

FILE COPY

CIRCULATING COPY
TO BE RETURNED TO REPORTS DESK

DOCUMENT OF INTERNATIONAL DEVELOPMENT ASSOCIATION

Not For Public Use

Report No. P-1463-TA

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

July 23, 1974

This report was prepared for official use only by the Bank Group. It may not be published, quoted or cited without Bank Group authorization. The Bank Group does not accept responsibility for the accuracy or completeness of the report.

CURRENCY EQUIVALENTS

USED IN THIS REPORT

Tanzania Shs - US\$ 0.14

US\$ 1.00 - Tsh 7.14

TANZANIA FISCAL YEAR

July 1st - June 30th

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

1. I submit the following report and recommendation on a proposed development credit to the United Republic of Tanzania for the equivalent of US\$10.2 million on standard IDA terms to help finance a Highway Maintenance Project.

PART I - THE ECONOMY

General

2. The last full Economic Report on Tanzania (AE-26) was distributed to the Executive Directors on May 22 and June 22, 1972. This was followed by an Economic Updating Report (30-TA) which was distributed on December 11, 1972 and which was especially prepared for the East African Consultative Group Meeting on Tanzania of January 1973. An agriculture rural development sector mission visited Tanzania during September/October 1973; its report is expected to be issued by September. A mission to study the industrial and mining sectors is scheduled to visit Tanzania in August 1974.

3. Tanzania celebrated its first decade of independence in December 1971. In the past 11 years gross national product increased in real terms by some 65 percent to the present level of about \$1.5 billion. During the same period, life expectancy at birth increased from 35 to 41 years, infant mortality declined from 250 to 160 per thousand live births, maternal mortality declined from 4.7 to 2.7 per thousand deliveries, and the primary school enrollment rate increased from about 28 to 37 percent of the relevant age group. While this sample of economic and social indicators shows that significant progress has been made, it also gives some idea of the magnitude and difficulty of the development task facing the country. For example, while GNP grew at 4.7 percent per annum in real terms during these years, these gains were to a large extent offset by the growth of population, with the result that per capita income increased at only 2.2 percent per annum. Tanzania is one of the 25 least developed countries.

4. Tanzania has a one-party system which is embodied in the constitution. The party, the Tanganyika Africa National Union (TANU), is a well organized mass party and is actively engaged at the grass roots in the promotion of popular involvement in the national development effort,

and within the party democratic principles are being strictly adhered to. In economic policy making, the long-term objective of social equality prevails over economic interests of minority groups; some progress towards reducing inequality of income distribution within the category of employed workers has been made, but large gaps continue to exist between urban and rural standards of living.

Economic Performance and Resource Mobilization

5. Tanzania's economic performance in recent years has been characterized by high marginal savings, relatively low returns on investment, and rapid institutional change. The growth of production, however, has been modest in most sectors, especially in agriculture. The combination of moderate production growth rates and a very ambitious investment program has led to severe pressure on resources. This pressure has been partly alleviated by steadily increasing external capital inflows and, until recently, by an improvement in the country's terms of trade. Although favorable world market prices for several of Tanzania's principal exports and the growing contribution for local project costs by foreign donors, had helped to build up external reserves equivalent to about three months' imports at the beginning of 1974, the recent rise in oil prices has drastically changed the situation. It is estimated that the foreign exchange cost of the oil price increase is in the region of \$58 million per year. This compares with a net resource transfer from the World Bank Group of about \$15 million per annum and a total net resource transfer of around \$90 million per annum. The scope for cutting back on domestic oil consumption without reducing production is very limited. The combined effect of the oil price rise, the expected large food import requirements for the current year (partially due to the drought in the north of the country) and other relative price changes is expected to cause a significant drop in reserves during 1974.

6. It seems likely that special capital assistance will be required to prevent an acute foreign exchange crisis in 1975. At the invitation of the Government, a Bank mission has recently participated in a Presidential task force which assessed the effects of the oil crisis on Tanzania's balance of payments and which recommended an action program including a shift in investment priorities to more directly productive projects in agriculture and industry. Several bilateral donors, including Sweden, Canada, the Federal Republic of Germany and Yugoslavia, have already responded by increasing their aid commitments to Tanzania, but this may not be enough to meet the expected crisis during the next few years. So far, Tanzania has not drawn on any of the IMF credit facilities, but this may soon become necessary. On June 27, 1974 the Government approached the Bank Group for a program loan to assist in the financing of a program of structural economic adjustments forming part of the Government's medium and longer term response to the oil crisis and several other significant recent relative price shifts. We are presently considering this application; an appraisal mission is due to leave shortly.

7. Until the recent completion of the Tanzanian portion of the Tan-Zam Railway financed by the People's Republic of China, the country had been for a number of years Tanzania's principal source of foreign aid disbursements. A new \$75 million bilateral aid agreement with China for the development of a Tanzanian iron and steel industry was signed earlier this year but it is likely to take some years before this major new commitment will begin to be disbursed as the iron and steel project is understood to be still in an early stage of preparation. Meanwhile, Sweden has become Tanzania's principal source of aid disbursements. After a pause of several years, the United Kingdom has recently resumed capital aid to Tanzania with an initial grant and a credit (together about \$24 million) for rural development. In terms of outstanding commitments, the Bank Group is Tanzania's largest creditor followed by Sweden, Norway, Canada, Denmark, the Netherlands and the Federal Republic of Germany. Including a notional one-third share of the debt of the East African Community Corporation, the IBRD is presently holding 14 percent of Tanzania's outstanding external debt and IDA 16 percent; the IBRD share is expected to rise to about 20 percent in the next five years, and the IDA share to remain about the same. The share of debt service payments to the Bank is at present about 10 percent of total debt service payments; the corresponding share for IDA is about two percent. These two figures are projected to rise to about 20 percent and three percent, respectively, by 1980. Most capital aid to Tanzania is made available on very favorable terms, and a declining share of the total is tied to procurement in the donor country. Supplier's credits have been kept to the minimum. In addition to seeking as favorable a blend as possible and the minimum of tying, the Government has attempted to secure donors' agreement to simplifying the procedures associated with the use of committed aid. For example, Swedish assistance is now given within the terms of a frame agreement which allows the Government to set its own priorities in the use of SIDA funds and allows considerable flexibility in the switching of such finance between the various projects and program. The overall debt service ratio has declined in recent years owing to buoyant export earnings; it is currently about five or six percent and is not expected to rise significantly in the medium-term. In view of this low debt service ratio there is scope for a modest amount of lending to Tanzania on conventional terms, particularly if such lending is for export promoting or import substituting activities.

8. Tanzania's high rate of investment during the last five years has not been reflected in high growth in production -- at least not as yet -- partly because there was a heavy bias towards social and economic infrastructure with long gestation periods. A substantial proportion of total investment has been undertaken to provide a viable alternative outlet to the sea to neighboring landlocked Zambia after Southern Rhodesia's Unilateral Declaration of Independence of 1965. Though basically designed to carry Zambian transit traffic, this railway will help to stimulate agricultural and industrial development in southern and western Tanzania. The budgetary position which has been adversely affected by sluggish economic growth in recent years coupled with high levels of development and recurrent expenditure, remains tight. In view of the already high marginal savings rate, the scope for

additional taxation is limited. Even with a decline in the rate of investment, in the face of escalating fuel prices Tanzania will still require a continued capital inflow in excess of the foreign exchange component of high priority projects if it is to achieve its development targets. Financing of some local expenditures will therefore be justified.

