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PROJECT PERFORMANCE AUDIT REPORT

TANZANIA

GEITA COTTON PROJECT (CREDIT 454-TA)

NATIONAL MAIZE PROJECT (CREDIT 606-TA)

TABORA RURAL DEVELOPMENT PROJECT (CREDIT 703-TA)

TOBACCO PROCESSING PROJECT (CREDIT 658-TA)

TOBACCO HANDLING PROJECT (CREDIT 802-TA)

CASHEWNUT DEVELOPMENT PROJECT (LOAN 1014-TA)

VOLUME I

June 29, 1984

Operations Evaluation Department

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ABBREVIATIONS

ADS	-	Agricultural Development Staff
BADEA	-	Arab Bank for Economic Development in Africa
BRALUP	-	Bureau of Research, Agriculture and Land Use Planning
CAN	-	Calcium Ammonium Nitrate
CAO	-	Chief Agricultural Officer
CATA	-	Cashew Authority of Tanzania
CIMMYT	-	International Maize and Wheat Improvement Center, Mexico
CNSL	-	Cashewnut Shell Liquid
DADO	-	District Agricultural Development Officer
DAP	-	Di Ammonium Phosphate
DCA	-	Development Credit Agreement
DDD	-	District Development Director
DMPS	-	District Maize Project Supervisor
EAPSA	-	Eastern Africa Projects, Southern Agriculture Division
FAO	-	Food and Agricultural Organization
GOT	-	Government of Tanzania
IBRD	-	International Bank for Reconstruction and Development
ICB	-	International Competitive Bidding
IDA	-	International Development Association
IERR	-	Economic Rate of Return
IITA	-	International Institute of Tropical Agriculture, Nigeria
LCB	-	Local Competitive Bidding
MDB	-	Marketing Development Bureau
MOA/		
KILIMO	-	Ministry of Agriculture
MPIA	-	Maize Production Inputs Account
NADP	-	National Agricultural Development Program
NAPB	-	National Agriculture Products Board
NMC	-	National Milling Corporation
NMP	-	National Maize Project
OED	-	Operations Evaluation Department
PCR	-	Project Completion Report
PPMB	-	Project Preparation and Monitoring Bureau
PSU	-	Project Servicing Unit
RADO	-	Regional Agricultural Development Officer
RDD	-	Regional Development Director
RIDEP	-	Rural Integrated Development Project
RMPC	-	Regional Maize Project Coordinator
RMEA	-	Regional Mission in Eastern Africa
SOA	-	Sulphate of Ammonia
TANU	-	Tanganyika African National Union
TAT	-	Tobacco Authority of Tanzania
TCA	-	Tanzania Cotton Authority
TFC	-	Tanzania Fertilizer Company
TIB	-	Tanzania Investment Bank
TRDB	-	Tanzania Rural Development Bank
TSP	-	Triple Super Phosphate
TTPC	-	Tanzania Tobacco Processing Company, Ltd.
ULV	-	Ultra Low Volume
UNDP	-	United Nations Development Program
USAID	-	United States Agency for International Development
VEW	-	Village Extension Workers

PROJECT PERFORMANCE AUDIT REPORT

(GEITA COTTON PROJECT (CREDIT 454-TA)
 (NATIONAL MAIZE PROJECT (CREDIT 606-TA)
 TANZANIA: (TABORA RURAL DEVELOPMENT PROJECT (CREDIT 703-TA)
 (TOBACCO PROCESSING PROJECT (CREDIT 658-TA)
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* See Volume II for PCRs *

PROJECT PERFORMANCE AUDIT REPORT

TANZANIA: (GEITA COTTON PROJECT (CREDIT 454-TA)
(NATIONAL MAIZE PROJECT (CREDIT 606-TA)
(TABORA RURAL DEVELOPMENT PROJECT (CREDIT 703-TA)
(TOBACCO PROCESSING PROJECT (CREDIT 658-TA)
(TOBACCO HANDLING PROJECT (CREDIT 802-TA)
(CASHEWNUT DEVELOPMENT PROJECT (LOAN 1014-TA)

PREFACE

This is a performance audit report of six agricultural projects in Tanzania. The projects were to support a wide range of agricultural activities and geographic/agroeconomic zones; they are representative of the Bank's overall lending program for the agricultural sector in Tanzania. Details of the loan/credit amounts, approval and closing dates, cancellations and final disbursements of these six projects appear on the basic data sheets which follow.

Since Tanzania assumed special significance for the Bank in the 1970s - the period when these projects were appraised and implemented - with its strong government commitment towards alleviating poverty and the provision of basic needs, and, in view of the fact that all of these six projects have failed to reach their objectives, a combined audit was undertaken in the hope that common issues of operational significance could be distilled from project experience. This audit report, therefore, comprises two volumes: the first is the performance audit memoranda consisting of an overview, which focuses upon the issues of operational significance, followed by analysis of individual project experience. A second volume contains the individual Project Completion Reports (PCRs), five of which have been prepared by the Eastern Africa Regional Office, while that for the Tabora Rural Development project was prepared by the Borrower, with a brief overview provided by the Eastern Africa Regional Office.

The audit is based upon a review of the six appraisal reports, the President's reports as well as the relevant credit and loan agreements. Review of Bank files for all projects has been undertaken and staff associated with the six projects have been interviewed. An OED mission visited Tanzania in January 1984. The mission held discussions with officials of the Government of Tanzania, CCM, project authorities and the parastatals involved. Field trips to interview farmers in each of the project areas were also undertaken.

A copy of the draft report was sent to the Borrower on April 19, 1984 for comments. Comments received from the Borrower and TRDB are reproduced in the report, while those received from a co-financier, CIDA, have also been incorporated.

OED would like to thank the Government of Tanzania and individuals interviewed for all the assistance given to the mission in the preparation of its report.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

TANZANIA GEITA COTTON PROJECT
(CREDIT 454-TA)

KEY PROJECT DATA

<u>ITEM</u>	<u>Appraisal Estimate</u>	<u>Actual or Estimated Actual</u>	<u>Actual as % of Appraisal Estimate</u>
Project Costs (US\$ million)	23.8	28.6	120
Credit Amount (US\$ million)	17.5	17.2	99
Disbursed	17.5	17.2	99
Cancelled		0.3	
Date Board Approval	-	01/08/74	
Date Effectiveness		04/05/74	
Date Physical Components Completed	06/30/81	12/31/82	
Closing Date	12/31/82	12/31/82	
Proportion then completed (%)	100%	95%	
Economic rate of return (%)	14%	negative	
Institutional Performance		poor	

CUMULATIVE DISBURSEMENTS

	<u>FY74</u>	<u>FY75</u>	<u>FY76</u>	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>
Appraisal estimate (US\$ million)	.8	2.8	4.9	8.0	11.9	14.6	16.4	17.5	--
Actual (US\$ million)	.2	1.9	2.9	4.4	7.5	9.8	12.3	15.3	17.2/a
Actual as % of appraisal (%)	16	68	60	55	63	67	75	87	99
Date of Final Disbursement:	07/06/83								

MISSION DATA

<u>ITEM</u>	<u>Month/Year</u>	<u>No. of Persons</u>	<u>Staff days in Field</u>	<u>Specialization /b</u>	<u>Performance Rating</u>		
					<u>Status /c</u>	<u>Trend /d</u>	<u>Types of Problems /e</u>
Identification							
Preparation	07/72	3	18				
Preappraisal	01/73	1	14				
Appraisal	02-03/74	6	210 /E				
Supervision I	05/74	2	10	E,A	3		T,O
Supervision II	10/74	1	2	E	3		M,T,O
Supervision III	04/75	2	12	E,A	3		F,M,T
Supervision IV	07/75	1	5	E	3	2	F,M,P
Supervision V	02/76	2	18	E,A	3	3	F,M,P
Supervision VI	08/76	1	6	E	3	1	F,M,P
Technical Review	03/77	8	95	E(1),A(5),G(2)			
Supervision VII	06/77	4	56	A(2),E(2)	3	3	F,M,P,T
Supervision VIII	02/78	2	14	E,A	2		
Supervision IX	07/78	3	15	A,AE,FA	2	1	T,F,M,P
Supervision X	01/79	1	7	A	2	1	T,P
Supervision XI	06/79	2	14	A,AE	2	1	O
Supervision XII	04/80	1	10	AE	2	2	F,O
Supervision XIII	12/80	1	9	AE	2	2	F,O,P
Supervision XIV	06/81	2	22	A,AE	2	2	F,O,P
Supervision XV	11/81	2	6	E,A	2	3	M,P
Completion	11/82	2	28	E,A	2	3	M,P

OTHER PROJECT DATA

Borrower: Government of Tanzania
 Executing Agency: Tanzania Cotton Authority (TCA)
 Fiscal Year of Borrower: July 1 - June 30

Name of Currency (abbreviation): Tanzanian Shilling (TSh)
 Currency Exchange Rates:
 Appraisal Year Average (1973-74): US\$1.00 = TSh 7.14
 Intervening Years Average (1974-82): US\$1.00 = TSh 8.0
 Completion Year Average (1982): US\$1.00 = TSh 9.45

- /a Informal extension of credit closing date granted to June 1983.
- /b A = Agriculturalist; AE = Agricultural Economist; FA = Financial Analyst; O = Other.
- /c 1 = Problem-Free or minor problems; 2 = moderate problems; and 3 = major problems.
- /d 1 = Improving; 2 = Stationary; 3 = deteriorating.
- /e F = Financial; P = Political; M = Managerial; T = Technical; and O = Other.
- /E Field activity only.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

TANZANIA NATIONAL MAIZE PROJECT
(CREDIT 606-TA)

KEY PROJECT DATA

ITEM	Appraisal Estimate	Actual or Estimated Actual	Actual as % of Appraisal Estimate
Project Costs (US\$ million)	38.1	32.8	86%
Credit Amount (US\$ million)	18.0	14.5	81%
Disbursed		3.5	
Cancelled			
Date Board Approval	01/76	12/23/75	
Date Effectiveness	05/76	05/28/76	
Date Physical Components Completed	12/80	12/31/82	-
Closing Date	06/80	03/31/83	
Proportion then completed by above date	(see key indicators - Annexes)		-
Economic rate of return (%)	37	probably negative or marginally positive	-
Institutional Performance		poor	-
Agronomic Performance		poor	-
Number of project beneficiaries (families)	30,000	not available	-

CUMULATIVE DISBURSEMENTS

	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83
Appraisal estimate (US\$ million)	.6	4.2	8.7	13.8	18.0	18.0	-	-	-
Actual (US\$ million)	.5	2.7	4.3	6.2	8.5	10.6	12.0	14.3	14.4
Actual as % of appraisal (%)	75	65	48	45	47	58	66	79	81
Date of Final Disbursement:	08/31/83								

MISSION DATA

ITEM Mission	Month/ Year	No. of Persons	Staff days in Field	Specialization /c	Performance Rating			Types of Problems /f
					Status /d	Trend /e		
Identification	12/74	2	10	A,AE	-	-	-	
Identification	01/75	2	5	A,AE	-	-	-	
Preparation /a	02/75	4	17	A,AE,E,EN	-	-	-	
Preparation	03/75	2	13	FA,EN	-	-	-	
Preparation	04/75	1	14	FA	-	-	-	
Preparation	05/75	2	2	A, (2)	-	-	-	
Appraisal /a	06/75	4	14	A,AE,E (2)	-	-	-	
Supervision I	06/76	1	5	A	2	2	F,O	
Supervision II	11/76	2	9	AE,E	3	3	P,O,M	
Supervision III	05/77	1	16	AE	3	3	F,M,O	
Supervision IV /b	11/77	8	15	AE(2),A(4),E,FA	-	-	-	
Supervision V /b	02/78	1	12	A	-	-	-	
Supervision VI /b	04/78	1	11	A	-	-	-	
Supervision VII	10/78	1	14	A	3	1	F,M	
Supervision VIII/b	01/79	1	7	A	-	-	-	
Supervision IX	08/79	2	20	A(2)	2	1	M,T	
Supervision X	04/80	2	11	A(2)	2	2	M,T	
Supervision XI	11/80	1	10	A	3	3	P,M	
Supervision XII	08/81	2	24	A,AE	3	1	P,M	
Supervision XIII	01/82	3	16	A,AE,E	3	3	P,M	
Supervision XIV	12/82	2	10	A,FA	3	3	P,M,T,O	
Supervision XV	04/83	2	5	A,FA	-	-	-	

OTHER PROJECT DATA

Borrower Government of Tanzania
 Executing Agencies Ministry of Agriculture and Regional Authorities
 Fiscal Year of Borrower July 1 - June 30

Name of Currency (abbreviation) Tanzanian Shilling (TSh)

Currency Exchange Rates:

Appraisal Year Average (1974-75) US\$1.00 = TSh 8.05
 Intervening Years Average (1975-83) US\$1.00 = TSh 8.33
 Completion Year Average (1983) US\$1.00 = TSh 11.50

Follow-On Project: Potential IFAD project under identification.

/a Preparation and Appraisal were combined.

/b Mid-term review and follow-up missions - Back-to-Office Reports prepared.

/c A = Agriculturalist; AE = Agricultural Economist; E = Economist; FA = Financial Analyst; and EN = Engineer.

/d 1 = problem-free or minor problems; 2 = moderate problems; and 3 = major problems.

/e 1 = improving; 2 = stationary; 3 = deteriorating.

/f F = financial; P = political; M = managerial; T = technical; and O = other.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

**TANZANIA: TABORA RURAL DEVELOPMENT PROJECT
(CREDIT 703-TA)**

KEY PROJECT DATA

<u>ITEM</u>	<u>Appraisal Estimate</u>	<u>Actual or Estimated Actual</u>	<u>Actual as % of Appraisal Estimate</u>
Total Project Cost (US\$ million)	23.5	17.8	76
Credit Amount (US\$ million)	7.2	4.2	58
Disbursed	7.2	4.2	58
Cancelled	-	3.0	
Co-financing-CIDA (US\$ million equiv.)	4.8	2.7	56
Cancelled	-	2.1/a	
Parallel-financed - ODA (US\$ million equiv.)	5.6	6.4/b	114
Date Board Approval	-	04/26/77	
Date Effectiveness	09/77	11/11/77	
Completion Date	09/82	09/82	
Proportion (%) Completed by Above Date	100	50/c	
Closing Date	06/30/83	06/30/83	
Economic Rate of Return (%)	17	negative	
Institutional Performance		below expectations	
Number of project beneficiaries:	-	n.a.	

CUMULATIVE DISBURSEMENTS /d

	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82 /e</u>
Appraisal Estimate (US\$ million)	0.17	2.27	5.64	7.46	9.86	12.00
Actual (US\$ million)	1.12	2.17	2.86	3.40	4.19	5.11
Actual as % of appraisal (%)	659	96	51	46	42	43
Date Final Disbursement:	02/21/84					

MISSION DATA

<u>ITEM</u>	<u>Month/Year</u>	<u>No. of Persons</u>	<u>Staff Days in Field</u>	<u>Specialization /f</u>	<u>Performance Rating</u>		
					<u>Status /g</u>	<u>Trend /h</u>	<u>Type of Problems /i</u>
Identification	06/74	1	9				
	08/74	1	17				
Project Information Brief	09/74	-	-				
Preparation	10/74-06/75	7	151	A,B,C,E,F,J			
Appraisal - General	11/75	6	144 (approx.)	A,B,C,E,C,K			
- Water Component	02/76	1	10	D			
Post-Appraisal	03/76	4	64	D,E,F,L			
Supervision I	11/77	1	30	A	1	2	T
Supervision II	05/78	3	30	A,D,E	2	2	O,T
Supervision III/j	01/79	2	20	A,E	2	1	O,T
	04/79	1	3	D	-	-	-
Supervision IV/j /k	07/79	1	10	A	2	1	O,T
	10/79	1	2	F			
Supervision V/k	03/80	2	23	E,H	2	3	O,M,T
Supervision VI	06/80	1	15	A	3	2	O,M,T
Supervision VII/k	10/80	3	25	A,D,E	3	3	O,M,T
Supervision VIII/l	07/81	2	18	A,E	3	1	M,O
Supervision IX	01/82	2	11	A,F	2	1	F
Supervision X	10/82	3	36	A,B,E	3	2	F,M,P
Supervision XI	06/83	2	28	A,E	-	-	-

OTHER PROJECT DATA

Borrower	Government of Tanzania
Executing Agency	Tabora Regional Administration
Fiscal Year of Borrower	July 1 - June 30
Name of Currency (abbreviation)	Tanzanian Shilling (TSh)
Currency Exchange Rates:	
Appraisal Year Average (1975-76)	US\$1.00 = TSh 8.05
Intervening Years Average (1977-83)	US\$1.00 = TSh 8.2
Completion Year Average (1983)	US\$1.00 = TSh 11.5

- /a Equivalent of TSh 20.16 million, in 1982/83.
 /b In 1978/79 ODA increased its contribution with an amount T Sh 6.999 million.
 /c Impossible to give a more meaningful assessment, due to the large number of components, subcomponents and activities within each of these.
 /d IDA + CIDA funds. Schedule of disbursements are the best figures available.
 /e The exchange rate changed in February 1983 from the previous rate of 12 shillings to the dollar to 11 shillings.
 /f Specializations: A = Agriculturist; B = Livestock Specialist; C = Civil Engineer (roads); D = Civil Engineer (water); E = Economist (agricultural); F = Forester; G = Financial Analyst; H = Disbursement Officer; I = Training Officer; J = Rice Specialist; K = Loan Officer; L = Small Industries.
 /g 1 = Problem free; 2 = Moderate problems; 3 = Major Problems.
 /h 1 = Improving; 2 = Stationary; 3 = Deteriorating.
 /i F = Financial; M = Management; T = Technical; P = Political; O = Other.
 /j ODA accompanied supervision mission.
 /k CIDA accompanied supervision mission.
 /l Redesign proposals were reviewed and found unsatisfactory.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

**TANZANIA TOBACCO PROCESSING PROJECT
(CREDIT 658-TA)**

KEY PROJECT DATA

<u>ITEM</u>	<u>Appraisal Estimate</u>	<u>Actual or Estimated Actual</u>	<u>Actual as % of Appraisal Estimate</u>
Project Costs (US\$ million)	11.3	10.3	91%
Credit Amount (US\$ million)	8.0	7.5	94%
Disbursed			
Cancelled		.5	
Date Board Approval	08/76	09/07/76	
Date Effectiveness	10/76	02/15/77	
Date Physical Components Completed		1981	
Closing Date	03/81	12/31/81	
Proportion then completed (%)		100	
Economic rate of return (%)	25	negative	
Institutional Performance		unsatisfactory	

CUMULATIVE DISBURSEMENTS

	<u>FY76</u>	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>
Appraisal estimate (US\$ million)	1.3	6.8	7.8	7.9	8.0	8.0	8.0
Actual (US\$ million)	1.0	1.0	6.3	6.8	7.0	7.1	7.5
Actual as % of appraisal (%)	77	15	81	86	88	88	94
Date of Final Disbursement:	02/17/82						

