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**Report No. P-1692a-TA**

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**REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED DEVELOPMENT CREDIT  
TO  
THE UNITED REPUBLIC OF TANZANIA  
FOR A  
TECHNICAL ASSISTANCE PROJECT**

**November 12, 1975**

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CURRENCY EQUIVALENTS  
(as at November 1, 1975)

Tanzania Sh = US\$0.12

US\$1.00 = T Sh 8.05

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

TANZANIA FISCAL YEAR

July 1st - June 30th

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

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1. I submit the following report and recommendation on a proposed development credit to the United Republic of Tanzania for the equivalent of US\$6.0 million on standard IDA terms to help finance a Technical Assistance project. The proceeds of the Credit would be made available by the Borrower to the Tanzania Investment Bank as a grant.

PART I - THE ECONOMY

General

2. The last full economic report on Tanzania (AE-26) was distributed to the Executive Directors on May 22 and June 22, 1972. This was followed by an Economic Updating Report (30-TA) distributed on December 11, 1972. A basic economic mission is scheduled for 1976. An agricultural sector report was issued on December 10, 1974. An industry and mining sector report and a report on the fiscal aspects of Tanzania's recent decentralization of Government were distributed in April 1975. The Consultative Group for East Africa met in April 1975 to discuss the progress and prospects of the Tanzanian economy and the need for additional resources to support the Government's development program. Country data are provided in Annex I. Tanzania is one of the 25 least developed countries as defined by the United Nations.

3. The TANU Party, under the leadership of President Nyerere, has been the guiding force in Tanzania's political evolution since the 1950's. Over the years following independence the political leadership has developed a philosophy of egalitarian socialism which has been articulated in many documents, most central of which is the Arusha Declaration of 1967. In restructuring the political, economic and social life of the country the leadership has introduced an impressive series of far-reaching institutional reforms. For the past decade Tanzania's social and economic policy has been guided by three fundamental objectives: (a) the achievement of a participatory, decentralized socialist economic order; (b) the eradication of absolute poverty and progress toward greater income equality; and (c) more rapid long-term economic growth with full participation of all regions and population groups in the development process. Some of the Government's most significant decisions have been in the area of incomes policy; however, while considerable progress has been made toward reducing inequality within the category of employed workers, large gaps still exist between urban and rural standards of living.

4. Tanzania is one of the three Partner States belonging to the East African Community. The 1967 Treaty for East African Cooperation is one of the most far-reaching and comprehensive economic cooperation agreements in existence among sovereign states. However, in practice the degree of economic

integration and cooperation among the Partner States is much less than what was envisaged in the Treaty. Political developments in the Partner States have created tensions within the Community and impaired the growth of interstate trade. These difficulties have been compounded by the balance of payments crisis which currently faces all three Partner States.

5. Between 1968 and 1973, Tanzania's GDP increased 4.6% per year in real terms. Exports of goods and services in constant prices grew 2.8% per year during the same period. Domestic savings were maintained at about 18% of GDP. Investment increased from 19% of GDP to 23% with public sector investment rising to 80% of the total investment in 1973. Annual price increases were moderate to low. Current Government receipts more than doubled, but current expenditures increased at similar rates so that budgetary savings stagnated. Although the level of domestic savings and investment were substantial, the growth of GDP was probably not commensurate with the investment effort. This was largely due to the high proportion of investment that went into slow gestation infrastructure and social services, and to the difficulties encountered in expanding production in agriculture. The stagnation of agricultural export volumes and very slow growth in food production were the most worrisome problems. However, prudent domestic financial management, and an increasing inflow of external aid on concessionary terms, together with a rather sharp terms of trade improvement in 1973, made it possible to maintain a high investment rate. Reserves at the end of 1973 stood at a healthy \$145 million which was then the equivalent of four months' imports. Indeed, the economy appeared in relatively good shape before the events of the winter of 1973-74.

6. Events occurred then which resulted in a drastic change in the overall balance of payments of Tanzania. Import prices rose sharply and in 1973 and 1974 rains failed in many parts of the country necessitating substantial increases in imports of basic food items. As a result, Tanzania's foreign exchange reserves declined by about \$90 million in 1974 to a level representing about three weeks' imports and have remained at about the same level since. Tanzania has been able to cover the 1975 foreign exchange gap by curtailing imports to the bare minimum and by securing substantial program-type assistance including a \$30 million Program Loan (No. 1063 TA) from the Bank and drawings on the second IMF credit tranche and the IMF special oil facility approved in August 1975.

7. In order to close the gap in the longer term the Government has begun a program of investment restructuring, improvements in the incentive framework, administrative changes, and reduction in the rate of growth of consumption. Under this program, the Government is reallocating public investment from infrastructure development to the directly productive sectors of agriculture, industry and mining. Actual public investment for directly productive sectors is estimated at 41% of the total in 1974-75 and it is planned to rise to 48% in 1975-76. Although the Government has made substantial progress in this endeavor, high level manpower constraints have inhibited both project preparation and execution. The single largest economic weakness is the slow growth of agricultural production. Several

steps have been taken to increase output. The Government has raised producer prices to levels approaching world parity so as to provide greater incentive. The steeply progressive export tax on coffee, which had an average rate of 30%, has been reduced to an ad valorem rate of 12-1/2% to provide further incentives to farmers. The overall planning capability of the Ministry of Agriculture is being improved and a project coordination unit to improve implementation has been established in the Ministry. The negative impact of villagization on output is being reduced through more careful planning. The Government is reducing unnecessary non-development related recurrent expenditure and is using taxation and wage/price controls to reduce the rate of growth of private consumption. The Government's progress in implementing policies and programs designed to close the balance of payments gap in accordance with understandings relating to the program loan was the subject of a memorandum (see M75-687) from the Secretary to the Executive Directors dated September 25, 1975.

8. The program of economic restructuring initiated by the Tanzanian Government to cope with the economic crisis will generate benefits which will be spread out in time. Viewed negatively this means that the immediate barometers of economic health, such as the balance of payments, will remain weak in the short run. The positive corollary is that Tanzania will have a basically stronger economy at the end of the restructuring process. The crisis acted as a catalyst in inducing significant policy shifts which were diagnosed as necessary beforehand but which did not command urgency until it struck. Not only did this hasten reallocation in the current Development Budget and Annual Plan, but it is also likely to have a substantial impact on the forthcoming Third Five-Year Plan. For the long run the most encouraging aspect of the Government's response was the demonstration that Tanzania retains the ability to push through necessary but unpopular policy measures over a wide front. It is this characteristic of a "hard state", together with the basically sound program of economic restructuring, which holds promise for the future.

9. The Tanzanian balance of payments will remain under severe pressure until more of the favorable balance of payments effects of recent policy changes can make an impact. Accordingly, Tanzania will require additional balance of payments assistance in 1976 and 1977. A gap of about \$100 million is anticipated in 1976 after allowance for the balance of the IMF second credit tranche (paragraph 6 above) has been made. In this connection, a mission to appraise a proposed second Bank Program Loan is currently in Tanzania. In addition, a continued capital inflow in excess of the foreign exchange component of high priority projects will also be required if Tanzania is to achieve its development targets. Financing of some local expenditures will, therefore, be justified.

10. In terms of debt outstanding and disbursed, the Bank Group is Tanzania's second largest creditor after the People's Republic of China. Other major lenders are Sweden, Canada, Denmark, the Netherlands and the Federal Republic of Germany. The current low overall debt service ratio of about 7% is expected to rise to about 11% by 1980 and remain at about that

level throughout the 1980's. Including a notional one-third share of the debt of the East African Community Corporations, the IBRD is presently holding 13% of Tanzania's outstanding external debt and IDA 10%; the IBRD share is expected to rise to about 23% in the next five years, and IDA share to rise to about 13%. Debt service payments to the Bank are about 13% of total debt service payments; the corresponding share for IDA is about 3%. These two figures are projected to rise to about 25% and 3%, respectively, by 1980. The debt service ratio of Bank loans to exports is expected to rise to about 2% by 1980. The Bank's exposure is high because several major donors are now making their aid available either on grant basis or very concessional terms and because as a result of prudent debt management suppliers' credits have been kept to a minimum. The average interest rate on loans to Tanzania outstanding at December 31, 1974 amounted to only 2.4% and the average term was 22 years.

### Planning and Implementation

11. The Ministry of Economic Affairs and Development Planning (Devplan) is the agency in Tanzania with overall responsibility for planning and monitoring implementation of the development program. Devplan's role has changed significantly in recent years particularly following decisions in 1972 to decentralize the primary responsibility for preparing and implementing development plans to the regions, strengthen the capacity of the sectoral ministries to plan and monitor the overall development in the sectors, establish a Planning Commission to formulate long-term and five-year development plans and to take steps to improve control of implementation. Devplan's primary role is one of performing general economic analysis, providing a coordinated framework within which the regional and sectoral plans can be prepared, providing support functions and coordinating implementation. Devplan's organization has recently been changed to strengthen its capacity to carry out these functions. Emphasis is being given to strengthening its ability to monitor economic trends and initiate appropriate policies and to coordinate the translation of the overall five-year plan into annual plans. Devplan has also established a Programming and Budgeting Control Division to monitor plan implementation on a much more rigorous basis than has hitherto been the case. To help the Government in these endeavors, UNDP has recently approved a project to provide Devplan with one adviser in macro planning, one in programming and budget control, and two in sectoral planning.