9. Financial discipline in the regions, Central Government Ministries, and many state corporations remains a problem, probably because scarce accounting and auditing skills are now even more thinly spread. There is a general serious shortage of many professional skills. The situation has been aggravated by the departure of many Asians and the Government's reluctance to recruit abroad. However, this reluctance is now diminishing as part of an effort to accelerate project preparation and implementation.

10. President Nyerere announced in October 1973 that following a review the Government had decided to move the capital of Tanzania from Dar es Salaam to Dodoma. By moving the capital city to the center of the country and so closer to the bulk of the rural population, it is expected that the Government will become more responsive to the needs of the rural sector. The Government presently plans to make the move over a ten-year period. No accurate estimates of the total costs involved are yet available, but in view of the scarcity of investment resources in Tanzania, it is likely that the transfer of the capital will take much longer than planned; in addition, the number of Government offices moved may be fewer than presently envisaged.

11. The administrative structure and many of the functions of Government were decentralized to the regions in July 1972. This too was done to make the Government more responsive to the needs of rural development. It is still far too early to assess the success of the decentralization of Government in Tanzania. As expected, problems of coordination between the center and the regions have occurred, and the transfer of high-ranking officials from Dar es Salaam to the rural areas has had its inevitable, but one hopes only short-term, effect on the smooth functioning of Central Government. Some dislocation in project implementation has also been experienced. In some regions the new Government structure is already showing its potential to be more responsive and relevant to the needs of the rural sector. It has become apparent that the severe shortage of regional technical expertise will inhibit the ability of the new decentralized authorities to plan and execute rural projects; progress in regional development will, therefore, inevitably be patchy, reflecting the local availability of the required expertise.

PART II - BANK GROUP OPERATIONS IN TANZANIA

12. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1963, 16 credits and four Bank loans amounting to \$206.6 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of nine loans, totaling \$229.8 million which have been extended for the development of common services operated regionally by Tanzania, Kenya and Uganda through their association in the East African Community. The only IFC investments in Tanzania

to date, totaling \$4.4 million, were made in the Kilombero Sugar Company in 1960 and 1964. 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 in Tanzania and the East African Community Organizations as of June 30, 1974 and notes on the execution of ongoing projects.

13. Our lending program, reflecting the emphasis the Tanzanian Government attaches to agricultural development, has increasingly focused on directly productive activities in the rural sector. Up to the end of FY72, 10 out of 14 loans and credits had been made for infrastructure. All but one of the loans to the East African Community Organizations, of which Tanzania is a beneficiary and co-guarantor, had been extended for improvements in transportation and communications. However, the approval by the Executive Directors of the Flue-Cured Tobacco Project (Credit No. 217-TA) in October 1970 opened a new phase in our lending for such directly productive activities. The Smallholder Tea Development Project (Credit No. 287-TA) was approved in March 1972. A Second Livestock Project (Credit No. 382-TA) was approved in April 1973. The Geita Cotton Project (Credit No. 454-TA) approved in January 1974 and the Cashew Nut Project (Credit No. 1014-TA) approved in May 1974 constitute the beginning of a major effort to expand cotton production and cashew nut processing. The proposed Kigoma Rural Development Project is ready for consideration and a proposed Sugar Development Project will be submitted to the Executive Directors shortly. Preparation of a proposed dairy project, a second rural development project and a forestry project are under way.

14. This will be the fourth highway project financed by the Bank Group in Tanzania. The first project was financed by an IDA credit in 1964 (Credit No. 48-TA) supplemented by another IDA credit in 1968 (Credit No. 115-TA) and consisted of the construction of six road sections totalling 860 km and detailed engineering of 230 km of the Tan-Zam highway and 335 km of secondary roads in the cotton growing district of Geita. This project was satisfactorily completed in 1970. The second highway project financed by an IDA credit and a Bank loan in 1969 (Credit No. 142-TA and Loan No. 586-TA) consisted of the reconstruction of 510 km section of the Tan-Zam highway and was satisfactorily completed in 1972. The third highway project financed by an IDA credit (Credit No. 265-TA) made in 1971 consists of the improvement of an existing gravel road between Mtwara and Masasi (200 km) in southern Tanzania and the betterment of 475 km of agricultural feeder roads. Progress on this project has been slow; however, equipment for the betterment has now arrived and a contract awarded for the improvement works. The project is about two years behind schedule and substantial cost overruns are expected for which the Government is seeking bilateral assistance.

15. Tanzania is developing an institutional structure, stressing greater regionalization and development of ujamaa villages, designed to promote and respond to development initiatives. These institutions are still in their formative stages, and related organization and staffing difficulties have sometimes resulted in the project delays referred to in Annex II. Tanzania's education and training programs are expected to solve the manpower problem in the longer run, but meanwhile there will continue to be a need for technical assistance in planning and implementation if the difficulties in executing projects are to be overcome. The Government has taken steps to speed up recruitment of needed expatriate technical expertise and instituted a high level monthly review for all externally aided projects. As a result of these efforts, it is expected that project implementation should now improve.

16. Our Regional Mission in East Africa was involved in the preparation of six projects in the agricultural sector. Our capacity to provide such assistance has proved to be particularly valuable in a country where project preparation capacity is, and for some time will be, limited. We are also exploring with the Government how assistance of this kind can be strengthened and best fitted to Tanzania. Through participation in their projects we have supported Tanzania's new development institutions at an early stage. Our supervision of the projects has resulted in bringing to light, earlier than might have happened otherwise, that some of these institutions are facing significant difficulty in executing the projects they have undertaken. Because of our involvement, we have been able to help the Government in its consideration of how to overcome this problem whose solution is fundamental to rapid development.

17. The credit for the Tanzania Investment Bank (Credit No. 460-TA) approved in February 1974 and the National Sites and Services Project approved in July 1974 were the Bank Group's first lending in the industrial and urban sectors of Tanzania. The other project outside the agriculture sector was the Kidatu Supplementary loan approved in June 1974 to complete the Kidatu Hydroelectric Project (Loan No. 715-TA). A proposed project for textile development is presently under preparation.

18. Although no projects are planned in the near future for the Common Services Organization of the East African Community, the Bank, through its supervision of ongoing operations, is continually reviewing possible further assistance to the Community Corporations for the further development of common services. Recently, however, three of the Community Corporations have been delinquent in making debt service payments to the Bank. The East African Harbours Corporation (EAHC) has not met payments amounting to \$459,215 due on June 15 under Loan No. 638 EA, the East African Posts and Telecommunications Corporation (EAPTC) payments amounting to \$371,250 due on June 15 under Loan No. 675 EA and \$260,130 due on July 15 under Loan 914 EA, the East African Railways Corporation (EARC) payment amounting to \$1,037,059 due on July 15 under Loan No. 110 EA.