MISSION DATA

<u>ITEM</u>	<u>Month/Year</u>	<u>No. of Persons</u>	<u>Staff days in Field</u>	<u>Specialization /a</u>	<u>Performance Rating</u>			<u>Types of Problems /d</u>
					<u>Status /b</u>	<u>Trend /c</u>		
Identification	07/75							
Preparation	10/75	3						
Appraisal	10-11/75	5		EC(2),AG,C,(2)				
Supervision I	02/77	2	11	EN,EC	1	2		M
Supervision II	11/77	3	10	EN(2),FA	2	1		M,F
Supervision III	03/78	2	7	EN,EC	2	1		M,F
Supervision IV	01/79	2	6	EC,EG	2	1		M,F,O
Supervision V	06/79	1	2	EC	n.a./e	n.a.		n.a.
Supervision VI	10/79	2	6	EC,FA	2	1		M,F,O
Supervision VII	04/80	2	7	EC,FA	2	2		M,F,O
Supervision VIII	12/80	2	9	FA,AG	2	2		M,F,O
Supervision IX	05/81	1	12	FA	2	2		M,F,O
Supervision X	02/82	2	12	AG(2)	3	3		M,F,O
Supervision XI	06/82	3	10	AG,EC,FA	3	3		M,F,O
Completion	05-06/83	1	0	AG	-	-		-

OTHER PROJECT DATA

Borrower: Government of Tanzania
 Executing Agency: Tobacco Authority of Tanzania (TAT)
 Fiscal Year of Borrower: July 1 - June 30

Name of Currency (abbreviation): Tanzanian Shilling (TSh)

Currency Exchange Rates:
 Appraisal Year Average (1975-76): US\$1.00 = Tsh 8.05
 Intervening Years Average (1977-80): US\$1.00 = Tsh 8.09
 Completion Year Average (1980): US\$1.00 = Tsh 8.18

Follow-On Project:
 Name: Tobacco Handling Project
 Credit Number: 802-TA
 Credit Amount (US\$ million): 14.0
 Credit Signing: 06/78

/a C = Consultant; EC = Economist; EN = Engineer; FA = Financial Analyst; and AG= Agriculturalist.
 /b 1 = problem free or minor problems; 2 = moderate problems; and 3 = major problems.
 /c 1 = Improving; 2 = Stationary; and 3 = deteriorating.
 /d M = Management; F = Finance; O = Tobacco Production decline.
 /e Only Back to Office report, rating status not available.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET

**TANZANIA TOBACCO HANDLING PROJECT
(CREDIT 802-TA)**

KEY PROJECT DATA

<u>ITEM</u>	<u>Appraisal Estimate</u>	<u>Actual or Estimated Actual</u>	<u>Actual as % of Appraisal Estimate</u>
Project Costs (US\$ million)	20.5	6.9	33%
Credit Amount (US\$ million)	14.0	6.1	44%
Disbursed		6.1	
Cancelled		7.9	
Date Board Approval		05/16/78	
Date Effectiveness	09/78	05/16/79	
Date Physical Components Completed		Not completed	
Closing Date	04/30/83	04/30/83	
Proportion then completed (%)	100	30	
Economic rate of return (%)	24	negative	

CUMULATIVE DISBURSEMENTS

	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>
Appraisal estimate (US\$ million)	0.2	4.8	8.8	12.2	12.2	14.0	
Actual (US\$ million)	-	0.2	2.1	3.3	3.3	4.4	6.1
Actual as % of appraisal (%)	-	8	15	23	23	31	
Date of Final Disbursement:	11/22/83						

MISSION DATA

<u>ITEM</u>	<u>Month/Year</u>	<u>No. of Persons</u>	<u>Staff days in Field</u>	<u>Specialization /b</u>	<u>Performance Rating</u>			<u>Types of Problems /e</u>
					<u>Status /c</u>	<u>Trend /d</u>		
<u>Mission</u>								
Identification /a	NA							
Preparation	09/77							
Appraisal								
Supervision I	01/79	2	5	EC(2)	2	2		M,O
Supervision II	10/79	2	16	EC,FA	2	2		M,F,O
Supervision III	04/80	2	17	EC,FA	2	2		M,F,O
Supervision IV	12/80	2	23	FA,AG	3	3		M,F
Supervision V	05/81	1	12	FA	3	3		M,F
Supervision VI	02/82	2	24	AG(2)	3	2		F,M,O
Supervision VII	06/82	3	24	EC,AG,FA	3	3		F,M,O
Supervision VIII	12/82	1	16	EC	3	3		-

OTHER PROJECT DATA

Borrower Government of Tanzania (GOT)
Executing Agencies Tobacco Authority of Tanzania (TAT), Tanzania Rural Development Bank (TRDB)
Fiscal Year of Borrower and Agencies GOT - July 1 to June 30
TAT - March 1 to February 28
TRDB - March 1 to February 28

Name of Currency (abbreviation) Tanzanian Shilling (TSh)
Currency Exchange Rates:
Appraisal Year Average (1975-76) US\$1.00 = TSh 8.3
Intervening Years Average (1977-82) US\$1.00 = TSh 8.3
Completion Year Average (1982) US\$1.00 = TSh 9.3

Follow-On Project: None

- /a Identification seems was a by-product of the appraisal of the National Agricultural Development Program (NADP).
/b AG = Agriculturalist; E = Economist; F = Financial Analyst; and L = Livestock Specialist.
/c 1 = problem-free or minor problems; 2 = moderate problems; and 3 = major problems.
/d 1 = improving; 2 = stationary; 3 = deteriorating.
/e F = financial; P = political; M = managerial; T = technical; and O = other.

PROJECT PERFORMANCE AUDIT BASIC DATA SHEET
TANZANIA CASHEWNUT DEVELOPMENT PROJECT, PHASE I
(LOAN 1014-TA)

KEY PROJECT DATA

<u>ITEM</u>	<u>Appraisal Estimate</u>	<u>Actual or Estimated Actual</u>	<u>Actual as % of Appraisal Estimate</u>
Project Cost (US\$ million)	30.3	31.5	104%
Loan Amount (US\$ million)	21.0	20.5	98%
Date Board Approval	05/74	05/21/74	
Date Effectiveness	09/74	09/26/74	
Date Physical Components Completed	02/79	12/04/80	
Closing Date	12/31/80	12/31/81	
Proportion then completed		(see Table 3.1, PCR)	
Economic rate of return (%)	39	negative	
Institutional Performance		unsatisfactory	
Agronomic Performance		poor	
Number of project beneficiaries:		n.a.	

CUMULATIVE DISBURSEMENTS

	<u>FY74</u>	<u>FY75</u>	<u>FY76</u>	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>
Appraisal estimate (US\$ million)	1.0	8.3	14.0	18.0	20.6	21.0	21.0	21.0
Actual (US\$ million)	4.7	8.5	10.6	13.8	16.8	19.4	19.9	20.5
Actual as % of appraisal (%)	471	101	75	77	81	93	95	98
Date of Final Disbursement:	04/15/82							

MISSION DATA

<u>MISSION</u>	<u>Month/Year</u>	<u>No. of Persons</u>	<u>Staff days in Field</u>	<u>Specialization /a</u>	<u>Performance Rating</u>			<u>Types of Problems /d</u>
					<u>Status /b</u>	<u>Trend /c</u>		
Pre-Project Ident.	03/72	3	n.a.	EC,AG	-	-	-	
Identification	06/72	2	2	EC,AG	-	-	-	
Preparation	02/73	4	7	AG,EC,PE,AE	-	-	-	
Preparation	04/73	1	2	AC	-	-	-	
Preparation	04/73	1	1	LO	-	-	-	
Preparation	05/73	1	1	LO	-	-	-	
Preparation	05/73	2	1	EC,AE	-	-	-	
Preparation	08/73	1	1	AE	-	-	-	
Appraisal	10/73	3	22	FA(2),PE	-	-	-	
Supervision I	06/75	3	1	AG,LO,FA	1	-	-	
Supervision II	11/75	2	4	AGE,FA	1	2	M	
Supervision III	06/76	1	3	AGE	1	2	M	
Supervision IV	12/76	1	2	E	1	2	M	
Supervision V	05/77	2	5	E,AGE	1	2	M	
Supervision VI	09/78	1	10	FA	2	3	M,O	
Supervision VII	03/79	1	8	FA	2	3	O	
Supervision VIII	11/79	2	14	FA,AG	2	3	O	
Supervision IX	05/80	2	14	AG(2)	3	3	O,M	
Supervision X	02/81	1	10	FA	3	3	O,M	
Supervision XI	10/81	2	10	FA,AG	2	2	M,O	
Supervision XII	05/82	2	16	FA,EC	3	3	F,M,T,O	

OTHER PROJECT DATA

Borrower: Government of Tanzania
 Executing Agency: Cashew Authority of Tanzania (CATA)
 Fiscal Year of Borrower: July 1 - June 30

Name of Currency (abbreviation): Tanzanian Shilling (TSh)

Currency Exchange Rates:

Appraisal Year Average (1972-73): US\$1.00 = TSh 6.86
 Intervening Years Average (1973-82): US\$1.00 = TSh 8.03
 Completion Year Average (1982): US\$1.00 = TSh 9.30

Follow-On Project:

Name: Second Cashewnut Development Project
 Credit Number: 801-TA
 Credit Amount: US\$27.5 million
 Date of Board Approval: 05/16/78

/a EC = Economist; AG = Agriculturalist; E = Engineer; LO = Loan Officer; FA = Financial Analyst; AGE = Agricultural Engineer; PE = Processing Engineer; and AE = Agricultural Economist.

/b 1 = problem-free or minor problems; 2 = moderate problems; and 3 = major problems.

/c 1 = improving; 2 = stationary; 3 = deteriorating.

/d F = financial; P = political; M = managerial; T = technical; and O = other.

PROJECT PERFORMANCE AUDIT MEMORANDA

TANZANIA: (GEITA COTTON PROJECT (CREDIT 454-TA)
(NATIONAL MAIZE PROJECT (CREDIT 606-TA)
(TABORA RURAL DEVELOPMENT PROJECT (CREDIT 703-TA)
(TOBACCO PROCESSING PROJECT (CREDIT 658-TA)
(TOBACCO HANDLING PROJECT (CREDIT 802-TA)
(CASHEWNUT DEVELOPMENT PROJECT (LOAN 1014-TA)

I. INTRODUCTION AND OVERVIEW

Introduction

1.01 The six projects evaluated in this audit report address the development of cotton in the Geita district of Mwanza region, maize production in fifteen of Tanzania's twenty regions, rural development in Tabora region, tobacco processing and tobacco handling (separate projects) in Tabora, Iringa and Mbeya regions and cashewnut processing and production in the coastal areas - principally Mtwara region. These projects therefore cover a wide range of agricultural activities and geographical/agroeconomic zones; all have low or negative economic rates of return.

1.02 Since 1974, the Bank has become closely associated with almost every aspect of Tanzania's agricultural sector. Earlier programs covering export crops were augmented by projects in support of pyrethrum, coconuts, sugar, dairy production and fisheries. The National Maize Project was the first Bank effort directly to support food crops - following the drought of 1973-74. The Bank also promoted the concept of regional integrated development programs in four regions which were intended to strengthen infrastructural and social services as well as provide inputs and extension services for increased agricultural activities.

1.03 In view of the representative nature of these six projects to the Bank's overall agricultural portfolio together with the fact that this combined audit has highlighted a number of issues which are common to some or all of the projects, this report begins with a brief overview of ten issues of operational significance which have been drawn from project experience. Following the overview, individual project experience is examined in greater detail in Chapters II-VII.

1.04 At a number of points the audit and project completion reports on these projects throw additional light on the constraints on performance resulting from institutional and policy weakness. The agricultural sector report,^{1/} prepared by the region during 1982, provides a comprehensive and systematic presentation of Bank views regarding the institutional and policy

^{1/} Report No. 4052-TA dated August 26, 1983.

changes which the Government of Tanzania might implement to improve agricultural performance. It is the purpose of this memoranda, therefore, to focus primarily on issues where the larger environment has important implications for the Bank itself in project design and implementation.

Overview

A. Macro-economic Crisis

1.05 Performance in relation to all the projects has been negatively affected by the extended period of acute economic difficulties facing Tanzania. Scarcity of foreign exchange, resulting shortages of fuel, spares and other inputs, inadequate supplies of consumer goods, and stringency in the government budget have all created difficulties both in the initial implementation of projects and subsequent project performance. This was true from 1973, at the time of the first oil crisis, when most of these projects under consideration were being negotiated or designed. From 1979 when the projects should have been in full operation, the situation became much more critical with the country facing the combined effects of the break up of the East African Community, the war with Uganda and a second round of oil price increases; all these exogenous factors have had a critical impact on the balance of payments creating extreme foreign exchange shortages.

1.06 This is not the appropriate place to discuss the policy options open to the Government of Tanzania to resolve these difficulties. However, some lessons can be learnt for project level decision-making:

- (i) initial project design should take account of the likely macro-economic environment. There is no point in financing a project if the foreign exchange shortages outlined above^{2/}, for example, prevent its effective operation (para. 4.11). This means that appraisal at the micro-level should take account of likely aggregate trends, including the overall impact of all project decisions on likely supply constraints. In the early 1970's this involved, in particular, an assessment of the foreign exchange situation and, perhaps equally important, the trained manpower constraint. From 1973 onwards the international economic situation, as well as evident tightness in the Tanzanian balance of payments, should have led to a greater consideration of the foreign exchange constraint. In practice this implies effective coordination within the Bank between program and project work.
- (ii) project design and appraisal should be based on a realistic, rather than desirable, picture of the larger environment. Projects should be designed and appraised taking into account a feasible timetable, scarcities of foreign exchange, and subsequent difficulties with maintenance.

^{2/} The Region points out that in 1977/78 Tanzania had reserves of US\$300 million.

(iii) the aid package should respond to the real resource situation. This might swing the balance in favor of program rather than project aid. It might suggest, in particular cases, a more modest scale of project which was less demanding of the use of scarce resources. It might involve incorporating into the project funding to ensure the supply of inputs for the operation of the project after its construction and for the maintenance of the project capital stock. This might involve the funding of projects over a much longer period than is the current practice.

B. Institutional Change

1.07 Experience of all these projects illustrates the inherent risks when far-reaching institutional change is hastily implemented by the government.

1.08 Over the years 1973-76, precisely the period when implementation of these projects began, three major changes which profoundly influenced all of the projects were carried through with great speed and energy - namely decentralization of government, villagization and the reorganization of agricultural marketing following the transfer of functions from the cooperatives to the parastatal marketing authorities.

1.09 While all these moves were addressing real problems and incorporated thinking which could have been expected to contribute to a solution, of importance is that the Bank failed to understand^{3/} three aspects of these institutional changes. First, that there was de facto as well as de jure decentralization of government to the regional level in 1972, the Bank meanwhile continued to deal with the Ministry of Agriculture as if executive and administrative authority had not been divested (paras. 2.08, 3.16). Second, there was less than full understanding as to how these regional administrations operated in practice. Line reporting systems for agricultural activities were discontinued with technical matters subordinate to the political officers at every geographical level within the region (para. 4.36 et seq). Third, failure to grasp that compulsory villagization introduced in 1974 was more than movement of people into villages. It changed the decision making process at the village level with responsibility for production decisions now resting with the village government and not with individual farmers (para. 3.17). This lack of understanding has greatly undermined sound project design and implementation; in view of the importance of this issue, it is discussed in some detail.

1.10 The decentralization of government isolated the Ministry of Agriculture from the rural areas. It separated the Ministry from any direct intervention in production; its residual role was providing advice, if called upon. Nominal responsibilities included agricultural research and control of

^{3/} Staff of the Agriculture Department (OPS) have some disagreement with this statement - see footnote 28, paragraph 3.15.

the rapid proliferation of activities being undertaken by new crop parastatals. Both were circumscribed, however, by:

- (a) first, work undertaken by research stations was separated from events taking place in the villages;
- (b) second, the Ministry had no information base, and, therefore, limited planning and policy-making capacity; and
- (c) third, its manpower resources were severely curtailed, which resulted in the Ministry losing track of where competent agriculturalists were working.

1.11 The institutional framework to support decentralization was vested in the political structure, headed by the Regional Commissioner, ranking as minister and appointed by the President. The Regional Commissioner's control extends down through the hierarchy^{4/} to the district level in the office of the Area Commissioner and to the ward/village level in the Ward Secretary. The chief civil servant, the Regional Development Director (RDD) is appointed by the Prime Minister's Office, to whom he reports on all budgetary and staffing matters. In contrast with the political arm, administrative/technical officers at each geographical level are not responsible on a line basis but report instead to their corresponding political officer. They have no direct links to their senior technical officers either in the region or in the parent ministry in Dar-es-Salaam. Thus for example, the RDD has an agricultural officer (RADO) as an adviser, but the RADO has no line control over the agricultural staff based in the districts, wards or villages. Without any means of information gathering, planning becomes difficult (para. 3.16) while implementation is similarly hampered when agricultural officers have no field staff, vehicles or other resources with which to carry out programs (para. 4.38).

1.12 Ujamaa and the villagization program have been two distinct policy measures for the grouping of farmers into villages. The Arusha Declaration in 1967 advocated a voluntary return to perceived traditional practices of communal cultivation and land ownership. The expected social and economic benefits were to be boosted by the provision of infrastructural services and input supplies as additional incentives to the formation of Ujamaa villages (para. 2.17).

1.13 Farmer reluctance to join these villages led the government to announce, in late 1973, the compulsory villagization program; by December 1975 over 9 million people were grouped in villages. The important feature of villagization was not the increase in the number of villages, which in fact was relatively small, but rather the substantial increase in their size. By statute, villages had to have a minimum of 250 families which has had far reaching consequences for the traditional husbandry practices employed for both crops and livestock (paras. 4.15, 6.32, 7.17a).

^{4/} The regional administration operates at several geographical levels: region, district, ward (a group of five villages) and village.

1.14 Decisions concerning the procurement of inputs (para. 3.17), which crops to cultivate and the disposal of produce, particularly after 1976 (para. 1.17), became the responsibility of the village government. This required the village government to operate a fairly sophisticated set of accounts for each of the 250-500 families within the village, a task frequently beyond the capacity of the skills available at the village level. Consequently, the deduction of input costs and the distribution of crop proceeds, including that for quality production, have often been subject to arbitrary decision-making.

1.15 To promote equity, each family was allocated similar land area from the total available to the village. However, an individual's land area is not contiguous, and while the individual may have discretion on the type of crop planted on some of his land allocation, within certain areas he is expected to grow the particular crop designated by village government--this applies particularly to cash crops. This approach has certain costs in that the skilled product grower (e.g., for tobacco) is limited in the area he can devote to the crop (para. 6.31), while the unskilled is obliged to devote a greater area to the crop than either his inclination or skills would otherwise warrant.

1.16 These shortages of skills at the village level have acted to constrain individual initiative, and were disincentives to production--particularly quality production.

1.17 Marketing. The role of the village government in agricultural production was reinforced in 1976 when all cooperatives, which traditionally had marketed cash/export crops and provided extension services and input supplies, were dissolved. These responsibilities devolved to individual village governments with the result that the parastatal crop authorities and the credit agency were required to deal directly with a very considerable number of village governments. This increase in responsibilities to the parastatal crop authorities has also exacted a toll on their operating efficiency which is discussed below in the section on parastatals.

