Board Meeting of June 19, 1997
Statement by Andrei Bugrov

Tanzania - Country Assistance Strategy and Structural Adjustment Credit

Since early 1996 we have been witnessing Tanzania's continuing satisfactory performance on macroeconomic stabilization. After successful implementation of an IMF staff-monitored fiscal program the Government has met -- in several respects, with comfortable margins -- the midterm targets of the first annual arrangement of the ESAF program agreed with the IMF last November. Also, significant advancements have been made with liberalization policies and structural reforms. These include steady progress in the divestiture of parastatals and in dismantling state monopolies. We are also impressed by the Tanzanian authorities' determination to curb corruption and improve governance.

All in all, we are convinced that a strong reform momentum in Tanzania has been regained and the Government is fully determined to sustain its fiscal stabilization efforts and to implement its well-targeted structural adjustment program. In this situation the Bank's decision to extend the proposed Structural Adjustment Credit to Tanzania would be, in our opinion, absolutely appropriate.

The Credit would provide essential support to the Government committed to strengthening and accelerating reforms in selected priority areas: (a) public expenditure management; (b) social sector rationalization; (c) parastatals divestiture; (d) banking sector reforms; (e) petroleum sector liberalization. These five priorities are also elaborated on in the new Country Assistance Strategy and fully consistent with it. The overall design of the Structural Adjustment Credit seems to be very good. We would like to note in particular the appropriateness of the idea of floating tranches which provide for necessary implementation flexibility.

At the last Board meeting on the Country Assistance Strategy for Tanzania this Chair expressed disappointment with the submitted Progress Report, especially with the way in which many important issues of the country's reform and development agenda and the Bank's
assistance were presented and discussed in the paper. Now we are pleased to note that the new CAS document is of good quality and would like to commend the staff for its preparation.

We appreciate the thoughtful and rather comprehensive analysis of the country’s background and recent performance. It would have been even more comprehensive if it incorporated the very acute deliberations, which one finds in the Structural Adjustment Credit paper (para. 7), on why Tanzania’s growth rate does not adequately mirror its relatively high level of investment.

We share the Staff’s concern with regard to the stagnation of social and poverty indicators. At the same time our impression is that the Bank needs to increase substantially its knowledge about social sector and poverty in Tanzania.

One of the remaining concerns is the status of the Bank’s portfolio. While the aggregate disbursement ratio has improved very significantly in the recent months, the share of problem and potentially problem projects increases. The CAS recognizes the seriousness of the portfolio quality issue. We very much hope that the improvement efforts the description of which took up more than a page in the report will yield the desired results in the nearest future.

We agree with the composition and triggers of the proposed IDA lending program. As regards the planned non-lending assistance, a Private Sector Assessment study seems to be a missing element of the ESW. We encourage further expansion of IFC (including Africa Project Development Facility and Africa Enterprise Fund) and MIGA activities in Tanzania. The importance of the EDI’s continuing support for capacity building should also be stressed.

In conclusion, we would like to express our general endorsement of the proposed Country Assistance Strategy for Tanzania.