The Railways have for some time now been facing financial and operational problems which include an inadequate tariff structure, inefficient use of rolling stock and differences between the Partner States on how the railways should be managed. In the case of EAPTC and EAHC, the recent delinquency is primarily due to problems between the Partner States which had prevented the two Corporations from transferring surplus funds earned in one country to the corporate headquarters located in another country. Except for this difficulty, both Corporations are financially sound and do not lack the domestic resources to meet their debt service obligations to the Bank.

19. The Bank has pressed all three Corporations and the Partner States for payment of their obligations. The Partner States are very much alive to these problems and the Finance Ministers of the three Partner States met on July 19, 1974 to discuss these matters. The Bank has been informed by the Minister of Finance of Kenya that decisions were taken to allow immediate payment of debt service dues under Loans 638 EA, 675 EA and 914 EA, as well as to provide funds to meet the cash requirements of the Railways including its debt service payments. In addition, a high level meeting to be attended by the Minister of Finance and Communication of the Partner States and the Community and by senior representatives of the Bank will be held in Nairobi on July 29, 1974. At this meeting, it is proposed to discuss the long term problems of the Railways and the other Community Corporations and to agree on measures to resolve them.

PART III - THE TRANSPORT SECTOR

General Background

20. The transport system of Tanzania comprises about 33,400 km of roads, about 3,500 km of railways, three ocean ports, coastal and lake shipping, 21 airports and a 900 km pipeline which is used exclusively for conveying oil to Zambia. Development of the sector has been dictated by the need to serve scattered areas of productive activity and population, to facilitate the movement of Tanzanian exports and imports to and from the ports and to provide access to the sea for neighboring landlocked countries. Because of the priority need to develop long-distance transport, emphasis was initially on the railways and only in recent years has attention been given to developing a reliable road network.

21. Two separate rail systems serve the country: the East African Railways, operated by the East African Railways Corporation (EARC), a Common Service Organization under the East African Community, and the Tan-Zam Railway, administered by the Tanzania-Zambia Railway Authority (TAZARA) and jointly owned by those two countries. The East African Railways serve the northern half of the country and connect the ports of Dar es Salaam, Tanga and the Kenyan port of Mombasa with western Tanzania. This forms the backbone of the transport system and carries the bulk of heavy long-distance traffic. With assistance from the Bank, substantial investments have been made in recent years in modernizing

and expanding the East African Railways to serve growing traffic volumes. Railway transport is now undergoing a further major extension through the construction, with finance from the People's Republic of China, of the Tan-Zam Railway. Though basically designed to carry Zambian transit traffic, this Railway will, together with the Tan-Zam Highway, help to stimulate agricultural and industrial development in southern and western Tanzania. The Railway has recently been opened to limited traffic as far as the Zambian border and is expected to be completed to Lusaka by 1975. Under Bank loans (638 EA and 865 EA) Dar es Salaam port, among other works, is being expanded to serve the additional traffic expected to be generated by the new railway when it becomes fully operational.

Transport Policy and Coordination

22. With transport policy directed almost exclusively toward the requirements of external trade, emphasis was, for many years, on railway development, and roads were seen primarily as feeders to the rail system and to the ports. While the movement of export-import traffic remains important, transport policy recently began giving emphasis to regional development, both by upgrading and extending the main road network and by building new feeder roads. In the past, competition among modes has been limited to a few routes but the potential for competition is increasing, and planning investments in transport now requires complex analyses of the trade-offs between competing modes. The Government recognizes this need and is giving increasing attention to the development of its transport planning capacity. The Planning Unit of the Ministry of Communications and Works (Comworks), established in 1970, has primary responsibility for transport planning. Due to its limited staffing, the Unit has tended to provide ad hoc support rather than systematic sectoral planning, but the Government intends to strengthen the Unit's capacity to enable it to provide sectoral economic analysis and to coordinate transport planning more fully with the needs of other sectors.

23. In Tanzania the question of encouraging the private road transport industry has been approached cautiously by the Government which believes it may conflict with its policy of socialism and state control of important services. The National Road Haulage Company (NRHC), a subsidiary of the National Transport Company established in 1969, has been created to provide long-distance freight haulage within the country. NRHC's long-term objectives are to take over the main responsibility for long-distance road transport, while regional and inter-regional transport cooperatives will be allowed to operate the shorter hauls. Licenses are issued freely to private carriers hauling their own goods, but licenses to carriers offering for-hire transport are restricted, with the NRHC and transport cooperatives given first priority. Also, as of March 1974, the haulage rates have been restructured. These measures are proving a disincentive to independent truckers, and a serious shortage

of trucking capacity, particularly for short hauls, has developed. The Government has approached the Association to finance experts to review the functioning of its road transport industry in view of the seriousness of the problems being encountered in the industry and the repercussions being felt in other sectors of the economy. Accordingly, the credit includes \$43,700 for financing a Road Transport Industry study and the Government has agreed that upon receipt of the experts' report, it will discuss the recommendations with the Association with a view to determining what action is necessary (Section 4.02(a)(i) of the Development Credit Agreement).

Highways

24. In the highway system only about 2,600 km (eight percent) are paved and the remainder consists of low-standard gravel or earth roads. Over the past decade some 2,000 km of primary roads have been rebuilt largely with Bank Group assistance. In recent years emphasis has also been given to the development and maintenance of feeder roads and since 1970, the Ministry of Communications and Works (Comworks) has taken over responsibility for some 17,000 km of rural roads from the District Councils which were unable to maintain them properly. This increased workload and the subsequent departure of a number of expatriate staff has strained Comworks' capacity considerably, and a substantial backlog of maintenance work has developed. In 1971 the Government commissioned a firm of consultants, with financing provided by the United States Agency for International Development (USAID), to undertake a highway maintenance and organization study. The Government considered the program recommended by the consultants for rehabilitating the entire highway network (33,400 km) over a five-year period at a total cost of US\$140 million equivalent to be too ambitious, but using the consultants' recommendations as a base, designed a program for rehabilitating and maintaining the country's primary roads at an estimated total cost of some US\$50 million. Subsequently, the Government and the Association agreed that the program should be carried out in two stages, both because of the limited staff resources available and so that the second stage could profit from the experience which would be gained in determining the proper balance of equipment, labor and other needs. The proposed project includes the first stage of the longer term program.

PART IV - THE PROJECT

General

25. An appraisal report entitled "Tanzania - Highway Maintenance Project" is being circulated separately. A credit and project summary is provided as Annex III to this report.

26. A mission from the Projects Department of the Eastern Africa Region appraised the project in the field in December 1973. Negotiations for the proposed credit were held in Washington, D.C. in June 1974. The Tanzanian delegation was led by Mr. J. Sepeku, Principal Secretary, Ministry of Communications and Works.

