulpwood working circle	1,672	201	1,873	11
Sawlog working circle	74	10	84	12
Access and Plantation Roads	166	64	229	28

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	
Project Management				
Administration	701	158	859	18
Buildings and Housing	663	114	777	15
Equipment	112	604	716	84
Research, Trials and Training	41	448	489	92
Studies				
Aerial Photography	-	38	38	100
Water Study for Pulpmill	7	109	117	94
Escarpment Road Study	<u>7</u>	<u>47</u>	<u>54</u>	<u>87</u>
Sub-total	3,443	1,793	5,236	34
Contingencies				
Physical	189	142	331	43
Price	<u>2,075</u>	<u>470</u>	<u>2,545</u>	<u>18</u>
Total Project Cost	<u>5,707</u>	<u>2,405</u>	<u>8,112</u>	<u>30</u>
	=====	=====	=====	=====

FINANCING  
PLAN:

	<u>US\$ 000</u>	<u>%</u>
Bank	7,000	86
Government	<u>1,100</u>	<u>14</u>
	8,100	100

ESTIMATED  
DISBURSEMENTS:  
(\$ millions)

	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	<u>82</u>
Annual	.1	1.1	.7	1.2	1.7	2.2
Cumulative	.1	1.2	1.9	3.1	4.8	7.0

PROCUREMENT:

Procurement of equipment and vehicles in orders exceeding US\$80,000 would be by international competitive bidding in accordance with Bank guidelines. Equipment and vehicle orders of less than \$80,000 would be obtained under Government procurement procedures which are satisfactory. All infrastructure work and afforestation is expected to be completed by the Forest Division under force account. Due to the nature of the work and the remoteness of the project area, it was concluded that these components would not

attract either local or international competitive bidding. Retroactive financing in an amount up to \$50,000 is recommended for financing consultant services.

CONSULTANT  
SERVICES:

Project includes funds for the employment of two internationally recruited experts (one for plantations and the other for road and mechanical engineering) each for duration of project (five years). Estimated cost is US\$44,000 per man-year and neither of these positions has been filled.

RATE OF  
RETURN:

The overall economic rate of return of the pulp and paper program is estimated to be 13.5%. For sawlog production the corresponding estimate is 21.4%.

APPRAISAL  
REPORT:

Report No. 1107-TA dated June 18, 1976  
Regional Projects Department  
Eastern Africa Region

MAP:

A map of Tanzania which identifies the location of the proposed project is attached.