12. Within the overall framework established by Devplan the sectoral ministries and the regions have primary responsibility formulating and implementing the country's development program. The ministries and regions assume direct responsibility for infrastructure-type projects which do not earn a commercial return, e.g. roads, and education facilities whereas commercial investments are undertaken by parastatal (nationalized) enterprises and regional and district development corporations. With the guidance of their parent ministries and regions these public enterprises have responsibility for drawing up detailed investment proposals and securing financing for implementation.

13. The planning and implementation process is carried out within the framework of five-year and annual plans. The third five-year plan was due to commence in July 1975 but in view of the current economic difficulties

facing the country finalization of the plan has been postponed until the resource picture becomes clearer. It is not considered that the delay in the publication of the plan will undermine the planning process. Tanzania's overall development priorities are clearly defined and are not expected to change in the foreseeable future. Meanwhile the annual plan for 1975/76 is now in the process of implementation.

14. In an attempt to ensure that, within the framework of the planning process, public enterprises adhere to sound economic and financial investment criteria, the Government established the Tanzania Investment Bank (TIB) in 1970 and the Tanzania Rural Development Bank (TRDB) in 1971 for the industrial and rural sector, respectively. TIB was the recipient of an IDA Credit of \$6 million in 1974 and more recently of a Bank Loan of \$15 million approved in October 1975. Both TIB and TRDB have good senior management and their staff capacity to review and evaluate projects has grown as a result of training and as experience has been accumulated. TIB now accounts for about 25% of total industrial investment; virtually all rural credit is channeled through TRDB. Both TIB and TRDB have experienced problems with their portfolios. TIB is currently reviewing its problem clients with the intention of instigating necessary remedial actions. TRDB is improving supervision and mounting a more intensive loan recovery effort in an attempt to improve its portfolio.

15. TIB's Board of Directors includes the principal secretaries to the Treasury, Devplan and the Ministry of Commerce and Industries as well as the Chairman of the National Bank of Commerce (Tanzania's nationalized commercial bank) and the General Manager of the National Insurance Corporation. All investment proposals must be approved by the Board which among other things helps to ensure consistency of TIB's portfolio with the country's overall development priorities. In addition to appraising, financing and supervising investment projects, TIB has established a department with responsibility for promoting and developing bankable projects. To date this department has assisted client parastatals in preparing a number of projects, for which TIB has subsequently extended loan finance. In a further attempt to improve indigenous project preparation capacity, the Government has also recently established the Tanzanian Industrial Consultants Organization (TICO). Over time it is expected that this organization will increasingly assume responsibility for preparing investment projects in the industrial sector as it acquires the necessary expertise and gains relevant experience.

16. As the planning and implementation structure described above has evolved increasing emphasis has been given to plan implementation including project formulation as well as project execution. Tanzania has consistently suffered from shortfalls in meeting plan targets especially in the directly productive sectors (paragraph 5 above); the present planning structure is an attempt to deal with these issues. In addition to the recently strengthened Devplan role in plan implementation (paragraph 11 above) and the responsibilities of the TIB and TRDB in this area, the Government has recently announced the establishment of two additional units designed to help improve plan and project execution. One unit will be set up in the Treasury Registration Division to closely monitor parastatal performance which has hitherto been disappointing in a number of important instances (paragraph 20 below). In addition, a Disbursement Unit is being formed in the External Finance Division

of the Treasury to help expedite implementation and disbursements of foreign aided projects. Although Tanzania has now established a coherent and rational structure of planning project formulation and implementation, critical manpower constraints, particularly in the area of project evaluation and implementation, will continue to limit its overall effectiveness. While training will provide the solution to these difficulties in the long-term there will be a continuing need for technical assistance in these areas.

### Industry and Mining

17. The manufacturing sector in Tanzania accounts for only 10% of GNP but is increasing in importance since independence in 1962, the average growth rate of value added by the sector has been about 10% per year. Tanzania has followed a pattern of industrial development concentrating on establishing or expanding industries for import substitution. Examples include textile, beer, cigarettes, radios, glass, cement and metal products. As a consequence of this strategy, imports of consumer goods, in particular, had been reduced from about 55% of total commodity imports at independence to a current figure of less than 25%. As the opportunities for import substitution have become exhausted, the Government has been reviewing its industrial development objectives and has now chosen the so-called "basic industrial strategy".

18. In essence, the basic strategy aims at a gradual structural transformation of the economy by giving priority to industries that process domestic raw materials for consumption in the home market and by requiring that traditional exports are locally processed as far as can be economically justified. The strategy aims at promoting harmony between the pattern of production and the pattern of domestic consumption, while the promotion of new manufactured exports is seen as a logical extension of production for the home market. The basic industry strategy does not automatically exclude any project but it does mean that projects that do not fit the underlying philosophy will be expected to earn a higher return than projects that do fit the philosophy to be eligible for approval by the central planning authorities.

19. During the past decade new investment in mining has been negligible but this is rapidly changing. The State Mining Corporation is now beginning to identify and develop projects for the exploitation of beach sands, phosphate, soda ash, gold, and other minerals. Much preparatory work remains to be done, however. The manpower resources of the Corporation are presently spread so thinly that it is feared that further progress may be slow unless there is a significant increase in the level of technical assistance.

20. The Bank's Industry and Mining Sector mission report, which was distributed to the Executive Directors in April 1975, raised issues concerning the improvements required in the productivity of existing state manufacturing enterprises and the need for increasing the efficiency of the public sector. Rewards for efficiency and penalties for inefficiency within the parastatal system are at present weak and this is probably one of the

main reasons for a relatively low level of productivity in many such enterprises. The absence of clear and unequivocal performance yardsticks, together with the introduction of many direct economic controls on the activities of public and private sector enterprises alike, appears to have had an adverse effect on the motivation of firm level management in many industries. At the same time, the Government's task of identifying inefficient operations has become more complicated as poor economic performance is not necessarily reflected in a company's profit and loss account or in any other obvious way. The sector mission recommended that a move away from more comprehensive controls towards a judicious and selective use of indirect controls, material incentives and decentralized decision making on the firm level, might well be compatible with Tanzania's development objectives and at the same time conducive to greater efficiency and industrial development. As a result of its concerns relating to these issues, the Government is initiating studies at both the sector and firm level with a view to formulating detailed recommendations leading to improvements in public and private sector performance. However, in view of technically complex and unique nature of the issues involved, the Government will necessarily have to obtain specialist technical expertise if these tasks are to be satisfactorily accomplished.

21. There is also the need for the Government to determine the exact role of the private sector. Since the Arusha Declaration (1967) and the acquisition by the Government of majority interest in all important manufacturing enterprises, mining and financial institutions, most industrial and mining activity is now in the public sector and all major projects started after 1967 have been in the public sector. Nevertheless, the contribution of private firms is appreciable and accounts for about 25% of the value added and 50% of the employment in the sector. At the April 1975 meeting of the Consultative Group on Tanzania, the Government declared its willingness to participate in joint ventures with foreign private parties particularly when such cooperative endeavours could give Tanzania access to needed technical expertise. This could be particularly important in the mining sector.

#### Other Sectors

22. The problems of industrial productivity and efficiency referred to above apply with equal validity to other sectors. The Government has initiated studies and actions in these areas with a view to improving performance. Examples include the recent reorganization of the State Trading Corporation into several smaller units under the Board of Internal Trade and a study which is currently being instigated to review the problems of the construction sector and to recommend appropriate policy and institutional changes and to prepare investment proposals. In the tourism sector there is also a need to improve the utilization of current facilities before proceeding to any major investment program. Examples of priority investment programs in various stages of preparation and implementation in other sectors include projects in transport and storage to alleviate marketing and distribution constraints and selected investments in large scale agriculture (e.g. wheat) to help attain self-sufficiency in food grain production.

PART II - BANK GROUP OPERATIONS IN TANZANIA

23. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1963, 20 credits and nine Bank loans amounting to \$314.8 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of nine loans, totaling \$229.8 million, which have been extended for the development of common services operated regionally by Tanzania, Kenya and Uganda through their associations in the East African Community. The only IFC investments in Tanzania to date, totaling \$4.7 million, were made in the Kilombero Sugar Company in 1960 and 1964. This Company encountered financial difficulties and in 1969 IFC and other investors sold their interest in the Company to the Government. Annex II contains summary statements of Bank loans and IDA credits to Tanzania and the East African Community organizations as of September 30, 1975 and notes on the execution of on-going projects.

24. In keeping with Tanzania's overall development strategy our lending operations are increasingly focusing on the rural sector and directly productive projects. Up to the end of FY72 10 out of 14 loans and credits made directly to Tanzania had been for infrastructure. Of the 11 Tanzania operations approved since then all but three, Urban Sites and Services (Credit No. 495 TA), Highway Maintenance (Credit No. 507 TA) and Education IV (Credit No. 371 TA), were for directly productive projects. These projects are supporting both the agriculture and industrial sectors including an Integrated Rural Development Project (Credit No. 508 TA) and our first direct lending for an industrial project (Mwanza Textiles Loan No. 1128 TA). In addition, a \$15 million loan to the Tanzania Investment Bank (paragraphs 14 and 15 above) was recently approved by the Executive Directors. Projects to support fisheries development and maize production are expected to be ready for consideration by the Executive Directors in the near future. A proposed forestry project and a project to support selected industries and related estate development at Morogoro have recently been appraised in the field and a mission appraising a proposed second rural development project is currently in the field. A third power project and a fifth education project are expected to be presented to the Executive Directors for their consideration in the near future and a proposed water supply project will shortly be ready for field appraisal. In view of Tanzania's continuing balance of payments difficulties a mission appraising a possible second Program Loan is currently in the field (paragraph 9 above).