Project Description

27. The project comprises the first stage of the Government's program to improve the maintenance of primary roads throughout the country and will provide for assistance in strengthening Comworks' organization and road maintenance for the two areas with the most urgent needs of the four into which the country has been divided. The two areas (Areas I and IV as shown on map) cover 10 regions out of the 20 into which the country is divided and include about 3,300 km of primary roads. A second stage extending to the rest of the country will follow when staff have been trained under the first stage and lessons have been learned of the best ways to maintain roads in Tanzania. However, the benefits during this first stage will have an impact on the remainder of the country's road network in that road maintenance personnel from all over the country will profit from the training program.

28. The proposed project will be executed over a four-year period (1975-78) and includes the following: (a) the maintenance and, where necessary, rehabilitation of about 3,300 km of primary roads; (b) the construction and improvement of road maintenance camps, workshops and offices; (c) the purchase of road maintenance and workshop equipment, vehicles, spare parts, tools, and materials; (d) the training of maintenance personnel; and (e) technical assistance to Comworks. The project also includes a review of the road transport industry in Tanzania.

29. Over the project period, routine and periodic maintenance of the primary roads in the project area will be gradually improved to an adequate level. About 1,700 km of the roads are paved and, while most are in satisfactory condition, periodic maintenance has been neglected and some of the older roads require resealing. Deterioration of the gravel and earth roads (1,600 km) has been more pronounced; about 1,160 km need to be rehabilitated to provide a satisfactory level of service. The work will be undertaken by 30 section crews for routine maintenance and six special crews for resealing and rehabilitation. The road crews in the project area will be supplied with new equipment financed under the project and Comworks' existing equipment will be allocated for the maintenance of other roads in the country. The Government has also agreed to rehabilitate the existing salvageable equipment and use it to maintain non-project roads (Section 4.02(c) of the Development Credit Agreement).

30. The Comworks' mechanical workshops are small, poorly constructed and equipped. Under the project it is proposed that the existing central workshop at Morogoro be renovated to provide major repairs for

all equipment serving Area I and the Mbeya workshop be upgraded to provide similar services in Area IV. The project provides for the physical expansion and the provision of equipment and tools for these two workshops. A new regional workshop will be constructed at Dar es Salaam to serve Dar es Salaam and the coast regions. Other regional workshops in the project area will also be renovated and expanded to provide adequate facilities for the routine servicing of equipment. The project also provides for an initial stock of spare parts to keep the new maintenance and workshop equipment in working order and materials needed for road rehabilitation and resealing works, such as bitumen, explosives and steel.

Administration

31. The Ministry of Communications and Works (Comworks) which has responsibility for the various aspects of highway administration will be the executing agency for the project. Within Comworks the Roads and Aerodromes Division (RAD) designs, constructs and maintains the road network. During the past few years a shortage of competent and experienced engineers has adversely affected Comworks' performance, especially in road maintenance and planning. The highway maintenance and organization study carried out by the consultants referred to earlier in paragraph 24 identified several deficiencies in the present organization, most importantly unclear lines of authority and overlapping responsibilities. It recommended streamlining operations and strengthening the RAD, first by giving it primary responsibility for all aspects of highway administration including more direct control of field operations and equipment maintenance and, second, by augmenting its technical staff considerably. The Government has accepted many of the consultants' recommendations on staffing and technical operations which have been incorporated in the proposed project.

Training and Technical Assistance

32. The Government is constructing a center at Morogoro for the training of road maintenance technical personnel. This center will be supported under the project by the provision of instructors and training aids. Six training experts including a training coordinator will be employed for a period of about three years to develop specific courses of instruction, prepare curricula and help Comworks' staff teach at the center. Employment of the experts will be coordinated with the equipment purchases so that training can begin prior to the arrival of the new equipment. The first group of students has already been selected and some existing equipment has been set aside for training purposes. In addition to the technical assistance for the Morogoro Training Center, the project will provide 15 experts to help alleviate the acute staffing shortage in Comworks. Six of the experts will assist at headquarters and advise staff in managerial positions on project implementation while the remaining nine will be involved in

field activities such as supervision of road maintenance crews and management of workshops. The employment of these 21 experts is essential to the success of the maintenance program and the Government has agreed on a timetable for the recruitment of these experts. The Government has also agreed to assign Tanzanian counterparts for some of the members of the technical assistance team so as to ensure that the gains made under the first stage of the maintenance program continue beyond the project period (Section 3.02 and 4.02(d) of the Development Credit Agreement).

Project Costs

33. The total capital cost of the project is estimated at US\$12.5 million with a foreign exchange component of US\$10.2 million (82 percent). The proposed IDA credit of US\$10.2 million will finance the total foreign exchange cost of the project. In addition to financing the remaining capital costs of the project, estimated to be about US\$2.3 million, the Government will finance all recurrent expenditures needed to carry out the maintenance program, expected to amount to US\$7.6 million over the four-year project period. The breakdown of project cost is given in Annex III.

Procurement and Disbursement

34. Equipment and materials will be procured on the basis of international competitive bidding in accordance with Bank/IDA guidelines through separate contracts for each type or group of similar types of equipment. The contracts will provide for delivery of 20 percent of the equipment in 1975/76, and 80 percent in 1976/77. The suppliers of equipment will be required to provide an adequate servicing organization in Tanzania and to maintain a reasonable inventory of spare parts. Local manufacturers would be allowed a preferential margin of 15 percent or the existing rate of import duties, whichever is lower, over the c.i.f. price of competing imports. In order to avoid unnecessary delays, materials, miscellaneous items and equipment in the amount of less than \$50,000 would be purchased in accordance with the Government's normal procurement procedure. Construction of workshops, offices and road camps estimated to cost about US\$1.34 million are unlikely to attract international interest because of their scattered location and staggered implementation. They will be built by local contractors after competitive bidding, or if the Association should so agree, by force account (Section 3.03 of the Development Credit Agreement). A schedule of estimated disbursements is included in Annex III.

Economic Evaluation

35. The objective of the proposed project is to ensure that economic growth is not hindered by deterioration of the road network. Proper maintenance of roads is essential in Tanzania where upgrading is often not justified because of low traffic levels and yet roads provide the only link for much of the widely scattered population. While the present project is directed specifically to primary roads rather than to improving access to rural areas, it will increasingly free existing resources for maintenance of the less trafficked secondary routes while also improving long-distance communications for small towns and laying the foundation for improved maintenance operations from which all roads in the country will benefit. In the analysis, only direct and quantifiable benefits have been considered; the initial rehabilitation works, where applicable, produce a reduction in vehicle operating costs which will remain at approximately the same level with subsequent proper maintenance. Compared to the situation without the project, these savings will increase with time and, when applied to projected traffic volumes, provide the total benefits considered in the evaluation. Over its economic life, the project is sound, yielding an economic return of 22 percent.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

36. The draft Development Credit Agreement between the United Republic of Tanzania and the Association, the Report of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement, and the text of a resolution approving the proposed credit are being distributed to the Executive Directors separately.

37. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

38. I recommend that the Executive Directors approve the proposed credit.

Robert S. McNamara
President

Attachments

Washington, D.C.
July 23, 1974

COUNTRY DATA - TANZANIA

AREA
945,087 km²POPULATION
13.6 million (mid-1971)DENSITY
14 Per km²
147 Per km² of arable land

SOCIAL INDICATORS

	Tanzania		Reference Countries		
	1960	1970	Kenya 1970	Nigeria 1970	U.K. 1970
<u>GNP PER CAPITA US\$ (ATLAS BASIS) /1</u>	..	100	150	120	2,270
DEMOGRAPHIC					
Crude birth rate (per thousand)	46 /a,b	47	48	50	16
Crude death rate (per thousand)	25 /a,b	21	10	24	11
Infant mortality rate (per thousand live births)	225	160-165/c	..	150-175	19 /d
Life expectancy at birth (years)	38 /a	43	49	37	72
Gross reproduction rate /2	..	3.2	3.3	3.3	1.3
Population growth rate /3	2.2	2.7	3.3	2.5	0.6
Population growth rate - urban	..	7	6 /e,f	5	0.5
Age structure (percent)					
0-14	42 /a,d	44	47	45	24
15-64	56 /a,c	53	51	53	63
65 and over	2 /a,b	3	2	2	13
Dependency ratio /4	0.87 /a	1.1 /g	1.2 /h	1.2	0.8
Urban population as percent of total	4	6 /c	9 /d,f	23	78
Family planning: No. of acceptors cumulative (thous.)	..	..	..	..	..
No. of users (% of married women)	..	..	2.2	..	..
EMPLOYMENT					
Total labor force (thousands)	..	5,780	5,060 /d,h	24,050	25,240
Percentage employed in agriculture	..	91	90 /d	70	3
Percentage unemployed	..	..	..	..	3.6
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	..	..	..	..	..
Percent of national income received by highest 20%	..	..	..	..	..
Percent of national income received by lowest 20%	..	..	..	..	..
Percent of national income received by lowest 40%	..	..	..	..	..
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	..	..	..	..	..
% owned by smallest 10% of owners	..	..	..	..	..
HEALTH AND NUTRITION					
Population per physician	20,000 /o	21,570 /b	12,350 /d	24,030 /i	860 /c
Population per nursing person	..	2,980 /b,d	3,050 /d	2,530 /i	290
Population per hospital bed	530 /o	780 /b	730 /d	1,870 /i	105 /d
Per capita calorie supply as % of requirements /5	65 /k	69	90	90	120
Per capita protein supply, total (grams per day) /6	42 /k	43	68	59	88
Of which, animal and pulse	22 /k	23	29	14	58
Death rate 1-4 years /7	..	..	..	..	0.9
EDUCATION					
Adjusted /8 primary school enrollment ratio	25	37	00 /i	34	98 /d
Adjusted /8 secondary school enrollment ratio	2	2	8 /i	4	58 /d
Years of schooling provided, first and second level	13	13	13	14	13
Vocational enrollment as % of sec. school enrollment	22	6	2	10 /i	5 /c
Adult literacy rate %	..	..	30 /i	..	97 /d
HOUSING					
Average No. of persons per room (urban)	1.3 /o	..	..	..	0.6 /n
Percent of occupied units without piped water	..	20 /m	..	..	..
Access to electricity (as % of total population)	..	3	..	8	..
Percent of rural population connected to electricity	..	..	..	..	..
CONSUMPTION					
Radio receivers per 1000 population	2	11	48 /d	23	324 /d
Passenger cars per 1000 population	..	2 /b,d	9	1.2	215
Electric power consumption (kwh p.c.)	14 /b	29 /b	45	19 /d	4,291 /d
Newspaper consumption p.c. kg per year	0.037 /b	0.1	0.4	0.1	28

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970. Only significantly different periods or years are footnoted separately.

/1 The Per Capita GNP estimates for years other than 1960 is at market prices, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman or reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking

account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as 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 somewhat 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.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1956; /b Tanganyika only; /c 1961; /d 1969; /e 1962-69; /f Over 2,000 population; /g Ratio of population under 15 and 65 and over to total labor force; /h Labor force in age bracket 15-59; /i Ratio of population under 15 and 65 and over age brackets to those in 15-64 age bracket; /j 1968; /k 1961-63; /l Data cover only 9 out of 12 states; /m Urban only; /n 1966 urban and rural; /o 1958, Zanzibar only; /p Excluding forests and pastures.

ECONOMIC DEVELOPMENT DATA
(Amounts in millions of U.S. dollars)

	Actual			Projected			1964-	1965 -	1967 -	1973 -	1970	1971	1972	
	1970	1971	1972	1974	1975	1976	1969	1970	1972	1976				
NATIONAL ACCOUNTS														
	<u>3-Year Average at 1967-1969 Prices & Exchange Rates</u>						<u>Average Annual Growth Rates</u>				<u>As Percent of GDY</u>			
Gross Domestic Product	1214.1	1275.4	1342.7	1494.7	1552.0	1632.1	6.1	6.8	4.9	4.5	100	101	101	
Gains from Terms of Trade (+)	-0.2	-10.8	-15.4	-17.3	-25.1	-33.0								
Gross Domestic Income	1213.9	1264.6	1327.3	1477.4	1536.9	1599.1	5.0	6.6	4.5	4.1	100	100	100	
Import (incl. NFS)	366.6	395.1	389.3	358.1	362.1	371.6	6.7	11.0	6.8	2.6	30.2	31.2	29.3	
Exports " (import capacity)	303.5	310.6	311.6	323.3	334.2	347.5	2.1	6.2	2.6	3.8	25.0	24.6	23.5	
Resource Gap	63.1	84.5	77.7	34.8	27.9	24.1					-5.2	-6.7	-5.9	
Consumption Expenditures	1022.8	1061.6	1098.9	1188.8	1217.7	1292.3	5.8	6.6	4.8	4.1	84.3	84.0	82.8	
Investment " (incl. stocks)	254.2	287.6	306.1	323.3	337.0	331.0	9.1	14.0	8.4	2.5	20.9	22.7	23.1	
Domestic Savings	191.1	203.1	228.4	288.5	299.2	306.8	1.4	6.5	2.7	3.9	15.7	16.1	17.2	
National Savings	198.0	206.8	228.0	286.6	288.3	305.9	3.1	9.0	3.4	4.0	16.3	16.4	17.2	
MERCHANDISE TRADE														
	<u>Annual Data at Current Prices</u>						<u>Average Annual Growth Rates</u>				<u>As Percent of Total</u>			
							<u>1966-72</u>		<u>1973-76</u>					
Imports														
Capital goods	94.2	117.0	97.3	87.6	97.1	107.2					29.6	30.7	24.9	
Intermediate goods (excl. fuels)	101.7	132.1	136.0	173.7	192.4	212.5	13.5		11.5		31.9	34.6	34.3	
Fuels and related materials	27.0	35.8	39.8	79.4	87.9	96.4	16.3		17.0		8.5	9.4	10.2	
of which: Petroleum	(27.0)	(35.8)	(39.8)	(79.4)	(87.9)	(96.4)	(16.3)		(17.0)		(8.5)	(9.4)	(10.2)	
Consumption goods	95.5	96.6	117.3	238.6	183.0	194.1					30.0	25.3	30.1	
Total Merch. Imports (cif)	318.4	381.5	390.3	579.3	565.4	610.2	8.7		7.8		100.0	100.0	100.0	
Exports														
Primary products (excl. fuels)	183.1	183.1	196.5	326.7	327.1	337.9	0.6		7.6		77.4	75.4	70.2	
Manufactured goods (incl. petroleum products)	53.4	59.8	42.7	28.0	30.6	33.4	14.5				22.6	24.6	14.5	
All other goods			40.7	53.2	51.6	66.5							15.3	
Total Merch. Exports (fob)	236.5	242.9	280.0	407.9	417.3	437.8	3.7		7.4		100.0	100.0	100.0	
Tourism and Border Trade	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.								
Merchandise Trade Indices														
	<u>Average 1967-69 = 100</u>													
Export Price Index	100.6	102.0	112.6	174.2	170.1	171.0								
Import Price Index	99.0	103.5	129.9	187.8	139.2	196.5								
Terms of Trade Index	101.6	98.5	86.7	92.7	89.9	87.0								
Exports Volume Index	126.0	127.0	132.0	135.3	143.0	149.8								
VALUE ADDED BY SECTOR														
	<u>Annual Data at 1966 Prices and Exchange Rates</u>						<u>Average Annual Growth Rates</u>				<u>As Percent of Total</u>			
							<u>1964-69</u>		<u>1965-70</u>		<u>1966-71</u>		<u>1967-72</u>	
Agriculture	446.5	442.7	471.2				3.3	4.4	1.4	2.6	40.0	38.1	38.5	
Industry and Mining	179.2	198.0	202.7				9.3	8.3	7.2	5.0	16.0	17.0	16.5	
Service	491.1	522.0	551.3				7.1	7.6	7.0	6.1	44.0	44.9	45.0	
Total	1115.8	1162.7	1225.3				5.7	6.3	4.7	4.5	100.0	100.0	100.0	
PUBLIC FINANCE														
	<u>Annual Data at Current Prices</u>						<u>1967-72</u>				<u>As Percent of GDP</u>			
(Central Government)														
Current Receipts	235.6	260.3	305.3						14.0		19.2	20.6	23.0	
Current Expenditures	228.4	249.3	306.6						15.4		13.6	19.7	23.0	
Rudetary Savings	7.2	11.0	-0.3						-		0.6	0.9	-	
Other Public Sector	39.0	57.0	75.0						25.0		3.2	4.5	5.6	
Public Sector Investment	163.0	233.0	233.0						21.0		13.3	18.4	17.5	

