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REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
TO THE
UNITED REPUBLIC OF TANZANIA
FOR A
SMALLHOLDER TEA CONSOLIDATION PROJECT

May 14, 1980

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CURRENCY EQUIVALENTS

Currency Unit	=	Tanzania Shilling (TSh)
US\$1.00	=	TSh 8.30
TSh 1.0	=	US\$0.12

(As the Tanzania Shilling is officially valued in relation to a basket of the currencies of Tanzania's trading partners, the US Dollar/Tanzania Shilling exchange rate is subject to change. Conversions in this report were made at US\$1.00 to TSh 8.30 which is close to the 1979 average exchange rate.)

GLOSSARY OF ABBREVIATIONS

EAC	=	East African Community
ha	=	Hectare
kg	=	Kilogram
MOA	=	Ministry of Agriculture
MOF	=	Ministry of Finance
MDB	=	Marketing Development Bureau of MOA
NORAD	=	Norwegian Agency for International Development
PMO	=	Prime Minister's Office
PPMB	=	Project Preparation and Monitoring Bureau of MOA
TRDB	=	Tanzania Rural Development Bank
TTA	=	Tanzania Tea Authority

FISCAL YEAR

Government: July 1 - June 30
TTA : July 1 - June 30

TANZANIA

SMALLHOLDER TEA CONSOLIDATION PROJECT

CREDIT AND PROJECT SUMMARY

BORROWER: United Republic of Tanzania

BENEFICIARIES: Tanzania Tea Authority (TTA) and the Regional Authorities of Iringa and West Lake

AMOUNT: US\$14 million equivalent

TERMS: Standard

RELENDING TERMS: About US\$12.0 million equivalent in IDA funds would be relent to the Tanzania Tea Authority (TTA) at 10% interest per annum for 28 years including 8 years of grace. The balance of US\$2.0 million would be passed on by the Government to the relevant Regional Authorities to implement the roads component. The Government would bear the foreign exchange risk.

PROJECT DESCRIPTION: The proposed project would, over a five-year period, consolidate ongoing TTA operations and provide additional processing facilities. It would aim to (i) strengthen TTA's capacity to handle green leaf produced by smallholder tea plantings including those established under the Smallholder Tea Development Project (Credit 287-TA); (ii) maximize the production benefits of smallholders in those areas where an alternative to tea planting is not available; (iii) strengthen TTA's financial viability; and (iv) increase Government's export earnings from the tea industry. Specifically, the project would finance construction of one new factory; extending and re-equipping of five factories; transport facilities; spare parts; workshop tools; establishment of fuelwood plantations; planting of 200 ha and infilling of the equivalent of 630 ha of tea; construction and maintenance of 176 km of tea roads; and incremental staff and technical assistance for TTA. The major risk of the project is institutional deficiencies; this risk has been minimized through the provision of technical assistance in the key positions of factory operations. The forecasts of world tea prices have been conservatively projected based on key producing countries' abilities for expansion of tea production.

<u>ESTIMATED COSTS</u>	-----US\$ Million-----		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Factory Construction and Rehabilitation	2.59	3.66	6.25
Transport Facilities (including operating costs)	0.57	2.24	2.81
Fuelwood Plantations	0.49	0.03	0.52
Tea Planting Program	0.88	0.33	1.21
Warehouses	0.30	-	0.30
Road Construction and Maintenance	0.68	2.20	2.88
Staff and Technical Assistance	<u>1.06</u>	<u>0.48</u>	<u>1.54</u>
Sub-Total	6.57	8.94	15.51
Physical Contingencies	0.42	0.85	1.27
Price Contingencies	<u>1.59</u>	<u>1.65</u>	<u>3.24</u>
Total Project Cost	8.58	11.44	20.02
of which taxes and duties	<u>0.26</u>	-	<u>0.26</u>
Project Cost net of taxes and duties	<u>8.32</u>	<u>11.44</u>	<u>19.76</u>

<u>FINANCING PLAN:</u>	-----US\$ million-----		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
IDA	3.8	10.2	14.0
NORAD (for part of the road component)	0.4	1.2	1.6
Government (including taxes & duties)	<u>4.4</u>	-	<u>4.4</u>
Total Project Cost	<u>8.6</u>	<u>11.4</u>	<u>20.0</u>

<u>DISBURSEMENTS:</u>	-----US\$ million-----					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
IDA Fiscal year						
Annual	2.0	4.9	3.3	1.9	1.4	0.5
Cumulative	2.0	6.9	10.2	12.1	13.5	14.0

RATE OF RETURN: 21%

STAFF APPRAISAL REPORT: Report No. 2814-TA dated May 9, 1980.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED CREDIT
TO THE UNITED REPUBLIC OF TANZANIA
FOR A SMALLHOLDER TEA CONSOLIDATION PROJECT

1. I submit the following report and recommendation on a proposed credit to the United Republic of Tanzania of US\$14.0 million equivalent on standard terms to help finance a project to improve the tea industry in Tanzania. About US\$12.0 million equivalent of the IDA funds would be relent to the Tanzania Tea Authority (TTA) at an interest rate of 10% per annum for 28 years including 8 years of grace for project investments. The balance of US\$2.0 million equivalent would be passed on by the Government to the Regional Authorities (Iringa and West Lake) to implement part of the road construction and maintenance component of the proposed project. The Government would bear the foreign exchange risk.

PART I - THE ECONOMY 1/

2. A Basic Economic Mission visited Tanzania in August 1976 and the Basic Economic Report was distributed in December 1977 (Report No. 1616-TA). A new Country Economic Memorandum is expected to be issued later this year. A summary of social and economic data is in Annex I.

Profile of the Economy

3. Tanzania is one of the 30 least developed countries in the world with a per capita income in 1978 of US\$230. The economy is still heavily dependent on agriculture: 90% of the labor force is engaged in agriculture and approximately 50% of GDP and about 70% of total exports are derived from agricultural production. The industrial sector is still small, producing about 10% of GDP, approximately the same percentage as 11 years ago. The service sector produces about 40% of GDP. Overall population density is low, though a few areas are considered overpopulated. Population growth is estimated at 3.0% per annum with both fertility and mortality at relatively high levels.

4. Since the Arusha Declaration in 1967 Tanzania has pursued a socialist development strategy. Banking, insurance, and most large-scale enterprises in manufacturing, plantation agriculture, transportation, and wholesale trade are under state control. There is extensive state intervention in economic activity, including import licensing, foreign exchange controls, price control, the reservation of some activities to the state or cooperative sector, and

1/ This section is essentially the same as that of the President's Report on the Grain Storage and Milling project dated April 15, 1980.

detailed Government investment planning. The second major feature of Tanzania's development strategy is its strong emphasis on rural development and social programs to benefit the poor and reduce inequalities in income distribution. This is reflected in ambitious Government programs for the provision of rural water supplies, health services and universal primary education.

Long Term Economic Trends

5. In the decade 1968-78 real GDP at factor cost grew at an annual average rate of 4.8%, or about 1.8% per annum per capita. While economic growth was severely disrupted by the economic crisis following the failure of rains and large increases in import prices in 1973 and 1974, the economy recovered with annual growth of 5 to 6% for 1976 through 1978. During the seventies the service sector was the fastest growing sector - 6.3% per year.

6. The Government has a good record of domestic resource mobilization. Between 1967-68 and 1977-78 the share of recurrent revenues rose from 15.1% to 19.3% of GDP. However, most of this increase occurred before 1975-1976; in 1974/75 revenue peaked at 22% of GDP. The increase was achieved through a combination of highly progressive direct taxes and proportional or moderately progressive indirect taxes. Except during the economic crisis in 1974-75, the rate of national savings has also been high; gross national savings fluctuated at around 16-17% of GNP from the mid-1960s through 1973, fell to half that level during the crisis years and recovered to the pre-crisis level in 1976 and 1977. These are high levels of savings for a country at Tanzania's income level.

7. Some progress has also been made in achieving the Government's objective of more equitable income distribution. Between 1969 and 1975 the average urban rural gap remained approximately constant, halting the trend towards an increasing gap in the early 1960s. Moreover, it is likely that this gap has been slightly reduced since 1976 due to continued recovery of agricultural production and higher producer prices. However, regional income differentials in rural areas have tended to widen slightly. Within the formal urban sector there has been a dramatic narrowing of the post-tax income differential between the highest-paid government officials and minimum wage earners, from 50 to 1 in 1961 to 8 to 1 in 1975. However, a large informal sector has emerged comprising large numbers of unemployed and underemployed workers with earnings significantly below the official urban minimum wage. The policies of wage restraint and higher producer prices pursued since 1975 should have a beneficial impact on almost all dimensions of income distribution, and the basic needs oriented programs in rural water, health and primary education (para. 4 above) are resulting in a significant redirection in public expenditures toward the rural poor.

8. Despite this impressive overall record of development, some problems have begun to manifest themselves in recent years. Exports have failed to keep pace with the growth of the rest of the economy; the overall export index is down almost one-third since 1966. This poor performance in exports

is due to the poor growth rate of agricultural cash crops. While agricultural output has increased impressively in recent years (10.9% in 1976 and 8.2% in 1977), most of this growth has been in the hard-to-measure subsistence sector; the monetary sector has lagged well behind. This failure of export growth has led to increasing dependency on foreign loans and grants to pay for imports.

9. A second increasingly serious problem is the deceleration of the growth of domestic revenues. While still at a high ratio to GDP compared to most other developing countries, government revenues have been growing more slowly than GDP in recent years. At the same time recurrent expenditures have been higher than budgeted. As a result, public sector savings have been well below expectations and the Government has had to rely more upon borrowing (both foreign and local) and external aid for financing development than was planned.

Recent Economic Developments

10. During 1975-77 the Government adhered to the program agreed to at the time of the Program Loan (No. 1063-TA) in late 1974. This program included redirecting investment to the directly productive sectors of industry and agriculture, higher agricultural producer prices, constraints on wages and salaries, price and tax increases to restrain consumption and tight control of imports. These policies, aided by the boom in coffee prices, succeeded in keeping government spending under control with low levels of borrowing from the banking system and led to a balance of payments surplus of almost US\$150 million in 1977. Food production increased and government stocks of most foodgrains reached record levels. In 1978 the Government was able to ease import restrictions and begin to import the spares and raw materials needed by all the major sectors in the economy.

11. Unfortunately, the price of coffee, Tanzania's major export, began to fall at the same time that imports were liberalized. Also, in October, 1978 war broke out with Uganda and the resulting imports of military equipment and mobilization of resources required for the war effort put an increasing strain on the balance of payments and the domestic budget. Consequently, the current account showed a deficit of more than US\$450 million in 1978 and the overall balance of payments was almost US\$300 million in deficit. The Government's foreign reserves were rapidly drawn down and the country was forced to delay payment of about US\$60 million in import bills.

12. The situation deteriorated further in 1979. The overall balance of payments for 1979 is expected to be almost US\$200 million in deficit, and arrears on import payment were estimated at about US\$200 million by the end of the year. At the same time the domestic budget deficit has increased substantially. A recurrent budget deficit of almost TSh 1 billion (US\$120 million), was estimated for FY1978/79 and government borrowing from the banking system is estimated at TSh 3 billion (US\$360 million), a major component in the increase in the money supply of about 35%. In an effort to deal with the increasing balance of payments deficit, import licenses were

reduced by almost 40% in real terms from the 1978 level and the Government announced a 10% devaluation in January of 1979. In addition the FY1979/80 budget called for a reduction in the level of recurrent expenditure and borrowing from the banking system of TSh 1.67 billion; however, through the first quarter of this fiscal year borrowing was already TSh 1.4 billion as spending agencies, due to lack of budgetary discipline, were able to exceed their budgetary allocations. In early 1979 the Government arranged for almost US\$75 million in funds from the IMF from a First Credit Tranche, the Trust Fund and the Export Compensatory Fund, but negotiations for further assistance from the IMF have so far been unsuccessful. To deal with the increasing economic problems as well as provide a framework for IMF assistance, the Government urgently needs to develop a comprehensive program to overcome the emerging crisis, as it did in 1974; the Bank has offered to help the Government in developing such a program.

13. Tanzania continues to attract large amounts of foreign assistance on concessional terms. Because of the very concessional terms on which aid has been given to Tanzania and the Government's reluctance in the past to use higher cost commercial loans and supplier's credits, the overall debt service ratio has historically been less than 10%. However, the recent balance of payments crisis has forced the Government to utilize commercial loans and suppliers credits and as a result the debt service ratio is estimated at 12% in 1979 and projected at 15% in 1980. We expect it will remain in the range of 15-20% throughout the 1980's. In 1978 the Bank held 12% of Tanzania's external debt (for the Bank Group, it was 28%) and received 37% of Tanzania's debt service (40% for the Bank Group). We are projecting this debt service share to fall to about 21% in 1980 and to remain around 25% for the coming decade.

14. Tanzania's development program will require resources in excess of domestic savings and external capital made available to finance the foreign exchange costs of projects. Given the Government's efforts to mobilize domestic resources and in view of our support for its increased emphasis on local cost intensive rural investments, the Bank Group will continue to finance a high proportion of total costs including, in appropriate cases, a portion of local costs.

East African Community (EAC)

15. The recent developments in the East African Community were outlined in a report to the Executive Directors dated December 19, 1977 (R77-312). Dr. Victor Umbricht, the independent mediator appointed by the Partner States, has visited East Africa on numerous occasions and has now prepared reports on the results of his fact-finding work on the EAC Corporations and the General Services, and the methodology adopted in appraising the assets and liabilities. In late March 1980, the mediator presented to the three Governments his proposals for the allocation of these assets and liabilities, for their consideration. The next step would be the start of negotiations among the three Governments based on the mediator's proposals. According to his terms of reference, the mediator would be available to assist in arriving at a

definitive settlement. The mediator's report and recommendations on the future structure of the East African Development Bank (EADB) have been accepted by the three Governments. The revised EADB Charter along with the Treaty amending and re-enacting the new Charter have been submitted to the three Governments for signature as soon as they are constitutionally ready; this is expected shortly.

16. The de facto breakup of the Community has had some impact on Tanzania's budget as new national entities take over the services formerly provided by the EAC Corporations. A major development related to the EAC difficulties was the closure of the border with Kenya. Kenya was a major trading partner of Tanzania and considerable adjustments have had to be made in locating new suppliers for some items and developing alternative outlets for some manufactured goods and agricultural products.