1.18 A conclusion that might be drawn about the current situation faced by Tanzania is that further change to improve institutional performance should be through a more considered and incremental process, rather than through a new round of abrupt transformation and that an experimental, pilot project-type approach to explore a variety of options is preferable to blanket implementation of change.

1.19 In addition to the lessons which can be learnt from these six agricultural projects, wider issues are raised by this experience. How should the Bank allow for/interact with institutional change in project design and implementation? Various approaches have been tried in these projects but the overall lack of success highlights the complexity of the issue which deserves more attention than can be adequately addressed here.

C. Parastatals

1.20 Parastatals have been used as the chosen instrument for many aspects of Tanzanian rural development - crop purchase and storage, processing input and credit supply and, for the period covered by implementation of these projects, the provision of extension services.

1.21 Parastatal problems as observed in these projects might be viewed as being in part transitional, reflecting manpower shortages, the difficulties of working in conditions of economic crisis, and managerial inexperience (para. 7.17b). In part, however, they are more structural, resulting from too broad a definition of tasks which placed a heavy burden on the parastatals, and from an inadequate system of incentives and/or discipline, whether deriving from the market or from accounting and other control systems (para. 6.20 et. seq).

1.22 There have been many sources of parastatal growth, including the emphasis placed on the public sector by the Tanzanian Government, the transfer of the cooperatives' marketing and credit functions (para. 3.19), and the transfer of extension functions from the Ministry of Agriculture as a result of decentralization. Some of this growth in parastatal responsibilities is now being trimmed, with the restoration of the cooperatives and the transfer of extension responsibilities back to the Ministry of Agriculture. In the past year also the government has been engaged in a thorough-going investigation of parastatal performance and possible reforms. However, certainly in the period under review during which these projects were implemented, the parastatals were key influences on agricultural development.

1.23 Interestingly enough the Bank itself initially has been a significant supporter of parastatal growth, providing the finance for the expansion of parastatal facilities and setting the standards for staffing. As these institutions are central to Tanzanian rural development such support was necessary. However, there is a clear recognition now that the parastatals have many weaknesses, and present a considerable burden on national budget demonstrated both in the experience of these projects and in the concern currently shown by the government for improving parastatal effectiveness.

D. Price Policy

1.24 Price policy emerged as one significant factor affecting output performance in the cases of cashewnuts, cotton and tobacco. Appropriate incentives are a necessary condition for smallholder supply response, although in many years price effects were probably overshadowed by other factors detrimental to a good output performance.

1.25 One factor causing a deterioration in real agricultural price incentives was increasing marketing and processing costs. In the cases of both cashewnuts (para. 7.17b) and tobacco (para. 5.18), when output fell short of appraisal estimates, a heavy burden of parastatal overhead expenses had to be carried by a diminishing output base, thus compounding the initial

production problem. The costs incurred in this expansion of parastatal activity have become one cause of poor agricultural performance.

1.26 Another general factor was that the government was slow in adjusting its agricultural price policy to the endemic inflation which it experienced after 1973, and which contrasted dramatically with the stable price levels of the 1960's. As a result agricultural price adjustments have lagged behind increases in the general price level, but during the last two years the government has begun to adjust its policy in this regard.

1.27 Even if strict conditionality were desirable in relation to price incentives in principle, it is difficult to ensure this is achieved in practice. The Eighth Annual Review of project performance audit results^{5/} highlights that the determination as to what constitutes "correct" pricing policies can vary depending on whether the prices are being viewed from the perspective of the farmer, the government or the Bank. For example, farmers generally maximize returns to their scarcest production factor which may or may not coincide with the productivity goals established at appraisal. Furthermore, the government may have income distribution or food security objectives which differ from those held by the Bank.

1.28 It is also to be noted that the Bank has not shown great prescience on the price issue. When it did raise the issue (para. 7.17b) it did so late in the day. In the mid-1970's the Bank was arguing for increases in price incentives for food production, while later it criticized the Tanzanian authorities for shifting relative prices too much in favor of food and against export production. A further difficulty is that the issue of price policy phases into questions regarding the exchange rate and the overall fiscal situation, issues very much the preserve of the International Monetary Fund.^{6/}

1.29 Conclusions which can be drawn about the relation between price policy and projects are that:

- (i) project appraisal should include an explicit treatment of the price policies necessary for project success and the likely constraints on achievement of such policies; efforts are required to improve the weak data base at the micro-level regarding supply response; one weakness of the development effort during the past twenty years has been the failure to improve the information base for decision making so that in the short term decision makers are continually forced back to conjecture and a priori reasoning.

^{5/} OED Report No. 4101 dated September 9, 1982.

^{6/} AGR and the region state that "the IMF's views on whether or not prevailing exchange rates and fiscal policies are resulting in serious distortions is current and short term while our own project and pricing policy thinking needs to be long term".

- (ii) the impact of the project itself on the incentive system (e.g., its impact on bureaucratic overheads) should be considered;
- (iii) the monitoring component in projects should include, wherever possible, an attempt to assess the impact of the incentive system on farm performance, so as to alert the national authorities of any problems arising in the project as a result of price policy and supply problems (para. 7.17b). This should be seen more as a matter of timely warning of potential problems than of conditionality, because the broader consequences of national policies cannot be assessed in the context of one project.

E. Food Supply

1.30 The increase in food prices in the seventies has been widely identified as a reason for the shift in farmer effort away from export crops. This was so in the cases of tobacco (para. 5.02) and cotton, and may have been the case to a lesser extent for cashewnuts.

1.31 This shift in price relationships was particularly great in relation to food prices in uncontrolled markets, and as such was not a direct result of official price policy. High food prices were a symptom of underlying food scarcity^{7/}. Any reversal of that incentive shift which resulted in a movement of resources from food to export crop production would increase Tanzanian food import requirements. Of course, reductions in inefficiency in marketing, storage, regional pricing, and input supply and an across the board increase in agricultural price incentives could result in an increase in total agricultural supply. However, this possibility should not obscure the importance of the underlying food supply problem.

1.32 This problem emerged in 1973-74 and has been with Tanzania since. It is not possible to analyze it at length here. It is a complex phenomenon, an outcome of population growth, urbanization, changes in consumption patterns, deterioration in the transport system, climatic factors, and weaknesses in the marketing and storage systems. It was the threat posed by this problem which led to the National Maize Program, the urgency felt being one cause of the program's failure, resulting in overreaching in both size and geographical coverage.

1.33 However, it remains true that unless means are found to expand food supply, export crop projects will face difficulties, both because the cash returns to be gained from producing food for sale in local markets will divert effort from export crop production and because of the high priority given to meeting family subsistence food requirements. The dilemma is, as the failure of the National Maize Program indicates, that the food problem is

^{7/} This was not so in all cases. High official prices for cassava and some minor food crops did generate oversupply in some years.

not to be resolved by a short-term crash program but with a persistent long-term effort backed up by steady improvement in institutional capacity, supporting services and the policy environment.

1.34 This suggests that high priority should be given to research on productivity improvement and policy related to rainfed food production in African conditions.

F. Project Management

1.35 At the early stage of implementation of this group of projects, Tanzania still had a great scarcity of trained manpower. This posed problems for the management of projects. Although the situation is now very different, with a much readier availability of Tanzanians with university level and technical training, nevertheless, there are lessons to be learnt for future project design and implementation. The points to be made are fairly obvious but easily neglected if concern is concentrated on the technical rather than managerial aspects of projects.

1.36 Project design was insufficiently sensitive to the scarcity of trained manpower (para. 7.10) and failed to allow for the time factor in melding individuals recruited into a team (para. 2.20). As a result, a premature buildup of disbursements was planned, with institutions expected to manage large sums before they had established the capacity to do so. There was, in implementation, some slippage but it was still the case that a slower buildup would have been a preferable path. In this regard the tendency of Bank supervision to be concerned about the achievement of physical infrastructure targets and disbursement schedules, as dated in the project documents has its dangers (para. 5.16).

1.37 The experience of these projects also suggests that there is a limit to which the shortage of local managerial capacity can be overcome by expatriate talent under existing arrangements. It was not easy to recruit able people with the requisite technical and human skills to work in difficult rural conditions on short term contracts. In most cases they did not stay long enough to have a major impact on project performance. As the most important function of technical assistance is to build up local managerial capacity, expatriate inputs are only likely to be effective when the need for their services is clearly recognized by project personnel and where attitudes on both sides result in a high degree of cooperation. This was often not the case. For the future the local manpower constraint is unlikely to be as tight as it was in the 1970s. The design of project organization and management should aim to utilize existing manpower resources and provide a manageable learning process.

1.38 Management performance is not only a question of availability of skills, but it also requires compatibility between the tasks expected of an institution and its capacity, and the structure of incentives and discipline, as has been noted in the paragraphs above on parastatals.

1.39 The underlying problem is that the implementation of even small scale rural development projects demands a wide range of skills and a good deal of managerial flexibility in response to experience gained during project implementation and to fast changing external circumstances. If such capacity is not present, the record of these projects suggests that the external supervision process cannot supply it.

1.40 One conclusion which can be drawn is that the scope of a project should be limited enough that it can be managed by the institutional capacity which can be realistically expected, and that institution building should be a prime concern in project design.

G. Sustainability

1.41 The sustainability of the projects over the longer term has emerged as a general issue. At the project level there is a failure to ascertain the availability of the financial and other resource requirements to maintain projects after the capital spending phase covered by the credit is completed.^{8/} This weakness is exacerbated by the immediate economic crisis and by the fact that further phases of projects were not pursued, as was earlier expected (e.g., Geita Cotton, Tabora Rural Development), because of poor performance.

1.42 There is no easy answer. An open-ended commitment to continue with finance even in light of poor performance would be imprudent; indeed, in some instances early project cancellation might be wise. However, rural development is a lengthy process and requires a long-term commitment to ensure that projects operate effectively in what should be their productive phase and to build on the lessons of experience.

H. Linkages and Inter-sectoral Balance

1.43 One inadequacy in project design and performance relates to the linkages between project operations and the development of related economic activities.

1.44 In addition to the general dependence of these projects on the state of the national economy, in a number of cases there was a more specific dependence on conditions in closely related sectors.

1.45 The cashewnut project, which was seen by the Bank as primarily a processing project, failed because of the decline of cashewnut production (para. 7.15). In the case of the cotton project, bottlenecks emerged in cotton processing (not part of the project) which would have proved a more serious embarrassment if the project had achieved its production goals. In the case of tobacco, overoptimism on production trends led to an

^{8/} In some projects, moreover, financial burdens have been generated which have weakened the institutions involved (paras. 3.10, 5.07, 7.17b).

overexpansion in processing capacity (para. 5.01). The Bank's supervision understandably concentrates on those aspects which are central to the project itself, but in so doing can easily neglect developments in related sectors which may determine the success or failure of the project. On occasion, this was exacerbated by supervision missions tending to comprise one or two individuals each with particular technical specializations. This presents a dilemma as there are risks in redefining projects more broadly to incorporate too wide a range of activities (e.g., agricultural production, marketing and processing) unless the basic technology imposes such a connection (e.g., tea), as in most cases the managerial task is often already too broadly defined. However, such inter-dependency could have been treated more explicitly at the design and appraisal stage, which might have led to more caution as regards the scale of project and also suggest the need for related projects and policies to ease bottlenecks affecting project performance.

I. The Size and Phasing of the Lending Program

1.46 Given that the projects under review all ran into difficulties related to overall constraints on foreign exchange, trained manpower and institutional capacity, it is necessary to consider the size and phasing of the lending program in Tanzania, particularly in light of a parallel build-up in bilateral lending.

1.47 There was a rapid expansion of the lending levels to Tanzania during the period. This is not to question the long-term need for support nor the real attractions of a stable regime and of the commitment Tanzania made to the basic needs approach which had, after all, widespread currency in the donor community in the late 1970's.

1.48 However, the speed of the build-up, with many projects being prepared and appraised rapidly (paras. 3.06, 5.08, 7.26a), overstretched implementation capacity and detracted from the performance of all projects. This has generated what could be described as a "foreign assistance cycle" in Tanzania, with donors reacting against the negative results of their own previous excess. A more carefully phased build-up, including due consideration to the risks involved^{9/} particularly of technical risks brought to the attention of Bank management (paras. 3.06, 4.30, 5.15), probably would have had a better result both in terms of short-term impact and longer-term sustainability.

1.49 While it is difficult to establish, as it involves qualitative judgement, it seems probable that enthusiasm to build up lending levels to Tanzania in the period when these projects were appraised resulted in a lower

^{9/} Most notably in respect of the inadequate preparation and testing of technologies (paras. 2.13, 4.21, 7.26b).

level of caution in decision making at both the project and the sectoral level than was desirable^{10/}.

1.50 In particular, there has been a misreading of events in Tanzania by Bank's most senior management^{11/}. The annual or biannual reviews, on which the Bank's lending program was based, consistently indicated a tone of optimism and downplayed adverse information emanating from the field. In creating the optimistic tone, these reviews clearly relied on statements of intent as expressed by the country's senior political leaders, without adequate attention as to how, in the past, similar statements of intent had differed in actual implementation. Thus, the Bank's lending program was based more upon a desire to help the country in quantitative terms (para. 3.05), rather than upon a clear strategy for the country's agricultural sector, supported by a pipeline of well-prepared projects.

1.51 It needs to be emphasized that, with the exception of those projects supporting parastatal development, notably tobacco and cashewnut, the projects were designed by the Bank with little input except at minor technical levels by Tanzanians. In general, however, the Bank only discussed potential projects and issues with those who did not hold the power and authority to effect implementation, (para. 3.16).

1.52 In this and in the issues previously highlighted,^{12/} as the agricultural sector report^{13/} concludes, in dialogue with the Tanzanians regarding policy improvement, an explicit recognition of the degree to which donors must bear some of the responsibility for past mistakes would be appropriate.

J. The Balance of Future Lending

1.53 The negative experience with these projects could lead to a dangerous paradox in relation to future Bank lending. The experience with these projects demonstrates the daunting tasks to be undertaken to promote agricultural development and, along with sectoral analysis, could be read to suggest

^{10/} The Region attributes subsequent poor project performance to inadequate project design and weak technical data, both features which it considers unrelated to the size and phasing of the lending program.

^{11/} Programs have expressed the view that to the degree that there was a misreading of events, this was a more pervasive problem throughout the Bank and one not resting solely with senior management.

^{12/} Inter alia, the need for effective coordination between program and project work (para. 1.06), the importance of understanding institutional change (para. 1.09), of developing policies for key issues such as prices (para. 1.29), food supply (para. 1.31), etc.

^{13/} Report No. 4052-TA, op cit paras 1.09 and 7.62 et seq.

the need for greater levels of resource allocation to agriculture. However, the particular failures and the difficulties in the institutional and policy environment they reveal could lead to an understandable caution regarding new agricultural projects. The paradox is that having, in sectoral level work, argued^{14/} that the balance of overall investment in Tanzania was unfavorable to agriculture and biased towards other sectors, project level experience could lead in practice to the Bank shifting the balance of its own lending program away from agriculture, despite the importance of this sector to the economy in general and to the balance of payments in particular.

II. GEITA COTTON PROJECT (CREDIT 454-TA)

A. Introduction

2.01 Credit 454-TA provided US\$17.5 million in support of a US\$23.8 million project designed to intensify and expand cotton production in Geita district. At completion, the project was expected to increase the production of cotton by 42,000 bales of lint and maize by 42,000 tons. In the event, cotton output has declined from pre-project levels, maize output may have increased slightly but this cannot be directly attributed to project investment. The economic rate of return is judged to be negative. The Credit was closed in December 1982, with an undisbursed and cancelled amount of US\$0.3 million.

B. Project Origin, Preparation and Appraisal

2.02 Tanzania's second five-year development plan (1969-74) projected an ambitious increase in national cotton production by 1975, from 0.4 to 0.7 million bales. Government initially expected that this would be accomplished by mechanized collective^{15/} production, but the Bank doubted that such collective farming would be effective and urged a modified approach. In August 1972, government proposed a US\$19.0 million project to establish large, tractor-cultivated blocks of cotton production in the Geita area; each block would be subdivided into smaller individual parcels for daily management but the concept of collective ownership would be retained where possible.

2.03 Bank staff continue to doubt that mechanization could be effectively managed and whether it would be economic. Problems associated with land identification in the large blocks and subsequent land sub-division and allocation were envisaged; in addition, Bank staff raised technical reservations concerning the adequacy of available practices for cotton and maize production.

^{14/} Report No. 4052-TA, op cit.

^{15/} Under the auspices of Ujamaa villages (see para. 1.12).

2.04 Nevertheless, appraisal proceeded in February/March 1973. Working with Tanzanian technical staff, the project was designed on very different lines from that initially envisaged by government. Instead it was expected that production would be attained by focussing on three groups within the farming population:

- (a) selected "progressive" farmers, i.e., those with ready access to land and who were regarded as competent in the use of purchased inputs;
- (b) groups of smaller farmers who had consolidated their holdings to allow contiguous cultivation of at least 5 ha; and
- (c) Ujamaa villages with communal blocks of sufficient size.

2.05 Project design expected the use of tractors for land preparation "where this would be economically and financially justified". Husbandry practices and farm input levels for crop production were to follow the blanket technical recommendations derived from the Ukiriguru cotton research station, which is in the vicinity of Geita.

2.06 To support the promotion efforts the project provided for:

- (a) credit for farm inputs and tractor hire;
- (b) tractors for some Ujamaa villages;
- (c) extension services together with supervision of credit handled by cooperatives;
- (d) storage for inputs and incremental production;
- (e) road construction;
- (f) agricultural research and land planning;
- (g) rural health and community education services; and
- (h) staff housing, offices, laboratories, etc., within the project area for the management unit established to operate the project, which was under the overall executive responsibility of the Tanzania Cotton Authority (TCA).

C. Project Implementation

2.07 The PCR describes the somewhat complex story of project implementation in some detail. Two months after project effectiveness, compulsory villagization was in full progress, which had an immediate impact on the project, designed to encourage progressive farmers with a range of improved services. By the second year, costs were getting out of hand and a special

review mission proposed that the roads, storage facilities, tractor and health components be scaled back by between 25-50% and the education centers, soils laboratory and evaluation unit be eliminated altogether. Thus it was not until the third year that attention was given to production when another fundamental problem facing the project became apparent: the lack of viability of the technical package for cotton production. This in turn undermined the effectiveness of the extension staff, whilst putting the credit program in jeopardy^{16/} since it was found that using the fertilizer as recommended would result in farmers incurring substantial financial losses. Following a problem project review, an eight member technical review mission was mounted in March 1977 and alternative recommendations were developed and agreed with government. At the same time, however, RMEA disagreed with these major technical recommendations and six months later, the Bank suspended disbursements for inputs.

2.08 Throughout the period, the Bank was unable to focus on the implications of the institutional changes at the regional and village level. The Bank had little confidence in the project manager (para. 2.21) and thus there was little dialogue. As a result the institutional vacuum in which the project found itself - being implemented by structures which had little or no influence over production decisions at the regional, district or village level - continued. Project activities became confined to the achievement of the infrastructure targets and research. The audit draws on the experience described to focus on four key issues: the effect of abrupt institutional changes introduced by government; the inadequate technical specifications for the projects; mechanization and management deficiencies.