	Actual	
	1971	1972
CURRENT EXPENDITURE DETAILS		
As % Total Current Expend.		
Education)	21.1	17.5
Other Social Services)		
Agriculture)	31.5	27.3
Other Economic Services)		
Administration and Defense	30.5	32.0
Other	16.9	23.2
Total Current Expenditures	100.0	100.0

	1965-	1970-	1973-
	1970	1975	1976
SELECTED INDICATORS			
(Calculated from 3-year averaged data)			
Average ICOR	3.3	4.3	4.3
Import Elasticity	1.1	1.4	0.6
Marginal Domestic Savings Rate	0.2	0.3	0.2
Marginal National Savings Rate	0.0	0.25	0.25

	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/Average	5.8	100	229	100

.. not applicable - nil or negligible
 .. not available -- less than half the smallest unit shown
 // Includes all re-exports, unclassified domestic export and adjustments for time, value, and coverage.

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

	Actual				Estimated 1973	Projected						Avg. Annual Growth Rate 1969-1974
	1969	1970	1971	1972		1974	1975	1976	1977	1978	1979	
SUMMARY BALANCE OF PAYMENTS												
Exports (incl. NPS)	276.8	308.8	333.1	387.1	500.2	603.9	630.6	683.1	757.1	851.6	965.2	13.6
Imports (incl. NPS)	288.4	373.1	449.8	485.4	570.8	677.0	670.3	729.0	815.7	915.1	1029.7	13.8
Resource Balance (X-M)	-11.6	-64.3	-116.7	-98.3	-70.6	-73.1	-39.7	-45.9	-58.6	-63.5	-64.5	
Interest (net)	-2.9	-3.5	-3.0	-3.4	-2.0	-3.3	-6.0	-9.4	-11.9	-11.0	-16.1	-19.9
Direct Investment Income	0.0	0.0	0.0	0.0	0.0	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5	
Workers' Remittance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Current Transfers (net)	8.6	12.4	9.3	-1.7	-2.0	2.0	5.0	10.0	10.0	10.0	10.0	1.5
Balance on Current Accounts	-3.9	-55.4	-110.4	-103.4	-76.1	-75.9	-11.3	-46.8	-61.0	-69.1	-73.4	
Private Direct Investment	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	
Official Capital Grants	10.0	12.0	14.0	16.0	18.0	20.0	21.5	23.1	24.8	26.7	28.7	11.0
Public M< Loans												
Disbursements (incl. grants)	44.0	49.1	49.8	76.3	140.9	89.9	112.4	134.8	150.5	153.3	167.9	15.0
Repayments	-9.9	-9.7	-11.9	-29.0	-17.1	-14.9	-17.2	-17.3	-18.8	-20.8	-24.2	9.4
Net Disbursements (incl. grants)	34.1	39.4	37.9	47.3	123.8	75.0	95.2	117.5	131.7	132.5	143.7	15.5
Other M< Loans												
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capital Transactions n.e.i.	-21.0	-52.0	-15.0	-33.3	n.a.							
Change in Net Reserves	2.8	-15.3	-4.7	59.3	25.0							
DEBT AND DEBT SERVICE ^{/1}												
Public Debt Out. & Disbursed						177.9	224.6	265.7	315.7	315.7	413.2	Estimated 1973
Interest on Public Debt						5.1	6.2	6.6	7.0	7.0	8.3	
Repayments on Public Debt						9.9	9.7	11.9	29.0	29.0	17.8	
Total Public Debt Service						16.0	15.9	18.5	36.0	36.0	26.1	
Other Debt Service (net)						-	-	-	-	-	-	
Total Debt Service (net)						-	-	-	-	-	-	
Burden on Export Earnings (%)												
Public Debt Service						5.8	5.2	5.6	9.3	9.3	5.2	
Total Debt Service						5.8	5.2	5.6	9.3	9.3	5.2	
TDS*Direct Invest. Inc.						5.1	4.8	5.1	7.9	7.9	3.7	
Average Terms of Public Debt												
Int. as % Prior Year DO&D						4.2	3.5	2.3	2.6	2.6	2.5	
Amort. as % Prior Year DO&D						6.8	5.5	5.3	10.9	10.9	5.6	
IBRD Debt Out. & Disbursed												
" as % Public Debt O&D						1.4	1.7	4.1	7.6	7.6	7.4	
" as % Public Debt Service ^{/2}						0.0	0.6	1.6	2.2	2.2	10.0	
IDA Debt Out. & Disbursed												
" as % Public Debt O&D						14.2	15.4	15.1	15.6	15.6	13.7	
" as % Public Debt Service ^{/2}						0.6	0.6	1.1	1.1	1.1	1.9	
EXTERNAL DEBT												
		Actual Debt Outstanding on Dec. 31, 1972										
		Disbursed Only	Percent									
World Bank		24.0	7.6									
IDA		49.1	15.6									
Other Multilateral		2.5	0.8									
Governments		185.5	58.7									
Suppliers		0.3	0.1									
Financial Institutions		22.8	7.2									
Bonds		10.1	3.2									
Public Debts n.e.i.		-21.4	6.8									
Total Public M< Debt		375.7	100.0									
Other M< Debts												
Short-term Debt (disb. only)												

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

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

^{/1} Not including Tanzania's share in EAC (debt).
^{/2} IBRD/IDA debt service as percentage of total public debt service.