PART II - BANK GROUP OPERATIONS IN TANZANIA 1/

17. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1962, 42 IDA credits and 19 Bank loans, of which two on Third Window terms, amounting to US\$812.5 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of 10 loans totalling US\$244.8 million which have been extended for the development of the common services and development bank operated regionally by Tanzania, Kenya and Uganda through their association in the East African Community. IFC investments in Tanzania, totalling US\$4.7 million, were made to 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. A new IFC investment of US\$1.7 million in soap manufacturing in Mbeya was approved by the Executive Directors on June 8, 1978 and an investment of US\$1.5 million in metal product manufacturing was approved on May 10, 1979. Annex II contains summary statements of Bank loans, IDA credits and IFC investments to Tanzania and the East African Community organizations as of March 31, 1980 and notes on the execution of ongoing projects.

18. To support Tanzania's overall development strategy Bank Group lending operations are increasingly focusing on the rural sector and directly productive projects. While up to the end of FY1972 Bank Group operations were directed mainly to infrastructure, the overwhelming majority of the operations approved since FY73 have been for directly productive projects. Furthermore, a number of recent Bank Group supported infrastructure projects have been closely linked with specific productive activities. For example, the Urban Water Supply Project (Loan No. 1354-TA) approved in December 1976, will support the Industrial Complex in Morogoro (Loans No. 1385-T-TA and 1386-TA)

1/ This section is essentially the same as that of the President's Report on the Grain Storage and Milling Project dated April 15, 1980.

and the Morogoro Textile Project (Loan No. 1607-TA and Credit No. 833-TA). Directly productive projects recently approved include the Second Cashewnut Development Project (Credit No. 801-TA), the Tobacco Handling Project (Credit No. 802-TA), the Mufindi Pulp and Paper Project (Loan No. 1650-TA and Credit No. 875-TA) and the Tanganyika Development Finance Company Limited Project (Loan No. 1745-TA). In addition, a Tourism Rehabilitation Project (Credit No. 860-TA), a Sixth Education Project (Credit No. 861-TA) and a Fifth Highway Project (Credit No. 876-TA) were approved by the Board in FY79. Since the beginning of this fiscal year five projects were approved; a fourth line of credit to the Tanzania Investment Bank (Loan No. 1750-TA), an Engineering Credit for the Dar-es-Salaam Port (Credit No. S-24-TA), the Tanzania Rural Development Bank (Credit No. 987-TA), a Pyrethrum Project (Credit No. 1007-TA) and a Grain Storage and Milling Project (Credit No. 1015-TA). Projects which have been appraised include a Second Urban Water Supply Project, an Agricultural Services (research) Project, a Second Technical Assistance Project, a Telecommunications Project, a Coconut Project, a Petroleum Exploration Project, a Seventh Education Project and a Rural Development Project in Mara Region. A small scale industries project, a third urban project, a harbours project, a structural adjustment project, a Coal Engineering Project, and a railway project are also under preparation.

19. Although the comparatively high undisbursed proportion of loans and credits, detailed in Annex II, is in large part a result of the recent approval of many of these projects, it also reflects the fact that overall project implementation has been slower than was projected. The causes of the difficulties in implementation are varied. Some stem from the scarcity of suitably trained and experienced manpower, some reflect the problems in identifying agronomic input packages appropriate to the needs of smallholder farmers while others result from the strains associated with attempting a "frontal attack" on poverty. These problems have been compounded by frequent and drastic administrative changes, which -- although potentially the source of long-term benefits -- have disrupted orderly execution of projects and made parts of earlier project concepts obsolete. Also, the Uganda war (para. 11) has had some impact on project implementation. In the early stages of the war there was some diversion of equipment and manpower; however most of these problems have been solved. The more serious medium term problem involves the financial and foreign exchange implications of the war. If these problems are not resolved, the availability of adequate local funds and the shortage of foreign exchange could become a major constraint to implementation and operating performance. In general, implementation difficulties have been most severe in agriculture, particularly in the smallholder rural sector. As our lending program has increasingly concentrated on this sector, these problems have become correspondingly more apparent and severe. By contrast, the "modern" sector projects have tended to fare better: the Tanzania Investment Bank, Mwanza Textile and Morogoro Industrial Estate Projects, for example, are proceeding well.

20. As the Bank Group's lending program has expanded, increasing attention has been given to measures designed to improve project implementation. A course was conducted in Dar es Salaam in 1973 and again in 1978 on

Bank Group procurement with the relevant Government officials. A special project implementation unit was set up in the Ministry of Agriculture and 14 Agricultural Development Services staff have been assigned to Bank Group financed projects in agriculture and rural development. In addition, a number of EDI supported courses on the transport and industry sectors have been held at the East African Management Institute in Arusha Tanzania. Furthermore, the need to establish a close and continuous working level dialogue between responsible Tanzanian officials and Bank Group staff on implementation problems was one of the prime reasons for the expansion of the Resident Mission to two professionals in October 1976. Finally, in February 1977 a regular Government/Bank Group review of project implementation was established. Discussions on the Bank Group project portfolio, chaired by the Ministry of Finance (MOF) and attended by Bank Group staff and officials from implementing agencies, deal in detail with individual problem projects and problems which are affecting project implementation across a number of sectors. As a result of these efforts, there has been some improvement in project implementation. Actions agreed to during the reviews have been completed relatively quickly and coordination and communication between MOF and the various ministries and agencies responsible for project implementation has improved markedly.

21. The Government has become increasingly conscious of the importance of effective project implementation. In addition to fully supporting the project implementation review system, MOF has set up a unit to oversee project performance. As a consequence of these efforts, the disbursement record of Bank Group financed projects has improved somewhat over the last two years, and a recent analysis indicated that the Tanzanian disbursement performance is about equal to the Bank-wide average. While there is still a potential for further significant improvements, the Government is implementing its investment program, including Bank Group and other foreign aided projects, more effectively than in the past. However, the impact of the Uganda War (para. 11) on the Government's resources may affect the progress in project implementation until such constraints are dealt with.

PART III - THE AGRICULTURAL SECTOR 1/

General Background

22. Agriculture and related activities constitute the largest single sector in the Tanzanian economy. Most agricultural production is from small-holdings using family labor. Large-scale agriculture is confined to a small number of private estates and state farms producing sisal, coffee, tea, sugar, wheat, rice and livestock. Estate production has diminished in importance since independence and the state farm program remains small. Tanzania's national livestock herd, the second largest in Africa, is grazed extensively over the 40% of the country which is free from tsetse fly infestation. It is largely managed along traditional lines.

1/ Paragraphs 22 to 26 are essentially the same as those in the President's Report on the Grain Storage and Milling project dated April 15, 1980.

23. The recent performance of the agricultural sector has been disappointing. Over the period 1967-77, the average annual rate of growth of agricultural production was 2.7%, almost equal to the population growth rate. In the early seventies food crop production failed to keep pace with population growth and, as a result, Tanzania became increasingly dependent on imports of maize, rice and wheat. A severe drought in 1973 and 1974 resulted in poor harvests and large imports of foodgrains. Following this, the Government implemented a number of policies to increase food crop production. Along with favorable weather conditions these had some effect on stimulating food crop production. Since the drought, in spite of substantial decline in export crop production, total agricultural production recovered, increasing in real terms at an average annual rate of about 7%. However these production increases represent primarily a recovery from the drought and only return agricultural expansion to its long-term growth path. In addition there is the problem of increasing export crop production as discussed above (para. 8). Increasing the long-term growth rate in agriculture and ensuring balanced growth are two of the key objectives of the Bank Group's investment strategy in agriculture. The proposed project fits into this strategy, and, although tea generates only about 7% of current foreign exchange earnings from agricultural exports, the potential for increasing export earnings is significant.

Rural Organization

24. In order to improve the design and execution of rural development projects and programs and mobilize local resources, in 1972 the Government adopted a decentralized administrative structure. The country's 25 administrative Regions (20 on the mainland) were given substantial power to control the planning and budgeting of resources in their respective jurisdictions and a high degree of administrative autonomy. The Prime Minister's Office (PMO) was established to provide overall policy direction, coordinate regional plans and budgets and assist the Regions in preparing their development programs. While it is clear that this decentralization of authority has improved communication between the Government and the villages (as the civil service operating at the district and regional levels are directly involved in rural development efforts), problems of manpower availability and the ill-defined division of responsibility between the regions, central ministries and parastatals persist.

25. Since independence, but particularly from 1970, the grouping of dispersed farm families into villages (villagization) has been a key element of Government strategy for the rural areas. The objective of this program is to facilitate the provision of infrastructure and services to the rural population and encourage self-reliance and a community approach to rural development. During 1974, the emphasis shifted from creating additional Ujamaa 1/ villages to forming "development" villages, which place less stress on communal production. At the same time, the pace of villagization was accelerated; as a result there are now almost 8,000 registered villages, containing over three-quarters of Tanzania's rural population. While disrupting production somewhat in the short term, it is still too early to judge how

1/ "Ujamaa" is a Swahili word meaning "familyhood".

effectively the villages will be able to meet their goals over the medium and long term.

Agricultural Services

26. The Ministry of Agriculture (MOA) is responsible for the overall planning and monitoring of the sector as well as coordinating agricultural research, training and extension staff, pricing policy, seed multiplication and supervision of agricultural parastatals. Agricultural research is undertaken by a wide variety of Government agencies and while MOA has been given the responsibility for overall coordination, research resources have not always been allocated in accordance with development priorities. Agricultural extension services are manned by staff trained by MOA, but are under the control of the regional administrations. The links between research and extension are weak, and field staff are often poorly trained and inadequately supervised. A major review of both the research and the extension systems is underway, and the Bank Group has agreed to work with the Government to survey the needs in these areas. Pricing policy is an important tool of the Government in the agricultural sector. Since 1974, the Government has accorded greater recognition to the need to give farmers production incentives; crop and livestock prices are now reviewed annually and, within the context of panterritorial pricing, substantial producer price increases have been made in recent years. Agricultural Parastatals, which exist for major crops and livestock, play a key role in agricultural marketing and processing. The tendency has been to progressively enlarge the role and scope of these institutions, and this has frequently strained their capacities to efficiently provide the services for which they are responsible. Overall operational efficiency is low, with correspondingly high costs for services. The Government is aware of the problems but has not yet developed a comprehensive strategy for addressing them. The Bank Group, in the course of its appraisals of agricultural projects, has been analyzing the parastatals involved and also intends to initiate sector work for a broader review of Tanzania's agricultural parastatals.

The Tanzania Rural Development Bank (TRDB)

27. TRDB, a wholly Government owned rural credit institution, was established in 1971 to provide long and medium term financing for rural development as well as technical assistance and advice for the promotion of rural development. It was also required to administer special funds and to finance the purchase and resale of agricultural inputs on credit terms. The authorized share capital of TRDB is TSh. 300 million of which TSh. 172 million has been paid in. All powers are vested in a Board of Directors consisting of nine members chosen from among persons with knowledge and experience in economic and financial matters, agriculture, rural development and cooperative institutions. TRDB has been the financial intermediary under a series of Bank Group financed agricultural and rural development projects. A project aimed at strengthening TRDB as an institution and supporting its long-term growth, including a small line of credit, has been approved by the Executive Directors on March 4, 1980.

28. TRDB now provides short-term (seasonal loans), medium and long-term financing for rural development. Eligible borrowers originally included: District Development Corporations, Cooperative Unions, Ujamaa and registered villages, and individuals or corporations engaged in rural development. However, the Cooperative Unions were dissolved in May 1976 and since that time the basic thrust of TRDB's lending has been to villages. In respect of the proposed project, TRDB will provide credit for the farm inputs (fertilizers and planting materials) related to the planting program component.

The Tea Subsector

29. Tea has been grown in Tanzania for the last fifty years. Tea plantations, at altitudes of between 1,000 and 1,700 meters, are located in Rungwe, Mufindi and Njombe in the southern highlands, the Usambaras (Loshoto, Amani and Korogwe) in the northeast and Bukoba in the northwest. The total area now planted with tea is 18,700 ha of which 8,240 on private estates, 8,675 ha on smallholdings, 1,245 ha on TTA estates and the remaining 540 ha on cooperative and mission estates. Tanzania's production of made tea was 16,730 tons in 1977 compared with 10,000 tons in 1972 and is estimated to reach 25,000 tons (1% of projected world production) by 1985, of which 8,000 tons would represent smallholder production. About 29,000 smallholders are now growing tea on average holdings of about 0.3 ha. An average family of 6 persons would have adequate labor to plant and maintain 0.4 ha of tea which would provide an attractive net return per man day when compared with alternative crops such as coffee and maize. The present favorable position of tea, while subject to changes in other crop prices, is expected to continue, unless the current green leaf price paid to farmers drops from TSh. 1.10/kg (after a 68% increase in 1977) to below TSh. 0.65/kg in real terms in relation to coffee or TSh. 0.45/kg in relation to maize.

30. Tea processing--i.e. conversion of green leaf to black tea--consists of withering, rolling, fermenting, drying, sorting and packing. One kilogram of made tea requires about 4.7 kg of green leaf. After removal of surface moisture (withering), the leaves go through the rolling process which crushes the leaves to small particles and ruptures leaf cells to express the juices which enables fermentation of the tannin. This stage is followed by fermentation of the juices which influences the flavor, strength and color of the liquors. After adjusting to the proper fermentation, the drying process fixes the fermented juices to the leaf particles. Processed tea is then sorted to suit the requirements of the various buyers. As of December 31, 1979, private estates owned 14 tea processing factories with 38 dryers (each dryer could process/produce about 500,000 kg of made tea per year) while TTA, the only other tea processor in Tanzania, owned five operating factories--Katumba, Lupembe, Bukoba, Mponde and Bulwa (recently acquired), with a total of 13 dryers. Recent deterioration in the quality of tea produced by certain factories has adversely affected tea export earnings as sold tea has fetched lower prices. Tea ranks fifth among Tanzania's export crops in earnings, and accounted for export receipts of US\$20 million in 1977, and US\$27 million in 1979 (5% of total export earnings). The increase in export earnings reflects an increase of the quantity exported.

31. The Tanzania Tea Authority (TTA) was established as a parastatal body corporate under the Tea Ordinance Act of 1968. TTA's functions include coordination of all aspects of production, processing, marketing and research of the tea industry. The Minister of Agriculture has direct responsibility for overseeing the activities of TTA which is headed by a Board of Directors representing concerned government ministries and regional authorities. Day-to-day control over TTA's activities rests with the General Manager. At present TTA is organized into four functional Departments at headquarters (Administration, Production, Marketing, and Finance/Planning), and has four field branches based in four of its existing tea factories. Each department is headed by a manager, who reports to the General Manager; the field branch managers report to the production manager. The last General Manager was reassigned in April 1980 after a five year tenure during which he was able to resolve some of TTA's serious organizational and management problems; a new General Manager is expected to be appointed shortly. TTA is, however, still hampered by lack of specialist staff, particularly in the Production Department (factory management and processing). Technical assistance to strengthen TTA's Production/Operations Department would be provided under the proposed project (para. 52). A review of TTA's organizational structure is discussed below (para. 58).