D. Issues

(i) Institutional Change

2.09 A fundamental error at the time of appraisal was not to take fully into account the decentralization of government, which was occurring during project preparation and appraisal. While it would have been difficult, at that time, to assess the potential of the embryo administration for the Mwanza region^{17/}, in-depth analysis of the implications of decentralization may have indicated, however, that this administration would make all future decisions on such key matters as land allocation, and would, in any case, be heavily involved in the promotion of the principles of Ujamaa. It may even have been determined that, by putting responsibility for the project under the umbrella of TCA and its parent, the Ministry of Agriculture, the project was vesting authority for implementation in institutions which soon would have little responsibility for activities at the field, district or regional level.

2.10 There is no doubt that another basic assumption at appraisal, concerning the types of farmers to be reached, was an anachronism. First, all

16/ See TRDB comments; TRDB confirms audit findings.

17/ Geita is a district within the Mwanza region.

the evidence available at that time illustrates that government was promoting egalitarianism and not a progressive elite. Beginning in 1969, all official documents omit any reference to progressive farmers, as had been evident in earlier years. Second, the original project proposals from government clearly implied that the land of the larger farmers was intended for redistribution—either to Ujamaa villages or to large, sub-divided, blocks. Third, there was continuing emphasis towards Ujamaa and political impatience with its slow adoption on a voluntary basis, illustrated by Operation Dodoma which villagized that region in 1973.

2.11 Clearly, some form of drastic change in the area was very much a possibility and the lack of recognition of this indicates a weakness in the Bank's overall country intelligence, particularly amongst Program staff.

2.12 The audit agrees with the PCR that villagization (see para. 1.12 et. seq.) undercut the whole thrust of the project as it was designed but finds it difficult to understand why the Bank did not attempt a redesign,^{18/} with new and attainable objectives being identified, which would be more in keeping with the new institutional framework at the village and regional level. Failing that, the project should have been closed. Instead, matters were allowed to drift with ad-hoc measures being taken from time to time in an attempt to salvage the project.

(ii) Technical Package

2.13 Project benefits were anticipated from improved yields—an increase of 120% from the second year. This increase was based on a recommended level of fertilizer and insecticide use. These recommendations turned out to be inappropriate having been drawn from practices employed on the Ukiriguru cotton research station and not tested under field conditions. This points to two somewhat basic lessons: first, the need to check on how the research station develops its recommendations; and, second, the dangers of such stations working in isolation from farmers. Ukiriguru was founded in 1920 and had developed an excellent reputation, however, in recent years, it had stopped verifying station results on farmers' fields before publication. Over a period of time, soil conditions on the station farm had continued to be maintained or even improved, gradually becoming atypical of the surrounding countryside.

2.14 Evidence on files makes it clear that differing views on what constituted an appropriate package continued until project completion. Moreover, conflicting signals were given to Tanzania from time to time on the suitability or unsuitability of one particular type of fertilizer, use of which had been deemed disadvantageous in certain African soils for many years prior to project inception.

^{18/} The eight member review mission, mounted in 1977, made certain technical recommendations but there continued to be lack of consensus in the Bank on the viability of these recommendations.

2.15 The inappropriateness of the technical package was in itself sufficient to have recognized that the project objectives could not have been achieved, and, as was concluded in respect of the institutional changes (para. 2.12), should have been recognized earlier and redesign or other remedial action undertaken.

(iii) Mechanization

2.16 The mechanization component raises two issues. First, how the prospect of additional tractors affected the regional authority's view of the project; second, the technical merits of tractor use in the project area.

2.17 Prior to appraisal, government expected that the Bank would finance a large number of tractors, which the regional authority perceived as being necessary for development in the region. Empirical evidence suggests that it was the prospect of receiving these tractors which led to the authority downplaying, during negotiation^{19/}, its original emphasis on collective farming operations. When final project design included credit for farmers to hire existing tractors, with only a limited number of tractors to be purchased by the project, the authority lost further interest in the project^{20/}.

2.18 Bank staff had strong reservations about both the economics of tractor use and the managerial capacity available to handle tractors. In view, however, of government's original proposals the Bank felt that some tractors must be financed. The decision to proceed with project appraisal in the then prevailing political and institutional environment placed the mission in a difficult situation. Government was committed to promoting collective production, and wanted the tractors as incentives to encourage farmers to begin communal cultivation (para. 1.12). Appraisal, however, had to give economic considerations a high profile and while Bank staff doubted that tractors could be used economically, they could not prove this^{21/}. Thus, a considerable number of tractors were included but, by imposing strict conditions which made their procurement highly unlikely, the Bank sent conflicting signals to government as to what its position was on the question of tractor use.

^{19/} While the regional authority played no part in the formal negotiations, officials believed that the project would result in the supply of a large number of tractors.

^{20/} Further, empirical evidence suggests, the regional authority deliberately chose Geita for the first forced villagization effort within the Mwanza region.

^{21/} This was subsequently verified, however, when the diseconomies of tractor use, except under high standards of management, became evident during project implementation.

(iv) Management

2.19 The project was managed by a unit in the cotton authority, a parastatal with a rapidly proliferating range of responsibilities and activities. Moreover, the Ministry of Agriculture had been weakened and its status diminished (para. 1.10). Thus the direction and support which could be given to the project's management team was very limited.

2.20 The pace of anticipated disbursements for the project presumed the rapid assembly of project staff and their ability to work immediately as an integrated team. This was a naive presumption, given the prevailing management constraints. First, it was known that the country was short of skilled manpower; second, although government had given assurances that manpower would be made available, there had been little planning of precisely how staff would be recruited and from where, particularly within the context of major institutional changes occurring in the country; third, when and if recruited, staff would be working in an area where housing and office accommodations had still to be constructed; and fourth, even under good conditions a group of individuals needs a reasonable time period before routines and team-work can be built up.

2.21 The position of project manager was filled without consultation with the Bank, contrary to the Credit Agreement. Bank staff objected to the nominee, but no effort was made to have the appointment rescinded. The result was mutual distrust between the project manager and early supervision missions which led to supervision giving expatriate staff a higher profile than was wise, thereby increasing local resistance to the recruitment of still vacant expatriate positions.

2.22 It is probable that the individual appointed as project manager had less than the full complement of skills necessary to meet the extremely onerous tasks inherent in project design. It is also probable that early supervisions had less than adequate appreciation of how difficult it was to overcome these underlying constraints. In particular, evidence suggests that the project manager was well aware of the political, administrative and operational constraints involved in handling a project within one district of a region. In contrast, supervision staff, working through the auspices of the cotton authority, inevitably had less than adequate understanding of these issues, or of the difficulty which the project faced with the regional authority not having any final responsibility.

III. NATIONAL MAIZE PROJECT
(CREDIT 606-TA)

A. Introduction

3.01 The National Maize Project estimated to cost US\$38.1 million, included an IDA credit of US\$18 million and US\$5 million provided by the Arab

Bank for Economic Development in Africa (ABEDIA), became effective in May 1976 and closed in March 1983. The project was expected to result in an incremental increase of 195,000 tons of maize per annum by 1983, but failed to reach its objectives. The economic rate of return is considered to be negative.

B. Project Origin, Preparation and Appraisal

3.02 The project was a direct outcome of both a growing concern in Tanzania to maintain food self-sufficiency, following a drought and national food shortages in 1973/74, and a major recommendation of the Bank's Agricultural and Rural Development Sector Study^{22/} with the adoption of the National Agricultural Development project (NADP). This strategy proposed that the Bank should finance productive investment with a minimum of support for infrastructure. In particular, it expected that investment should concentrate on particular commodities and in areas where technical intervention was already proven.

3.03 It was expected, therefore, that the National Maize project would support a relatively modest investment in four or five high potential maize-growing regions, concentrating on selected districts/villages within them. An underlying assumption was that project area and funding could be expanded rapidly if successful.

3.04 Preparation and appraisal were condensed into a single process and carried out rapidly. Conceived in late 1974, the project was approved in December 1975 and became effective in May 1976.

3.05 The initial project concept of a carefully focused and relatively small project was affected by three developments. First, a request by government for a larger project and for simultaneous action in all twenty regions of the country;^{23/} second, an uncritical willingness by the Bank to increase commitments to Tanzania; and third, an unexplained decision on the part of the Bank to abandon the NADP^{24/} approach shortly after adopting it as strategy.

3.06 Since project preparation had been carried out within the original terms of reference (para. 3.03), the greatly expanded focus and the rapid pace of appraisal resulted in a heavy degree of data extrapolation and less than adequate planning for those regions added to the original project plan. Concern was expressed within the appraisal team itself and specifically

^{22/} Report No. 541a-TA dated December 10, 1974.

^{23/} A compromise of 13 regions was finally agreed with government, however, during implementation a further 2 regions were added.

^{24/} The National Agricultural Development project was appraised but not implemented.

raised by the Bank's CPS members during the review process. However, an apparent desire both to increase the lending volume and to meet Tanzania's wishes was allowed to outweigh technical reservations, notably: (a) the absence of suitable technical packages for the uninvestigated areas, (b) uncertainty as to which institutional agencies at the regional level could distribute farm inputs^{25/} and (c) concern regarding both the institutional capacity of the regions to carry out the project and the ability of the central coordinating unit in the Ministry of Agriculture (PSU), to handle such a dispersed effort.

3.07 In the decentralized administrative system of Tanzania, implementation responsibility had to be given to the regional administrations throughout the country. However, a coordinating and administrative unit (PSU) was to be established and was initially expected to (a) provide limited technical support to the 4 or 5 original regions, (b) consolidate, procure and distribute the total annual input supply requirements, and (c) maintain project accounts. The work load for this unit expanded proportionately with the increase in project size, and furthermore, its final role included the onerous task of helping the regions solve the remaining technical problems, i.e. the lack of both appropriate packages and mechanisms for input supply. The powers of the PSU in carrying out its functions derived from its perceived status within the Ministry of Agriculture, (although it was known that regional administration staff reported to the Prime Minister's Office), and from its leverage as the dispenser of project funds, particularly its control of the revolving fund set up to finance annual input requirements.

C. Project Implementation

3.08 At the start of the project, senior level staffing of the coordinating unit was rapidly accomplished, and government met its commitment in filling the additional posts within the regions.^{26/} Despite the lack of supporting staff and office accommodation, PSU nevertheless procured and distributed the first year's input supplies.

3.09 From the second project year, the unit continued to serve as the procurement agency for equipment, but at the same time its prime function in coordinating, procuring and distributing farm input requirements disappeared, the unit thus failed to play a major role in project management as envisaged at appraisal.

^{25/} Appraisal had identified the existing distribution system as a major constraint.

^{26/} Empirical evidence suggests, however, that this may have been accomplished by merely moving existing staff members into the designated title positions - with little or no real strengthening of regional administration.

3.10 With the failure of the revolving fund, the government attempted to introduce a formal credit system with the Tanzania Rural Development Bank. With the assistance of the coordinating unit, TRDB extended its operations to include the handling of inputs, and in the limited field that it was able to operate, proved more efficient than the parastatals in effecting timely deliveries. However, apart from some limited successes, involvement proved a failure since, as with other agencies, the development bank was obliged to deal with villages as single entities and could not work with single commodity groups of farmers. Furthermore, the only collateral a village could offer was first call on the proceeds from cash crops handled by other parastatals (e.g., the crop authorities for tobacco, cotton, etc.). Thus the loan recovery problems remained much as indicated in para. 3.18. The net result of TRDB involvement was merely to transfer some of the financial strain generated by the project onto that organization.^{27/}

3.11 The Bank carried out a review of the project in October/November 1977, and recommendations to restructure the project were eventually accepted by government. The project area was reduced to a few regions, much in line with original concept (para. 3.03), and funds were reallocated to strengthen the Ministry of Agriculture by providing staff in planning, monitoring and market research.

3.12 Whether maize production has increased at all as a result of the project is debatable. Presumably these inputs used would have had some positive effect, but the extent to which they were used properly, efficiently, or even on the maize crop, is impossible to determine. In the absence of data from the specific villages which received project inputs, the only indicators are the estimates of gross maize production by region. The reliability of these estimates is, however, doubtful. If they are accepted, production has increased overall by 17% in the 15 regions finally included in the project. Of these, however, 12 regions show a 10% decline in production, and 3 (all included in the original project plan) show a large increase of 100%.

3.13 Empirical evidence suggests that increased yields in these high-performing regions was not the only factor explaining high levels of output, but that the area under maize increased substantially (in some cases at the expense of cash crops). Nevertheless, in the audit's judgment, the project has had a significant impact in these three regions, thereby confirming the Bank's initial premise that concentration of investments in high potential areas would produce high returns - despite adverse institutional and macro-economic factors.

3.14 If production has in fact increased by 17% and all of this incremental value attributed solely to the project, then the project's economic rate of return just becomes positive. At the same time, however,

^{27/} TRDB point out that the recovery rate for maize input loans was a mere 5% (TRDB comments, page 57C).

the project has increased the financial problems of the crop authorities and credit agency involved, and therefore weakened them. It has also adversely affected farmers' receptivity to productive inputs in the majority of regions covered by the project.

D. Issues

(1) Failure to Grasp Implications of Institutional Change

3.15 The single most importance explanation for project failure was the poor understanding of three institutional changes introduced by government.^{28/} This has already been described in some detail in the overview (see paras. 1.07 et. seq.), only a few aspects are illustrated here.

3.16 In the first instance, there was insufficient appreciation of the fact that the Ministry of Agriculture, together with its units, had little power or influence over activities at the regional level. The regions were able to ignore both Ministry/PSU requests for information and their recommended operating procedures. When the revolving fund for farm inputs collapsed,^{29/} any residual leverage which PSU may have had, disappeared. The failure of the unit to procure vehicles in the first year^{30/} further diluted confidence the regions may have had in PSU/Ministry of Agriculture. This, combined with lack of visits by unit staff, led to PSU becoming an agency of little relevance after the first year of implementation. Despite this diminished power and responsibility, the PSU continued to be the major contact point for Bank supervision.

3.17 Second, there was insufficient attention given to how the regional administration operated in practice. The lack of any technical chain of responsibility (para. 1.11) made the collection of systematic and reliable data on input usage and requirements difficult and precluded logistical planning particularly when combined with the lack of any effective organizational/administrative capacity at the village level. Government's insistence that each village be treated as a single entity, for the provision of inputs

^{28/} AGR is of the opinion that the specific institutional relationships in Tanzania were well understood, but that there was an inadequate assessment of the risks they potentially posed.

^{29/} The fund collapsed because (i) government decided not to reimburse its 75% subsidy element and (ii) the regions were unable to extract the 25% cash payments for inputs from farmers - or where they did, the funds were not repaid to the coordinating unit.

^{30/} PSU was unable to overcome procurement difficulties under ABEDIA procedures.

and collection of produce,^{31/} meant that sub-groups of farmers could not coalesce around a particular interest, in this case improved maize growing.

3.18 In the absence of demand at the village level for inputs^{32/}, some regional administrations set arbitrary targets for input requirements which were delivered to villages by fiat. This in turn led to ad-hoc distribution within the village, with little regard for either allocative or technical efficiency. Farmers became liable for debt with the repayment terms only vaguely defined. This process inevitably increased farmer resistance against using the inputs, contrary to the purpose of the project.

3.19 Third, with the reorganization of marketing arrangements, the input distribution system became even more confused. In 1976, government suddenly abolished all cooperative unions (para. 1.17), which until then had carried out this responsibility at the regional level.^{33/} Government decreed that the already overstretched crop authorities assume responsibility for input supply and distribution, even for crops outside the parastatals' terms of reference.

3.20 This merely added to the financial problem of the parastatals which attempted to recoup the farmers' dues by deducting these from payments made for other commodities sold by the village. This resulted in, for example, the tobacco growers of the village paying the debts of those who had been obliged to take maize inputs. Since there were few accounting skills within the village (para. 1.14), individual liability for credit or inputs was impossible to determine.

3.21 The inequities indicated above had adverse effects beyond that of increasing farmer resistance to receiving maize input supplies, they have also further reduced incentives to grow any cash crops (tobacco, cotton, etc.), for which they now received less than full farmgate value.

^{31/} TRDB points out that there was no consistent policy towards villages on the question of village stores: some villages were expected to build stores on credit from TRDB, others had stores built from grants out of funds administered by the DDDs. Moreover, there was a lack of clear policy regarding ownership of these stores. (TRDB comments page 57C).

^{32/} Because of: (i) distrust of government-sponsored activities following the villagization program which resulted in a retreat to subsistence production; (ii) inadequate producer prices combined with an absence of consumer goods; (iii) the fact that farmers were now required to pay cash for inputs which, in earlier years, had been delivered free of charge.

^{33/} The initial project concept of limited areas also took into account areas where Cooperative Unions (CU) operated reasonably efficiently.

IV. TABORA RURAL DEVELOPMENT PROJECT
(CREDIT 703-TA)

A. Introduction

4.01 Credit 703-TA provided US\$7.2 million over five years for the first phase of a long term rural development program in the Tabora region. The project was to both strengthen the newly established regional authority and support pilot agricultural, livestock and fuelwood programs at the village level. Total project cost was expected to be US\$23.5 million with two co-financiers, the Governments of Canada and the United Kingdom, providing a credit of Can\$5 million and a grant of US\$5.9 million respectively. The remaining US\$5.9 million (25%) of the project was the responsibility of the government and the villagers. The project failed to reach its objectives and was closed in June 1983 with a total project cost of US\$17.8 million. The economic rate of return is negative.

B. Project Origin, Preparation and Appraisal

4.02 Tabora region is the largest in the country and covers 9 percent of the land area of mainland Tanzania. The town of Tabora, the regional center, is situated some 800 km north west of Dar-es-Salaam with poor road connection; the main access is by railway. Rainfall is markedly seasonal, and reduces progressively from the west of the region to the east, where rainfall reliability is also significantly lower.

4.03 The project arose from a request by government following preparation of the Kigoma Rural Development Project (Credit No. 508-TA), and was prepared with the assistance of the Bank's Resident Mission in East Africa (RMEA). The project was appraised in November/December 1975. A post appraisal mission visited the region in February/March 1976.

4.04 When the project was approved on April 26, 1977, it was noted that an attempt had been made to learn the lessons of previous rural projects in Tanzania. In particular, the need for a trial period which would allow the development of both technical packages at the village level and for strong management at the regional level. The project was expected to be flexible since it was a pilot venture; some risks of failure were clearly spelled out to Bank management at appraisal.

4.05 The project supported the following components:

- a program, covering about 30 villages, for developing and applying techniques designed to increase production of crops;
- provision of equipment for the existing tobacco research station at Tumbi;
- a program in approximately 12 villages for developing and applying techniques designed to improve livestock production;

- construction for approximately 75-100 villages of low-cost water supply systems and simple water supply installations. Preparation of a Regional Water Master Plan for Tabora region;
- maintenance and reconstruction of access and network roads;
- establishment and management of plantations in selected villages to supply fuelwood for tobacco processing and domestic use;
- preparation of a land-use and land-capability master plan for the region, and enlarging and strengthening the Regional Village Planning Unit;
- provision of technical assistance and infrastructure to strengthen the region's capacity to implement the project, monitor and evaluate its effect and assist in the planning of further investments in the region.

4.06 The project was to be integrated into the existing regional organization; overall responsibility for policy decisions rested with the Regional Development Committee chaired by the Regional Development Director.