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA
June 30, 1974

No.	Year	Borrower	Purpose	(US\$ million)		
				Amount less cancellations Bank	IDA	Undisbursed
One loan and six credits fully disbursed				5.2	43.0	
586-TA	1969	Tanzania	Roads	7.0		2.6
149-TA	1969	Tanzania	Education		5.0	1.8
217-TA	1970	Tanzania	Tobacco		9.0	7.7
715-TA	1970	TANESCO	Power	30.0		1.8
715-2TA	1974	TANESCO	Power	5.0		5.0
232-TA	1971	Tanzania	Education		3.3	3.1
265-TA	1972	Tanzania	Roads		6.5	6.3
287-TA	1972	Tanzania	Smallholder Tea		10.8	8.8
371-TA	1973	Tanzania	Education		10.3	10.3
382-TA	1973	Tanzania	Livestock		18.5	18.5
454-TA	1974	Tanzania	Cotton		17.5	17.5
460-TA	1974	Tanzania	Tanzania Investment Bank		6.0	6.0
Total				47.2	129.9 ^{1/}	89.4
of which has been repaid				0.6	0.1	
Total now outstanding				46.6	129.8	
Amount sold:						
of which has been repaid						
Total now held by Bank and IDA				46.6	129.8	
Total undisbursed				9.4	80.0	89.4

^{1/} Net of exchange adjustments.

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED
BY KENYA, TANZANIA AND UGANDA AS AT JUNE 30, 1974

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	(US\$ million)	
				<u>Amount less cancellations</u> <u>Bank</u>	<u>Undisbursed</u>
Three loans fully disbursed				75.0	
638-EA	1969	EAHC	Harbors	35.0	9.4
674-EA	1970	EARC	Railways	42.4	20.0
675-EA	1970	EAPTC	Telecommunications	10.4	0.6
843-EA	1972	EADB	Development Finance	8.0	8.0
865-EA	1972	EAHC	Harbors	26.5	22.2
914-EA	1973	EAPTC	Telecommunications	32.5	27.3
Total				229.8	87.5
of which has been repaid				25.7	
Total new outstanding				204.1	
Amount sold:				24.4	
of which has been repaid				23.4	1.0
Total now held by Bank				203.1	
Total undisbursed				87.5	=====

C. PROJECTS IN EXECUTION^{1/}
(As of June 30, 1974)

There are currently 11 projects under execution.

AGRICULTURAL SECTOR

Credit No. 217 TA - Tobacco Project: \$9.0 Million Credit of October 9, 1970; Closing Date - September 30, 1976

Although this Project continues to experience difficulties, its prospects appear to be improving. Farmer recruitment has improved now that more farmers can cultivate tobacco on an individual as well as a collective basis; however, there is still a shortfall of the revised planting targets. The village water supply situation which has caused severe recruitment problems in the past has greatly improved. The financial management of the Project remains weak and arrangements are being made to recruit a suitably qualified and experienced financial controller for the Tobacco Authority.

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

This Project has experienced a number of delays. Although problems relating to farmer recruitment have eased as the Government's collectivization policy has become more flexible, the Project has experienced a number of implementation difficulties reflecting shortcomings in Project management. The Government and the Tea Authority are now considering ways of strengthening management to assist the Authority in solving those difficulties.

^{1/} These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the 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. 382 TA - Second Livestock Development Project: \$18.5 Million
Credit of May 23, 1973; Closing Date - December 31, 1979

The Credit was declared effective on September 28, 1973. The Government is recruiting the necessary staff to implement this Project. Plans for the first phase of procurement have been finalized.

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

This credit was declared effective on April 5, 1974. The Government and Cotton Authority are proceeding with recruitment.

POWER SECTOR

Loan No. 715 TA - Kidatu Hydroelectric Project: \$30.0 Million Loan
of December 14, 1970; Closing Date - June 30, 1976

This Project has encountered major cost overruns. The latest cost estimates exceed the original (US \$59.0 million) by about one-half. The two main factors responsible for the overruns were (i) the unexpectedly high cost escalations inside and outside Tanzania since appraisal in April 1970 and (ii) the unexpected bad rock conditions encountered during escalation of the underground facilities which make up the major part of the main civil engineering works. CIDA of Canada has provided Can\$13.0 million to cover a large portion of the overruns. A supplementary loan of \$5 million was approved by the Executive Directors on June 6, 1974 and Sweden has approved a grant of SKr 20 million (\$4.5) to cover the remaining foreign cost overruns.

INDUSTRIAL SECTOR

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

This Credit was declared effective on April 18, 1974.

TRANSPORTATION SECTOR

Loan No. 586-TA - Second Highway Project: \$7.0 Million Loan of
February 24, 1969; Original Closing Date - December 31, 1972;
Revised Closing Date - September 30, 1974

Construction works were satisfactorily completed late in 1972. Until recently, and after protracted negotiations with the contractors, the Government agreed to pay them US\$1.2 million in respect of their US\$1.8 million claims for extra work in addition to the US\$0.1 million it paid previously, and is prepared to submit the remaining claim for arbitration. The latest revised closing date of the Loan is September 30, 1974 by which date the Government will be able to withdraw from the loan account the amount paid to the contractors. At the request of the Government the undisbursed amount, about US\$0.5 million, in the Loan account will be cancelled once the withdrawal has been made.

Credit No. 265-TA - Third Highway Project: \$6.5 Million Credit of
August 6, 1971; Closing Date - December 31, 1974

After long delays by Government in completing tender arrangements, an award of contract for the improvement of the Mtwara-Masasi Road has been made. However, owing to the increase in world prices for civil works since the appraisal in 1970, the bid price for improving this Road is now more than double the appraisal estimate. Work by two betterment units on the improvement of about 475 km of agricultural feeder roads in the Geita district and Mara region has commenced. Consultants for the preinvestment studies to be funded under the Project have been selected and contracts are being negotiated.

EDUCATION SECTOR

Credit No. 149-TA - Second Education Project: \$5.0 Million Credit
of May 29, 1969; Closing Date - December 31, 1975

Progress has improved recently. All civil works contracts have now been awarded and although it is not expected that lost time can be made up, all elements of the project should be completed in good order within a 24 month extension of the Closing Date.