32. TTA has been recording cash deficits for the last six years mainly because of continuing losses by its factories resulting mainly from deterioration in the quality of tea processed. Inability to handle efficiently the green leaf production because of limited withering capacity, irregular green leaf deliveries and lack of technical management expertise and supervision are the main causes for the quality deterioration. As a result a large deficit had to be met by Government subventions, amounting to about TSh. 41 million over the period 1974 to 1977. Also, increasing cost of fuel oil and high administrative costs are responsible for part of these losses. A 68% increase in green leaf prices in 1977 aggravated the situation. Projections of TTA's financial position indicate that, without the project, TTA would not be able to meet its debt obligations and would continue to incur losses. To rectify this situation, the Government has decided to take steps to resolve TTA's financial problems (para. 66).

33. Previous Bank Group Experience in Tea Projects. An IDA Credit of US\$10.8 million (Credit No. 287-TA) was extended in March 1972 for the Smallholder Tea Development Project. The project was designed to (i) expand the smallholder tea area by 8,300 ha from 3,270 ha to 11,570 ha and involving 14,000 smallholders; (ii) construct two new processing factories and expansion of three existing factories; (iii) provide extension and leaf collection services and facilities; (iv) provide farm inputs credit; (v) construct about 300 km tea roads; and (vi) provide technical assistance to strengthen TTA. A full review of the project was carried out in August 1979. In terms of production the full impact of the project will only be felt several years from now since the bulk of the tea plantings are still immature. As of now, however, project achievements have fallen short of appraisal targets; only 69% of the targeted area has been planted and at full development tea production is projected to reach 50% to 60% of appraisal estimates. Main reasons for the

shortfall in plantings were over-ambitious targets, weak management during the early project years and Government decisions to introduce collective farming and to restrict hiring of immigrant labor from neighboring countries. Also, out of two new factories provided for under the project only one has been completed; the other was delayed but construction is now nearing completion. Other project components were implemented in line with the reduced planting program. However, road construction targets were met fully and the number of participating farmers exceeded the appraisal estimates by 2,000 (from 14,000 to 16,000). While smallholder tea production has doubled between 1975 and 1979, the quality of processed tea has deteriorated because expansion of processing capacity has not kept pace with increased green leaf production. TTA's financial performance has been poor and the recalculated economic rate of return is 12% compared to the appraisal estimate of 17%. The overall targets set for achievement over a 5-year period were too ambitious. Tea development, a relatively complex and specialized undertaking, covers a range of activities involving a large number of small farmers with varying backgrounds, factory operations involving specialized technical and tea making expertise, and international marketing where time is of the essence and price is based on quality. To recruit and train staff to implement a wide-ranging project with a view to producing a successful and viable industry at the end of 5 years was too difficult a task.

34. The Project Performance Audit Report (Report No. 2787 dated December 18, 1979) concluded that it is essential that the next few years be devoted to consolidation and strengthening of TTA's organization rather than to further expansion. The quality of made tea has to be improved and the cost of production reduced. While this would require a general all-around strengthening and improvement of TTA's performance, the factory processing and closely related leaf collection aspects as well as the green leaf price need urgent attention because of their bearing on tea quality and production costs. It was also concluded that some additional processing capacity is needed to allow for the still expanding production from existing plantings.

PART IV - THE PROJECT

35. The proposed project was prepared by the Government of Tanzania with the assistance of the Bank Group as a follow-up to the Smallholder Tea Development Project (Credit No. 287-TA). The project was appraised in July 1978 with a subsequent post-appraisal in September/October 1979 to reassess TTA's financial viability. A staff appraisal report entitled "Smallholder Tea Consolidation Project" (Report No. 2814-TA dated May 9, 1980 is being circulated separately to the Executive Directors. Negotiations were held in Washington from April 23 to 28, 1980 and the Tanzania Delegation was led by Dr. S. Madallali, principal Secretary, Ministry of Agriculture. A Credit and Project Summary is at the beginning of this report and a Supplementary Project Data Sheet is at Annex III.

Objectives and Description of the Project

36. The proposed project would, over a five-year period (1980/81-1984/85), concentrate on consolidating ongoing TTA operations and would provide additional processing capacity to cater for the expected increase in green leaf production from existing smallholder tea plantings, including those established under the First Tea Project, to rectify the imbalance between leaf production and leaf processing capacity and improve the quality of processed tea. The project would also aim at improving TTA's financial viability, organizational structure and technical management. Specifically, the project would include financing for:

- (a) construction of one new factory at Ukalawa, completion of the Mwakaleli factory to a four dryer factory, and extending and re-equipping of existing factories at Katumba, Lupembe, Bukoba, and Mponde;
- (b) provision of transport facilities including green leaf collection vehicles, spare parts to put repairable vehicles in working order, vehicles for both the factories and TTA headquarters, and vehicles operating costs;
- (c) establishment of fuelwood plantations to substitute wood for oil in operating the factories;
- (d) a tea planting program of an additional 200 ha at Njombe and a total of 630 ha infilling 1/ in three of the four tea areas;
- (e) provision of credit to project growers for farm inputs;
- (f) purchase of two warehouses in Dar-es-Salaam;
- (g) construction and maintenance of 176 km of tea roads; and
- (h) technical assistance and incremental local staff to strengthen TTA's factory engineering and technical management, and improve its operations.

Implementation and Detailed Features

37. TTA would have overall responsibility for the implementation of the project except for the roads and credit components. However, TTA's Senior Economist will coordinate the flow of information in respect to the road and credit components as part of the monitoring and evaluation activities, including the periodic reporting on project progress.

1/ Filling of gaps in existing planted area.

Factory Construction and Rehabilitation

38. In order to rectify the imbalance between the increasing green leaf production from the planting program financed under the First Tea Project, and the existing leaf processing capacity as well as to prevent the recurrence of rejection and rationing of green leaf purchases from farmers, the proposed project would provide for the construction of a new factory at Ukalawa, completion of the Mwakaleli factory and re-equipping and rehabilitating of four operating factories. Also to ensure full utilization of TTA's factories, the project would support a small planting program (para. 45).

39. Smallholder green leaf production in Njombe district of the Iringa Region is expected to reach 8.6 million kg per year by 1985. This area is now served by the Lupembe factory (a three dryer factory) with a capacity to process 5.4 million kg per year. To process the excess leaf production, a new factory at Ukalawa would be constructed and equipped with two dryers with a third to be installed at a later stage if necessary.

40. In order to cope with the increasing production of green leaf in the Rungwe district of the Mbeya Region, the Mwakaleli factory, which was constructed and partially equipped under the First Tea Project, would be expanded and fully equipped to a four dryer factory rather than two dryers as originally envisaged. The same area is served at present by the Katumba factory (a four dryer factory). To reduce factory operating costs and limit consumption of expensive imported oil, TTA has started to convert the Katumba factory from oil to coal and the Mwakaleli factory is designed as a coal-fired factory. Although Tanzania's proven coal reserves are significant, present production is limited and falls short of existing demand. Therefore, arrangements satisfactory to the Association would be made by the Government to ensure the allocation of sufficient quantities of coal to Katumba and Mwakaleli factories. This is a condition of disbursement against the coal-fired boiler for Katumba and dryers for Mwakaleli, to be financed under the project (paragraph 4(b) of Schedule 1 to the draft Development Credit Agreement).

41. Four of TTA's existing factories (Lupembe, Katumba, Mponde and Bukoba) will be improved to alleviate present shortcomings and processing bottlenecks. The major objective would be streamlining and balancing of all steps of processing to improve the quality of processed tea. While the main constraint affecting all factories is the inadequacy of withering capacity (para. 32) which will be improved through provision of additional withering troughs, other shortcomings including lack of factory workshop facilities will be rectified through provision of machinery, equipment, tools and spare parts. To ensure proper operation of its factories, TTA will make adequate provision in its annual budget for funds required to regularly maintain and repair its factories (Section 3.04 of the draft Project Agreement).

Transport Facilities

42. The project would provide for improved green leaf collection facilities for transport from collection centers to the factories. Reduction of

delays in green leaf transport would minimize the risk of deterioration of made tea quality. Twenty-eight 7-ton trucks and 18 tractors with trailers would be purchased under the project to handle the increasing quantity of leaf as plantings mature. The tractors would be used for collection of leaf from centers located near the factories while trucks would cover the more distant routes. TTA, in cooperation with village committees, would work out detailed leaf collection schedules. TTA staff would ensure that only leaf of satisfactory quality is purchased, overloading of leaf transport vehicles is avoided and delivery to the factory is expedited. In addition, the project would provide for spare parts to put repairable vehicles in working order, and for other transport facilities including one four-wheel drive vehicle for each of the two new factories at Mwakaleli and Ukalawa, and one for each of the two expatriate Resident Engineers (para. 52) stationed at Katumba and Lupembe factories. To improve TTA headquarters' supervision over the factories, nine vehicles would be provided for the use of the General Manager, his six executive officers, and the two expatriates (Chief Engineer and Factory Superintendent). To ensure that TTA's vehicles' operating costs are kept to the minimum and to facilitate identification of the operating costs of the various vehicles, TTA would maintain separate records to reflect these costs and would establish operating procedures to ensure that its vehicles are used efficiently (Section 2.06 of the draft Project Agreement). TTA will also make adequate provision in its annual budget for funds required to maintain its vehicles (Section 3.04 of the draft Project Agreement) and the project would provide for financing the operating costs of all vehicles procured under the project as part of a financial package aimed at establishing TTA's financial viability.

Fuelwood Plantations

43. The existing Lupembe and Bukoba factories already operate on fuelwood and the Mponde factory is in the process of being converted from oil to fuelwood. At present, the Lupembe factory purchases wood from a commercial company at Njombe. Transport costs are high and the same cost will apply to the new Ukalawa factory (para. 39). In Bukoba, firewood is purchased from the Forest Department and neighboring estates, but Mponde factory has recently started to establish its own fuelwood plantation.

44. The establishment of TTA's own eucalyptus plantations would reduce fuel cost of its factories. Based on the quantity of firewood required to cover withering and drying processes a 400 ha fuelwood plantation would be required for each of the factories at Lupembe, Ukalawa and Bukoba, and 500 ha for Mponde. As Mponde factory has already established about 100 ha, a total of about 1,600 ha fuelwood plantations would, therefore, be established under the project. Land for the plantations has been identified in the factories' areas except in Bukoba where a soil survey is being carried out to confirm the suitability of the proposed site. A full soil survey report on the proposed site or other alternative sites, will be submitted to the Association for its review and comments before the establishment of the plantation, but not later than December 31, 1980 (Section 2.05 of the draft Project Agreement).

Planting Program and Farm Inputs Credit

45. In order to ensure full and balanced utilization of available processing capacity, the proposed project provides for new plantings of 200 ha and infillings equivalent to 630 ha. The incremental production from these plantings at maturity (after 10 years) is estimated at 0.6 million kg of made tea per year, equivalent to about 3% of Tanzania's current annual production. The minimum economic size of the new Ukalawa factory (para. 39) would be a two dryer capacity to produce about 1.0 million kg of made tea per year requiring the equivalent to 4.7 million kg green leaf. The existing plantings in the factory's area would only provide a maximum of 3.2 million kg green leaf, at maturity. To ensure full utilization of the Ukalawa factory, an additional 200 ha will be planted by smallholders in project years 1 and 2. Existing farmers whose tea plantings are less than 0.4 ha and new farmers would participate. An infilling program covering an equivalent of 630 ha would also be carried out in three of the four tea growing Regions with Rungwe district (Mbeya Region) undertaking 450 ha, and Njombe and Lushoto districts (Iringa and Tanga Regions respectively) 90 ha each.

46. TTA would produce planting materials in the nurseries to be established under the project, for sale on credit to project growers (smallholders participating in the planting/infilling program). TTA would ensure that only healthy and vigorous plants are supplied. Fertilizer at the recommended rates would also continue to be supplied on credit. Project growers' credit for farm inputs (planting materials and fertilizers) would be provided by TRDB in a timely fashion to facilitate the implementation of the planting program (Section 3.02 (a)(i) of the draft Development Credit Agreement).

47. The proposed factory and planting investments are designed to provide the most economic utilization of the proposed factory network. Any further expansion of tea areas resulting in additional green leaf production would cause either a lowering of the quality of made tea or inability of the factories to process the green leaf. The Government, therefore, would not undertake any additional plantings without making adequate and appropriate arrangements for the processing of the production resulting from such plantings (Section 4.01 of the draft Development Credit Agreement).

Warehouses

48. To improve facilities for storage of tea prior to shipment and to reduce storage costs, TTA would acquire two warehouses in the Dar-es-Salaam area. These warehouses will be fully financed by the Government and TTA.

Road Construction and Maintenance

49. The proposed project would supplement the tea road network of 300 km constructed under the First Tea Project, through the construction and maintenance of a total of 176 km of selected tea roads. These roads would be constructed to appropriate technical specifications (Annex to Schedule 2 to the draft Development Credit Agreement) and would be maintained to ensure that they are passable in all weather. The relevant Regions (Iringa, Mbeya, Tanga and West Lake) would be responsible for construction and maintenance of the tea roads within their boundaries.

50. At Rungwe (Mbeya Region) and Lushoto (Tanga Region) where 51 km and 53 km of tea roads respectively would be constructed, the Norwegian Agency for International Development (NORAD) will continue to provide both technical and financial assistance for road works as part of a broader feeder road program in these two areas. The Norwegian assisted roads, though an integral part of the project, would be treated as a separate component which would be financed by the Government of the Kingdom of Norway, on grant terms, and Tanzania.

51. A road Construction Unit would be established at Njombe (Iringa Region) by not later than December 31, 1980, to carry out the road works in that Region (53 km). This Unit would comprise of a Mechanical Engineer and a Road Construction Engineer, both internationally recruited, reporting to the Regional Road Engineer (Section 3.03 of the draft Development Credit Agreement). All necessary equipment would be provided for under the credit. In order to ensure that road works at Njombe would be implemented on time, an annual road work program would be submitted to the Association for review and comments not later than March 31 preceding the fiscal year to which the work program relates, starting on March 31, 1981 (Section 3.04 of the draft Development Credit Agreement). The project would also provide spare parts to rehabilitate the equipment of the construction unit set up under the First Tea Project at Bukoba (West Lake Region) so that it would be able to construct 19 km of roads in the Bukoba area. The Government would also ensure that roads constructed under the project are properly maintained and would provide the required funds (Section 4.06 of the draft Development Credit Agreement).