25. While it should be borne in mind that over one half of total Bank Group lending to Tanzania has been approved in the last two fiscal years and that initial start-up difficulties are perhaps inevitable, the project implementation difficulties referred to in Annex II of this report have been greater than anticipated. Some of these problems stem from the scarcity of suitably trained and qualified manpower, some reflect the understandable reluctance and apprehension of an essentially conservative traditional sector to adopt the new "technology" and others are undoubtedly a reflection of the strains created in a society which is attempting a

unique traverse from one set of economic, institutional and political rules to another. The Government has become extremely conscious of these implementation issues and is taking steps to resolve these problems. An earlier reluctance to recruit technical assistance for planning and implementation has been replaced by a greater willingness to utilize such assistance whenever it is demonstrably necessary. At the request of the Government about 10 technical staff have been supplied by ADS and a Bank staff member has recently been seconded to the newly established Project Implementation Unit in the Ministry of Agriculture. In a longer term attempt to alleviate the human resource constraints our lending is expected to increasingly emphasize formal and non-formal training. Furthermore, a conscious attempt is being made to develop more simple and less complex projects.

26. The difficulties facing the East African Community Corporations referred to in paragraph 3 above have affected the Bank's lending program for the Community. The East African Railways Corporation (EARC) has been the most severely affected. As a result of long delays by the Partner States in approving increases in tariffs and restrictions on the interstate transfer of corporate funds, EARC was unable to order essential spare parts and supplies with the result that its operational capacity has deteriorated considerably. In July 1974 the Partner States agreed, with Bank assistance, on a package of financial measures to rehabilitate the EARC including interstate transfer of funds and injection of additional capital. However, this agreement was never fully implemented and as a result disbursements under Loan No. 674 EA (East African Railways III) were suspended in February 1975.

27. A Bank mission which visited East Africa in July 1975 was able, after meeting the Heads of State and other important officials in the three countries, to bring about an understanding on both the short- and long-term problems of the East African Community. On the general question of the future of the EAC, a decision was made to review various aspects of regional cooperation as now incorporated in the 1967 Treaty. It is anticipated that this review would begin before the end of the year and take 18-24 months to complete and would be undertaken by a commission consisting of nominated representatives from each member country. To address the immediate financial and managerial problems, that will remain pending the agreement on a long range reform of the Treaty, the Partner States reached three major accords. To deal with the transfer problem, an agreement was reached on the mechanism for the transfer of funds from the regions to the Corporation headquarters. To ensure a workable plan for railway decentralization, a draft Consultancy Services Agreement on studying decentralization was adopted and will be financed under Loan No. 674 EA (the suspension of which has been lifted). Finally, the Partner States approved the appointment of financial consultants who will undertake a study of the assets, liabilities, debts and financial condition of each of the three Corporations on a regional basis. This is viewed as a necessary step in providing the basis for the decentralization of the Corporations and is expected to be financed by the UK.

28. It is expected that this broad agreement between the Partner States will provide a basis on which the Community can efficiently operate. Payment for past due loans has been received and all the actions reviewed above have been initiated. It would, however, be unrealistic to expect that decentralization of the Community structures will now proceed smoothly and without difficulties. There are fundamental differences in political outlook and development strategies between the Partner States and mutual suspicions of intent will undoubtedly continue. The newly agreed transfer formula (paragraph 27 above) is inevitably open to misinterpretation and goodwill will be required on all sides if it is to be successfully implemented. The dangers implicit in the possibility of operating difficulties growing in other Corporations is also recognized. However, a strong desire to retain control of the situation is also evident. In addition, a general but genuine commitment to the Community has been noted in the discussions with the Partner States. The Bank's role as an "honest broker" has been accepted and endorsed by the Partner States and this role could be used effectively to help in the smooth transition in the Community's structure.

### PART III - THE NEED FOR TECHNICAL ASSISTANCE

29. Since independence Tanzania has made impressive efforts to expand and develop its high level manpower but the country's unique commitment to development has meant that its scarce human resources have been spread very thinly. The shortage of experienced people who can formulate and supervise the implementation of productive projects, particularly in some of the highly specialized areas of industry and mining, is critical and has resulted in the implementation delays referred to in Parts I and II of this report. These constraints have become particularly acute in light of the current economic difficulties facing Tanzania and the Government's attempt to shift the focus of investment to, and increase the efficiency of, directly productive programs. The Government has recognized these problems and has been actively exploring ways in which to increase the level of technical assistance and to make it more effective in practice.

30. External financing for technical assistance has grown rapidly during the last several years in support of the expanding requirements of the Tanzanian economy. In calendar 1974 (the last year for which UNDP data are available) it is estimated that about 750 higher level foreign personnel were being supported under various assistance programs. About 120 of these experts were being provided through UNDP and other UN organizations. Sweden, USAID, Canada, Norway, Denmark, the Netherlands and the Federal Republic of Germany were among the most important bilateral donors.

31. Despite the large amounts of technical assistance which have been made available, the need for technical assistance for the implementation of on-going and the preparation of new programs is likely to exceed the amounts

available for at least the next few years. The overall shortage of technical skills in Tanzania has meant that much of available bilateral and multi-lateral assistance is being utilized for high priority needs such as broad based institutional support rather than for the preparation of new investment programs and studies designed to improve productive efficiency. For example, much of available bilateral technical assistance is providing needed medical personnel in the health sector, teachers and professors in the education sector and high priority general support for national and regional development planning. Even in the directly productive sectors of agriculture and industry a large proportion of bilateral and multilateral assistance is being utilized for managerial support for the day to day running of parastatal enterprises, such as finance and accounting, rather than for the preparation and implementation of new investments. Even when bilateral assistance is being used for these purposes much of it is closely related to on-going bilateral capital assistance projects. The fact that this aid tends to be tied and involves complex and time consuming recruitment procedures, also tends to limit its usefulness. In a number of cases the Government is left with little discretion as to the choice of appropriate or suitably qualified personnel.

32. Although the available UNDP resources for Tanzania are expected to increase fairly significantly, the UNDP program is nearly fully committed for the next few years for on-going or already selected future projects. It is expected that the Bank Group will continue to provide substantial amounts of technical assistance on matters closely related to the projects financed. Such project related Bank assistance has been particularly important as far as our rural projects are concerned both in terms of help in project preparation from the Regional Mission in East Africa and ADS assistance in implementation (paragraph 25 above). However, such assistance is by its very nature inappropriate for support outside the framework of project related agencies. In view of the need, discussed in Part I of this report, to strengthen Tanzania's project preparation capacity and to identify actions designed to improve the utilization of current investments coupled with the limited availability, and to some extent ability, of bilateral assistance to meet these needs, it is thought essential that the Government have access to discretionary and flexible resources to meet these requirements.

#### PART IV - THE PROJECT

33. A Credit and Project Summary is provided in Annex III. Negotiations were held in Dar es Salaam in late October 1975. The Tanzanian delegation was led by Mr. George Mbowe, Chairman and Managing Director, Tanzania Investment Bank. The project would comprise:

- (a) About 80 man-years of consulting services to:
  - (i) prepare pre-investment studies and feasibility studies for high priority productive investments mainly, but not exclusively, in the industrial, mining, transport and communications sectors; and

- (ii) conduct special studies at the sector and firm level.
- (b) Overseas training for Tanzanians in project preparation, evaluation, implementation and related techniques; and
- (c) A project unit and related supporting services.

It is expected that the project would be completed in about four years.

### The Studies

34. Given the Government's priorities and the need to improve the performance of public enterprises in Tanzania, the uses of the proposed Technical Assistance Credit are expected to be as listed below. The Bank's Industrial and Mining Sector Survey identified a number of potential investment projects in the industry and mining sector many of which require further study. These are summarized in more detail in Annex IV to this report.

#### (a) Industry

- (i) A large number of studies are expected for consumer industries. The Bank's Industrial and Mining Sector Survey concluded that perhaps the most pressing need for production expansion is in the category of consumer goods. Many ordinary manufactured consumer goods including clothing, cooking oil, sugar, salt, beer, etc., are frequently in short supply especially in rural areas. These shortages are of particular consequence since they reduce the incentive value of higher agricultural producer prices and other measures the Government is adopting to encourage rural production.
- (ii) Pre-investment studies for intermediate industries are also expected to be supported under the project. These will likely include sub-projects in such areas as tanning, wood processing, textiles, cement, farm implements and other metal welding industries, pyrethrum processing, glass holloware and plate glass, ceramics, electrical products, truck and bus body manufacturing, tires and tubes, plastics, and chemicals including industrial alcohol.