C. Project Implementation

4.07 The audit commends the Borrower for the project completion report which provides a thorough and frank analysis of the constraints and problems surrounding the implementation of this project. This is the first completion report prepared by the Borrower and it provides a useful record of the experience obtained from the Bank's and the government's efforts to support rural development in Tanzania.

4.08 The project has achieved some degree of success in its efforts to upgrade regional roads, to assist in land use planning as well as in respect of tobacco seed production, but has achieved very little on all other components. To a large extent, success can be attributed to the fact that these components have been implemented in isolation from the organization and management structure supported by the project. The success of the seed tobacco production program is in large part due to the efforts of a single individual who was able to identify the requirements needed to establish the program, to use initiative and enterprise in obtaining these necessary inputs and, most importantly, to train the laboratory staff. Only in this latter component has there been a substantial effort made - and success achieved, in the training of local staff.

4.09 The roads component, which was the second largest in terms of fund allocation and financed by the UK grant, was to provide technical assistance, vehicles and equipment to permit upgrading of regional roads to all-weather standard. A road maintenance policy was expected to prevent what had been the prime cause of deterioration of the regional roads system in the past.

The project also envisaged that the 206 villages in the region, without an access road, would be linked to the main road network by the end of the five-year project period.

4.10 Actual achievement varied significantly. Appraisal estimates regarding the speed at which the regional roads could be upgraded proved optimistic. Only 50% of regional road targets were met; no village access roads were built.

4.11 An evaluation of the regional roads component^{34/} by the consultants providing the technical assistance attributes the difference in actual accomplishments to both the severe operating conditions, particularly fuel shortages, and the lack of an appropriate infrastructure to support plant operations within the region. Another reason was the fact that there was virtually no physical progress during the first two years of the project. Bank supervision noted the difficult operating conditions as well as initial adaptability problems of internationally recruited staff^{35/}.

4.12 Another major change during implementation was in the techniques employed. At appraisal it was expected that the regional roads would be upgraded using capital-intensive equipment. With the increasing shortages of fuel and spare parts, however, casual labor was employed on a moderate scale. Initially there was some concern, particularly on the part of the MOW, regarding whether standards were being sacrificed, but given the shortages of critical inputs for capital intensive techniques the consultants showed commendable flexibility.

4.13 While there was some achievement of targets for the regional road network and a maintenance policy was put in place for the network as a whole, by project completion, no access roads had been established to any of the 206 villages, largely because the necessary self-help contributions by villagers were not forthcoming. The evaluation report^{36/} concluded that there were at least three factors explaining general unwillingness to contribute the necessary self-help labor for construction of access roads. First, such roads are only of benefit to the village if used. During the period under review, input supplies to villages were erratic, consumer goods often unavailable, cash crops were frequently not picked up by the crop authorities and the few buses and trucks to be seen on the roads suffered from frequent breakdowns as a result of shortages of spare parts and fuel. To most villagers, therefore, there was little tangible benefit to be obtained from the presence of an

^{34/} Tabora Rural Integrated Development Project, Roads Component, Final Report, August 17, 1983.

^{35/} Tanzania, supervision of roads component, Tabora Rural Development Project, Credit 703-TA, Back-to-Office Report, dated October 23, 1980.

^{36/} op. cit.

access road. Second, an earlier construction unit for access roads in the region had paid village labor - as was also the case of the construction unit in the neighboring Kigoma region. Third, the village access program was seen by villagers to be a "World Bank" scheme and, as the evaluation report points out:

"In village logic it was impossible to correlate the manifest wealth of the aid agencies with the conflicting requirement for a substantial input of their own voluntary labor"

4.14 Although the roads component has only been partially successful and more costly than expected at appraisal, the mission's attention was frequently drawn to the relative improvement to the roads in the region. There is evidence also that considerable effort is being put into road maintenance despite the funding problems with project closure.

4.15 The land use planning component, also funded by the UK grant, has similarly not reached appraisal expectations, but it has been implemented in an innovative manner, concentrating on how to alleviate physical conditions and constraints imposed by the villagization program (para. 1.13). If the methodology developed is suitable for large scale application, the experience gained under this component could be of considerable value^{37/}. However, greater attention needs to be given to training because much of the work to date has been undertaken by an expatriate team.

4.16 The team has, in close coordination with regional, district and village authorities, developed a methodology for planning satellite villages. If the methodology developed is acceptable to government it will be important to ensure that required skills be in place at the village level and that simple procedures are established so that village planning teams can be trained fairly rapidly.

4.17 Funds were provided under this project for an expatriate agronomist to "pursue tobacco research at Tumbi and to train the national staff". The SAR is not more specific^{38/} and it is largely due to the calibre of the agronomist selected that some of the more urgent constraints facing the tobacco industry have been identified and successfully overcome.

4.18 One such bottleneck was the lack of good quality commercial seed. As a result of the agronomist's efforts, Tanzania is now self sufficient in commercial seed production and this has created a considerable foreign exchange saving.

37/ ODA is continuing to fund this component beyond the closing date of the project.

38/ Annex 2, Page 9.

4.19 A training program is now in place, and handouts for extension workers have been written and printed together with a tobacco handbook for extension workers. Every effort should be made to ensure that the training program initiated and supported by the agronomist is continued.

4.20 Implementation of the remaining components, notably crop and live-stock production, water supplies and reforestation, has been poor. In order to intensify production of key crops in the region - particularly cotton, paddy, sorghum, and groundnuts - thirty villages were to be selected to receive subsidized inputs and extension support for crop demonstrations and trials under field conditions. And although useful broad results were obtained concerning recommended fertilizer levels for the two main soil types, other aspects of crop and area specific technical packages for targeted production increases were not developed, largely due to (a) the late arrival of the internationally recruited agronomist; (b) lack of adequate transportation for a program whose success was very much dependent on mobility and farmer contact; (c) lack of producer incentive prices; (d) poor input, credit and credit recovery systems; and (e) villagization, plus the related fact that farmers were not free to make their own decisions about what crops to grow and how to grow them, while at the same time, they were expected to make contributions and provide labor towards block farms, communal farms, village woodlots, etc.

4.21 By the time of the first supervision mission in December 1977, one month after project effectiveness, it was concluded that the technical packages were not firm enough to go ahead with the recommended cultivation practices and the use of inputs. Moreover, based on experience in ecologically similar areas, notably Geita and Kigoma, it appeared that use of the packages would involve the farmers in substantial losses.

4.22 Crop trials were undertaken for two seasons, but the results were disappointing. This can be traced to administrative, technical and institutional problems.^{39/} The government's decision in December 1977 to recruit village managers^{40/} from the ranks of agricultural extension staff meant that there were fewer than expected extension staff to supervise the trials. Furthermore, certain villages selected were not eligible under the criteria established by the appraisal report. In some villages, particularly in Nzega district, the trials were viewed as "World Bank" trials of little interest either to farmers or to agricultural staff.^{41/} More important, however, was the inappropriateness of the packages and the poor returns. As a result, yields of all crops improved only slightly.

^{39/} The institutional problems are described in detail in paras. 4.36 et seq.

^{40/} Chief executive and technical officer of the village, responsible for plan preparation and implementation. Not to be confused with the village chairman.

^{41/} Supervision report dated July 24, 1978.

4.23 Farmers were also constantly encountering difficulties in input supply. Institutional arrangements for credit were not clear from the outset and consequently a smaller than expected number of villages participated in the trials.

4.24 The livestock component suffered both from poor design and poor management during implementation. The village ranch component assumed that a livestock owner would subsume individual interests to that of the national interest by destocking and adopting grazing control, despite the fact that most livestock owners in the area are from a particular tribe - the Wasukuma - to whom livestock rearing is a major, if not the major income earner. The provision of dips and veterinary services was poorly administered. There was little coordination with other components of the project, with the result that some dips were constructed in areas where there was little or no water. Dips were often poorly designed and the throughput in number of animals has not been sufficient to guarantee protection.

4.25 The water component suffered from shortages of material and equipment, as well as the lack of a component leader for the first three years of project implementation. Wells were situated in areas already served with water; boreholes were constructed which now lack pumps; piped water schemes are incomplete; villagers have been unwilling or unable to dig the necessary trenches so the PVC piping has been left lying under trees and is now badly warped.

4.26 The reafforestation component was similarly regarded with little enthusiasm by the villagers. Planting-out of the free seedlings tended to coincide with labor requirements for other crops.^{42/} In addition, villagers were used to obtaining supplies of firewood from the natural forests, or supplied by the tobacco authority providing subsidized transport. Once again, therefore, this component may have seemed necessary from the national perspective but its objectives were not similarly viewed as priorities from the smallholder point of view.

4.27 The project was closed in June 1983; no follow-on project is being financed. Actual project costs were US\$17.8 million, of which the IDA Credit comprised US\$4.2 million. The Canadian government cancelled US\$2.1 million while UK increased its grant to US\$6.4 million.

D. Issues

(1) The Need for Consensus of Opinion Regarding Project Objectives

4.28 The three-year gestation period in the formulation of this project is a reflection of the considerable differences of opinion among the participants as to the project's underlying concept. At project completion it is

^{42/} TRDB emphasise that the number of simultaneous self help schemes was also a constraint to other project activities which assumed a substantial degree of village self help. (TRDB comments page 57C).

evident that the project continued to be viewed from different perspectives throughout implementation; this confusion over objectives has had an adverse effect on project outcome.

4.29 When this project was first identified, the Bank was finalizing the 1974 Agricultural and Rural Development Sector Report. Project preparation reflected the NADP strategy arising from this report with its emphasis on production (see para. 3.02).

4.30 At the same time, however, the government was anxious that support be given for the newly created regional authorities - particularly in respect of their responsibilities for preparing regional development plans. With the subsequent acceleration of the villagization program, the government was also keen that donor support be given for the provision of village infrastructure and supporting services (para. 1.12). Thus, by the time of the first appraisal mission, one year later, the focus of the project had changed, the previous emphasis on productive activities was replaced by concentrated support for planning activities at the regional level. This change in project objectives was the subject of considerable discussion at the issues meeting where it was pointed out that the project as designed appeared to be contrary to the Bank's policy of only investing in productive sectors.

4.31 The debate within the Bank continued but the final project version concentrated on the regional infrastructure and planning efforts, while the productive elements, principally the crop and livestock components, became pilot programs and were given a secondary role. The various stages through which the project had gone, as reflected in the components which were considered and dropped, are well illustrated in the attached table prepared for the project completion report (Table 1).

4.32 It is somewhat ironic to note that despite the importance latterly attached by the Bank in this first phase to supporting the regional authority's planning and implementation capacity, when the decision was taken not to go ahead with the second phase of the project, an important rationale was the poor performance of the production components.^{43/}

4.33 This confusion as to the project's concept was evident in other aspects. The completion report, prepared by the Borrower, concluded that the lack of a pre-implementation phase was a major constraint to project performance (PCR, para. 3.4 (ix)). From the issues paper^{44/}, however, it is evident that the Bank intended that the first phase should in fact be a pre-implementation program.

^{43/} Letter to the Government of Tanzania dated February 23, 1983. The absence of suitable technical packages was not exclusive to the Tabora region, however. Similar difficulties have been experienced in Kigoma Region and Geita District.

^{44/} Issues Paper dated December 12, 1975.

4.34 Furthermore, the 1978 CPP emphasized that the rural development projects should be seen as pilot projects and not as major investments of resource transfer. The completion report, however, draws attention to the fact that the project was largely viewed as a resource procurement project, particularly amongst regional staff not directly associated with the project (PCR, para. 6.1.1).

4.35 This confusion over project objectives has, to a certain degree, strained relations between the government and the Bank since the government still finds it difficult to understand why the project has been closed with no second, productive, phase.

(ii) Organization and Management

4.36 A major reason for the project not achieving any of its goals was poor organization and management. In particular, project design should have taken greater account of first, how the regional authority operates in practice; and second, since the project was an integral part of the regional structure, the consequences for project management in the event of structural bottlenecks occurring within the regional administration.

4.37 The appraisal report failed to examine how decentralization would operate in practice, particularly how the changes in reporting responsibilities for technical staff would affect project implementation. Instead, decentralization was regarded by the Bank in more theoretical terms^{45/}:

"As decentralization takes root, the Regional and District Development Directors gain experience, and the farmers begin to see their views reflected in the district plans, any outside assistance is bound to be used more effectively than would be the case if the plans were formulated and the projects designed from the "outside"....Many of the implementation problems which plague rural development projects are not likely to arise when there is a framework which embraces farmers, technical staff (functional managers), Development Directors and representatives of TANU."

In fact there was no mechanism in place which would allow the views of the farmers to be reflected in district plans. Neither was there a framework which would embrace farmers, technical staff and party officials alike (para. 1.11).

^{45/} Abraham, P. and Robinson, F. "Rural Development in Tanzania: A Review of Ujamaa." Studies on Employment and Rural Development No. 14, September 1974.

4.38 Decentralization of government provided for communication between the national and the regional level, as well as within the regional authority itself. The structure, however, created no linkages between the Bwana Shamba - the village level extension worker - and his agricultural superior officers. This is one of the major reasons why the crop trials program, for example, was a failure. The component was designed by project officials working in isolation from the farmers. It covered crops which the farmers, because of the constraints on individual decision making (para. 1.15), were not interested in growing - yet there was no mechanism whereby this lack of interest or the reasons for the lack of interest could be transmitted back up the organizational structure to the officers responsible for the program.

4.39 The need to develop such linkages and technical information flows to the village level was recognized early on by project management. Since the importance of such information flows was not similarly appreciated by the regional administration this has resulted in there being two categories of staff in the regional administration, there are now "RIDEP staff"^{46/} who are distinct from "non-RIDEP staff" as the PCR makes clear:^{47/}

"The principal and overriding constraint to implementation mentioned by project management was a general lack of understanding and appreciation of the objectives and problems of the RIDEP on the part of the non-RIDEP staff who were involved in this project....it was felt, and project management still believe, that the only way to have a long-term impact on rural development is through the vital links with the farmer, i.e., the extension staff of the Agriculture, Livestock and Natural Resources Ministries. Thus unless the project is closely associated with those staff, there would be little chance of achieving the project's overall goals. Unfortunately, non-RIDEP staff were generally slow to realize the importance of these links" (PCR, para. 6.1.1).

In effect, given the way in which the regional structure operates, the project could not accomplish both institution building at the regional level and

^{46/} RIDEP = Rural Integrated Development Project.

^{47/} Bank supervision also commented on the fact that the project was not sufficiently integrated into the regional or district programs (Supervision Report, July 1981).

experimental productive activities at the district/village level.^{48/} The first objective implies general acceptance of the structure as is, while the second requires either a change in its technical reporting system or direct project intervention at the district or village level.^{49/}

(iii) Lessons Learned

4.40 Precisely how the problems illustrated by the project could have been avoided, in practical terms, remains debatable, however several lessons emerge (PCR, para. 12). Amongst them: (a) A prerequisite for success is mutual understanding and agreement on project objectives between government, beneficiaries and the funding agency; (b) clearer mechanisms need to be found to deal with project redesign, in situations where either critical assumptions change, or the original project design is faulty.

^{48/} The project coordinator, for example, refers to the fact that although the project's component leaders were expected to report to the region's functional managers, they tended to bypass the system and deal directly with the project coordinator. "Tanzania: The Tabora Rural Integrated Project," E. Mbuya, Project Coordinator, reproduced in Selected Case Studies on Monitoring and Evaluation of Rural Development Projects, IBRD 1980.

^{49/} This has now been recognized by the Bank in that supervision of the Mwanza/Shinyanga Rural Development Project is concentrating much more on developing expertise at the village level.

TABORA RURAL DEVELOPMENT PROJECT
(CREDIT 703-TA)

Components Tentatively Identified/a and Eventually Included

	Preparation				Appraisal
	June 1974	September 1974	November 1974	February 1975/b	
Component Activity					
1. Crops					
Maize	X	X	X	X	
Oilseeds	X	X	X	X	X
Cotton	X	X	X		X
Sorghum	X	X			X
Rice	X	X	X	X	X
Tobacco		X	X	X	X/d
Input Credit			X	X	X
Village Stores			X	X	X
Agricultural Extension			X	X	X
Adaptive Research			X	X	X
Staff & Farmer Training			X	X	
2. Land Use Planning/Soil Conservation					
		X	X	X	X/e
3. Livestock					
Beef Cattle	X	X			X/e
Dairy	X	X			
Tsetse Control		X			X
Cattle Buying Centers		X	X	X	
Ranch Development		X	X	X	X
Dips			X	X	
Veterinary Centers				X	X
4. Bees					
Honey and Beeswax	X				
5. Roads					
	X	X	X	X	X
6. Water Supply					
	X	X	X	X	X
7. Rural Health					
		X			
8. Rural Industries					
Furniture Making	X	X	/c		
Vehicle Maintenance & Training	X	X	/c		
Crop Processing	X	X	/c		
Farm Implements				X	X
				(Studies)	
9. Irrigation					
		X			
10. Other					
Advisory Unit		X	X	X	X
Training		X		X	
Project Evaluation					X/e
Preparation of Third Project		X			X
11. Reforestation					
					X

/a As mentioned in Back-to-Office reports and Project Implementation Briefs.

/b Preparation Report/Loan Request.

/c A UNDP Rural Industries Specialist was being consulted on activities that would justify funding.

/d The appraisal mission's proposal for funding included a tobacco processing component. It was subsequently decided to make this a separate project.

/e Initially, the appraisal mission was working with a proposal which combined project implementation, land use planning and project evaluation functions in a specialist team under the Regional Planning officer.

V. TOBACCO PROCESSING PROJECT
(CREDIT 658-TA)

A. Introduction

5.01 Credit 658-TA was the second Bank-supported project for tobacco production in Tanzania. Approved in August 1976, this credit provided US\$8 million towards a total project cost of US\$11.3 million to increase tobacco processing capacity in Morogoro from 18 million kg to 41 million kg of cured leaf per annum. This objective has been achieved; however, because tobacco production fell instead of increasing as had been projected at appraisal, the processing and storage capacity is now greatly underutilized. Tobacco production fell from its peak of about 16 million kg in 1973/74 to less than 10 million kg in 1982/83. As a result the project has a negative rate of return instead of the 25% estimated at appraisal.

B. Project Concept, Preparation and Appraisal

5.02 For the first project (Credit 217-TA) an IDA Credit of US\$9 million was provided in 1970 to increase flue-cured tobacco production in the Tabora, Rukwa and Mbeya regions by settling 15,000 new tobacco growers in villages of 100 families each. At first, farmers were reluctant to move to these new areas--possibly because of delays in providing the necessary infrastructure, particularly water, or possibly because of the requirement that farmers living in villages cultivate their land communally. With the start of the compulsory villagization program in 1974, the pace of settlement increased rapidly; the project's infrastructure facilities were an obvious attraction to farmers who were being forced to move into villages. Tobacco production continued to be much lower in the project areas than anticipated at appraisal,^{50/} mostly because many of these new settlers were not initially interested in growing tobacco.^{51/}

5.03 Despite the poor indicators which were evident in the course of this first project, planning for the processing project assumed that national tobacco production would continue to expand rapidly, maintaining trends that had been evident in the sixties.