Technical Assistance and Incremental Local Staff

52. In order to strengthen TTA's capability to implement the project, funds would be provided so that it continues to employ the present Factory Superintendent and a Chief Engineer at TTA's headquarters. These expatriates would oversee TTA's factory operations, construction and improvement program and train local counterparts. Two internationally recruited Resident Engineers would be employed, by not later than December 31, 1980, and based at the existing Katumba and Lupembe factories respectively. The Resident Engineers would be responsible for running the two factories, maintaining its vehicles and training factory technicians. They would also inspect quarterly the repair and maintenance of equipment at the Bukoba and Mponde factories, and supervise installation of new machinery and equipment at Ukalawa and Mwakaleli factories. The above-mentioned four expatriates (a total of about 204 man-months) would be employed at a man-month cost of about US\$2,000. 1/ In addition, in order to assist TTA in the improvement of its management and accounting systems, organizational structure, crop husbandry and technical activities, short-term consultants would be employed (6 man-months) at a man-month cost of about US\$10,000. 1/ These consultants would be engaged as and when required upon agreement between TTA and the Association. All of these expatriate staff and consultants would be qualified and experienced and would be appointed on terms and conditions satisfactory to the Borrower and the Association (Section 2.02 of the draft Project Agreement).

1/ Including the man-month rate, international travel and subsistence.

53. To assist the Iringa Region administration in implementing the road construction and maintenance program and to manage and operate the Road Construction Unit to be established at Njombe (para. 51), two qualified and experienced engineers would be employed (48 man-months) by not later than December 31, 1980, at a man-month cost of about US\$6,000 ^{1/}, on terms and conditions satisfactory to the Borrower and the Association. The project would also provide for financing the salaries of 225 incremental local staff to be employed by TTA of which 12 would be in headquarters, 10 in Rungwe and Njombe branches and 203 in the Ukalawa and Mwakaleli factories which will start operations during the project period (Section 3.06 of the draft Project Agreement).

Project Costs and Financing Plan

54. The total cost of the project is estimated at TSh. 166.2 million (US\$20.0 million equivalent) including about TSh. 2.2 million (US\$0.26 million) of taxes and duties. The foreign exchange component would amount to US\$11.4 million or 57% of total cost. Details of project costs are included in the Credit and Project Summary. The proposed IDA credit of US\$14.0 million would finance about 71% of total project costs net of taxes and duties -- 89% (US\$10.2 million) of the foreign exchange costs and 45% (US\$3.8 million) of local costs. The remaining 11% (US\$1.2 million) of the foreign exchange costs and US\$0.4 million of the local costs would be provided by NORAD to finance the road component at Rungwe and Lushoto areas (para. 50). The Government would provide the remaining US\$4.4 million (US\$4.2 million net of taxes and duties).

55. IDA and Government funds provided to TTA under the project and amounting to about US\$15.0 million, including contingencies, to finance all project components except those for credit and road construction and maintenance, would be relent by the Government to TTA for a period of 28 years including 8 years of grace at an annual interest rate of 10%, which is the current borrowing rate for parastatal organizations (Section 3.02(b) of the draft Development Credit Agreement). The Government would bear the foreign exchange risk. These terms are similar to those approved under the First Tea Project, except that the interest rate was 8.5%, and are expected to assist in establishing TTA's financial viability and to enable it to honor all its obligations without need for Government subventions. Execution of a subsidiary loan agreement between the Government and TTA would be a condition of credit effectiveness (Section 6.01(a) of the draft Development Credit Agreement).

Procurement and Disbursement

56. Tea processing machinery and equipment, vehicles, road equipment and associated spare parts (US\$8.2 million) to be financed under the project, would be bulked as far as possible and would be procured on the basis of international competitive bidding in accordance with Bank Group guidelines. In the evaluation of bids, qualified domestic manufacturers would be accorded

^{1/} Including the man-month rate, international travel and subsistence.

a preference of 15% or the existing rate of duty, whichever is lower. Procurement of machinery, equipment, vehicles and spare parts which cannot be bulked in packages of US\$100,000 equivalent or more would be procured, up to an aggregate of US\$300,000, in accordance with the Borrower's competitive bidding procedures which are acceptable to the Association. Almost all contracts for civil works (US\$4.2 million) would be too small and scattered to attract international interest. Procurement would therefore be by contracts awarded following locally advertised competitive bidding in which foreign firms would be allowed to participate. The establishment of fuelwood plantations and tea nurseries (US\$1.5 million) would be carried out by force account through TTA. TTA has already acquired the necessary expertise and, therefore, efficient and economic implementation is expected. As it is scattered within large areas, road construction and maintenance work (US\$0.6 million) would also be carried out by force account through the Regional administrations, in accordance with procedures satisfactory to the Association. All consultants and experts to be financed under the project (US\$1.0 million) would be selected and employed on terms and conditions acceptable to the Borrower and the Association. Warehouses would be acquired following existing Government procedures.

57. Disbursements under the credit would be on the basis of (a) 100% of the foreign expenditures and 85% of the local expenditures on tea processing machinery and equipment, vehicles, road equipment, spare parts, consultants services and internationally recruited staff; (b) 80% of the cost of civil works; (c) 80% of local expenditures on roads construction and maintenance, and establishment of fuelwood plantations and tea nurseries; (d) 80% of local expenditures on salaries of TTA's incremental local staff; and (e) 70% of local expenditures on vehicles operating costs. Withdrawal claims for expenditures under (a) and (b) above would be fully documented. Disbursements against expenditures under (c), (d) and (e) above would be against certified statements of expenditures signed by TTA's General Manager, except for road construction and maintenance which would be signed by the respective Regional Road Engineer. The appraisal mission has examined TTA's accounting procedures and staffing, and found that it is capable of maintaining the records and documentation. The records and accounts covering expenditures for which disbursements would be made against certificates of expenditure would be subject to specific auditing and TTA, and the Regions, will retain until one year after the closing date, all records evidencing these expenditures, (Section 4.01 of the draft Project Agreement and Section 4.05 of the draft Development Credit Agreement). A separate opinion from an independent auditor in respect of the expenditures and records related to certificates of expenditures, will be prepared and submitted to the Association not later than six months after the end of each fiscal year. It is recommended that expenditures incurred after July 31, 1979 on minor civil works and purchases of equipment and spare parts mainly for improvement of existing factories included under the proposed project up to an amount of US\$1.0 million, be financed retroactively under the credit.

TTA's Organization and Management

58. TTA has recently undertaken a study of its management performance and future requirements. The study recommended that TTA should decentralize most of its day-to-day management responsibilities, except the marketing activities which would continue to be carried out from headquarters. With the decentralization, TTA headquarters' functions would be policy planning, monitoring and evaluation, marketing and programming. TTA would have two operational departments - the Marketing and Operations Directorates, and three service departments - the Finance Directorate (including Administration, Planning and Accounting Divisions), the Manpower Development Division and the Audit Division. All Department heads would report directly to the General Manager. The last General Manager was reassigned in April 1980 and his replacement is expected to be appointed shortly (para. 31). The appointment of a new General Manager would be a condition of credit effectiveness (Section 6.01(b) of the draft Development Credit Agreement). The position of Operations Director (to whom all Branch Managers, the Factory Superintendent and the Chief Engineer would report) to be established under the new organizational set up, would be filled by not later than March 31, 1981, after consultation with the Association with respect to the proposed candidate's qualifications and experience (Section 3.05 of the draft Project Agreement).

59. In order to achieve effective decentralization at the branch/factory level and to improve efficiency, it would be necessary to upgrade the staff at the field level, with particular emphasis on the financial and managerial aspects of Branch operations. Upgrading TTA's status and the salary grades of staff, would enable it to attract staff of a higher caliber particularly at the Branch level. The Government would therefore, by not later than December 31, 1980, take all necessary action to upgrade TTA as a parastatal organization (Section 4.02 of the draft Development Credit Agreement). Factory management, engineering and supervision would also be strengthened by employment of the two expatriate Resident Engineers (para. 52).

Accounts and Auditing, Monitoring and Reporting

60. Separate accounts relating to expenditures under the project would be kept by TTA and the Regions. Audited financial statements for the years up to June 30, 1978, have been submitted to the Association and are satisfactory. TTA's accounts would continue to be audited by independent auditors acceptable to the Association. TTA would also submit quarterly financial statements together with a progress report within six weeks of the end of each quarter.

61. An integral part of improving the management performance of TTA and its factories would be the monitoring and evaluation of the project. The Head of Planning (Senior Economist) of TTA, in cooperation with the Project Preparation and Monitoring Bureau (PPMB), would be responsible for monitoring and evaluation. He would prepare and submit detailed quarterly reports of the physical implementation of the project and the use of funds, to the General Manager of TTA who would submit them to the Association. Information on the

progress of the roads component would be made available to TTA by the respective Regional Road Engineer. Within six months of the completion of the project, the Government (for roads component) and TTA would prepare and submit to the Association a Project Completion Report, analyzing the implementation of the project and achievement of its objectives (Section 3.06(c) of the draft Development Credit Agreement and Section 2.07(c) of the draft Project Agreement).

Markets and Prices

62. Out of the total Tanzania production of made tea (16,730 tons in 1977) the domestic market, through the local pool, 1/ absorbs about 20% annually. The remainder is exported, mainly to the United Kingdom and Western Europe through the London auction. Only top grades are shipped to London and a cross-section of top and intermediate grades is supplied to the local pool. This leaves the off-grades plus the balance of the top and intermediate grades for direct sales to private buyers. As the Tea Brokers' Association of London determines the individual country quotas in tea auctions, this limitation has caused delays in TTA's sales and increased its marketing costs. While the London Auction ceiling is expected to curtail tea turnover, TTA's improved marketing contacts with private buyers would facilitate an increase in direct sales. Therefore, TTA intends to reduce London sales and increase direct sales. Since factory investment and technical assistance provided under the project would increase the percentage of top grades at all factories, the quality of tea available for direct sales should improve and the price differential between direct sale prices and London auction fetched prices should narrow considerably.

63. In the past, the ex-factory price for the local pool sales was below the export parity price. In order to rectify this situation, the National Pricing Commission raised the price for the 1979/80 season from TSh. 10.00/kg to TSh. 11.90/kg which brings it closely in line with expected export prices. Based on the grade percentages traditionally supplied to the local pool, the export parity price is calculated at 10% below the annual average London auction price minus selling expenses, insurance, freight and local costs. The Government would continue to review the local pool price of tea and make any changes which might be required to reflect parity with the average world market price of Tanzanian tea adjusted for quality and cost differentials as outlined above (Section 4.03 of the draft Development Credit Agreement).

64. The real price of tea (in 1977 constant dollars) is expected to fall from its record level of US\$2.69/kg (TSh. 22.23) in 1977 to US\$1.49/kg (TSh. 12.37) in 1985, leveling off at US\$1.48/kg (TSh. 12.28) in 1990. In current dollars, the projected price in 1985 is US\$2.64/kg (TSh. 21.91). These projections imply a decline in real terms of 18% during the project period, and an increase in nominal terms of 19%. Tanzania's production of made tea is expected to reach 25,000 tons by 1985 which represents 1% of tea

1/ Local pool represents the participation of the various factories in meeting the domestic market's requirements.

world trade. The increase in production resulting from new plantings and infillings provided for under the project will only add 3% to the 1985 production level, i.e. 0.03% of world trade and would have no measurable effect on world market prices.

TTA's Financial Viability

65. TTA's continuous cash deficits and losses during the last six years are attributed mainly to losses by its factories (para. 32) and the increase in its administrative costs. The latter were brought under control when headquarter staff was reduced from about 240 in 1974 to 93 in 1979; a further reduction to 65 is planned. However, TTA's prospects of becoming financially viable depend entirely on the profitability of its factories.

66. The Government would take a number of measures aimed at establishing TTA's financial viability without affecting the attractiveness of planting tea (para. 29) by smallholders. Until completion of the project, the current green leaf producer price (established for 1979/80 season) will be held constant in nominal terms; MDB would continue to undertake annually detailed cost analysis of TTA's operations; the Government may, after review of the analysis, and in consultation with the Association, increase the producer price as long as TTA's projected net operating income is positive (Section 4.04 of the draft Development Credit Agreement). The Government has also decided to integrate TTA's extension service staff with the extension services of MOA in line with its existing policy; this would relieve TTA from an annual expenditure of about TSh. 5.0 million. Also recent increases of the tea local pool prices (para. 63) would provide TTA with additional revenue of about TSh. 2.0 million. The project is also designed to complement the Government's efforts to make TTA financially viable through financing of TTA's vehicles operating costs (para. 42) and salaries of incremental staff (para. 53). These measures, in addition to the results of the project investments as well as improved management performance and operations, are expected to strengthen TTA's financial position and turn its losses into a cumulative positive cash flow of TSh. 31.7 million by 1984/85, the Project year five.

Project Benefits and Financial Results

67. The main benefits of the project would be improved quality of TTA's tea, increased sales volume and decreased unit cost through increased output and higher efficiency. Net realization from sales would increase between TSh. 1.0 - 4.0/kg made tea, depending on factory location and marketing channel, resulting in an increase of TSh. 14.0 million in TTA's operating profit of which about TSh. 6.0 million from existing factories. The administrative unit cost would be reduced from TSh. 3.0/kg made tea to TSh. 1.40/kg and the unit transport costs from TSh. 0.90/kg to TSh. 0.60/kg. Total green leaf transport costs for the current green leaf production would be reduced by about TSh. 1.5 million. Also the net return from mature tea holdings and the returns per man day are attractive, even when current green leaf price is kept constant during the next five years, and exceed those from coffee or maize which are part of the farmers' cropping system (para. 29). An added attraction of tea planting

is that it brings continuous income to farmers throughout the year. This project would also maximize the production benefits of smallholder tea growers by assuring a reliable outlet for their increasing production through increasing TTA's processing capacity.

68. Projections, in current prices, of TTA's consolidated income show that, after continuing to operate at a loss until 1981/82, TTA would have a positive net income thereafter. In project year five, (1984/85) TTA's consolidated income before provision for tax would amount to TSh. 6.0 million; this compares with a projected without project loss of TSh. 1.5 million. TTA's projected cash flow with the project indicates that the cash-flow would also become positive during 1981/82 and by 1984/85 TTA's cumulative positive cash flow would reach TSh. 31.7 million. This compares with continuing losses without the project that could reach TSh. 16.0 million by 1984/85.