#### (b) Mining

Several sub-projects are expected to concentrate on the mining sector. Mining currently contributes only about two percent of GNP; however, the recent establishment of the State Mining Corporation, the completion of the TanZam Railway giving access to important coal and iron reserves

in the south west, the discovery of natural gas off the coast near Kilwa, and the current emphasis on developing directly productive projects with positive balance of payments effects, have combined to result in an increased emphasis on this hitherto relatively neglected sector (paragraph 19 above). Rapid development of this sector will require an especially heavy reliance on technical assistance. Assistance will be required for the development of such possible projects as the exploitation of soda ash, beach sands, gypsum, gemstones, salt and for the preparation of directly productive investments.

(c) Other Sectors

A number of studies leading to investment projects in other sectors including transport, communications, construction, large scale agricultural enterprise, and tourism are also expected (paragraph 22 above).

(d) Special Studies

A number of special studies at the sectoral and firm level designed to generate specific recommendations for improvements in efficiency and the utilization of existing investments are expected. The need for such studies was identified by the Industrial and Mining Sector mission and is discussed in paragraphs 20 to 22 above.

Training

35. In a long-term attempt to strengthen Tanzania's newly established plan implementation institutions and structures (paragraphs 11 to 16 above), provision would be made for about 20 manyears of overseas fellowships for training in project preparation, evaluation, implementation, management and related techniques. These fellowships would be made available to suitably qualified candidates from the national development banks, parastatals and government agencies. Candidates will likely include employees of the Tanzania Industrial Consultants Organization (paragraph 15 above) which is expected to be able to carry out some of the studies financed under the project, possibly on a joint venture basis with suitably qualified foreign consulting firms. The project unit (paragraph 36 below) would prepare a proposed training program for submission to the Association for review and comment by June 1976 (Section 2.07(f) draft Project Agreement). It is expected that the Bank Group's Training Adviser would visit Tanzania prior to June 30, 1976 to assist in the preparation of the proposed training program.

Project Organization

36. In view of the high level manpower constraints in Tanzania and the lack of experience in executing studies of the type expected to be supported under the proposed Credit, it is considered essential that adequate

provision be made to both supervise the selection, preparation and implementation of the studies and to ensure that suitable arrangements to implement viable projects emerging from the studies are made. In view of the Tanzania Investment Bank's relevant experience in supporting projects in the areas in which the studies are expected to concentrate, and the Government's policy of looking to TIB for guidance in these matters, TIB would assume overall responsibility for the project (paragraph 14 above). TIB has been administering a technical assistance fund, now virtually exhausted, provided by Sweden for similar purposes. TIB's guidelines for administering this fund are attached as Annex V to this report. These guidelines would be followed in administering the proposed project.

37. A project unit would be established as part of TIB's Planning and Development Department (which is responsible for TIB's current technical assistance fund) and report to TIB's Director of Planning. The establishment of such a unit is considered necessary in view of the greatly increased demands which will be placed on the Planning Department by the project. The unit would be expected to play a major role in identifying high priority studies, in drafting terms of reference, evaluating proposals by consultants, negotiating contracts and supervising the studies during implementation. The unit would be responsible for initiating steps designed to secure financing for viable projects emerging from the pre-investment and for follow-up action on recommendations identified in special studies. In general, attempts would be made to identify potential financiers prior to the commencement of the studies to ensure that any important decisions would be taken in consultation with the potential financing agencies.

38. The project unit would comprise an economist/financial analyst, an engineer, one of whom would be designated as head of the unit, and a lawyer (part-time) all of whom would be appointed in consultation with the Association (paragraph 1 to Schedule 1 of the draft Project Agreement). Although the lawyer would perform a crucial role in drawing up consultants' contracts, he would not be fully employed on project related work. He would, therefore, be attached to the Tanzania Legal Corporation, which performs all legal services for parastatals in Tanzania, including TIB, and be available to the unit when his services were required (paragraph 2 to Schedule 1 of draft Project Agreement). The Legal Corporation is currently seriously understaffed particularly in the area of contract law. Since the role of the unit is considered crucial to the success of the proposed project it would be a condition of effectiveness of the Credit that the head of the unit had been employed (Section 5.01(c) draft Development Credit Agreement). In view of the broad range of sub-projects expected to be financed by the proposed project and because the staff of the unit cannot be expected to possess specialist expertise in all these areas, provision would be made for the project unit to recruit specific short term technical expertise to help review terms of reference, preliminary drafts and other documents related to individual studies. Support services for the project unit including necessary vehicles and office equipment would be provided.

### Procedures for Approval of Studies

39. Applications for project studies would be submitted by the parastatals and government departments concerned to TIB. The project unit would review each proposal which would then be submitted along with the Unit's recommendations to TIB's Loan Committee and Board for consideration. In conducting its review the project unit would assure itself that suitable and timely finance could not be secured from other multilateral and bilateral agencies including UNDP. The presence of representatives from the Ministries of Planning and Finance on TIB's Board (paragraph 15 above) would ensure consistency with Tanzania's overall development priorities. Any sub-project expected to cost over \$50,000 would be approved by the Association (Section 2.07(e) of the draft Project Agreement).

### Channeling of Funds

40. The proceeds of the Credit would be channeled as a grant by the Government to TIB under a subsidiary agreement whose terms and conditions would be acceptable to the Association (Section 3.01(b) of the draft Development Credit Agreement). Funds for the studies would be passed on as grants by TIB to the individual parastatals and government agencies, who would actually commission the studies and employ the consultants. It is expected that if and when bankable projects emerged, TIB would, in accordance with the usual procedures of its technical assistance fund, convert these grants into loans.

### Costs and Financing

41. The total project cost of \$7.5 million (net of taxes), of which \$5.9 million or nearly 80% is expected to be foreign exchange, is made up as follows:

	<u>\$ million</u>
Consulting services	6.2
Overseas fellowships	0.2
Project unit expenses (including short-term consulting services, vehicles and equipment)	<u>1.1</u>
	<u>7.5</u>

Further details are given in Annex III. The proposed Credit would finance \$6 million or 80% of total project costs; the Government, implementing agencies and TIB would contribute the remaining \$1.5 million or 20%. This local contribution, part of which is expected to be in kind, is considered essential to ensure and evidence the commitment of the commissioning agencies to the studies supported under the project.

### Procurement and Disbursement

42. In the case of any consultants contract expected to cost in excess of \$50,000 equivalent the selection of consultants and the contracts

to be concluded with them would be subject to approval by the Association (paragraph 6 of Schedule I of the draft Project Agreement). Contracts for vehicles and equipment (\$100,000) are not expected to attract international interest and would be placed on the basis of competitive bidding in accordance with the Borrower's usual procurement procedures which are satisfactory to the Association.

43. The Association would disburse 100% of the foreign costs or 80% of the total costs of consultancy contracts (including contracts with project unit experts), 100% of the foreign costs and 75% of local expenditures for overseas training and 100% of the foreign and 75% of local expenditures for vehicles and equipment.

#### Benefits and Risks

44. The technical expertise to be provided under the proposed project will help alleviate critical manpower bottlenecks. The project will assist the Government in implementing its program of economic restructuring and in its efforts to shift the emphasis of the country's investment programs from infrastructure to more directly productive projects. The special studies designed to improve the utilization of existing production facilities could result in significant short- and long-term increases in output. The proposed project is not, however, without risks. Some inappropriate sub-projects could be selected, others could be poorly executed and supervised and viable projects emerging from the studies could go unfinanced. The project has been deliberately designed to be flexible so as to meet Tanzania's changing needs for pre-investment and special studies; however, this in turn places considerable responsibility on the Project Implementation Unit. The calibre of project unit staff will in large part determine the success of the project. Their role in identifying and preparing suitable sub-projects and in following up financing for viable projects which emerge from the studies will be crucial. In order to minimize the risks senior project unit staff would be appointed in consultation with the Association and it would be a condition of effectiveness of the proposed Credit that the head of the unit had been employed (paragraph 38 above). Furthermore, in an attempt to closely supervise implementation, all studies expected to cost in excess of \$50,000 would be approved by the Association (paragraph 39 above).

#### PART V - LEGAL INSTRUMENTS AND AUTHORITY

45. The draft Development Credit Agreement between the United Republic of Tanzania and the Association and draft Project Agreement between the Association and the Tanzania Investment Bank, the recommendation of the Committee referred to in Article V, Section 1(d) of the Articles of Agreement of the Association and the draft resolution approving the proposed Credit are being distributed to the Executive Directors separately. The draft Development Credit and Project Agreements follow the form previously used for this type of project.

46. Features of the draft Development Credit and draft Project Agreements of special interest are referred to in paragraphs 35, 38, 39 and 40 of this report. Conditions of Credit effectiveness include (a) that a subsidiary agreement between the Borrower and TIB, acceptable to the

Association, had been executed (Section 5.01(b), draft Development Credit Agreement) and (b) that the head of the project unit had been employed (Section 5.01(c), draft Development Credit Agreement).