5.04 This processing project had the following components:

- (a) rehabilitation of an existing, and provision of a new, processing line in the factory at Morogoro;

^{50/} A June 1975 supervision mission reported production at only 431 tons against the 4,000 tons estimated at appraisal.

^{51/} Another factor which could not be foreseen by the first project appraisal was the change in farmgate prices. The tobacco/maize price ratio changed from 15:1 in 1972/73 to 9:1 in 1975/76.

- (b) construction of tobacco storage space at Dar es Salaam and Morogoro;
- (c) infrastructure support in Morogoro;
- (d) construction of up-country stores;
- (e) technical assistance and training; and
- (f) a study of future tobacco processing requirements.

C. Project Implementation

5.05 Project implementation started slowly due to delays in project effectiveness, procurement irregularities, insufficient supervision of some procurement under retroactive financing, and cost overruns. To reduce cost overruns, some buildings were eliminated prior to credit approval. However, it was later found necessary to construct additional storage space at Morogoro which was not provided for in the project as approved. This was accommodated through an amendment to the Credit Agreement and reallocation of funds.

5.06 It was expected that upgrading of the existing processing line would be undertaken first, with the new expanded facilities installed thereafter. The appraisal recommendations to implement the project in two phases—rehabilitation and expansion—were not followed. Phase I was delayed by more than a year, and, to reduce cost overruns arising from inflation, it was decided to carry out Phase II simultaneously with Phase I. If the phasing anticipated in the SAR had been adhered to perhaps the declining trends in production would have been better emphasized.^{52/} Considering, however, that production had been stagnating three years prior to project appraisal, and declining in the year between appraisal and negotiation, the importance of production to this project may still not have been noted.

5.07 With the decline in total tobacco production, the project failed to generate foreign exchange earnings. The project also contributed to the deterioration of both the tobacco authority's and its processing subsidiary, TTPC's financial situation. With the low levels of capacity utilization, TTPC was able to cover only operating costs out of processing fees; there was no additional revenue to cover either interest or principal repayments as stipulated in the Credit Agreement. As a result, the project has become a net drain to the Tanzanian economy with government having to provide budgetary allocations for the shortfall.

^{52/} The consultants' report, on which project preparation was based, stressed that the expansion in processing facilities as envisaged under Phase II—as against the rehabilitation which comprised Phase I—should be carefully evaluated in the light of actual trends in tobacco production.

D. Issues

(1) Importance of Adequate Project Preparation and Appraisal

5.08 This project was prepared and appraised so rapidly that the fundamental justification for the project—increased tobacco production—was not analyzed in sufficient detail. The audit believes that while the extent of the decline in production that did occur could not have been foreseen at appraisal, there were sufficient warning signals—some raised within the Bank—which should have resulted in the production issue being given greater attention than it received. In retrospect, it appears that a perceived need to get the project approved quickly became the overriding concern.

5.09 Factors adversely influencing tobacco production were already evident at project preparation^{53/} but production was assumed to be increasing in a steady upward fashion. At least three widely differing forecasts were available and sensitivity analyses showed that the estimated rate of return of 25% would decline to 19% with a 10% drop in production. Nevertheless, a "conservative" annual growth rate of 7-1/2% was forecast.^{54/}

5.10 The initial decision was taken by the Resident Mission in East Africa in July 1975 that more tobacco processing facilities would be needed by the time of the 1976/77 season. The proposal was strongly supported by the Tanzanian government as complementing its agro-processing strategy. RMEA considered that, even discounting the effects of villagization, crop production would have increased from 16 million kg in 73/74 season to 22 million kg by mid-1977 (TAT's forecast being 26 million kg). It was concluded that normal project preparation and appraisal would not allow for the expanded processing facilities to be in place by the 76/77 season. On the strength of a tentative suggestion that tobacco processing be incorporated into the proposed Tabora Rural Development project, then being prepared, RMEA hired consultants to review the existing documents in August 1975, and to prepare specific proposals in September/October, prior to appraisal in October. The project was then added to the lending program.

5.11 There was less enthusiasm in Bank headquarters about the project's prospects. If the Bank was to continue to support tobacco production this should be done through the NADP (para. 3.02). Moreover, headquarters staff viewed with concern the progress of the Flue-Cured Tobacco project being supervised from Nairobi. Headquarters did not agree with the supervision mission's proposal to upgrade the project from its previous problem project status.^{55/}

^{53/} PPAR, Flue-Cured Tobacco Project (Credit 217-TA), Report No. 2786, dated January 4, 1980.

^{54/} President's Report, No. P-1902-TA, dated August 20, 1976, para. 42.

^{55/} Supervision of the Flue-cured Tobacco project: memo dated November 26, 1975.

5.12 Similarly, in a review of the investment proposal for the Tabora Rural Development project, concern was expressed about the proposed tobacco processing component,^{56/} particularly since these very poor production trends were emerging at the same time that the number of settlers in the scheme was increasing considerably: to 8,600 in February 1975 vs. 2,800 in February 1974. Average acreage per farmer had fallen; by 1975 the ratio of maize to tobacco was 5:1 rather than the 1:1 envisaged at appraisal.

5.13 Meanwhile, the consultants in charge of preparation analyzed crop production trends which had been provided by the tobacco authority. The preparation team concluded that these crop forecasts were optimistic and reduced the 1979/80 projections from 37.5 million kg to 30 million kg.^{57/} Another observer of the tobacco industry stated that while the phased approach was sensible, "...30 million kg by 1980 represents expansion without parallel and not possible to achieve if a quality crop is the target."

5.14 The consultant's preparation report was not received until a few days prior to the departure of the appraisal mission for the proposed Tabora Rural Development project, thus no issues meeting was held for tobacco processing. Having linked the appraisal of the tobacco processing to the Tabora Rural Development project for the purpose of speed, it was then separated out for the same reason since the Appraisal Report was likely to be delayed longer than the two months it would take to complete one for a separate tobacco project.

5.15 Bank staff continued to express doubt about production trends, on which the financial viability of the project rested. One review,^{58/} in particular, drew attention to the probable unreliability of production data for 1973/74, given that this was a year of major upheaval in Tanzania with the start of the villagization program. The review pointed out that the validity of appraisal projections was dependent on this 1973/74 data being reliable. Aggregate production trends in Tanzania are inevitably affected by any change in smallholder circumstances, given the structure of agricultural operations, but the difficulties facing a smallholder growing tobacco were not explored (para. 6.29 et. seq.)

(ii) Project Supervision

5.16 The consultants' preparation report drew attention to the fact that the viability of the project was dependent on production increasing at the levels anticipated. Despite this, the two-stage phase approach was dropped and supervision missions, as would be the case in the subsequent Tobacco

^{56/} Memo dated September 26, 1975.

^{57/} Report on the Proposals for Increasing Processing and Storage Capacity at the Tanganyika Tobacco Processing Co., October 1975.

^{58/} Tanzania Tobacco Processing Project: Yellow Cover Appraisal Report, Memo dated May 21, 1976.

Handling project, comprised financial analysts and economists whose main concern was to ensure timely procurement of machinery and equipment or that the buildings were constructed as planned. Equal attention should have been given to production. There were no agriculturalists on any supervision mission until December 1980, when the Tobacco Handling project was also identified as facing severe problems in this regard.

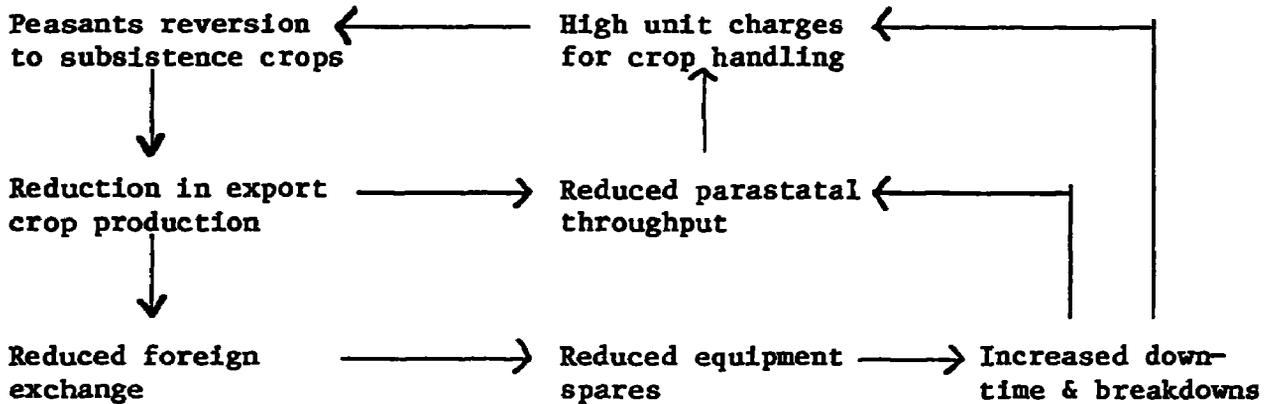
5.17 Once it was finally recognized that production was integral to project success, there was in fact very little that the Bank could do given its existing supervision resources. The Bank, in its supervision mission of December 1980, comprehensively reviewed the constraints facing the industry outlining possible remedies which could be taken, without long delays awaiting political decision making. However, production continued to stagnate and decline. A major reason for the decline can be attributed to the institutional weakness of the tobacco authority. As has been pointed out by a supervision mission for the Tanzania Tea Project:

"Supervision concentrated largely on TTA's institutional shortcomings and possible solutions.... We have been unable to effect improvements despite intensive action. The real cause for failure must be sought in Tanzanian economic management, particularly parastatal management.... Our view is that for the Bank to have done more for TTA, the Bank should have put its entire lending program on the line for across the board parastatal reform. The average 14 supervision weeks per year we have to supervise projects could not in any circumstances have changed TTA's mismanagement without greater Bank leverage to implement recommendations which have been consistently rejected by Government."^{59/}

5.18 The extent and the interrelation of the problems facing the crop authority are well illustrated in another study^{60/} and depicted in diagram form:

^{59/} Operational Policy Review: World Bank Experience of Institutional development in Africa. Memo dated December 8, 1983.

^{60/} J. Moris, "What Went Wrong in the 1970s", Background Paper VI.



Where the link between the cash crop authority and farmers is such that any action taken by the authority for short-term survival will only further depress crop production thereby hastening its eventual collapse.

5.19 In conclusion, much greater care is needed during preparation and appraisal to ensure that appraisal procedures are not short-circuited, particularly when it is evident that changes of the magnitude required in this instance cannot be accomplished during supervision. There have been other projects where compressing appraisal procedures was thought to be justified by an urgently perceived need^{61/} but at project completion, evidence confirmed that this has been detrimental to successful project outcome.

VI. TOBACCO HANDLING PROJECT (CREDIT 802-TA)

A. Introduction

6.01 Prior to 1978 when Credit 802-TA was approved, the Bank had provided more than US\$23 million in support of tobacco production in Tanzania. Its first project, Credit 217-TA signed in 1970, concentrated on area increase of tobacco production by creating smallholder settlement schemes similar in design to those which had been successful in the sixties. The Bank's second project, Credit 658-TA, (Chapter V), focused on expanding the processing facilities for flue-cured tobacco. Funds were also provided under the Tabora Rural Development project for tobacco research and for pilot fuelwood plantation schemes.

^{61/} The Drought Relief Project: A Review of Performance, OED Report No. 3173, dated October 28, 1980, and Sudan: Southern Region Agricultural Rehabilitation Project (Credit 476-SU), OED Report No. 3476, dated May 26, 1981.

6.02 This third credit provided a further US\$14 million to the industry, with the emphasis on net yield increases. Research indicated that smallholders were able to produce a field crop similar to that obtained by larger farmers, but post-harvest losses affected their final yields by as much as 40%.^{62/} The project, therefore, was designed to support the introduction of new handling techniques together with infrastructural facilities to reduce losses experienced by smallholder tobacco producers.

6.03 Tobacco yields have not increased, in fact tobacco production in 1981/82 has fallen back to the level obtained in 1970, when the Bank's first tobacco project became effective. Credit 802-TA has a negative rate of return, in part due to the difficulties experienced in the agricultural sector during the period (Chapter I) and in part due to the tobacco authority's inability to discharge its many duties and responsibilities effectively.

B. Project Concept, Preparation and Appraisal

6.04 Tobacco production in Tanzania has traditionally comprised flue-cured tobacco cultivated by large-scale expatriate farmers in the Iringa region. Fire-cured tobacco was introduced in 1961, but undertaken on a small scale in Songea region, mainly for domestic consumption. Smallholder production of flue cured tobacco began to expand rapidly at about this time when tobacco ceased to be regarded as a plantation crop. Previously small farmers had only been able to grow green leaf which then had to be sold before processing. With the introduction of settlement schemes in Tabora region where small farmers were able, under supervision, to process their own tobacco, the economic incentives were such that production expanded rapidly with large numbers of farmers taking up the crop. By 1965, production of flue-cured tobacco exceeded demand in East Africa and Tanzania entered the world market.

6.05 By 1970, when Credit 217-TA was signed, output had increased five fold to 8.8 million kg per annum with smallholders in the Tabora region producing almost 65% of the flue-cured tobacco, growers in the Iringa region accounting for about 27% of production. Thus the first project was intended primarily to increase production of tobacco by continuing the established trend, i.e., encouraging more growers to take up the crop. Credit 217-TA succeeded in increasing maize production, which was not an objective of the project, except insofar as maize is generally regarded as a rotation crop. Incremental tobacco production fell far short of appraisal estimates: 1.5 million kg vs. 8.9 million kg per annum.^{63/}

^{62/} Audit has been unable to confirm the validity of this statement, in particular, when or by whom the research was conducted. The statement may be no more than a perception by agricultural staff.

^{63/} PPAR, Flue-Cured Tobacco Project (Credit 217-TA), Report No. 2786, dated January 4, 1980.

6.06 The second project, Credit 658-TA, was approved by the Bank in September 1976, concentrating entirely on the expansion of existing processing facilities. It was not until this third Bank-supported project, Credit 802-TA, signed in 1978, that attention was given to increasing the yields of smallholders.

6.07 The project provided for (a) sturdy polythene bags to enable farmers to store their cured leaves, with protection from rain and damp until sufficient leaves are obtained to allow grading to take place; (b) grading and baling centers where tobacco can be prepared for the market in dry conditions without fear of mold; (c) marketing centers, godowns, transport for distribution of inputs and collection of leaf; and (d) some technical assistance to the tobacco authority.

C. Project Implementation

6.08 The two project components expected to generate the highest returns were smallholder bulking bags (ERR = 320%) and village grading/baling centers (ERR = 68%). Appraisal envisaged TRDB providing credit for 350,000 bulking bags and 80 grading/baling centers, with the tobacco authority having day-to-day responsibility for the whole project. The Credit Agreement provided, however, for TRDB to be the implementing agency for these two components. By the original project completion date (April 1983) TRDB had not sold any bulking bags to farmers at commercial rates (a few were distributed on a trial basis). The tobacco authority had purchased 43,000 bulking bags for distribution, but this has been slow due to farmer reluctance to accept the bags on credit. Almost 100 villages were eligible--in terms of volume of production--for a grading/baling center, but many were precluded from receiving further credit due to loan arrears. Not one of the 80 proposed grading/baling centers has been built.^{64/}

6.09 Of the 40 marketing centers envisaged at appraisal, nine were completed but at least four of these were constructed in areas where production was below the minimum acceptable throughput level of 300,000 kg/season. In one instance tobacco production was no more than 34,000 kg, while the marketing center at Mputa, which was to cover four villages with a total production of 652,000 kg, was only partially constructed.

6.10 One of the two storage facilities proposed at appraisal was completed, but no tobacco was stored in the 1982/83 season, the entire crop being immediately railed to Dar-es-Salaam.

6.11 All vehicles envisaged under the appraisal report were procured, while the technical assistance component was implemented with minor modifications. A financial system study was satisfactorily completed and implemented in an effective and cost-saving fashion. The project also financed the preparation of a Tobacco Rehabilitation Industry study which has been well

^{64/} TRDB also point out that confusion as to the ownership of these centers and their suitable location, as well as shortages of building materials were added factors. (TRDB comments page 57D).

received and is expected to provide a framework for much-needed industry-wide changes if production is to be restored to former levels.

6.12 The PCR points out that although the first (and subsequent) Bank supervision mission expressed concern at the stagnation and decline in tobacco production, neither the Bank nor the tobacco authority managed to focus properly on the question: what policy changes would be necessary to restore the industry to its appraised growth path? Factors contributing to stagnation were correctly identified as inadequate availability and distribution of inputs, lack of good seed material and site-specific extension/agronomic recommendations, delays (due to transport shortages and the Ugandan War) in crop pick-up, shortage of fuelwood, and the sharp increase in the ratio of unofficial maize price to official tobacco price.

6.13 However, the lack of effective action to remedy these problems together with TAT's and TRDB's difficulty in managing the most productive project components, has meant that the project has had little impact; the crop authority's transport fleet has been replaced, and its available godown capacity increased.

6.14 The project was closed six months after the original closing date. Only US\$6.1 million was actually disbursed out of the total IDA Credit of US\$14.1 million, the remainder being cancelled.

D. Issues

(i) Insufficient Attention to Production

6.15 The project originated at a time when the Bank was giving considerable attention to the need to stress agricultural production capabilities in Tanzania, with the National Agricultural Development Project (see para. 3.02).

6.16 The most directly productive components of the project were the bulking bags and the grading/baling centers. Together these totalled US\$2.5 million out of the total project cost of US\$20.5 million. The remainder of project funds were for physical infrastructure. Technical assistance under the project received US\$1.7 million. When one tenth of total project cost is directly devoted to production there is likely to be considerable pressure during implementation to concentrate on the larger, capital intensive components, e.g. the vehicle fleet (US\$3.9 million), rather than the smaller bulking bags component (US\$0.3 million).

6.17 Project design anticipated that these bulking bags—which had been well received by small farmers in Malawi and Zambia—would be obtained by farmers on credit. Smallholders are quick to change their farming practices if the demonstrated benefits are sufficiently attractive. There is no indication that analysis of the quality of the extension service was undertaken at project design or that close supervision was earmarked for this component in the early stages of project implementation. A study commissioned by the

Bank^{65/} in 1974 concluded that yields in Urambo and Tumbi districts were strongly influenced by the quality of the extension service, a lesson which should have been noted in this project with its principal objective similarly to increase yields of smallholders.^{66/} The focus of institution-building efforts for the tobacco authority instead concentrated on its internal supporting services: accountants and a procurement officer together with a building officer and transport personnel.

6.18 The focus of the supervision effort has tended towards the achievement of the physical infrastructural objectives of the project (see para. 5.16 et. seq.). Considerable correspondence on project files is devoted to the quantitative aspects—the number of vehicles procured for the extension service, for example—without discussion as to how effectively these facilities are being used by the extension staff concerned. Similarly, the project procured 80 tractors to assist in transporting inputs and fuelwood, but the monitoring unit in the Ministry of Agriculture (PPMB) reports at the end of the project that the whereabouts of only 25 is known—all 25 being located in the least important tobacco growing areas and with no evidence of any record-keeping in order to ensure that user charges are complied with.^{67/}

6.19 Of greater concern to the audit, however, is that the project was to introduce a simple technique—the bulking bags—which despite its relatively small size in value terms, may have a noticeable effect on smallholder yields if experience in neighboring countries is accepted. The use of these bags still remains to be tested in Tanzania, because few of the 350,000 bags to be provided under the project have been procured or distributed to farmers. It is not the purpose of this audit to determine where responsibility for this notable omission lies, but it is regrettable that, despite a total project cost of almost US\$7 million, one cannot say whether the use of such bags will have an effect on tobacco yields or even whether they are acceptable to the farmers.