69. The major quantifiable benefits of the project would be the incremental foreign exchange earnings from made tea exports; US\$22.3 million (net in current prices) over the period 1980/81 through 1985/86, and savings as a result of improved administration, and reduced green leaf transport costs. In addition, the project is expected to generate unquantifiable benefits from additional employment opportunities as a result of factory expansion and fuelwood plantation establishment. The economic rate of return of the project is estimated at 21% overall. The rate of return is relatively robust to changes in costs or benefits. A 10% reduction in benefits or increase in costs would reduce the rate of return to 18% and both events occurring simultaneously would lower the rate of return to 14%.

Risks

70. The major risks of the project are organizational/managerial in nature. The performance of the various factories under the First Tea Project was adversely affected by the standard of factory management and TTA supervision. However, TTA's management has gradually improved as local staff have accumulated experience and expertise. The risk of unsatisfactory management has been further reduced through provision of technical assistance in the key positions of factory supervision and engineering, short-term consultants to further strengthen TTA's management and Resident Engineers at factory site to minimize the risk of factory construction and rehabilitation lagging behind green leaf supply. A second risk is substantially lower than projected world tea prices. Forecasts for tea prices have been based on a realistic view of the key producing countries' abilities to achieve their expansion plans. During the December 1979 Meeting of the Intergovernmental Group of Experts on Tea, the producers agreed in principle on a system for supply management. However, it is too early to readjust the prices based on the assumption that supply would be controlled.

71. The project is not expected to have any measurable adverse impact on the environment. The tea factories will not be discharging any effluents which could pollute the surrounding areas. TTA and extension staff will encourage farmers to follow recommended husbandry practices in order to reduce soil erosion to a minimum.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

72. The draft Development Credit Agreement between the United Republic of Tanzania and the Association, the draft Project Agreement between the Association and TTA and the Recommendation of the Committee provided for in Article V, Section 1 (d) of the Articles of Agreement are being distributed to the Executive Directors separately.

73. Special conditions of the project are listed in Section III of Annex III. The draft Development Credit Agreement includes the following additional conditions precedent to its effectiveness:

- (a) execution of a subsidiary loan agreement between the Government and TTA (Section 6.01 (a) of the draft Development Credit Agreement); and
- (b) appointment of TTA's General Manager (Section 6.01 (b) of the draft Development Credit Agreement).

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

PART VI - RECOMMENDATION

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

Robert S. McNamara
President

Attachments
Washington, D.C.
May 14, 1980

TABLE 3A
TANZANIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	TANZANIA			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE)		
	MOST RECENT			SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
	1960 /b	1970 /b	ESTIMATE /b			
TOTAL	945.1					
AGRICULTURAL	510.1					
GNP PER CAPITA (US\$)	70.3	120.0	230.0	306.1	209.6	467.5
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	41.0	62.0	68.0	80.6	83.9	162.1
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (MILLIONS)	10.2	13.3	16.4	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	4.8	6.9	9.2	17.1	16.2	24.6
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)			32.0	.	.	.
STATIONARY POPULATION (MILLIONS)			94.0	.	.	.
YEAR STATIONARY POPULATION IS REACHED			2145	.	.	.
POPULATION DENSITY						
PER SQ. KM.	11.0	14.0	17.0	18.4	49.4	45.3
PER SQ. KM. AGRICULTURAL LAND	21.0	26.0	32.0	50.8	252.0	149.0
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	46.4	46.5	46.0	44.1	43.1	45.2
15-64 YRS.	51.0	51.1	51.0	52.9	53.2	51.9
65 YRS. AND ABOVE	2.6	2.4	3.0	2.8	3.0	2.8
POPULATION GROWTH RATE (PERCENT)						
TOTAL	2.2	2.7	3.0	2.7	2.4	2.7
URBAN	5.0	6.3	8.5	5.7	4.6	4.3
CRUDE BIRTH RATE (PER THOUSAND)						
	47.3	47.0	48.0	46.3	42.4	39.4
CRUDE DEATH RATE (PER THOUSAND)						
	22.0	19.0	16.0	17.2	15.9	11.7
GROSS REPRODUCTION RATE						
	..	3.2	3.2	3.1	2.9	2.7
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	93.6	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	12.2	13.2
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969=71=100)						
	95.3	104.0	93.0	94.3	98.2	99.6
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)						
	69.0	88.0	86.0	89.5	93.3	94.7
PROTEINS (GRAMS PER DAY)						
	42.0	43.0	47.1	35.8	52.1	54.3
OF WHICH ANIMAL AND PULSE						
	22.0/h	23.0	20.0	17.9	13.6	17.4
CHILD (AGES 1-4) MORTALITY RATE						
	32.0	25.0	20.0	22.3	18.5	11.4
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)						
	42.0	47.0	51.0	47.0	49.3	54.7
INFANT MORTALITY RATE (PER THOUSAND)						
	..	155.0/g	125.0	..	105.4	68.1
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	13.0	39.0	20.3	26.3	34.4
URBAN	..	51.0	88.0	53.9	58.5	57.9
RURAL	..	9.0	36.0	10.1	15.8	21.2
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	..	17.0	22.5	16.0	40.8
URBAN	..	..	88.0	62.5	65.1	71.3
RURAL	..	..	14.0	13.9	3.5	27.7
POPULATION PER PHYSICIAN						
	21000.0/i	20677.0	13490.0/j	17424.7	11396.4	6799.4
POPULATION PER NURSING PERSON						
	8300.0/k	4641.0	3300.0/l	2506.6	5552.4	1522.1
POPULATION PER HOSPITAL BED						
TOTAL	575.0/m	684.0	..	502.3	1417.1	726.5
URBAN	..	..	..	201.4	197.3	272.7
RURAL	..	..	..	1403.6	2445.9	1404.4
ADMISSIONS PER HOSPITAL BED						
	..	..	..	23.4	24.8	27.5
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	..	4.4/n	..	4.9	5.3	5.4
URBAN	..	3.2/n	..	4.9	4.9	5.1
RURAL	..	4.5/n	5.3	5.5	5.4	5.5
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	..	..	..	..	..	..
URBAN	..	..	..	..	..	..
RURAL	..	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	..	..	..	..	22.5	28.1
URBAN	..	..	..	..	17.8	45.1
RURAL	..	..	..	..	..	9.9

TABLE 3A
TANZANIA - SOCIAL INDICATORS DATA SHEET

	TANZANIA			REFERENCE GROUPS (ADJUSTED AVERAGES - MOST RECENT ESTIMATE) ^a		
	1960 ^b	MOST RECENT		GEOGRAPHIC REGION ^c	SAME INCOME GROUP ^d	NEXT HIGHER INCOME GROUP ^e
		1970 ^b	ESTIMATE ^b			
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	28.0	38.0	70.0	59.0	63.3	82.7
MALE	37.0	46.0	79.0	64.2	79.1	87.3
FEMALE	20.0	30.0	60.0	44.2	48.4	75.8
SECONDARY: TOTAL	2.0	3.0	3.0	9.0	16.7	21.4
MALE	2.0	4.0	5.0	12.0	22.1	33.0
FEMALE	1.0	2.0	2.0	4.4	10.2	15.5
VOCATIONAL ENROL. (% OF SECONDARY)	23.0	..	..	7.0	5.6	9.8
PUPIL-TEACHER RATIO						
PRIMARY	45.0	46.0	50.0	42.2	41.0	34.1
SECONDARY	20.0	19.0	20.0	22.9	21.7	23.4
ADULT LITERACY RATE (PERCENT)	9.5/1	28.1/8	66.0	20.8	31.2	54.0
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION						
	3.0	2.5	2.8	4.0	2.8	9.3
RADIO RECEIVERS PER THOUSAND POPULATION						
	2.0	11.0	19.0	44.3	27.2	76.9
TV RECEIVERS PER THOUSAND POPULATION						
	..	0.3	..	2.9	2.4	13.5
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION						
	3.0	5.0	4.5	5.6	5.3	18.3
CINEMA ANNUAL ATTENDANCE PER CAPITA						
	0.5	..	0.2	0.4	1.1	2.5
LABOR FORCE						
TOTAL LABOR FORCE (THOUSANDS)						
	4578.0	5769.0	6488.0	..	..	..
FEMALE (PERCENT)						
	37.1	36.6	36.3	31.9	24.8	29.2
AGRICULTURE (PERCENT)						
	89.3	86.0	84.0	77.6	69.4	62.7
INDUSTRY (PERCENT)						
	3.8	5.0	6.0	7.9	10.0	11.9
PARTICIPATION RATE (PERCENT)						
TOTAL						
	44.7	43.5	42.2	40.8	36.9	37.1
MALE						
	56.9	55.7	54.3	53.9	52.4	48.8
FEMALE						
	32.3	31.5	30.3	25.6	18.0	20.4
ECONOMIC DEPENDENCY RATIO						
	1.1	1.1	1.2	1.2	1.2	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS						
	..	33.5	..	..	..	15.2
HIGHEST 20 PERCENT OF HOUSEHOLDS						
	..	53.5	..	..	..	48.2
LOWEST 20 PERCENT OF HOUSEHOLDS						
	..	2.3	..	..	..	5.3
LOWEST 40 PERCENT OF HOUSEHOLDS						
	..	7.3	..	..	..	16.3
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN						
	..	..	117.0	187.6	99.2	241.3
RURAL						
	..	..	89.0	96.8	78.9	136.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN						
	..	..	97.0	138.4	91.9	179.7
RURAL						
	..	..	61.0	71.0	54.3	103.7
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
URBAN						
	..	..	25.0	34.5	44.1	24.8
RURAL						
	..	..	85.0	48.7	53.9	37.5

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1977.

/c Africa South of Sahara; /d Low Income (\$280 or less per capita, 1975); /e Lower Middle Income (\$281-550 per capita, 1975); /f Mainland Tanzania; /g 1967; /h 1961-63; /i 1962; /j Registered, not all practice in the country.

Most Recent Estimate of GNP per capita is for 1978.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe the orders of magnitude, indicate trends, and characterize certain major differences between countries.

The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform. Due to lack of data, group averages for Capital Surplus Oil Exports and indicators of access to water and across diagonal, housing, income distribution and poverty are simple population-weighted geometric means without the exclusion of extreme values.

LAND AREA (thousand sq. km)

TOTAL - Total surface area comprising land area and inland waters.
AGRICULTURAL - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or as fallow.

GDP PER CAPITA (US\$) - GDP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1975-77 basis); 1960, 1970, and 1977 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita.

POPULATION AND VITAL STATISTICS

Total population, mid-year (billions) - As of July 1; if not available, average of two end-year estimates; 1960, 1970, and 1977 data.

Urban population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Population density

Per sq. km - Mid-year population per square kilometer (100 hectares) of total area.

Per sq. km, agriculture land - Computed as above for agricultural land only.

Population age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Population growth rate (percent) - total, and urban - Compound annual growth rates of total and urban mid-year populations for 1950-60, 1960-70, and 1970-75.

Crude birth rate (per thousand) - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimates.

Crude death rate (per thousand) - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimates.

Gross reproduction rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year average ending in 1960, 1970, and 1975.

Family planning - acceptors, annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family planning - users (percent of married women) - Percentage of married women of child-bearing age (15-64 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of food production per capita (1970-100) - Index number of per capita annual production of all food commodities.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weight, age and sex distributions of population, and allowing 10 percent for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for a minimum allowance of 60 grams of total protein per day and 10 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 20 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.

Child (ages 1-4) mortality rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group.

HEALTH

Life expectancy at birth (years) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970, and 1975.

Infant mortality rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to safe water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the household or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to excreta disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal with or without treatment, of human excreta and wastewater by water-borne systems or the use of pit latrines and similar installations.

Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per hospital bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities.

Admissions per hospital bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average size of household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes. Statistical definitions of household vary.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all, urban, and rural occupied conventional dwellings, respectively. Dwellings include non-permanent structures and unoccupied parts.

Access to electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted enrollment ratios

Primary school - total, and female - Total and female enrollment of all ages at the primary level as percentages of respectively primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general vocational, or teacher training instruction for pupils usually of 12 to 17 years of age; correspondence courses are generally included.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; includes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; includes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a year.

Cinema annual attendance per capita per year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

EMPLOYMENT

Total labor force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable.

Female (percent) - Female labor force as percentage of total labor force.
Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force.

Participation rate (percent) - total, male, and female - Total, male, and female labor force as percentages of their respective populations. These are ILO's adjusted participation rates reflecting age-sex structure of the population, and long time trend.

Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

INCOME DISTRIBUTION

Percentage of private income (both in cash and kind) received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

Estimated absolute poverty income level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated relative poverty income level (US\$ per capita) - urban and rural - Relative poverty income level is that income level less than one-third per capita personal income of the country.

Estimated population below poverty income level (percent) - urban and rural - Percent of population (urban and rural) who are either "absolute poor" or "relative poor" whichever is greater.