47. I am satisfied that the Credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

48. I recommend that the Executive Directors approve the proposed Credit.

Robert S. McNamara  
President

Attachments

Washington DC  
November 12, 1975



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

NATIONAL ACCOUNTS	Actual		Projected			1967- 1972	1973 - 1974	1975 - 1980	1981 - 1985	1973	1975	1980	
	1973	1974	1975	1976	1980								
	At 1973		Prices and Exchange Rates			Average Annual Growth Rates			As Percent of GDY				
Gross Domestic Product	1819.2	1863.9	1952.4	2035.2	2450.1	4.9	2.5	4.6	5.4	100.0	104.1	104.0	
Gains from Terms of Trade (+)	-	-29.1	-77.6	-70.1	-95.0					-	-4.1	-4.0	
Gross Domestic Income	1819.2	1834.8	1874.8	1965.1	2355.2	4.5	0.9	4.7	5.4	100.0	100.0	100.0	
Import (incl. NFS)	519.8	517.4	419.1	424.3	527.4	6.8	-0.5	4.7	6.5	28.6	22.4	22.4	
Exports " (import capacity)	417.0	309.5	276.9	314.1	384.3	2.6	-25.6	4.4	7.1	22.9	14.8	16.3	
Resource Gap	102.8	207.9	142.1	110.1	143.1					5.7	7.6	6.1	
Consumption Expenditures	1538.6	1635.4	1597.1	1637.6	1941.2	4.8	6.3	4.0	5.3	84.6	85.2	82.4	
Investment " (incl. stocks)	406.6	407.3	419.8	437.6	557.1	8.4	0.2	5.8	5.6	22.4	22.4	23.7	
Domestic Savings	280.6	199.4	277.6	327.5	414.0	2.7	-28.9	8.3	4.3	15.4	14.8	17.6	
National Savings	286.8	207.1	270.3	323.9	374.1	3.4	-27.8	6.7	3.9	15.8	14.4	15.9	
MERCHANDISE TRADE	Annual Data at Current Prices									As Percent of Total			
	1972	1973	1974	1975	1976	1980				1973	1975	1980	
Imports													
Capital goods	125.2	135.1	185.7	168.6	191.0	329.6				29.4	25.7	29.3	
Intermediate goods (excl. fuels)	154.4	169.4	189.2	209.1	225.8	378.2				36.8	31.9	33.7	
Fuels and related materials	41.3	53.1	148.5	170.4	194.9	301.1				11.6	26.0	26.8	
of which: Petroleum	(41.3)	(53.1)	(148.5)	(170.4)	(194.9)	(301.1)				(11.6)	(26.0)	(26.8)	
Consumption goods	82.9	102.2	215.1	108.0	76.0	114.8				22.2	16.5	10.2	
Total Merch. Imports (cif)	403.8	459.8	738.5	656.1	687.6	1123.7				100.0	100.0	100.0	
Exports													
Primary products (excl. fuels)	208.6	263.6	309.8	263.9	326.3	471.0				79.8	75.0	69.8	
Fuels and related materials	30.7	12.5	18.5	20.3	24.7	52.5				3.8	5.8	7.8	
of which: Petroleum	(30.7)	(12.5)	(18.5)	(20.3)	(24.7)	(52.5)				(3.8)	(5.8)	(7.8)	
Manufactured goods	49.1	54.4	55.4	67.5	79.5	151.2				16.5	19.2	22.4	
Total Merch. Exports (fob)	288.4	330.5	383.7	351.7	430.5	674.7				100.0	100.0	100.0	
Tourism and Border Trade	..	..	..	..	..	..							
Merchandise Trade Indices	Average 1973 = 100												
Export Price Index	89.6	100.0	142.0	135.3	149.4	192.3							
Import Price Index	86.7	100.0	155.4	173.2	182.8	239.9							
Terms of Trade Index	100.2	100.0	91.4	78.1	81.8	80.2							
Exports Volume Index	109.7	100.0	81.2	85.0	92.2	115.0							
VALUE ADDED BY SECTOR	Annual Data at 1973 Prices and Exchange Rates						Average Annual Growth Rates			As Percent of Total			
							1967-72	1972-74	1975-80	1973	1975	1980	
Agriculture	640.6	647.7	634.1	665.8	685.8	784.7	2.6	-0.5	3.3	39.3	37.9	35.6	
Industry and Mining	206.6	208.7	210.8	217.1	228.0	281.1	5.0	0.6	5.3	12.7	12.3	12.7	
Service	737.0	790.0	834.3	876.0	919.8	1141.6	6.1	6.4	5.4	48.0	49.8	51.7	
Total	1584.2	1646.4	1679.2	1758.9	1833.5	2207.3	4.5	3.0	4.6	100.0	100.0	100.0	
PUBLIC FINANCE	Actual					Est. Budget					As Percent of GDP <sup>2/</sup>		
(Central Government)	FY72	FY73	FY74	FY75	FY76					FY72	FY73	FY74	
Current Receipts	1859	2357	3002	3884	4007					17.7	19.7	23.2	
Current Expenditures	1717	2134	2685	3694	3530					16.4	17.8	20.8	
Budgetary Savings	142	223	317	190	477					1.3	1.9	2.5	
Other Public Sector <sup>1/</sup>	241	264	..	..	..					2.3	2.2	..	
Public Sector Investment	1694	1836	1996	2301	..					16.2	15.3	15.4	
CURRENT EXPENDITURE DETAILS	Actual		Prelim.		Est.								
As % Total Current Expend.	FY1972	FY1973	FY1974	FY1975	FY1976	FY1977							
Education	17.5	16.7	14.8	14.8	16.1								
Other Social Services	12.5	11.8	11.7	14.6									
Agriculture )													
Other Economic Services )	28.3	25.4	31.4	23.2									
Administration and Defense )													
Other )	41.8	46.1	42.2	46.1									
Total Current Expenditures	100.0	100.0	100.0	100.0									
SELECTED INDICATORS	1965 -		1973 -		1976 -		1981 -						
(Calculated from 3-year averaged data)	1970		1975		1980		1985						
Average ICOR	2.9		6.3		4.7		4.3						
Import Elasticity	1.6		-1.3		1.0		1.2						
Marginal Domestic Savings Rate	0.1		-0.9		0.2		0.2						
Marginal National Savings Rate	0.2		-1.8		0.2		0.1						
LABOR FORCE AND OUTPUT PER WORKER	Total Labor Force				Value Added Per Worker (in current prices)								
	In Millions		% of Total		In U.S. Dollars		Percent of Average						
	1971		1971		1971		1971						
Agriculture	5.3		91		98		43						
Industry	0.1		2		1590		694						
Service	0.4		7		2170		948						
Total	5.8		100		229		100						

. not applicable - nil or negligible  
 .. not available -- less than half the smallest unit shown

<sup>1/</sup> Parastatal contribution to net current income.  
<sup>2/</sup> Averaged from calendar year.

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

	Actual			Estimated 1975	Projected					Avg. Annual Growth Rate 1972-1980	
	1972	1973	1974		1976	1977	1978	1979	1980		1985
<b>SUMMARY BALANCE OF PAYMENTS</b>											
Exports (incl. NPS)	397.5	417.0	481.0	479.9	574.4	643.0	718.7	816.2	922.1	1832.7	11.1
Imports (incl. NPS)	476.1	519.8	804.2	726.2	775.8	883.5	989.4	1113.1	1265.4	2451.4	13.0
Resource Balance (X-M)	-78.6	-102.8	-323.1	-246.3	-201.3	-240.5	-270.6	-297.0	-343.3	-618.7	28.8
Interest (net)	-3.4	10.4	-6.8	-18.7	-24.8	-30.1	-32.7	-35.6	-39.8	-66.1	34.2
Direct Investment Income	-	-5.5	0.5	-11.2	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	.
Workers' Remittance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.
Current Transfers (net)	-1.7	0.7	15.7	22.4	22.4	15.0	15.0	15.0	15.0	15.0	.
Balance on Current Accounts	-83.7	-97.2	-313.7	-253.9	-205.7	-257.6	-290.4	-319.6	-370.1	-671.8	.
Private Direct Investment	-	1.5	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8	.
Official Capital Grants	16.0	16.0	20.0	25.0	27.5	30.3	33.3	36.6	40.3	65.0	12.5
Public M&LT Loans											
Disbursements	110.6	88.4	95.8 <sup>2/</sup>	193.7 <sup>3/</sup>	112.9 <sup>4/</sup>	111.3 <sup>5/</sup>	133.5 <sup>5/</sup>	160.8 <sup>5/</sup>	191.4 <sup>5/</sup>	354.0 <sup>5/</sup>	11.2
Repayments	-15.4	-18.3	-11.8	-22.0	-18.4	-21.1	-27.4	-30.3	-39.6	-89.4	12.5
Net Disbursements	95.2	70.1	84.0	171.7	94.5	90.2	106.1	130.5	151.8	264.6	6.0
Other M&LT Loans <sup>1/</sup>											
Disbursements	...	...	...	...	...	...	...	...	...	...	.
Repayments	...	...	...	...	...	...	...	...	...	...	.
Net Disbursements	4.5	9.9	3.5	2.9	...	...	...	...	...	...	.
Use of IMF Resources	-	-	46.3	34.9	...	...	...	...	...	...	.
Capital Transactions n.e.i.	28.2	-29.3	66.2	16.6	...	...	...	...	...	...	.
Change in Net Reserves	-60.2	-20.5	91.0	-	...	...	...	...	...	...	.
<b>GRANT AND LOAN COMMITMENTS</b>											
Official Grants & Grant-like											
Public M&LT Loans											
IBRD	-	-	65.0	30.0							
IDA	10.8	28.8	61.2	34.0							
Other <sup>6/</sup>	3.3	1.8	7.1	50.1							
Other Multilateral Governments	49.3	94.9	112.5	161.0							
Suppliers	-	-	-	-							
Financial Institutions	-	-	-	-							
Bonds	-	-	-	-							
Public Loans n.e.i.	-	-	-	-							
Total Public M&LT Loans	63.4	125.5	245.8	275.1							
<b>EXTERNAL DEBT</b>											
	Actual Debt Outstanding on Dec. 31, 1974										
	Disbursed Only	Percent									
World Bank	40.9	7.6									
IDA	63.3	11.8									
Other Multilateral Governments	10.4	1.9									
Suppliers	389.9	72.5									
Financial Institutions	0.1	-									
Bonds	12.3	2.3									
Public Debts n.e.i.	7.9	1.5									
Total Public M&LT Debt	13.0	2.4									
	537.9	100.0									
Notional one-third share of EAC debt	86.0	.									
of which: World Bank	(38.0)	.									
Other	(48.0)	.									
TOTAL	623.9	.									