Credit No. 232-TA - Third Education Project: \$3.3 Million Credit
of February 5, 1971; Closing Date - June 30, 1975

Bids for the construction of all 13 project institutions were received in May 1973 resulting in the contract award for four institutions but due to high quotations and poor response, the remaining nine were retendered. Although the new tenders were still higher than anticipated, all civil works contracts have now been awarded. Although the lost time cannot be made up, project progress has now improved.

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

The Credit was declared effective July 2, 1973. The Project Coordinator has been appointed and after some delays, technical assistance specialists to assist in Project implementation, provided by the Danish International Development Agency, have been appointed.

TANZANIA - HIGHWAY MAINTENANCE PROJECT

Credit and Project Summary

Borrower: United Republic of Tanzania

Amount: US\$10.2 million equivalent

Terms: Standard IDA terms

Project

Description: The project comprises the first stage of the Borrower's primary road maintenance program and also includes a study of the road transport industry. The two areas with the highest priority of the four into which the country has been divided were selected for inclusion in this stage of the program. Over a four year period 3,300 km of primary roads in these two areas will be rehabilitated and maintained.

Capital Cost
of Project:

	<u>US\$ Million</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
1. Road maintenance, equipment, vehicles and spare parts	0.18	3.59	3.77
2. Workshop equipment and tools	0.03	0.67	0.70
3. Workshops, offices and road camps	0.76	0.14	0.90
4. Materials	0.41	0.95	1.36
5. Training aids	0.05	0.19	0.24
6. Technical assistance	0.11	2.30	2.41
7. Contingencies	<u>0.71</u>	<u>2.36</u>	<u>3.07</u>
	2.25	10.20	12.45
	====	=====	=====

Financing Plan: The financing plan is expected to be as follows:

<u>Component</u>	<u>IDA</u>		<u>Government</u>		<u>Total</u>
	<u>US\$M</u>	<u>%</u>	<u>US\$M</u>	<u>%</u>	<u>US\$M</u>
Road maintenance and workshop equipment including vehicles, spares and tools	4.26	95	0.21	5	4.47
Workshops, office and road camps	0.14	15	0.76	85	0.90
Materials	0.95	70	0.41	30	1.36
Technical assistance and training aids	2.49	94	0.16	6	2.65
Contingencies	<u>2.36</u>	<u>77</u>	<u>0.71</u>	<u>23</u>	<u>3.07</u>
Total	<u>10.20</u> =====	<u>80</u> ==	<u>2.25</u> =====	<u>20</u> ==	<u>12.45</u> =====

Estimated Disbursements:

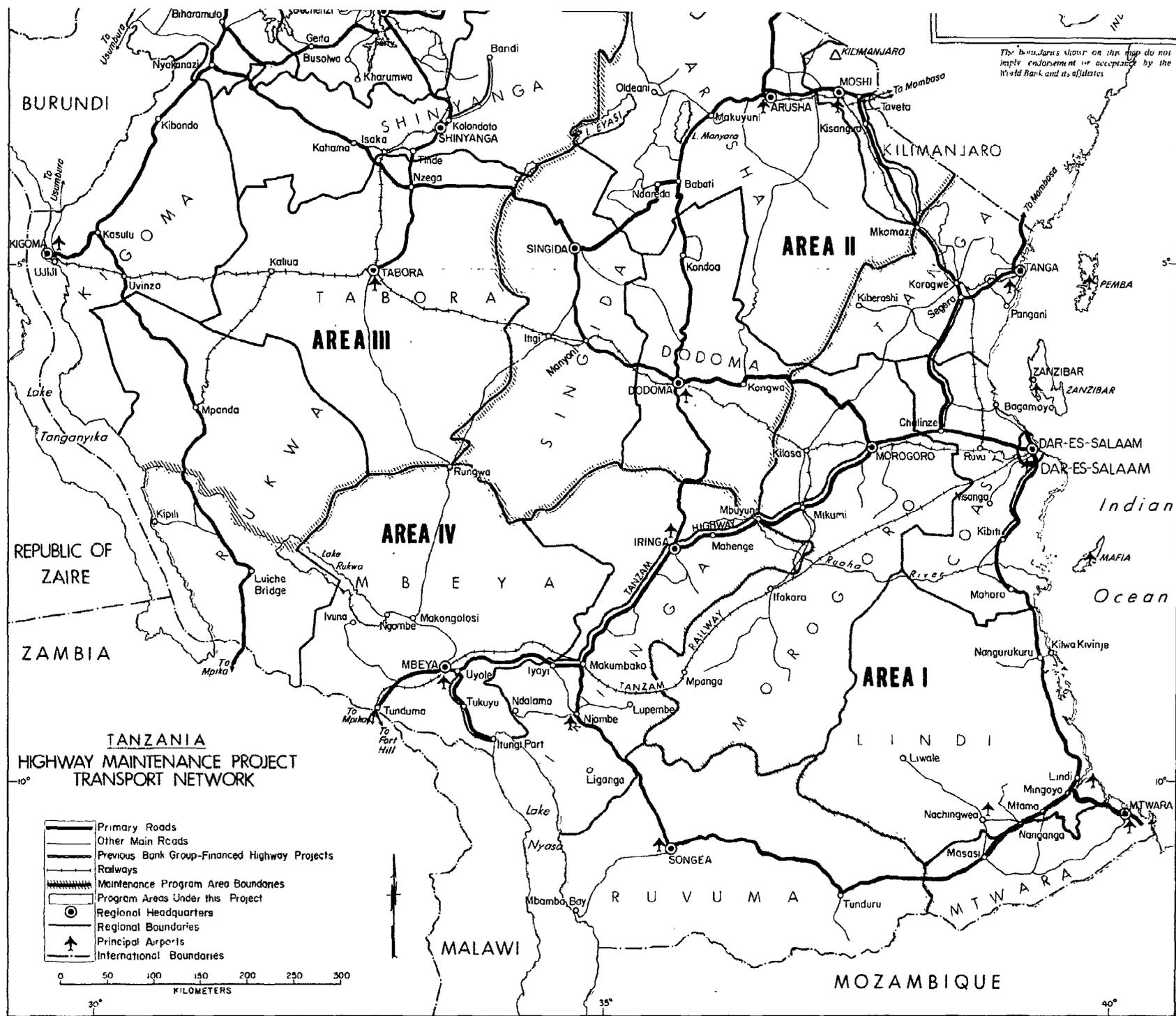
<u>Fiscal Year</u> (US\$ Million)				
<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
0.5	1.7	4.3	3.2	0.5

Procurement Arrangements: v International competitive bidding for equipment and materials where contracts exceed US\$50,000; local manufacturers would be allowed a preferential margin of 15 percent or the existing rate of import duties, whichever is the lower, over the c.i.f. price of imports. Civil works estimated to cost about \$1.34 million because of scattered location and staggered implementation will be built by local contractors or force account.

Rate of Return: 22 percent

Appraisal Report: Report No. 4570-TA, dated July 19, 1974

Map: Map of the proposed project area is attached.



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.