TANZANIA

Annex 1
Page 4 of 6

Economic Development Data Sheet

	Actual						Provisional	Projected				Average	% Annual Growth Rates		1977
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1985	1990	1972-77	1977-85	1985-90	Share of GDP
A. NATIONAL ACCOUNTS (Million US \$ at 1977 Prices)															
1. GDP	2773.9	2662.2	3004.7	3119.4	3364.1	3542.4	3734.1	3890.2	4069.7	5105.8	6502.3	5.0	4.7	4.9	100.0
2. Gains from Terms of Trade (TT)	-161.0	-207.5	-348.9	-365.7	-69.9	-116.1	-135.2	-174.5	-223.4	-251.8	-278.4	-	-	-	-3.3
3. Gross Domestic Income	2612.9	2454.7	2655.8	2773.7	3294.2	3426.3	3598.9	3715.6	3846.2	4854.1	6223.9	5.6	4.4	5.1	96.7
4. Imports	1084.7	1010.8	895.4	839.4	751.0	802.4	1063.9	904.8	924.7	1102.8	1330.4	-5.9	4.1	3.8	22.7
5. Exports - Volume	1054.7	1006.5	741.3	734.5	824.5	686.3	674.7	700.8	746.4	907.0	1164.7	-8.2	3.5	5.1	19.4
6. Exports - TT adjusted	893.7	801.3	546.5	493.7	681.1	686.3	539.5	526.3	522.9	655.2	886.3	-5.2	-0.6	6.2	19.4
7. Resource Gap - TT adjusted	191.0	207.5	348.9	345.7	69.9	116.1	524.4	378.5	401.8	447.6	444.2	-	-	-	3.3
8. Total Consumption	2163.0	1986.3	2403.1	2555.0	2854.9	2986.6	3404.5	3421.1	3560.6	4371.5	5448.3	6.6	4.9	4.5	84.3
9. Investment	640.9	682.2	755.7	669.3	635.7	671.9	718.9	673.1	707.4	930.0	1219.8	1.0	4.2	5.6	19.0
10. National Savings	430.4	464.5	304.1	314.2	676.4	537.1	325.0	412.0	416.6	617.9	951.7	1.1	1.8	9.0	15.2
11. Domestic Savings	449.9	468.4	252.7	218.7	639.3	439.7	194.4	294.6	305.6	482.5	775.6	-0.4	1.2	10.0	12.4
12. GDP at current US \$	1564.1	1866.2	2239.1	2564.4	2761.4	3542.4	4335.7	4686.5	5393.1	9941.7	18603.0	17.8	13.8	13.3	-
B. SECTOR OUTPUT (Share of GDP at 1977 Prices) ^{1/}															
1. Industry	16.3	17.5	16.0	15.1	14.4	13.8	13.0	12.7	12.3	12.3	13.2	1.3	3.1	6.4	-
2. Agriculture	51.1	54.0	46.8	48.6	50.4	51.0	50.8	50.4	50.1	48.3	47.1	4.7	3.8	4.4	-
3. Services	32.7	28.5	37.2	36.4	35.3	35.2	36.2	36.8	37.6	39.3	39.6	6.3	6.0	5.1	-
C. PRICES															
1. Export Price Index	36.4	43.3	64.2	63.6	76.7	100.0	91.0	95.9	102.5	142.2	190.8	22.4	4.5	6.0	-
2. Import Price Index	43.0	54.1	87.1	94.6	92.8	100.0	113.8	127.7	146.3	196.8	250.7	18.4	8.8	5.0	-
3. Terms of Trade	84.7	80.0	73.7	67.2	82.7	100.0	78.9	75.1	70.1	72.2	76.1	-	-	-	-
4. GDP Deflator (US \$)	56.4	70.1	74.5	82.2	82.1	100.0	116.1	120.5	132.5	194.7	286.1	12.1	8.7	8.7	-
5. Average Exchange Rate (TSh/US\$)	7.143	7.021	7.143	7.414	8.379	8.274	7.689	-	-	-	-	-	-	-	-
D. SELECTED INDICATORS															
		1972-77	1978-85	1985-90											
1. IDGR		4.40	3.93	3.72											
2. Import Elasticity		-0.22	0.11	0.77											
3. Average Domestic Savings Rate		17.2	7.3	11.4											
4. Average National Savings Rate		19.0	10.9	13.8											
5. Marginal National Savings Rate		-0.24	0.27	0.25											
6. Import/GDP		29.8	23.2	20.9											
7. Investment/GDP		2.40	18.9	19.4											
8. Resource Gap/GDP		7.8	9.4	8.0											
E. PUBLIC FINANCE ^{2/} (Million TShillings)															
	1965/66	1972/73	1973/74	1974/75	1975/76	Prov. Actual 1976/77	Prov. Actual 1977/78	Est. 1978/79							
1. Current Revenue	716	2357	3023	3946	3919	5250	6082	6702							
1.1 Tax Revenue	602	1927	2510	3161	3302	4644	5317	5721							
2. Current Expenditure	707	2223	2785	3961	3716	5022	5847	7670							
3. Government Savings	9	134	238	-15	203	228	235	-969							
4. Foreign Grants	-	62	214	377	469	626	709	1250							
5. Surplus Available for Financing	-	196	452	362	672	894	944	281							
6. Development Expenditure	238	956	1642	2225	2253	2763	3585	5057							
7. Overall Deficit	-	-760	-1190	-1863	-1581	-1869	-2641	-4776							
8. Financing of the Deficit	-	-	-	-	-	-	-	-							
External Loans	83	456	467	661	564	777	660	1200							
Domestic Borrowings:															
Banking System	-	269	521	834	570	-	464	3195							
Other	-	25	202	368	447	-	1517	581							

^{1/} In 1966 prices and 1977 index base year.^{2/} Central Government.EALDA
January 3, 1980

TANZANIA

Annex I
Page 5 of 6Balance of Payments and External Assistance
(Million US\$)

	Actual							Preliminary	Projection		
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1985	1990
A. Summary of Balance of Payments											
1. Exports (incl. NFS)	384.3	434.6	476.0	467.0	632.1	686.3	613.9	672.0	765.2	1289.4	2222.0
2. Imports (incl. NFS)	466.1	546.8	779.8	793.8	697.1	802.4	1210.7	1155.3	1353.2	2170.2	3335.5
3. Resource Balance	-81.1	-112.2	-303.8	-326.8	-65.0	-116.1	-596.8	-483.3	-588.0	-880.8	-1113.6
4. Net Factor Service Income	-5.9	7.4	-5.2	-7.3	21.5	-18.7	-24.6	-47.5	-66.5	-137.0	-266.8
1. Net Interest Payments of which:	3.2	11.2	8.9	-3.1	-17.9	-16.4	-15.8	-37.8	-55.9	-119.8	-239.2
(Interest on Public M & LT Loans)	(-11.1)	(-12.5)	(-13.6)	(-16.2)	(-19.5)	(-22.1)	(-24.7)	(-27.8)	(-35.0)	(-121.8)	(-250.2)
2. Direct Investment Income											
3. Workers Remittance (Net)	-9.1	-18.6	-14.1	-4.2	-3.6	-2.3	-8.8	-9.7	-10.6	-17.1	-27.6
4. Other Factor Service Income (Net)											
5. Current Transfers (Net)	-4.2	5.0	45.2	92.9	55.4	116.1	175.0	195.0	218.4	384.9	678.3
6. Balance on Current Account	-91.9	-114.6	-263.8	-241.2	-31.1	-18.7	-446.4	-335.8	-436.1	-632.8	-702.0
7. Private Direct Investment	0.0	0.0	0.0	0.0	0.0	5.0	5.4	5.7	6.1	8.6	12.0
8. Capital Grants	14.0	18.6	6.5	34.9	2.9	13.9	0.0	0.0	0.0	0.0	0.0
Public M & LT Loans											
9. Disbursements 1/	109.5	113.6	161.3	249.5	122.4	177.8	173.2	210.5			
10. Amortization 1/	-34.2	-23.7	-18.8	-18.0	-21.9	-26.4	-26.8	-54.8			
11. Net Disbursements 1/	75.3	89.9	142.5	231.5	100.5	151.4	146.4	155.8			
12. Use of IMF Resources	0.0	0.0	60.3	25.2	23.7	8.8	17.0	30.0			
13. Short-term Capital Transactions	7.2	-17.9	7.5	-5.1	-38.3	35.1	60.0	120.0			
14. Capital Transactions, n.e.i.	54.8	49.0	-47.4	-30.1	-10.8	-26.0	0.0	0.0			
15. Change in Reserves (- = increase)	-59.4	-25.0	94.4	-15.2	-46.9	-169.5	229.0	24.3			
B. Grants and Loans Commitment											
1. Official Grants 2/	9.8	23.6	51.1	127.8	119.0	130.0	200.0	216.0			
2. Public M & LT Loans	65.4	107.1	260.4	151.8	194.1	197.3	225.3	269.9			
2.1 IBRD	-	-	65.0	30.0	37.0	53.0	25.0	66.0			
2.2 IDA	10.8	22.6	61.2	10.0	52.0	49.2	73.5	63.0			
2.3 Other Multilateral	3.3	1.8	7.1	18.0	10.8	33.5	27.6	18.2			
2.4 Governments, of which:	47.1	82.8	127.1	93.7	82.7	61.3	98.3	30.0			
Centrally planned economies	4.9	3.0	76.5	5.4	-	-	2.6	-			
2.5 Suppliers	-	-	-	-	-	-	-	80.0			
2.6 Financial Institutions	4.2	-	-	-	11.7	0.3	-	10.0			
2.7 Bonds	-	-	-	-	-	-	-	-			
2.8 Public Loans, n.e.i. 3/	-	-	-	-	-	-	-	2.8			
3. Other M & LT Loans (where available)	26.4	18.6	5.6	2.9	6.0	-	-	-			
C. Memorandum Items											
1. Grant Element of Total Commitments	49.2	83.4	63.1	56.4	66.6	56.8	45.5	32.8			
2. Average Interest	3.6	0.6	2.3	3.0	2.2	3.2	4.5	5.4			
3. Average Maturity (Years)	28.1	47.8	32.2	31.9	38.8	35.1	32.8	25.5			

1/ Includes financing of projected balance of payments deficit (1979-1990) on blend Bank/IDA terms.

2/ Excludes technical assistance grants.

3/ Represents commitments to cover projected balance of payments deficit.

EAIDA
January 2, 1980

TANZANIA
^{1/}
Debt and Creditworthiness

	1972	1973	1974	Actual 1975	1976	1977	1978
A. Medium and Long-Term Debt (Disbursed Only) (US \$ Million)							
1. Total Debt Outstanding (DOD: End of Period)	441.7	557.1	728.3	917.1	1029.2	1123.4	1213.1
2. Including Undisbursed	835.5	987.3	1280.5	1359.0	1555.9	1649.3	1806.4
3. Public Debt Service	43.3	39.3	32.4	34.1	41.6	48.4	49.6
3.1 Interest	11.1	12.3	13.6	16.2	19.5	22.1	24.7
4. Other M & LT Debt Service	..	..	..	..	..	..	..
B. Debt Burden							
1. Debt Service Ratio	11.3	9.3	6.8	7.3	6.6	7.1	7.8
2. Debt Service/GDP	2.8	2.1	1.4	1.3	1.5	1.4	1.1
3. Public Debt Service/Government Revenue	14.7	10.3	6.6	6.4	7.6	7.0	5.8
C. Terms							
1. Interest on Total DOD/Total DOD	2.5	2.2	1.9	1.8	1.9	2.0	2.0
2. Total Debt Service/Total DOD	9.8	7.1	4.4	3.7	4.0	4.3	4.1
D. Dependency Ratios for M & LT Debt							
1. Gross Disbursements/Imports (incl. NFS)	23.5	20.8	20.7	31.4	17.6	22.2	14.5
2. Net Transfer/Imports (incl. NFS)	16.2	18.4	18.3	29.2	14.4	18.2	12.4
3. Net Transfer/Gross Disbursements	68.8	79.1	88.3	92.8	82.1	85.2	85.8
E. Exposure							
1. IBRD Disbursements/Gross Total Disbursements	16.9	19.1	10.4	21.0	14.0	17.2	17.8
2. Bank Group Disbursements/Gross Total Disbursements	19.4	21.8	14.0	28.2	37.2	37.8	31.6
3. IBRD DOD/Total DOD	12.2	13.4	12.4	15.4	15.1	16.3	17.3
4. Bank Group DOD/Total DOD	23.1	23.8	21.1	24.2	25.7	29.3	31.3
5. IBRD Debt Service/Total Debt Service	10.2	15.3	20.4	26.4	34.1	33.1	40.5
6. Bank Group Debt Service/Total Debt Service	11.1	16.3	22.5	28.4	36.5	35.5	43.5

Outstanding December 31, 1978
Amount Percent
(US \$ Million)

F. External Debt (Disbursed Only)		
1. IBRD	209.9	17.3
2. Bank Group	379.2	31.3
3. Other Multilateral	61.2	5.0
4. Governments	714.1	58.9
of which Centrally Planned Economies	317.3	26.2
5. Suppliers	16.5	1.4
6. Financial Institutions	18.8	1.5
7. Bonds	20.3	1.7
8. Public Debt, n.e.i.	3.1	0.3
9. Total Public M & LT Debt ^{1/}	1213.1	100.0
10. Total Public Debt (incl. undisbursed) ^{1/}	1806.4	148.9
G. Debt Profile		
1. Total Debt Service 1979-83/Total DOD End of 1978	60.5%	

^{1/} Includes Tanzania's notional share of 40% of EAC debt.
^{2/} Represents DOD on loans to cover projected balance of payments deficit.

THE STATUS OF BANK GROUP OPERATIONS IN TANZANIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA
AS OF MARCH 31, 1980

No.	Year	Borrower	Purpose	(US\$ million)			
				Bank 1/	TW	IDA 1/	Undisbursed
Five loans and thirteen credits fully disbursed				77.2		90.8	
287-TA	1972	Tanzania	Smallholder Tea			10.8	1.1
371-TA	1973	Tanzania	Fourth Education			10.3	1.8
382-TA	2/ 1973	Tanzania	Livestock			18.5	2.4
454-TA	1974	Tanzania	Cotton			17.5	9.0
460-TA	1974	Tanzania	Tanzania Investment Bank			6.0	0.1
1014-TA	1974	Tanzania	Cashewnut	21.0			2.7
495-TA	1974	Tanzania	Sites and Services			8.5	1.8
507-TA	1974	Tanzania	Highway Maintenance			10.2	2.9
508-TA	1974	Tanzania	Rural Development			10.0	4.8
1041-TA	1974	Tanzania	Sugar	9.0			0.8
580-TA	1975	Tanzania	Dairy			10.0	6.1
1128-TA	1975	Tanzania	Textile	15.0			2.2
1172-TA	1975	TIB	Tanzania Investment Bank	15.0			1.5
601-TA	1976	Tanzania	Technical Assistance			6.0	2.6
606-TA	1976	Tanzania	National Maize Program			18.0	10.6
607-TA	1976	Tanzania	Fifth Education			11.0	7.1
1306T-TA	1976	Tanzania	Power		30.0		10.1
1307-TA	1976	Tanzania	Forestry	7.0			2.8
652-TA	1976	Tanzania	Fisheries			9.0	7.7
658-TA	1976	Tanzania	Tobacco Processing			8.0	1.3
1354-TA	1977	Tanzania	Urban Water Supply	15.0			9.8
1385T-TA	1977	Tanzania	Morogoro Industrial Complex		11.5		3.8
1386-TA	1977	Tanzania	Morogoro Industrial Complex	11.5			3.5
703-TA	3/ 1977	Tanzania	Rural Development (Tabora)			7.2	5.6
732-TA	1977	Tanzania	Second Sites and Services			12.0	11.3
743-TA	1977	Tanzania	Trucking			15.0	10.8
1498-TA	1977	TIB	Tanzania Investment Bank	15.0			7.1
801-TA	1978	Tanzania	Second Cashewnut			27.5	11.5
802-TA	1978	Tanzania	Tobacco Handling			14.0	13.8
803-TA	1978	Tanzania	Rural Dev. (Mwanza/Shinyanga)			12.0	11.0
1607-TA	1978	Tanzania	Morogoro Textile	25.0			24.9
833-TA	1978	Tanzania	Morogoro Textile			20.0	18.7
860-TA	1979	Tanzania	Tourism Rehabilitation			14.0	14.0
861-TA	1979	Tanzania	Sixth Education			12.0	12.0
875-TA	1979	Tanzania	Mufindi Pulp and Paper			30.0	30.0
1650-TA	1979	Tanzania	Mufindi Pulp and Paper	30.0			30.0
876-TA	4/ 1979	Tanzania	Fifth Highway			20.5	20.5
1745-TA	1979	TDFL	Tanganyika Development Finance Co., Ltd.	11.0			11.0
1750-TA	1979	TIB	Tanzania Investment Bank	25.0 ^{5/}			25.0
S-24-TA	4/ 1979	Tanzania	Dar es Salaam Port Engineering			2.5	2.5
Total				276.7	41.5	431.3	357.1
of which has been repaid				8.9	-	7.7	
Total now outstanding				267.8	41.5	423.6	
Amount sold							0.1
of which has been repaid							0.1
Total now held by Bank and IDA 1/				267.8	41.5	423.6	
Total undisbursed				122.3	13.9	220.9	357.1

1/ Net of exchange adjustments.