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

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

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

<sup>9/</sup> IBRD and IDA Debt Service as % of Public Debt Service

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA  
AS AT SEPTEMBER 30, 1975

No.	Year	Borrower	Purpose	(US\$ million)		
				Amount Bank	less IDA	cancellations Undisbursed
Three loans and six credits fully disbursed				65.2	43.0	
586 TA	1969	Tanzania	Roads	7.0		1.9
149 TA	1969	"	Education		5.0	0.9
217 TA	1970	"	Tobacco		9.0	1.9
715 TA	1974	TANESCO	Power	5.0		1.9
232 TA	1971	Tanzania	Education		3.3	1.7
265 TA	1972	"	Roads		6.5	3.5
287 TA	1972	"	Smallholder Tea		10.8	5.4
371 TA	1973	"	Education		10.3	10.1
382 TA	1973	"	Livestock <sup>3/</sup>		18.5	17.3
454 TA	1974	"	Cotton		17.5	17.2
460 TA	1974	"	Tanzania Investment Bank		6.0	3.4
1014 TA	1974	"	Cashewnut	21.0		15.0
495 TA	1975	"	Sites and Services		8.5	8.1
507 TA	1975	"	Highway Maintenance		10.2	10.2
508 TA	1975	"	Rural Development		10.0	9.9
513 TA	1975	"	Sugar		9.0	7.8
1041 TA	1975	"	Sugar <sup>2/</sup>	9.0		9.0
580 TA	1975	"	Dairy <sup>2/</sup>		10.0	10.0
1128 TA	1975	"	Textile	15.0		15.0
Total <sup>4/</sup>				122.0	177.6	150.2
of which has been repaid				0.9	1.7	
Amount sold				0.1		
of which has been repaid				0.1		
Total now outstanding <sup>1/</sup>				121.3	175.9	
Total undisbursed				42.8	107.4	150.2

<sup>1/</sup> Net of exchange adjustments

<sup>2/</sup> Not yet effective

<sup>3/</sup> Includes grant participation of \$6.2 million of which \$4.9 is undisbursed.

<sup>4/</sup> An additional Loan of \$15 million (1172 TA) to the Tanzania Investment Bank, approved by the Executive Directors on October 28, was signed on November 12, 1975.

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED  
BY KENYA, TANZANIA AND UGANDA AS AT SEPTEMBER 30, 1975

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	(US\$ million)	
				<u>Amount less cancellations</u> <u>Bank</u>	<u>Undisbursed</u>
Three loans fully disbursed				75.0	
638 EA	1969	EAHC	Harbours	35.0	3.5
674 EA	1970	EARC	Railways	42.4	16.4
675 EA	1970	EAPTC	Telecommunications	10.4	.1
843 EA	1972	EADB	Development Finance	8.0	4.2
865 EA	1972	EAHC	Harbors	26.5	16.8
914 EA	1973	EAPTC	Telecommunications	<u>32.5</u>	<u>12.5</u>
Total				229.8	53.5
of which has been repaid				<u>30.9</u>	
Total now outstanding				198.9	
Amount sold				24.4	
of which has been repaid				<u>24.4</u>	
Total now held by Bank <sup>1/</sup>				198.9	
Total undisbursed					53.5

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<sup>1/</sup> Net of exchange adjustments

C. PROJECTS IN EXECUTION <sup>1/</sup>  
(As of September 30, 1975)

There are currently 17 projects under execution in Tanzania.

AGRICULTURAL SECTOR

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

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As a result of the Tanzania Government's intention to complete its villagization program by 1976, the process has been accelerated and a total of about 7,200 families have been moved to villages in the tobacco complexes, bringing the number of project farmers to 10,000. As a result of these vigorous efforts, it is now likely that the appraisal target of 15,000 farmers will be reached in 1975. Strict measures to enforce minimum tobacco acreages per family are expected to contribute to increased tobacco production. However, yields per hectare and quality of leaf have been below anticipated levels. Improvements are required to strengthen the extension and cooperative services. Provision of water supplies and social infrastructure is progressing well.

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

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

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<sup>1/</sup> These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular, to report any problems which are being encountered, and the actions being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit No. 382 TA - Second Livestock Development Project: \$18.5 million Credit of May 23, 1973; Closing Date - December 31, 1977

The credit was declared effective on September 28, 1973 but so far implementation has been extremely slow. IDA disbursements to date have been limited to technical services and it is only during the past half year that the development of cattle ranching and marketing has started to get underway. The meat processing component of the project was recently scaled down by almost a third of appraisal proposals because of increases in cost. However, overall progress should improve now that responsibility for project implementation has been transferred to the newly established Livestock Development Authority and construction of the meat processing plants is underway.

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

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

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

The lowest bids for the five processing facilities to be constructed under the project were considerably in excess of the appraisal estimate for the project component. Following detailed discussions between the Government and contractor, the cost was considerably reduced by deletion of non-essential items. Construction of the processing facilities is proceeding well.

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

The credit became effective in November 1974. By July 1975 progress on the project appeared to be generally satisfactory. All staff to be posted under the Project Management Executive (PME) had been appointed. Planning of project villages had begun through the preparation of viability reports (VSFR's) and land-use maps based on recent aerial photographs. A first training seminar of one month had been given to village-level bookkeepers in a new simplified bookkeeping system. Conditions were therefore such that the last supervision mission could agree to inclusion of 23 villages for project financing during the current fiscal year, requiring investments of TSh 4.9 million for agricultural inputs and TSh 5.6 million for social infrastructure. Progress on this proposed investment program would depend particularly on project organization and management. However, the institutional arrangements following elimination

of the Kigoma Cooperative Union (KCU) still remained unsatisfactory. It is anticipated that the supervision mission scheduled in December will be able to resolve this issue. A preparation team, eventually to number four full-time expatriates, was recently installed in Mwanza to prepare integrated rural development projects for Mwanza and Shinyanga Regions, and the existing and future information base and supporting activities appear promising.

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

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Estate field development is ahead of schedule with 2,740 ac of sugar cane planted during 1974/75 (about 500 ac over the target) outgrowers planting of 400 ac is about 200 ac behind schedule. Construction of the new sugar mill, financed by Dutch and Danish loans, is on schedule and should be completed by July 1976. Procurement of field machinery and equipment and supporting project activities are progressing reasonably well. Due to cost escalation of the housing and community development component, detailed cost reviews were undertaken and the project management expects that the anticipated cost overruns of about TSh 21.5 million (US\$ 3 million) will be offset by savings on other components and by partial lowering of standards.

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

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The credit is not yet effective. The Government is proceeding with the recruitment of key personnel.

#### EDUCATION SECTOR

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

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Most project schools are completed. Schools are adequately furnished but not yet fully equipped. Procurement and installation of the remaining furniture and equipment is in progress. The project has experienced a minor overrun of \$0.4 million.

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

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Construction on all 13 project sites is in progress, seven project institutions are almost completed, three will be completed by October 1975 and the remaining three by December 1975. The Government has agreed to start construction on boarding facilities with an estimated completion date of September 1976. All furniture and equipment contracts have been awarded, but the four agricultural education specialists have not yet been recruited.

Fellowship training is satisfactory, two have already returned and taken up their duties. Disbursements have increased substantially but as a result of the start up problem the Closing Date of the project has been extended for 18 months, up to December 31, 1976. A cost overrun of about \$1.6 million is expected.

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

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

#### INDUSTRIAL SECTOR

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

The credit has been fully committed.

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

The loan became effective on October 6, 1975. The Textile Corporation of Tanzania (TEXCO) has appointed the project engineers and technical advisors and procurement documents are under preparation. For the study to be undertaken as part of the project several consultants have already been contacted by TEXCO and proposals are expected shortly.

#### POWER SECTOR

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

Construction work for this project is nearly complete. The project is on schedule and the first and second unit came on stream in March 1975 and July 1975 respectively. A mission visited Tanzania in April 1975 to appraise the second stage Kidatu power project for which a loan is expected to be recommended to the Executive Directors shortly.