(ii) Institutional Aspects

6.20 The management weaknesses in the tobacco industry essentially cover two particular aspects. First, the tobacco authority has multiple objectives, commercial and non-commercial, but the degree of accountability required by its principals has been vague and unclear. Second, policy and regulatory constraints within the authority's operating environment, over which it has little control or influence.

^{65/} Africa Rural Development Study. Background Paper: "Smallholder Tobacco Production in Tanzania: A Review of Urambo and Tumbi Schemes", M. Agarwal and D. Linsenmeyer, 1974.

^{66/} Nor has this situation changed. Many of the recommendations of the Tobacco Industry Rehabilitation study concern the need to improve the quality of TAT's extension service.

^{67/} "Report on visits to the TAT Tobacco Growing Areas" PPMB, Ministry of Agriculture, December 1983.

6.21 Its range of functional activities is extensive. As the supervision mission of January 1982 pointed out:

"the concept of TAT is unique in the tobacco world; nowhere else will you find a single organization that controls the tobacco crop from planting right through the processing, marketing and export stages. It also involves warehouses and a massive transportation system that not only transports tobacco to and from the processing plant, but also transports inputs, including fuelwood...."

6.22 Until 1976, responsibility for credit, transport and baling services rested with the cooperatives (para. 1.17). Farmers graded their own leaves under supervision of extension staff and the cooperative deducted the cost of individual farmers' inputs from the marketed proceeds. With the decision to abolish the cooperatives in May 1976, all these functions had to be absorbed immediately by TAT.

6.23 In addition to this range of functional activities, the authority has non-commercial objectives. TAT was established in the same year that the government was decentralized and thus obliged to compete for staff along with the simultaneous demand of twenty newly created regional administrations, the remaining 100-200 parastatals and the central government ministries. Since salary scales are more or less standardized, parastatals such as the tobacco authority have had to provide an array of ancillary services to attract and retain staff, including dispensaries, shops, schools, etc.

6.24 Under the provisions of the Tobacco Industry Act, the authority is responsible to a number of principals, but relations in practice between government and the parastatal has been vague, with the result that the distinction between accountability and autonomy has been poorly defined. TAT's parent ministry is Agriculture but control exercised has been nominal, exacerbated by the fact that the Ministry has seldom had information with which to measure management performance. The need for some form of performance evaluation is particularly important in Tanzania where market signals, particularly long term profits and growth, are not available to provide basic indicators of performance. To measure management performance, therefore, requires regular and reliable information on costs, outputs, etc. thus a key requirement is accounting data.

6.25 The Bank has been taking important first steps in this regard at both the parastatal and the sectoral level. Considerable attention has been given to strengthening TAT's financial system. At the same time, at the sectoral level, where accountability resides, the Bank has been providing support under the auspices of the export rehabilitation credit. This unit is located in the planning division of the Ministry of Agriculture and is now starting to monitor the flow of information from this, as well as from other, parastatals. PPMB will be able to determine to what extent performance of the authority is a result of internal management actions and to what extent the responsibility of factors beyond its control.

6.26 There is no doubt that the Authority's performance has been adversely affected by policy and regulatory issues. Foremost amongst these is pricing.^{68/} The parastatal has incurred heavy administrative costs, almost 11% of sales, but an examination of the trading results for 1980/81 shows that TAT is making a gross loss even at the trading stage, i.e., before any fixed overhead costs are added. This is due primarily to inadequate margins as well as to excessive transportation and processing costs.^{69/}

6.27 Furthermore, the tobacco authority was made responsible for credit collection on behalf of TRDB, yet it is the villages which draw up the necessary documentation of who has received credit and how much is to be repaid (see para. 1.14). Where the list prepared by the villages did not coincide with the list held by the credit agency, TAT was required to reconcile one with the other.

6.28 It is impossible, however, to determine how important these factors have been in TAT's poor performance overall, which underlines the need for effective management performance evaluation. Experience obtained illustrates the importance of intervention simultaneously at both the parastatal level and the sector level, i.e., PPMB, where control is to be exercised.

(iii) Lack of Focus on Requirements to be a Tobacco Farmer in Tanzania

6.29 There is little evidence to indicate that there has been any systematic focus on the individual grower either at project design or implementation stage. Tobacco farming requires a series of well ordered and well timed husbandry practices to produce high quality leaf. If the farmer is dependent on outside agencies or institutions for the supply of the necessary inputs then this in turn demands efficient institutional performance.

6.30 Despite the institutional changes which had occurred in Tanzania prior to the appraisal of this project, there is little evidence of any analysis of how these changes would affect a smallholder cultivating tobacco. Farmers cannot purchase any inputs for tobacco with cash. With the introduction of villagization (para. 1.12), input supply and credit administration would almost inevitably encounter problems particularly when the cooperatives were abolished in 1976. In the early years, many villages were poorly managed as compared to the cooperatives, yet these villages were required not only to compile lists of all necessary inputs, but also to be responsible for loan recovery. In principle, the responsibility for collecting seasonal input loans is done at source by the crop authorities, if there is a monopoly in procurement as is the case of tobacco. In practice,

^{68/} Following the abolition of the cooperatives, producer prices for almost all crops are determined centrally by a cabinet committee and prevail nationally regardless of geographical location.

^{69/} "Performance of Agricultural Sector Parastatals" Appendix C, p.3. Background Paper, Agricultural Sector Study, 1982.

however, the tobacco authority has not always passed on the loan proceeds to TRDB with the result that the tobacco farmer can find himself with no seasonal inputs either because village records have been inadequate and the credit agency has not received what it considered its due, or because the village has paid the correct amount, but the funds have been diverted by the TAT.

6.31 Furthermore, difficulties were frequently encountered in obtaining the fertilizer in time. Transportation from the Tanzania Fertilizer Company (TFC) to the regions has often been slow. Trucks are frequently unavailable to transport fertilizer from TFC godowns to rail heads or to the villages. For flue-cured tobacco, where there is only 40 days between planting of the seedlings and harvesting the first leaves, if application of fertilizer is delayed, so will be the necessary weeding, the removal of the flower heads and suckers, with subsequent effects on yield. The critical factor in tobacco growing is timeliness of operations. Concurrent with villagization came political pressure for equity within villages; thus the practice of tobacco farmers employing labor fell into disrepute. This resulted in skilled growers reducing their area considerably (from about 2 ha minimum, to about 0.5 ha maximum^{70/}) because they had to rely on family labor only. The area given up was then taken over by new unskilled growers, operating with little extension advice.

6.32 In Tanzania the amount of fuelwood needed for the curing process is substantially higher than many other countries. A ready source of fuelwood is, therefore, an important factor in tobacco growing. With the introduction of villagization, farmers can no longer cultivate tobacco on the edge of forests, and are having to transport fuelwood over longer distances as supplies near the villages become depleted. Crop rotation, a necessity given the prevalence of disease, is also being affected. A final constraint is that TAT sometimes fails to pick up the tobacco or if it does, fails to pay the farmers cash.

6.33 As tobacco growing in Tanzania involves, in addition to the farmer, the village administrator, TAT, TRDB, and TFC, more attention should have been given to their institutional capacity including how their operations directly and indirectly affect the smallholder tobacco grower.

VII. CASHEWNUT DEVELOPMENT PROJECT (LOAN 1014-TA)

A. Introduction

7.01 Loan 1014-TA provided US\$21.0 million in support of a US\$30.3 million project aimed at increasing cashewnut processing capacity and raw nut

^{70/} The findings of the first project, Credit 217-TA, indicated an average of 0.4 ha per farmer rather than the 0.8 ha as expected at appraisal.

production by smallholders. Existing processing capacity of 27,000 tons of raw nuts would increase by 40,000 tons and the output of cashewnut nut shell liquid (CNSL) of about 1,200 by 2,500 tons. It was expected that the project would help increase total output of raw cashewnuts in Tanzania by 19,000 tons at full project development in 1983. A small value increase was also expected due to an improvement in quality of raw nuts, as a result of extension and grading activities. Decline in raw nut production, from 125,000 tons in the 73/74 season to about 41,000 tons in the 79/80 season, has caused the economic rate of return to be negative.

7.02 Despite the declining production trends throughout the course of this project, the Bank approved a second phase, follow-on project which provided a further US\$27.5 million for the construction of three additional processing factories, thereby expanding Tanzania's processing capacity by an additional 30,000 tons per annum. On the possible optimistic assumption that cashew production in the next 10 to 15 years is likely to stagnate at around 50,000 tons per annum, there will still be at least 50,000 tons of excess processing capacity, which makes the decision to support the Phase II project all the more surprising.

B. Project Origin, Preparation and Appraisal

7.03 At the time the project was identified, cashew was one of Tanzania's principal foreign exchange earners. Production of raw nuts, which is almost entirely a smallholder crop, increased from 74,000 tons in 1965/66 to about 125,000 tons in 1972/73. About 10% to 15% of the purchased nuts were utilized by local processors, with the balance exported as raw nuts, mainly to India. The price differential between raw nuts and processed nuts was significant and the government was, therefore, interested in expanding processing capacity. It aimed to develop the cashewnut industry through a parastatal organization, the Cashewnut Authority of Tanzania, (CATA) established in July 1973.

7.04 The government was assisted by RMEA in the preparation of the project proposal, appraisal took place in October 1973, and the loan agreement signed in June 1974.

7.05 The project comprised the following components: establishment of five cashewnut processing factories and port storage facilities for cashewnut shell liquid; the establishment of a cashew extension and grading service; the improvement of cashewnut research facilities; construction of office and staff accommodation for CATA headquarters; construction of improved water supplies and education facilities in selected villages within the cashewnut producing areas; and provision of technical services, including future project preparation. The project was to be implemented by CATA under the general direction of the Ministry of Agriculture.

C. Project Implementation

7.06 Overall physical execution of the project, particularly with regard to construction and equipping of factories and other civil works, has been

satisfactory. Technical assistance and training aspects of the project were only partially implemented, while key staff recruitment remained a problem throughout the implementation period. The research program, as proposed by the project, was not implemented. The extension service has been ineffective as far as raw nut production is concerned, although the quality of raw nuts has improved. The establishment of road maintenance units, community education centers, and improvement of rural water supplies, were dropped from the project in the early stages of implementation as a result of project cost overruns.

7.07 The construction of buildings and installation of equipment for the five factories were completed satisfactorily by 1980, although about two years behind the estimated completion date. However, the completed factories have either had to be temporarily closed, operated sporadically, or operated very much below their processing capacity. Factory problems have resulted from inadequate input supplies, decrease in demand for CNSL and, in the case of one factory, lack of water supply.

7.08 The most important factor affecting the operation of the factories has been the decline in raw nut production. While production declined from 125,000 tons in the 1973 season to 41,000 tons in the 1979/80 season, processing capacity increased from 27,000 tons in 1973 to 113,000 tons (rated capacity) in 1980, as a result of the Phase I and Phase II projects^{71/} and the construction of two additional factories with Italian financing. By December 1982, only five of a total of twelve factories were in operation. Of the project factories, only one was in operation.

7.09 The results of the limited operations of the Phase I factories have been far below those of factories built under the Phase II credit, negotiated in 1978. The superior performance of the Phase II factories can largely be attributed to the continued presence of the Japanese manufacturer's engineers under the agreed contractual arrangements. In retrospect, a similar arrangement for the manufacturer's representative to be present for three to four years for Phase I factories, as originally proposed under turnkey arrangements but dropped because of cost overruns, may have produced improved operating results.

7.10 The research component was not implemented as planned, since the government preferred to use an Italian Government grant and technical assistance to implement a two-year breeding, pest and disease control research program which became operational only in 1979. The project appraisal envisaged a trained extension staff of 537, hardly a realistic proposal given the limited availability of trained manpower at the national level. In practice, the eleven senior positions were filled with qualified staff, but of the 344 extension assistants recruited, only 32 had prior training in agriculture. The extension staff have been involved primarily in procurement of raw cashewnuts, (para. 7.20 et. seq).

^{71/} Phase I refers to this project, Phase II refers to a second project (Credit 801-TA) which provided a further three factories, thereby increasing processing capacity by an additional 30,000 tons p.a.

7.11 The overall utilization of the technical services has been unsatisfactory. The provision for company representatives to supervise the operation of the factories was dropped with consequent deleterious effects on processing. With the research program not being implemented the provision for internationally-recruited research staff was not utilized. An internationally-recruited financial controller was recruited for two years from 1978 to 1980, but was unsuccessful in creating an adequate accounting system.

7.12 CATA's accounting and other records have not been adequate to reflect its operations; the last audited accounts submitted to the Bank were for the year ended September 30, 1976.

7.13 Procurement Problems resulting from the closing of the Tanzania-Kenya border, lack of foreign exchange and distance from Mtwara to Dar-es-Salaam were all problems beyond control of project staff and contractor.

7.14 However, mistakes in the initial estimates of water supply costs and difficulties with the negotiation of contracts resulted in the escalation of the cost of water supply development for the factories, from an appraisal estimate of US\$150,000 to a negotiated contract of US\$1.6 million awarded in July 1977.

D. Issues

(1) Causes of Crop Production Collapse

7.15 The decline in crop output to about one-third of the peak output levels of 1973/74 has meant that even if there had been no implementation problems, the project would still have failed to achieve its objectives.

7.16 Assessment of the causes of output decline remains inconclusive because of the extremely sketchy data available on cashewnut production in Tanzania, which was a factor evident in the original project preparation and at all subsequent stages of the project. In light of the dependence of project performance on crop production, it would have been desirable to build into the project, from the outset, a capacity for information gathering and analysis beyond that envisaged in the agricultural research component (which was in the event not implemented).

7.17 A review of analyses, which have attempted to explain the decline, suggests that the collapse of output is the result of a number of causes, which acted to reinforce each other. The particular impact of each, however, being difficult to isolate. These are:

(a) Villagization

The relocation of the rural population in the villagization program was quite thorough in the cashewnut areas (unlike in the other tree crop areas, where there was very little relocation). Labor on crop production—weeding and collecting the nuts—is not a full time occupation and is more readily undertaken when the trees

are in reasonable proximity to the home. Relocation made it more difficult to tend the trees and collect the nuts. This is now generally accepted by government as a prime cause of output decline.

The villagization process was outside the control of the project, of the Bank and of CATA. However, a more thorough understanding of the crop production system might have led the Bank to predict the consequences of the villagization program as it was implemented, and to have urged on the government the virtue of creating villages small enough to allow for continuing proximity to the trees.

(b) Prices

The decline in the real value of cashewnut prices parallel to the impact of villagization meant that a sharp decline in the return to cashewnut production coincided with an increase in the labor requirement. In the event, it was not until November 1978 that the price issue was raised by Bank supervision and then without much vigor.

The very nature of the covenant on prices in the loan agreement was inadequate. The inclusion of the term "less appropriate processing and marketing costs" is essentially ambiguous, and could readily be interpreted so that the farmer's income is the residual after prior deduction of parastatal costs, leaving the farmer to shoulder the costs of any parastatal inefficiency.

The increasing gap between farmgate and world prices reflected, as argued in the PCR, an increasing parastatal marketing margin, in part the result of inefficiency and high overhead costs of CATA. As those costs in turn reflected the overhead costs of the factory, including the debt incurred in financing the project and the staff overheads agreed to in the project, the project itself must be viewed as a factor contributing to the poor farm incentives.

(c) Disease

There have been crop losses as a result of disease incidence, in part the result of weather conditions, in part due to factors (a) and (b) above. On the one hand, the failure to clear and weed under the trees increases susceptibility to fungal attack, while on the other hand, the resulting decline in yield further reduces the return to collecting the nuts and maintaining the orchards.

The research program currently in place, funded by the Italian Government, is addressing this question. However, if a research program had been implemented with the same urgency as the factory

construction program, the capacity could have been created to identify the disease problem earlier and to tackle it more aggressively.

(d) Aging of the Trees

Failure to replant (which may well have predated the project) means the tree population is aging and some trees are reaching the limits of their productive life. This is in part a reflection of the more general disincentive to produce, but it is also believed to result from a lack of knowledge among farmers of the productive age of trees, and thus may relate to the absence of an effective extension effort.

(ii) Institutional Performance and Development

7.18 The project completion report concludes that the overall performance of CATA during the project period has been relatively weak, that its efforts have almost entirely been directed towards procurement, marketing and processing; raw nut production, extension and research aspects have been neglected. The major constraints affecting CATA's performance include shortages of skilled and experienced manpower, high staff turnover, and, in retrospect, an overly ambitious role defined for this parastatal.

7.19 The shortage of skilled manpower can be attributed to the overall scarcity of such manpower in the country in general, and to the location of CATA headquarters, which were moved to Mtwara near the main production areas but geographically remote.

7.20 During implementation of the project, CATA underwent several reorganizations which resulted in relatively little attention being paid to research and extension. The issue of procuring raw nuts proved to take far more attention than analysis and resolution of the issue of why raw nuts were becoming increasingly hard to procure.

7.21 The high turnover in CATA's top management has had adverse effects on efficiency. Nevertheless in the context of the overall difficulties facing the Tanzanian economy the record of the company in implementing factory construction and handling cashewnut exports was not unsatisfactory. Even with a much more effective management team it was unlikely that the organization could have established an effective outreach to handle extension and village purchasing arrangements, given its tasks in relation to processing.

7.22 A practical weakness has been in relation to accounting. This is related both to the difficulties in recruiting effective manpower and to the difficulty in controlling the village level purchasing system. However, it should be recognized that the project was implemented before there was an adequate accounting system in place. A certain minimum level of operational performance in relation to accounting would be an appropriate prerequisite to the commitment of such large funds.

7.23 According to the trading results, CATA has earned reasonable net profits from 1973/74 up to 1978/79, except during 1975/76 when it incurred a net loss of TSh 18.8 million. However, these profits were mainly due to the export of raw nuts as the factories came into operation only during 1978/79 and thereafter. As more factories come on stream, an increasing proportion of raw nuts were processed in CATA's factories and with declining world market prices and high processing costs, CATA's operations became less profitable. CATA has faced serious liquidity problems in the past few years mainly due to poor recovery of cash advances to villages (for procurement of nuts), financing of long-term and short-term debtors and investments in excess processing capacity. The proposals to close down some of the factories and lay off staff have been among drastic actions initiated by government to improve CATA's financial position. Other measures such as substantial reductions in processing overhead costs, stepped-up debt recovery coupled with increased raw nut production and export sales would be essential for the restoration of CATA as a commercially viable organization.

(iii) Bank Performance

7.24 Given the evident failure of the project, the critical comments in the project completion report regarding Bank performance can be fully endorsed and placed in even sharper focus in this audit report.

7.25 The failure of the project suggests four broad questions: (i) should the Bank have supported the project? (ii) Could better project design improve performance? (iii) Could more effective Bank supervision improve performance during implementation and, related to that question (iv) how did the decision made by the Bank in May 1978 to go ahead with Phase II of the project relate to Phase I performance?