2/ Includes Norwegian participation of \$6.2 million of which \$5.6 million has been disbursed.

3/ Amount excludes Canadian participation of \$4.8 million.

4/ Not yet effective.

5/ Excludes \$15.0 million EEC Special Action Credit being administered by IDA.

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED
BY KENYA, TANZANIA AND UGANDA AS OF MARCH 31, 1980

Loan No.	Year	Borrower	Purpose	(US\$ million)	
				Amount (less cancellations) Bank 1/	Undisbursed
Five loans fully disbursed				93.4	
638-EA	1969	EAHC	Harbours	35.0	0.5
674-EA	1970	EARC	Railways	42.4	0.1
865-EA	1972	EAHC	Harbours	26.5	0.9
914-EA	1973	EAPTC	Telecommunications	32.5	1.0
1204-EA	1976	EADB	Development Finance	<u>15.0</u>	<u>5.9</u>
Total				244.8	8.4
of which has been repaid				<u>56.4</u>	
Total now outstanding				188.4	
Amount sold			24.4		
of which has been repaid			<u>24.4</u>	<u>0.0</u>	
Total now held by Bank 1/				<u>188.4</u>	
Total undisbursed				<u>8.4</u>	<u>8.4</u>

1/ Net of exchange adjustments.

C. PROJECTS IN EXECUTION 1/
(AS OF MARCH 31, 1980)

There are currently 37 projects under execution in Tanzania.

AGRICULTURAL SECTOR

Credit No. 287-TA - Smallholder Tea Project: US\$10.8 million
Credit of March 3, 1972; Date of Effectiveness - July 26,
1972; Closing Date - December 31, 1980

After initial serious management problems, the Tanzania Tea Authority (TTA) has finally reached a satisfactory level of senior staffing and this has had a clear impact on the working of TTA and resulted in improved control over field activities. Factory engineers have been appointed for all factories. Because of weak extension and poor farm practices in the past, about 1,600 ha of the 9,671 ha planted since 1971 must be infilled or rehabilitated, and yields have been lower than anticipated. In line with the 1976 survey of the tea industry, additional planting has been carried out and effective rehabilitation and infilling has been achieved except in the Bukoba area. Recommendations of the survey regarding crop yields, husbandry techniques, field organization, TTA structure and extension activities are also being implemented. Furthermore, market trends in tea have taken a favorable turn. In general, progress on the project is improving. The closing date has been postponed to allow sufficient time for completion of the Mwakaleli factory.

Credit No. 382-TA - Second Livestock Development Project:
US\$18.5 million Credit of May 23, 1973; Date of Effectiveness -
September 28, 1973; Closing Date - December 31, 1980

This project was the subject of an in-depth review in November 1976 and again in January 1979. Although progress has been made in alleviating the financial problems of the meat processing parastatal (TPL), in correcting some of the deficiencies in the livestock marketing parastatal (TLMC), and in adopting some of the decentralized management recommendations in the ranching parastatal (NARCO), TPL will still need to improve its overall efficiency, and NARCO its unsatisfactory financial situation. The most serious issue is the

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution and in particular to report any problems which are being encountered and the action 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.

lack of adequate financial support from the Treasury; this issue was taken up during the last review and the Tanzania Livestock Development Authority (LIDA) is organizing a meeting between NARCO, the Commissioner for Public Investment (CPI) and the Tanzania Rural Development Bank (TRDB) to address the issue of equity contribution. In summary, although progress has been made, major problems remain and will require continued attention. The closing date of the Credit has been postponed by 12 months to December 31, 1980 in order to complete the ranch development program.

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

The project continued to show good progress since the appointment in October 1977 of a new Project Manager. However, in view of the failure of the crop technical packages to give economic responses, the project must now be considered to be an infrastructure and adaptive research project rather than an agricultural production project. A major objective is now to develop a more soundly based and productive agricultural strategy. The most significant progress has been in the trial program with about 50 well distributed and supervised trial sites and improved credit recovery. Recruitment of staff has been more vigorously pursued since the Project Implementation Reviews began. Project problems remaining are the lack of senior staff, the shortage of extension staff, delay in deliveries of some equipment and financing of road construction. The project will continue to be kept under close review.

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

Construction of the five factories and ancillary facilities is proceeding well in accordance with the revised completion schedule. Processing plant and machinery has been delivered to two factories, and is under shipment for the remaining three. The project faces problems with regard to expected marketed production reaching potential processing capacity. This continued decline in the marketed production is, however, puzzling in view of the price increase and the attractive returns per labor day. An intensive analysis of the cashewnut production issue is to be carried out by the Government agencies responsible for review of agricultural production in Tanzania. The take over of the industry by the Cashewnut Authority (CATA) and the consolidation of its activities are proceeding; its management has improved since the appointment of a new General Manager last year.

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

Progress has been made in improving control of materials flow for civil works, promotion of a coffee production program, labor-intensive road works, project accounting and disbursement performance, and increasing farmer demand for inputs. However, project implementation continues to be slow. Little construction work has taken place over the last five months of wet season agricultural activities. Trials were planted late in two of the three districts due to misallocation of project finance vehicles. Little action has been taken on procurement. As recommended in the mid-term review of this project, agreement has been reached on a number of proposed amendments to the legal documents in order to make the project design more flexible.

Credit No. 513-TA and Loan No. 1041-TA - Kilombero Sugar Development Project: US\$9.0 million Credit and US\$9.0 million Loan of September 27, 1974; Date of Effectiveness - February 14, 1975; Closing Date - December 31, 1980

Project work is virtually completed except for purchase of some vehicles and completion of the sugar survey and the training program. In view of this, the closing date has been postponed by 12 months. Kilombero Sugar Company's (KSC) land development on behalf of outgrowers continues and is expected to exceed appraisal estimates due to lower than expected cane yields. A new management advisory agreement for a further two years with emphasis on agriculture will be financed by the Netherlands. Phase III of the Sugar Study has been started and should be completed shortly. With regard to the Sugar Development Corporation's request to Treasury to consider KSC's proposals as to its debt-equity ratio, the Treasury has decided to provide KSC TSh. 100 million as equity and TSh. 100 million as loan from Dutch/Danish sources. The loan will be at an interest rate of 7% p.a. with 30 years repayment including 5 years of grace. The Subsidiary Loan Agreement is under preparation and is expected to be signed by the Treasury shortly.

Credit No. 652-TA - Fisheries Development Project: US\$9.0 million Credit of July 12, 1976; Date of Effectiveness - October 12, 1976; Closing Date - December 31, 1981

The Project is progressing at a slower pace than anticipated and fishing operations are now expected to begin by early 1980. Eight vessels for the coastal commercial centers are already under construction, and procurement of engines and fishing gear is in progress. Tender documents for the procurement of steel boats for the Kigoma Commercial Center are being finalized. The recent outbreaks of cholera at Lake Tanganyika have caused a setback in Project activities on the Lake, particularly the Ujamaa Village Program, and steps have been taken to speed up the identification of suitable villages and the preparation of investment plans.

Credit No. 606-TA - National Maize Project: US\$18.0 million
Credit of January 29, 1976; Date of Effectiveness - May 28,
1976; Closing Date - December 31, 1982

Although the project has made some satisfactory progress with regard to village participation, delivery of inputs and concentration of high potential maize regions, it is beset by a number of problems which must be overcome if the project is to achieve its primary objective. Following a midterm review of the project, the Government submitted in September 1978 draft proposal for a three year Intensification Phase in six regions where potential for increasing production exists, extending the project period from July 1979 to June 1982. The project has therefore been redesigned in order to intensify the project activities during the remaining period. The redesign of the project has been agreed upon by the Government, BADEA (the co-financier) and the Association.

Credit No. 580-TA - Dairy Development Project: US\$10.0 million
Credit of August 15, 1975; Date of Effectiveness -
November 13, 1975; Closing Date - April 30, 1981

The project status deteriorated during 1978. The large scale parastatal farms have been poorly managed, production is below expectation and financial prospects are dismal. The ujamaa component proceeds slowly and the Tanzania Rural Development Bank is actively investigating alternative means of assisting village milk production and consumption. The foot and mouth disease control investigation has commenced. The project will continue to be kept under close review.

Loan No. 1307-TA - Sao Hill Forestry Project: US\$7.0 million
Loan of July 12, 1976; Date of Effectiveness -
October 12, 1976; Closing Date - June 30, 1982

Although the project got off to a slow start, physical progress has now been satisfactory for the past two years. The nurseries are well stocked and maintained, and the current planting program on schedule. Progress on fire protection, road construction and building is satisfactory. Procurement of equipment needed for the next season is, however, delayed and project accounts need updating. These are partly due to staffing problems; the position of financial controller and workshop foreman became vacant as well as the position of assistant project manager and silviculturist/economist. Government is approaching bilateral agencies for recruitment assistance.

Credit No. 658-TA - Tobacco Processing Project: US\$8.0 million
Credit of September 16, 1976; Date of Effectiveness - February 15,
1977; Closing Date - December 31, 1981

Improvements to the existing line were completed except for installation of the main circuit breaker equipment. Building work at Morogoro is proceeding satisfactorily. TAT/TTPC are preparing a properly coordinated building program to cover the balance of the project, and proposals are awaited from the Treasury rationalizing the financial and functional responsibilities of these entities. TAT's financial position is critical due to high bank overdrafts. The Treasury has agreed to reimburse TAT TSh. 29 million representing the local contribution it has spent on the project. In addition, TAT has also claimed TSh. 13 million from the Treasury to meet the cost incurred by them during 1977-78. TTPC's accounts for 1976/77 have been audited and the report is expected shortly.

Credit No. 703-TA and Credit No. 703-TA-5 - Tabora Rural
Development Project: US\$12.0 million Credits 1/ of May 11,
1977; Date of Effectiveness - November 11, 1977;
Closing Date - June 30, 1983

The level of regional commitment to the project has been good and overall project performance is satisfactory; disbursements are on schedule. However, some delays have been experienced in the delivery of equipment and vehicles procured under the project, and shortage of trained extension agents in the Region continues to hamper the crop development component. These delays should not be over-emphasized since project management has been effective in getting the project initiated.

Credit No. 801-TA - Second Cashewnut Development Project;
US\$27.5 million Credit of June 14, 1978; Date of Effectiveness -
October 2, 1978; Closing Date - December 31, 1984

This credit became effective on October 2, 1978. Project implementation is progressing satisfactorily.

Credit No. 802-TA - Tobacco Handling Project: US\$14.0 million
Credit of June 14, 1978; Date of Effectiveness - January 5, 1979;
Closing Date - April 30, 1983

The project has made a slow start. Procurement of vehicles and equipment is also lagging. However, progress on recruitment of technical assistance has been good. The Building Engineer, Financial Systems Development Assistant and Transport Officer are all in post. Three suitable candidates have been identified for the five posts of Regional Accountant and advertisement of the other two have been done.

1/ Credit No. 703-TA-5 (US\$4.8 million) is financed under the special CIDA arrangement; Credit No. 703-TA is an IDA Credit of US\$7.2 million.

Credit No. 803-TA - Rural Development Project (Mwanza/
Shinyanga): US\$12.0 million Credit of June 14, 1978;
Date of Effectiveness - March 5, 1979;
Closing Date - December 31, 1984

While some of the senior support staff have been recruited, most key posts remain to be filled, and although good progress has been made in the livestock, water resource and forestry components, the expected implementation of an experimental program of agricultural extension has not been initiated. Future supervision missions will pay particular attention to progress made by the agricultural extension staff towards improving the extension system. The effects of the Uganda war are still being felt in the project's area causing problems for the supplies situation.

EDUCATION SECTOR

Credit No. 371-TA - Fourth Education Project: US\$10.3
million Credit of April 13, 1973; Date of Effectiveness -
July 2, 1973; Closing Date - December 31, 1980

Physical implementation, particularly the execution of civil works, has improved considerably and overall completion of the project has reached 95%. However, to allow sufficient time for completion, the Closing Date has been postponed to December 31, 1980. Total project cost is now estimated at about TSh. 109 million, an increase of approximately 5% over the appraisal estimate of TSh. 104 million. The Government does not foresee any financial problem in providing the required additional funds. Three Community Education Centers out of eight have started operating programs for village development, education and training for youth and adults. The two Vocational Training Centers are in operation at almost full capacity. The technical assistance and fellowship programs are approaching completion and matching funds disbursed. Savings under the technical assistance and fellowship component of the project are estimated at approximately US\$1.3 million.

Credit No. 607-TA - Fifth Education Project: US\$11.0 million
Credit of January 29, 1976; Date of Effectiveness - March 23,
1976; Closing Date - June 30, 1982

Progress in physical implementation is satisfactory. Construction of extensions to fifteen secondary schools is progressing well and construction of 1,500 houses for Village Management Technicians, although delayed, shows some improvement. In fact, housing construction is in line with VMT training which will be extended until mid-1980 as a result of the reassignment of over 500 VMTs as Village Managers in January 1978. There are delays in recruitment of experts by UNESCO to assist a secondary school facilities survey and in recruitment of accountancy experts for the National Board of Accountants and Auditors. Implementation of a separate review of accountancy training and a survey of primary schools are progressing slowly. Despite these delays, project completion can be expected by the initial Closing Date of June 30, 1982 and no financial problems are envisaged at present.

Credit 861-TA - Sixth Education Project - US\$12.0 million
Credit of January 22, 1979; Date of Effectiveness - June 25, 1979;
Closing Date - June 30, 1985

This credit became effective on June 25, 1979. The Ministry of Labor has appointed a representative to the Project Unit and is working with the Ministry of Education on a plan for coordinating project implementation.

TOURISM SECTOR

Credit No. 860-TA - Tourism Rehabilitation Project
US\$14.0 million Credit of January 22, 1979; Date of
Effectiveness - August 24, 1979; Closing Date - June 30, 1983

This credit became effective on August 24, 1979. Project implementation is progressing satisfactorily. Recruitment of project coordinator is being finalized and the consultants for the rehabilitation of project lodges and hotels, have been appointed.