TRANSPORTATION SECTOR

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

After long delays in completing tender arrangements, the contract for the Mtwara-Masasi road was made at nearly three times the appraised cost. Most of the overrun is covered by a \$4.4 million loan from ADB and use of the \$1.8 million balance from the Bank's Second Highway Project (Loan No. 586 TA). Construction of this road is proceeding satisfactorily.

Execution of road betterment works in two agricultural areas commenced about a year ago and is progressing satisfactorily in one area but is behind schedule in the other.

Preinvestment studies for Kilombero and Kilimanjaro areas have been completed and final reports are expected in November.

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

The project was declared effective on November 20, 1974. Contract for the recruitment of expatriate engineers required for project implementation is under discussion by the Government with the Crown Agents. A study on the road transport industry in the country was started by consultants in April and is expected to be ready before the end of this year.

URBAN SECTOR

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

The project was declared effective in October 1974 and is proceeding very well. Contracts for infrastructure construction at all seven sites have been awarded and construction is underway on six sites. Tender documents for community facilities are being prepared and tender award is scheduled for October 1975. Other components of the project i.e. training, monitoring/evaluation and nutrition studies are progressing satisfactorily.

There are currently six projects under execution by the East African Community.

TRANSPORTATION SECTOR

Loan No. 674 EA - Third Railways Project: \$42.4 million Loan of May 25, 1970; Closing Date - June 30, 1976

The suspension of this Loan was lifted on September 5, 1975. The reasons for suspension and its lifting are discussed in paragraphs 26 and 27 of this report. It is now planned that part of the proceeds of the Loan will be used for consultancy services to assist in the reorganization of Railways Corporation (paragraph 27. Meanwhile the Corporation is now finalizing a plan to meet its emergency investment requirements.

Loan No. 638 EA - Second Harbours Project: \$35.0 million Loan of August 25, 1969; Closing Date - December 31, 1975

The Harbours Corporation is in a healthy cash position although there have been problems in transferring funds from regional offices to headquarters. Damage to a partially completed pier has delayed project implementation. It is now expected that the construction will finish in mid-1975. Legal questions resulting from the damage are under study by the Corporation.

Loan No. 865 EA - Third Harbours Project: \$26.5 million Loan of December 18, 1972; Closing Date - June 30, 1976

A delay of six months is expected in completing civil works under this project. Cost overruns have been experienced in some project items. The situation is under study by the Corporation, which will shortly issue a plan for speeding implementation.

INDUSTRIAL SECTOR

Loan No. 843 EA - East African Development Bank Project: \$8.0 million Loan of June 28, 1972; Closing Date - May 31, 1976

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

TELECOMMUNICATIONS SECTOR

Loan No. 675 EA - Second Telecommunications Project: \$10.4 million Loan of May 25, 1970; Closing Date - December 31, 1976

The project is complete. The closing date of the Loan was extended from June 30, 1975 to December 31, 1975 to enable final payments to be made from the loan account.

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

Problems within the EAC have only marginally affected the Posts and Telecommunications Corporation due to the considerable existing decentralization of operating authority. Deterioration of the corporate cash position and rate of return has been slight in comparison to other Community Corporations and the situation was improved by a rate increase allowed by the Community in February 1975.

All major works have been completed, except two microwave links which, due to long lead time for delivery, will be delayed by 12 months.

TANZANIA - TECHNICAL ASSISTANCE PROJECTCredit and Project SummaryBORROWER: United Republic of TanzaniaAMOUNT: Credit of US\$6.0 millionTERMS: StandardPROJECTDESCRIPTION: A four-year program to help finance high priority studies and supporting services to assist the Government in implementing its program of economic development.ESTIMATED COSTS

	(US\$ Million)		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
<u>Consultancy Services</u> (Approximately 80 manyears)	1.3	4.9	6.2
<u>Training</u> (20 manyears)	-	0.2	0.2
<u>Supporting Services</u>			
Project Unit Expenses (including short-term consultancy services)	<u>0.3</u>	<u>0.8</u>	<u>1.1</u>
TOTAL	1.6	5.9	7.5

FINANCING PLAN: The proposed Credit would finance 80% of total project costs. The Government, the Tanzanian Investment Bank and the implementing agencies would contribute the remaining 20%.ESTIMATEDDISBURSEMENTS: The Credit would finance 100% of the foreign or 80% of the total costs of consultancy contracts (including contracts with project unit experts), 100% of the foreign and 75% of the local costs of overseas training and 100% of the foreign and 75% of local expenditures for vehicles and equipment. Disbursements are estimated as follows:

	(US\$ Million)		
FY <u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
.5	2.0	2.5	1.0

PROCUREMENTARRANGEMENTS: In the case of any consultants contract expected to cost in excess of \$50,000 the selection of the consultants and the contracts to be concluded with them would be subject to the approval of the Association. Contracts for equipment and vehicles (about \$100,000) would be placed on the basis of competitive bidding in accordance with the Borrower's usual procurement procedures.

Potential Investment Projects in the Industrial and Mining Sectors Identified in the Bank's Industrial and Mining Sector Survey on Tanzania, Dated March 31, 1975

The Bank's industrial and mining sector mission, which visited Tanzania in September 1974, identified a number of projects in the industrial and mining sector. These projects are in various stages of identification and preparation and many will require a considerable input of technical assistance if they are to materialize as viable projects. The list prepared by the mission and summarized below is not exhaustive and will be the subject of continuous review by the Government and its agencies in the light of new information becoming available and changing circumstances.

(a) Industry

Steel mill. Tanzania is planning to build an integrated iron and steel mill based on domestic iron ore and coal reserves. The Government has not so far announced any details on the production technology, on the size of the mill or on the timing, but it is understood that the target date for completion is 1980 or shortly thereafter. If this project materializes it will have immediate relevance to the further development of the engineering sector.

Steel scrap melting and billet casting. Estimated investment requirements for two possible scrap mills (Tanga and Dar es Salaam) are US\$4 million.

Textile mills. The Government's plan for the next five years includes a relatively modest expansion of four existing mills, the doubling of another existing mill (Mwanza) and the establishment of one major new integrated mill. The industry mission argued that a cotton/polyester blended fabrics plant should be considered as an alternative for an all-cotton mill which is presently planned for Musoma. Total investment requirements are estimated at US\$90-140 million depending on the project choice.

Morogoro Complex. This is a multiple industry project proposed for Morogoro including a tannery, a canvas mill, a shoe factory, a leather goods factory and an industrial estate catering to the needs of smaller product-related enterprises. Total investment required is estimated at around US\$65 million.

Other tanneries and leather processing industries. The existing tannery in Moshi is being expanded and the establishment of a new one at Mwanza is planned. The object of these and the proposed Morogoro tannery project is to process all hides and skins domestically before export (or local manufacturing).

Wood projects. NDC is working on a pulp and paper project (import substitution) which is in an advanced stage of preparation. Investment

costs are estimated at around US\$150 million. The Tanzania Wood Industries Corporation is preparing or has identified various sawmilling and wood processing projects (including plywood, soft board, block board, furniture, pencil and ruler, brush and broom and pre-fabricated wooden houses) totaling US\$20 million.

Farm implements. De-bottlenecking of the existing plant in Dar es Salaam and construction of a second factory (in Mbeya) is planned. The existing factory is working at 30% of capacity but even at full capacity it could only supply about 50% of local demand. Investments required are estimated at US\$7 million.

Pyrethrum. A second pyrethrum factory is planned (at Mbeya) and costs are estimated at US\$3 million.

Plastic products. An expansion of PVC pipe extruding capacity is required in connection with the Government's massive rural water scheme. No preliminary cost estimates are available but investment requirements are probably at least US\$2-3 million. Capacity expansion for a range of other plastic products is also being planned and costs are estimated at US\$2 million.

Asbestos cement. A project for a US\$2 million plant for pipes and sheets is planned.

Glass hollow ware and plate glass. Expansion of glass bottle and other hollow ware manufacturing capacity is needed to achieve and maintain self-sufficiency. Tanzania could conceivably become an efficient producer and exporter of plate glass to other East African countries.

Aluminum and metal fabrication. An expansion of the Alaf facilities in Dar es Salaam is being planned in connection with the Government's acquisition of a majority interest in the company. This and other metal fabrication projects including a machine tool project are tentatively costed at US\$34 million.

Cashew processing. A major program for the expansion of existing facilities and erection of five new factories is already underway. Total investment involved is estimated at about US\$40 million. Several further projects are being considered.

Beer brewing. About US\$40 million would be required for a proposed new brewery in Mwanza, US\$15 million for a proposed malting plant and another US\$15 million for the expansion of existing brewing facilities.

Coffee curing. A major expansion and improvement of storage facilities of the coffee curing works at Moshi, costing approximately US\$2 million will be undertaken.

Other food. An estimated US\$100 million will be required for additional grain milling capacity, bakeries, soft drinks, dairies, slaughter facilities, meat canning, fruit canning, vegetable oil production, fish processing, salt refining, etc. Many projects are currently being or are about to be prepared.

Clothing. The knitting and garment industry is still predominantly controlled by the private sector. There is considerable scope for further import substitution and growth with demand.

Paper and printing. Projects for the expansion of paper-converting capacity and used-paper recycling are being prepared and identified and so is another project to expand printing capacity for school books, etc. Investment requirements are estimated at US\$6 million.