(a) Should the Bank Have Supported the Project?

7.26 Given the level of output in 1972/73 and the lively growth in preceding years, the initial decision to fund cashewnut processing facilities in Tanzania was justified. At the time, the subsequent output decline could not have been predicted.

(b) Project Design

1. The Role of CATA

It was unreasonable to suppose that CATA, an organization which was only coming into existence as the project was in preparation, could effectively carry out the responsibilities of purchasing and marketing of cashewnut, operating a number of factories involving a quite complex processing system and, at the same time, handle extension and research activities for crop production. A more narrowly defined role for CATA, a more cautiously phased implementation of the project, and the use of management services supplied on a contractual basis, might have eased the problem.

2. Crop Production

Although it is unreasonable to suppose that the future fall in production could be predicted, the basis for believing that the project could increase production was, from the outset, shaky. Cashew was not a crop for which substantial research results existed or in relation to which there existed a large body of agronomic specialists, either in Tanzania or internationally. Thus the belief that production could be expanded through extension was wishful thinking but laid the initial foundations for the subsequent failure of the Bank to respond to the deterioration in the crop production situation swiftly enough when it occurred.

3. Underestimation of project costs resulted in the turnkey contract envisaged at appraisal being changed and the training of factory technicians and the provision of manufacturer's representatives to provide technical advice for the first three to four years of operation being left out.
4. Research and information. Given the evident lack of knowledge about cashewnut production the importance of research and information gathering was under-emphasized in the project formulation, and even the element included was not implemented. As a result the actual cause of output decline in the 1970s still remains a matter of speculation, with explanation insufficiently grounded in concrete evidence.

(c) Bank Supervision

7.27 The main weakness of Bank supervision was the failure to identify the fall in crop production or spell out its consequences for the project speedily. In the early years supervision was mainly concerned with the construction of project facilities and the staffing problems of CATA (particularly related to accounts). The failure to move ahead with a research program was also identified, but there was no vigorous follow-up to push the research component. It was only in the supervision report of June 1977 that the output decline was identified and the negative effect of villagization mentioned. The October 1978 supervision report details the poor output figures, and the issue was raised at that time with the Tanzanian authorities, but the Bank did not push for any specific action. Although the March 1979 supervision report concentrated on production problems, it was not until March 1980 that villagization was identified in unequivocal terms as a source of output decline and a strong note of alarm was struck about the output decline. The March 1980 report contains the first attempt at a comprehensive analysis of the crop production problem.

7.28 Given that crop output increase was an explicit project objective, it might even be thought that an assessment of crop performance should have been a routine aspect of the supervision.

(d) The Phase II Decision

7.29 The failure to monitor crop performance adequately in the supervision process must provide part of the explanation for the surprising decision of the Bank to go ahead with the funding of three more factories with a capacity of 30,000 tons in Phase II when there was already a processing capacity of about 80,000 tons in operation or in the process of construction, which proved to be in excess of crop production of 68,000 tons. Phase II was appraised in May 1978, but already the Basic Economic Report of December 1977, prepared by the Bank, had indicated that by 1975 output had fallen to 80,300 tons from the level of 145,100 tons recorded in 1973.^{72/}

7.30 While the Phase II project is not a subject of this audit report the decision to go ahead with Phase II before completion of Phase I cannot be ignored, both as evidence of a flaw in the Bank's information system as regards cashew crop production and because of its inability to associate Phase II implementation with Phase I performance. The installation of additional capacity in Phase II contributed to the excess capacity which has resulted in four of the five factories lying idle.

^{72/} Report No. 1616-TA, dated December 1977, Annex VI Table 3.

COFINANCIER'S COMMENTS



Agence canadienne de
développement international

Canadian International
Development Agency

Hull (Québec)
Canada
K1A 0G4

Hull, Quebec
Canada
K1A 0G4

May 18, 1984

Votre référence Your file

Notre référence Our file 902/00610

Mr. S.S. Kapur
Director
Operations Evaluation Department
The World Bank
1818 H Street N.W.
WASHINGTON, D.C. 20433 U.S.A.

Dear Mr. Kapur,

Re: Project Performance Audit Report- Tanzania Rural Development
Project (IDA Credit 705-TA)

Mr. Bassett has requested that I respond to your letter of April 27 on the above subject.

In general we found the performance audit report on the Tabora Project to be an excellent overall analysis of the achievements, shortfalls and effectiveness of the project. Your appreciation of these issues is very much in line with CIDA's impressions gleaned from the regular reporting we received during the implementation of the project. Indeed, the kinds of difficulties encountered are rather similar to those that have emerged in other large rural development projects in Tanzania (a point made in the Project Completion Report).

This leads to a comment on presentation of your report. It could be of value at some point to summarize and comment on the lessons learned by the Bank and The Tanzanian Government, perhaps using a similar format to that in the Project Completion Report Overview. One lesson or issue that might also be included is the need to ensure projects of this scale contain the necessary mechanisms for redesign if circumstances or critical assumptions change (as they did in Tanzania) -- or indeed if the original project design is found to be faulty. How this can be accomplished in practical terms given the lengthy gestation of this project is of course problematical.

We look forward to receiving the final report and also wish to thank you for the material on other Bank projects in Tanzania which adds to our knowledge of the agricultural sector.

Yours sincerely,


Roger Dumelle
Country Program Director
Anglophone Africa Branch

Canada

BORROWER'S COMMENTS

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SHIV S. KAPUR,
OPERATIONS EVALUATION DEPARTMENT,
INTBAFRAD.

RE - YOUR TELEX CONCERNING PROJECT PERFORMANCE AUDIT
REPORT (.) HAVE GONE THROUGH VOLUME 1 WITH INNER FOCUS ON
TABORA PROJECT (.)

POINTS RAISED IN THE MEMORANDA ARE A REPLICIA OF THOSE THAT
WERE CONSTANTLY BEING RAISED DURING REVIEW MISSIONS (.)
WE AGREE WITH ASSESMENT OF FACTORS HELD RESPONSIBLE FOR FAILURE
OF TABORA PROJECT WITH THE LIONS SHARE BEING TAKEN
BY DISRUPTIONS CAUSED BY STATE OF THE ECONOMY.
LESSONS GAINED FROM TABORA AND THE OTHER WORLD BANK AIDED
PROJECTS WILL HELP US FORMULATE MORE REALISTIC PROJECTS IN
FUTURE(.)

REGARDS.

C.N. KEENJA,
PRIME MINISTER'S OFFICE,
DAR ES SALAAM.

25/5/1984

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Tanzania Rural
Development Bank
P. O. Box 268 Phone 26311
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Ref. No.

2/20/10

15th June, 1984.

Director,
Operations Evaluation Department,
World Bank,
WASHINGTON DC.

TANZANIA RURAL DEVELOPMENT BANK COMMENTS ON THE AUDIT
MEMORANDA IN RESPECT OF GEITA COTTON PROJECT (CREDIT
454 - TA) AND TOBACCO HANDLING PROJECT (CREDIT 802-TA)

Reference is being made to your telex requesting the Tanzania Rural Development Bank's comments on six projects funded by the World Bank. It is the wish of the Tanzania Rural Development Bank (TRDB) to comment only on those projects in which the Bank (i.e. TRDB) was directly involved, and specifically on projects components that utilized credit from the Bank. TRDB's commentary will therefore be limited to the credit components of the:-

- i) Geita Cotton Project
- ii) National Maize Project
- iii) Tobacco Handling Project.

The Geita Cotton Project:

Fertilizers, insecticides, UIV pumps, and batteries were provided to project villages on credit from TRDB starting 1975/1976 season. Although there was an overall credit recovery rate of 68%, TRDB loans could not be recovered in full.

Loan repayments collected from both the village loanees and subsidy from Tanzania Cotton Authority (TCA) could not fully liquidate the outstanding loan arrears. To date T.Shs. 7mil. is still outstanding against the project villages.

The inability of project beneficiaries to meet their loan obligations is attributable to poor cotton production. This seems to support the observation that the input recommendations were inappropriate. If the anticipated improved yields (an increase of 12% from the second year) were attained the loans might have been recovered fully.

In this respect, therefore, TRDB Shares the view of the AUDIT that the project lacked technically viable input packages.

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The National Maize Project:

The Credit component administered by TRDB performed poorly:

Maize Inputs Loans:

The recovery rate of maize input loans was a mere 5%. This is attributable to:-

- i) Sale of maize in the lucrative informal market where prices offered are higher than those of the National Milling Corporation. Loans could not be recovered at source from these markets.
- ii) Lack of overall anticipated maize surplus:
Production in excess of subsistence was hard to come by in some instances due to poor technology (use of the primitive hand hoe, and animal power) and poor crop husbandry practices. IDA may wish to consider adopting a more liberal policy in supporting tractorization in areas where poor technology is a proven draw-back.

Village Stores:

Under the National Maize Project a total of 314 village stores were to be built out of IDA/USAID credit funds. The following problems hindered a successful implementation of the programme:-

- a) Some of the villages were expected to build stores on credit from TRDB while others had their stores built out of grants from Rural Development Funds administered by District Development Directors and Community Development Trust Fund (CDTF). This arrangement was a dis-incentive to the would be borrowers for village stores. Therefore only 39 stores were built out of Credit from TRDB.
- b) During programme implementation there were too many self help schemes on-going in the villages. These included construction of schools, dispensaries, roads and the like. Villages found the provision of labour for constructing stores still on self help basis over taxing.
- c) Lack of clear policy on ownership of stores: Villages are Marketing Agents for the National Milling Corporation (NMC). They carry out on NMC's behalf the crop purchasing functions and store purchased produce before it is transported to District/Regional/National storage centres. Since NMC did not pay for the storage costs for produce stored in the village stores, villages without stores were not very much attracted to owning stores and expected NMC to build stores in villages in need of storage facilities (i.e. those not having benefitted from RDF and CDTF funds for building stores).

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- d) An acute shortage of building materials contributed to the delays in construction of the approved stores.

Tobacco Handling Project Credit 802 - TA:

i) Bulking Bags Component:

350,000 tobacco bulking bags were to be given to farmers under this project component. Due to the fact that the would be borrowers had not been given adequate extension advice and training on the use and benefits of the bags, they were reluctant to apply for loans from the Tanzania Rural Development Bank.

ii) Baling and Grading Centres:

The following problems hindered implementation of this project components:

Dispute of Ownership:

- a) Initially there was a dispute as to whether the centres should be owned by TAT or villages. Sorting this out took sometime and this led to delays in implementation.

b) Failure of villages to fulfill credit conditions:

Villages could qualify for baling and grading centre loans only if they had attained a minimum production level of 100,000 kgs. of tobacco. However villages that attained the minimum levels were found to have performed poorly in the repayments of TRDB loan. These did not qualify for credit due to heavy loan arrears.

c) Shortage of building materials:

At the time when the aforesaid issues were sorted out i.e. towards the end of the project implementation, the country was experiencing serious shortages of building materials.

d) Location of the Centres:

Farmers wanted such centres located within or very near their farms rather than at places far removed from these farms as envisaged under the project.

We hope you will find this commentary helpful.

TANZANIA RURAL DEVELOPMENT BANK



(G.A. Mvakyusa)
for: GENERAL MANAGER

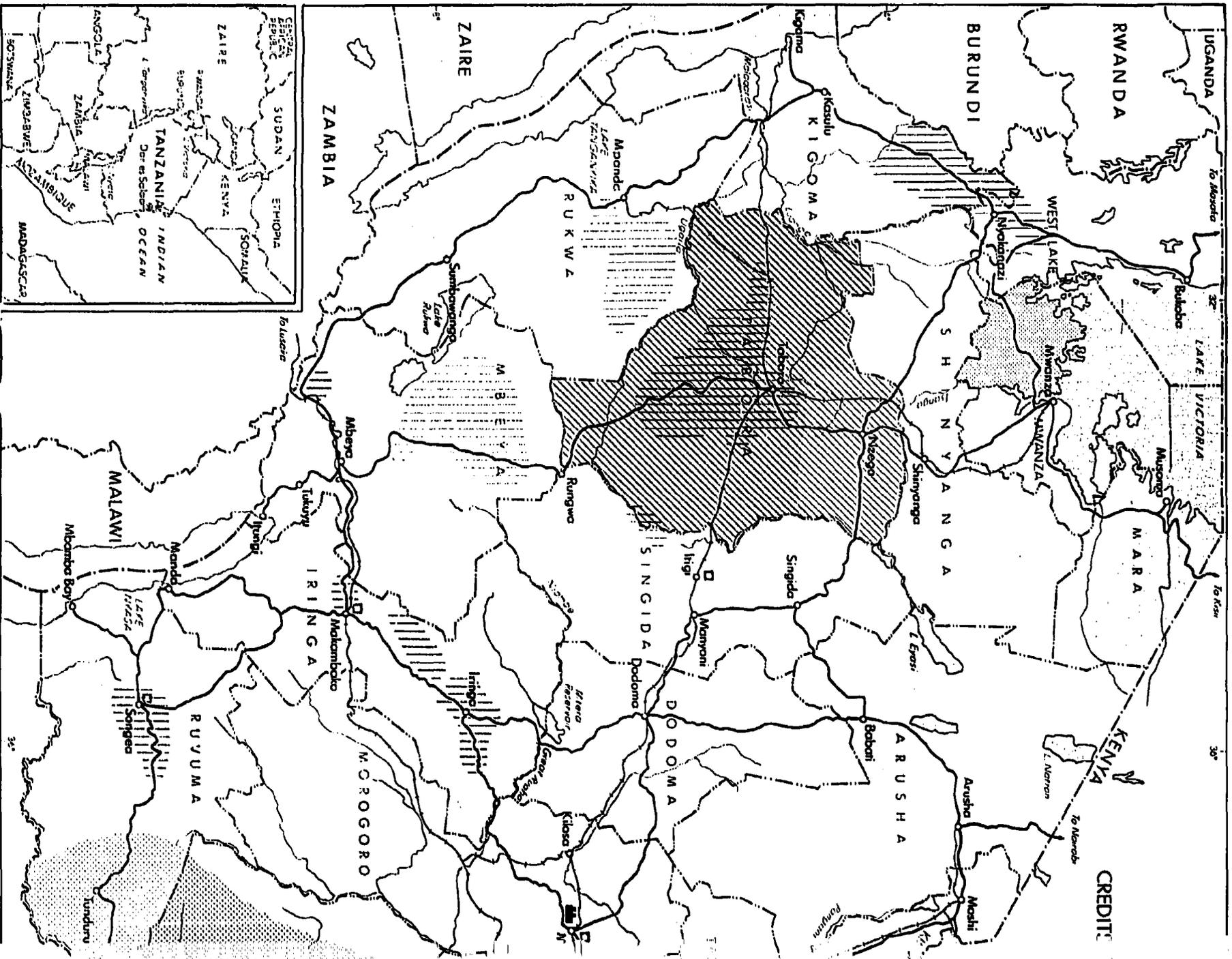
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Ministry of Finance,
P.O. Box 9111,
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" Principal Secretary,
Ministry of Agriculture,
P.O. Box 9192,
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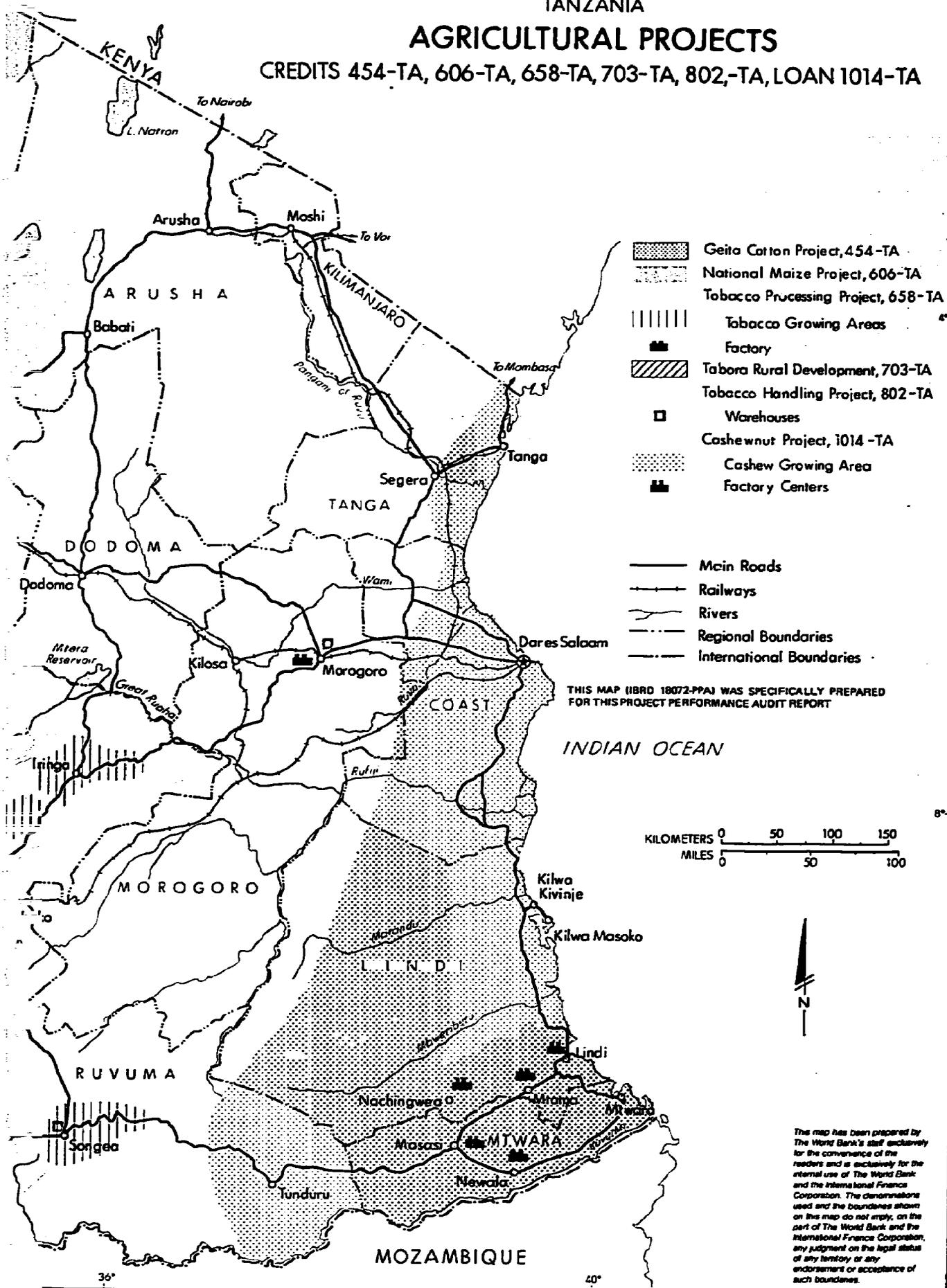
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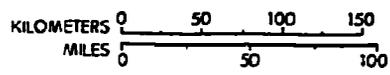
CREDIT

TANZANIA AGRICULTURAL PROJECTS

CREDITS 454-TA, 606-TA, 658-TA, 703-TA, 802-TA, LOAN 1014-TA



THIS MAP (IBRD 18072-PPA) WAS SPECIFICALLY PREPARED FOR THIS PROJECT PERFORMANCE AUDIT REPORT



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