Fertilizers. A small expansion project (US\$4 million) that would raise capacity of the existing plant by 30-40% is planned.

Tires. An expansion of the existing tire factory costing US\$7 million is planned.

Miscellaneous, including ceramics, bicycle tires and tubes, civil explosives, industrial alcohol, paints, basic industrial chemicals. Several projects in these fields are in different stages of preparation and identification. The ceramics and alcohol projects are of particular interest as they would be using local inputs, namely, Pugu Hill kaolin and molasses produced by the sugar factories.

Machinery other than electric. The local manufacture of a range of pumps and pipe fittings for water supply systems should, in view of the Industry mission, be well within the capability of the National Engineering Company. The manufacture of transmission shafts, cranks, pulleys and simple construction and loading machinery such as wheel barrows, concrete mixers and conveyors should also be actively explored. The local manufacture of small internal combustion engines and spare parts for static operation (e.g. for spray units, compressors and electricity generation) could provide a basis for the manufacture of motor cycles later on.

Transport equipment. The Industry mission concluded that the local manufacture of all truck, bus and trailer bodies (instead of importing fully assembled units) should be the ultimate aim of a strategy that would start with the assembly of all such vehicles. It would be based on a phased program of import substitution. Another important project possibility is the manufacture of railway freight cars, or at least the bodies initially.

Fabricated metal products. The Industry mission concluded that the manufacture of locks, padlocks, hinges and catches is technically feasible and economically justified. This would also help in building

up a small press tool making industry. The manufacture of a range of finished structural parts of steel and cast iron foundry products such as manhole covers, pipes and all sorts of fittings should also be considered. Practically all fabricated metal parts on trucks and buses such as exhaust pipes, silencer systems, brackets, radiators, springs and steel pressed pulleys could also be made locally. There is no reason why Tanzania could not be self-sufficient in metal household buckets and similar containers.

Electrical sector. An obvious possibility is the local manufacture of motor vehicle batteries. It should also be possible to start the local manufacture of small electric motors, sizes and types of which would have to be determined by a detailed market survey.

(b) Mining

Cement. A cement expansion program aimed at tripling production capacity from 340,000 to 1,000,000 tons per annum is being prepared and part of it is already under implementation. Implementation requirements are estimated at US\$75 million.

Gold. A number of prospects are being reexamined.

Phosphate. This mineral occurs at Minjingu on the east shore of Lake Manyara. Possible plans, which could lead to further studies, designed to determine how this deposit may be most economically exploited are currently under consideration.

Coal. There are several possibilities for the exploitation of Tanzania's very substantial coal reserves located in the southwestern corner of the country near Mbeya. The completion of the Tan-Zam railway has opened up the prospect of utilizing this previously inaccessible resource.

Beach sands. The Beach Sands Mining Co., Ltd. was formed in 1973 to investigate the possibility of exploiting the coastal beach sands of Tanzania. The coastal area has been extensively investigated and at least four areas of sand with a heavy mineral content have been identified.

Natural gas. A recent gas strike has been made off the coast about 200 kms. south of Dar<sub>3</sub>es Salaam. Estimates of the reserves range between 16 and 42 billion m<sup>3</sup>. Tanzania's capacity to identify and compare the relative merits of alternative uses for the natural gas is very limited and the Industry mission recommended that high level technical assistance be sought before any decision regarding exploitation is made.

Soda ash. A detailed pre-feasibility study for a project to exploit the soda ash of Lake Natron has recently been prepared by a Japanese interest. Further steps are currently being taken to determine the economic potential of such a project and to identify required further studies which could involve a substantial amount of technical assistance.

Other possible mining projects. Several other potential projects for the exploitation of tin, gypsum, gemstones, diamonds, salt, magnisite, nickel, sand and kaolin are in various stages of identification and are expected to require considerable further study.

TANZANIA INVESTMENT BANK

TECHNICAL ASSISTANCE FUND FOR FEASIBILITY STUDIES 1/

GENERAL GUIDELINES

A. INTRODUCTION

The main reasons for establishing a Technical Assistance Fund in TIB for hiring outside consultants include the following:

- (i) The possibility of shortening the time needed for the implementation of PARASTATAL Projects.
- (ii) The possibility of obtaining specialized skills and know-how on particular projects to be implemented by PARASTATALS.
- (iii) The possibility of finding a fresh approach to solving specific industrial bottlenecks.
- (iv) The possibility of obtaining independent evaluations and recommendations of specific projects to be implemented by PARASTATALS.

B. TYPE OF CONSULTING ASSISTANCE TO BE FINANCED BY TIB TECHNICAL ASSISTANCE FUND

- (1) Design and engineering services necessary for the establishment of and industrial plant or project, feasibility studies, plant design and preparation of the books of tender for equipment and civil engineering, evaluation of bids, supervision of erection and start-up.
- (2) Technological services particularly of industrial exploitable natural resources including research in product development, improvement in production methods and processes.
- (3) Economic services covering specific industrial surveys, project analyses and bankability studies of projects approved in the Five-Year Plan.

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1/ This Annex reproduces the guidelines for the use of the technical assistance fund currently administered by TIB and discussed in paragraph 36 of this report.

C. TYPES OF CONSULTANTS ACCEPTABLE FOR TIB TECHNICAL ASSISTANCE FINANCING

- (1) Individual consultant practitioner of recognized experience and ability in a given industrial branch.
- (2) Consulting firms with recognized experience and reputation.
- (3) Industrial research institutes with known investigative services in industrial technology and engineering.

D. APPLICATION PROCEDURE FOR TIB TECHNICAL ASSISTANCE FUNDS

- (1) Project to be studied.
- (2) Whether it is export-oriented, raw-material based, labour-intensive, foreign exchange-saving or home-market based.
- (3) Name of consulting firm or individual consultant with full background of professional experience and qualifications.
- (4) Proposed terms of reference:
  - (i) Scope of the assignment,
  - (ii) Definition of the scope in successive phases,
  - (iii) Change of scope in the character and extent of the work, if any, during the course of an assignment,
  - (iv) Assignment of responsible personnel,
  - (v) Responsibility of the consultant,
  - (vi) Information to be supplied by the PARASTATAL,
  - (vii) Services and facilities to be supplied by the PARASTATAL,
  - (viii) Discussion and review,
  - (ix) Reporting,
  - (x) Term and duration,
  - (xi) Renewal or extension,
  - (xii) Cancellation during course of project,
  - (xiii) Copyright,
  - (xiv) Legal jurisdiction,
  - (xv) Financial arrangements,
  - (xvi) Guarantee of performance,
  - (xvii) Guarantee of payment,
  - (xviii) Penalties,
  - (xix) Arbitration.

E. EVALUATION OF APPLICATION PROCEDURE BY TIB LOANS COMMITTEE: CHECKLIST OF CONTRACT PROVISIONS

- (1) Date of agreement to commence the study of the project.
- (2) Identification of project coordinator or committee and consultant including transfer of responsibility to successors.
- (3) Review of the background and brief definition of the project.
- (4) Scope of the assignment including reference to any detailed description incorporated in appendices.

- (5) Effective date of commencement of work and estimated or stipulated time for completion.

Responsibility of the consultant

- (a) Professional help, services and information to be supplied,
- (b) Work schedule to be maintained,
- (c) Personnel to be supplied (may be detailed in appendix),
- (d) Availability for conference with PARASTATAL
- (e) Reporting, including the schedule, nature and language of reports,
- (f) Ownership of designs, blueprints, reports, etc., to be specified in the contract,
- (g) Safeguarding of information supplied by PARASTATAL,
- (h) Guarantee of performance, where required.

Responsibility of PARASTATAL

- (a) Information, services and facilities to be provided.
- (b) Availability for conference with the consultant.

Duration of the Contract

- (a) Stipulation of termination, either by stating a specific date or indicating the duration of the operation from the execution of a contract.
- (b) Provision and mechanism for early termination by either party.
- (c) Provision for extension or renewal.
- (d) Provision and mechanism for the modification of the specified date by mutual agreement.
- (e) Termination by reason of events beyond control of either party.
- (f) Provision against delays.

Financial Provisions

- (a) Total financial commitment or requirement by the PARASTATAL.
- (b) Method and schedule of billing by the consultant.
- (c) Method of payment.
- (d) Currency or currencies of payment and conversion rates.

General Provisions

- (a) Legal jurisdiction for the interpretation of the contract.
- (b) Insurance provisions.
- (c) Best efforts pledged by both consultant and PARASTATAL.
- (d) Handling of disagreement through arbitration procedures.
- (e) Obligations for VISA, PERMITS, LICENSE FEES, TAXES, REPATRIATION OF FOREIGN EXCHANGE, etc., and advance clearance of CONTRACT with the BANK OF TANZANIA and the MINISTRY OF FINANCE.

N.B. This is a general list. All provisions may not apply in all cases. Where a short study is needed costing a few thousands of shillings these details may not be necessary.

F. TIB's CONDITIONS FOR UTILIZATION OF THE TECHNICAL ASSISTANCE FUND

- (1) Capitalization of the study cost and charge against first disbursement - only when the project is implemented.
- (2) An officer(s) of TIB to be involved in the study.
- (3) Where a report indicates that a project is not viable, the study cost will be treated as promotional cost.
- (4) Acceptability of quality of the final report by TIB and PARASTATAL.