TRANSPORTATION SECTOR

Credit No. 507-TA - Highway Maintenance Project: US\$10.2
million Credit of August 21, 1974; Date of Effectiveness -
November 20, 1974; Closing Date - December 31, 1980

After a slow start, project implementation improved and all equipment procured through ICB has been delivered. However, rehabilitation, regravelling and routine maintenance activities have been seriously affected by the war in Uganda and by the termination of some expatriate technical assistance. It is now necessary to recast the project by amending its scope to address the problems which have been encountered in its implementation; these changes will bring the project in line with the Fifth Highway Project. The Closing Date has been postponed to December 31, 1980 to allow for completion of the project and the disbursement but might need further extension. The technical assistance contract with the consulting firm "ORT" expired in November 1979, and the Government is now recruiting individual experts to complete the project.

Credit No. 743-TA - Trucking Industry Rehabilitation
and Improvement Project: US\$15 million Credit of
November 3, 1977; Date of Effectiveness - April 3, 1978;
Closing Date - June 30, 1983

Implementation planning is progressing well. Initial progress in the recruitment of technical assistance has been good, with 24 people in post or approved out of a total of 29. The project is experiencing some problem with equity contribution for the proposed project transport companies. The Treasury proposed to provide the balance of the equity contribution for

1979/80. The National Transport Coordination (NTC) has submitted a report to the Treasury regarding the availability and distribution of vehicle spare parts in recent years. NTC has also commissioned a study of the role and objective of the National Institute of Transport. The design of the transport data collection system is progressing well.

Credit No. 876-TA - Fifth Highway Project; US\$20.5 million
Credit of March 2, 1979; Closing Date - December 31, 1984

This Credit is not yet effective. It is a continuation of the Highway Maintenance Project (Credit No. 507-TA) aimed at maintaining the national trunk road system and will draw upon experience gained during the previous project.

PORTS SECTOR

Credit No. S-24-TA - Dar es Salaam Ports Engineering Project:
US\$2.5 million Credit of February 27, 1980; Closing Date -
June 30, 1980

This Credit is not yet effective.

URBAN SECTOR

Credit No. 495-TA - National Sites and Services Project;
US\$8.5 million Credit of July 12, 1974; Date of Effectiveness -
October 3, 1974; Closing Date - December 31, 1980

Infrastructure construction has been completed satisfactorily on all project sites. Construction of health facilities in Dar es Salaam is completed and ready of occupation. Education facilities for the Dar es Salaam sites have been completed; the rest of the community facilities in the project are nearing completion. Progress on the lending program administered by the Tanzania Housing Bank is slow although satisfactory progress is being made in the implementation of the action program to improve it. Total project cost is estimated (at current exchange rates) at US\$15.9 million, compared to the appraisal estimate of US\$16.7 million. The closing date has been postponed by six months to allow for completion of the remaining construction activities.

Credit No. 732-TA - Second National Sites and Services
Project: US\$12.0 million Credit of November 3, 1977; Date of
Effectiveness - April 3, 1978; Closing Date - June 30, 1982

Progress on implementation is satisfactory for the residential components although overall implementation progress is slow. Preparation of the small scale industry component is also making satisfactory progress. All project staff have now been appointed. The Consultants' report on the Land Rent and Service Charge Study was approved by the Government in January 1978

and a pilot test of the new Urban Charge System for cost recovery proposed in the study was carried out in Morogoro. However, progress in the implementation of this system in other areas is slow. Disbursements are substantially behind appraisal estimates. These issues will be reviewed during the next supervision mission.

WATER SUPPLY SECTOR

Loan No. 1354-TA - Urban Water Supply Project: US\$15.0 million
Loan of January 5, 1977; Date of Effectiveness - March 2, 1977;
Closing Date - June 30, 1981

Of the five main contracts for water supply works in Morogoro, contract for exploratory drilling at Mindu Dam site is completed, two contracts for plant (pumping and treatment) are in the stage of final inspection of goods prior to shipment to Tanzania, and two construction contracts were awarded in December 1978 and March 1979. Completion of the water works expansion is expected in February 1981, 21 months behind schedule, but a pilot operation is scheduled to commence in November 1980. Project cost is now estimated at US\$27.6 million, 43% over the appraisal estimate of US\$19.2 million. In December 1978, the Government approved an increase in its contribution to the project to cover the financing gap. Some progress has been made towards creation of a parastatal national urban water supply authority and increase in tariff to maintain their levels in real terms at the level existing in July 1976. Progress in project implementation and the expected large increase in project costs will have to be closely monitored.

POWER SECTOR

Loan No. 1306-T-TA - Kidatu Hydroelectric Project Phase II;
US\$30 million Loan on Third Window Terms of August 12, 1976;
Date of Effectiveness - March 1, 1977; Closing Date -
December 31, 1981

The project is financed by IBRD, SIDA and KfW. All contracts have been awarded. Project construction is on schedule at all sites. TANESCO has obtained approval on its tariff increase. Current estimated project cost is US\$97.8 million compared to appraisal estimate of US\$89 million, a cost overrun of 28%. This is mainly due to underestimation of the project costs by the engineering consultants. KfW has already increased its contribution to the project and SIDA has indicated that it would be prepared to increase its allocation to cover its proportionate share of the cost overruns. An EEC Special Action Credit (No. 55-TA) in the amount of US\$7.0 million to be administered by IDA, has been allocated to this project.

INDUSTRIAL SECTOR

Credit No. 460-TA - Tanzania Investment Bank Project:
US\$6.0 million Credit of February 13, 1974; Date of Effective-
ness - April 18, 1974; Closing Date - June 30, 1980

This Credit has been fully committed. Because of a reallocation of funds from a subproject previously approved to a new one still under implementation, the credit is still not fully disbursed and the closing date has been postponed to June 30, 1980.

Loan No. 1171-TA - Tanzania Investment Bank: US\$15.0 million
Loan of November 12, 1975; Date of Effectiveness - February 20,
1976; Closing Date - December 31, 1980

This loan is fully committed and disbursements are proceeding satisfactorily.

Loan No. 1498-TA - Tanzania Investment Bank: US\$15.0
million Loan of December 28, 1977; Date of Effectiveness -
April 3, 1978; Closing Date - June 30, 1983

This loan is now fully committed and disbursements are proceeding satisfactorily.

Loan No. 1750-TA 1/ - Tanzania Investment Bank: US\$25.0 million
Loan of August 20, 1979; Date of Effectiveness - February 5, 1980;
Closing Date - June 30, 1984

This loan became effective on February 5, 1980.

Loan No. 1128-TA - Mwanza Textile Project: US\$15.0 million
Loan of June 19, 1975; Date of Effectiveness - October 6,
1975; Closing Date - July 1, 1980

The project provides for expansion of an existing textile mill and is designed to increase annual fabric production capacity by 20 million linear meters. Project implementation performance has been acceptable and all technical installations are now operating satisfactorily. The National Textile Corporation (TEXCO), the holding company for state-owned textile mills, has agreed to institute an immediate action program to improve the operating performance of existing mills. The project was technically completed in October 1978 with a savings of about US\$1.7 million. In order to utilize this amount for rehabilitation of the existing facilities, which are essential parts of the project, the Closing Date was postponed by one year to July 1, 1980.

1/ In addition, a US\$15.0 million EEC Special Action Credit in support of this project is being administered by IDA.

Credit No. 601-TA - Technical Assistance Project: US\$6.0 million Credit of January 9, 1976; Date of Effectiveness - September 14, 1976; Closing Date - June 30, 1980

Total commitments as of September 30, 1979 were US\$4.8 million of which US\$4.1 million, US\$0.4 million and US\$0.3 million were for consultancy services, training and project unit services, respectively. The procedures for processing proposals have been streamlined and it is expected that the pace of commitments and disbursements will be increased.

Loan No. 1385-T-TA/Loan No. 1386-TA - Morogoro Industrial Complex: US\$11.5 million Loan on Third Window Terms and US\$11.5 million Bank loan, both of April 6, 1977; Date of Effectiveness - July 6, 1977; Closing Date - December 31, 1982

Project implementation is proceeding satisfactorily in spite of some initial delays in the appointment of consultants and start-up of procurement. Although there will be some delays in the start-up of individual components of the Industrial Complex, completion of the project is still scheduled for July 1982. Revised capital cost estimates are only slightly higher than those contained in the Appraisal Report.

Credit No. 833-TA/Loan No. 1607-TA - Morogoro Textile Project: US\$20.0 million Credit and US\$25.0 million Loan of June 29, 1978; Date of Effectiveness - May 7, 1979; Closing Date - June 30, 1985

This loan and this credit became effective on May 7, 1979. Preparation of tender documents are progressing satisfactorily and no delay in project completion is anticipated.

Credit No. 875-TA/Loan No. 1650-TA - Mufindi Pulp and Paper Project: US\$30.0 million Credit and US\$30.0 million Loan of April 6, 1979; Closing Date - December 31, 1983

This loan and this credit are not yet effective.

Loan No. 1745-TA - Tanganyika Development Finance Company, Ltd. (TDFL) Project: US\$11.0 million Loan of July 27, 1979; Date of Effectiveness - November 1, 1979; Closing Date - December 31, 1983

This loan became effective on November 1, 1979. About 70% of the loan amount has been committed.

EAST AFRICAN COMMUNITY

There are currently five projects in execution in the East African Community. 1/

Loan No. 638-EA - Second Harbours Project: US\$35.0 million
Loan of August 25, 1969; Date of Effectiveness - December 16,
1969; Closing Date - December 31, 1977

Loan No. 865-EA - Third Harbours Project: US\$26.5 million
Loan of December 18, 1972; Date of Effectiveness - April 16,
1973; Closing Date - June 30, 1978

The Second Harbours project included financing for five general cargo berths and a single bay tanker terminal for the Port of Dar es Salaam; two general cargo berths and a bulk cement wharf for Mombasa; tugs, lighters, cargo handling equipment, offices, housing and general improvements for both ports. The Third Harbours project included three new deep water berths, modernization of two berths and a lighterage quay, a training school building and central repair area for Dar es Salaam; modernization of several berths and a lighterage quay, construction of a tug berth, cold storage facilities and a training building in Mombasa and improvement of a lighterage quay in Tanga. Construction of all major project elements has been completed and a joint project completion report was issued in January 1979. Because of shortage of funds under both loans, the following minor project elements have not been submitted for Bank financing: the second phase of modernization of the lighterage quay and a training school for Dar es Salaam; modernization of the lighterage quay and a training school for Mombasa. Locally financed contracts have been awarded for these project elements with the exception of the modernization of the lighterage quay in Mombasa. General cargo throughput has increased above appraisal forecasts for Dar es Salaam, and cargo handling productivity has improved with increasing throughput; however, port labor productivity has stagnated in Mombasa where general cargo throughput has declined considerably. Legislation to establish a Tanzania Harbours Authority and a Kenya Ports Authority has been enacted. Management of Ports in

1/ Since October 1, 1977, the East African Community loans (excluding the East African Development Bank) have been disbursed on the basis of separate national guarantees. The agreed allocation of undisbursed balances for each loan, as proposed in a report to the Executive Directors dated December 29, 1977 (R77-312) and approved on January 12, 1978, is given in this Annex. The closing date for Loans 638-EA, 674-EA and 865-EA have passed. However, since the amount allocated to and guaranteed by each Partner State is clearly identified under the terms of the Agreement signed on January 25, 1978 as proposed in the above report (R77-312), we are continuing disbursements.

both countries is competent. Some US\$34.5 million of Loan 638-EA and US\$25.6 million of Loan 865-EA has already been disbursed. The agreed allocation of undisbursed funds at October 1, 1977 between the countries concerned is given below:

<u>For Loan No. 638-EA</u>	(US\$ million)
Kenya	0.7
Tanzania	<u>0.6</u>
Total	<u>1.3</u>
 <u>For Loan No. 865-EA</u>	
Kenya	1.7
Tanzania	<u>0.3</u>
Total	<u>2.0</u>

Loan No. 674-EA - Third Railways Project: US\$42.4 million
Loan of May 25, 1970; Date of Effectiveness - October 30,
1970; Closing Date - June 30, 1978

The original purpose of the project was to complete the Railways' 1969-1972 Development Program, including track improvement, procurement of rolling stock and other equipment, and to finance studies of the economic feasibility of certain railway lines and services. The physical execution of the original project has been seriously delayed due to administrative and political problems within the Community. In November 1974, the Executive Directors approved a reallocation of the uncommitted balance of the Loan to be used for consultant services and emergency investments in track material. All three countries have now enacted legislation to establish their own Railways Corporations. The agreed allocation of undisbursed funds at October 1, 1977 among the various countries concerned is given below:

	<u>\$ Million</u>
Kenya	2.0
Tanzania	3.8
Uganda	<u>1.9</u>
Total	<u>7.7</u>

On January 12, 1978, the Executive Director approved the utilization of US\$1.2 million equivalent to finance the East African Mediation effort. This amount, in addition to US\$0.5 million provided by UNDP for this purpose, is expected to cover the total estimated cost of the mediation service.

Loan No. 914 EA - Third Telecommunications Project: US\$32.5 million Loan of June 22, 1973; Date of Effectiveness - September 19, 1973; Closing Date - December 31, 1979

The project included provision for procurement of local telephone exchange equipment, cables and subscriber apparatus, microwave and UHF/VHF systems and multiplex equipment, interurban cables and wires, automatic switching and signalling equipment, telegraph, telex and data equipment, and training. All project items except the microwave radio system have been completed; this system is likely to be completed by mid-1980. The slippage of the project's completion was due to initial delays in procurement caused by staffing and other problems associated with the relocation of headquarters. About US\$30.7 million of the loan had been disbursed to date. The agreed allocation of undisbursed funds as at October 1, 1977 among the countries concerned is as follows:

	<u>\$ Million</u>
Kenya	2.4
Tanzania	3.5
Uganda	<u>0.1</u>
Total	<u>6.0</u>

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

The environment within the Community has continued to have a negative impact on EADB operations. Level of operations both for appraisal and supervision has been depressed, but there has been some improvement in the state of the portfolio with the arrears affected portfolio falling from 50% as of June 30, 1977 to 43% as of June 30, 1979. Some US\$9.1 million of the loan has been disbursed to date, and the uncommitted balance amounts to US\$3.0 million.

D. STATEMENT OF IFC INVESTMENT IN TANZANIA
AS OF MARCH 31, 1980

<u>Fiscal Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1960 and 1964	Kilombero Sugar Company	Food Processing	3.96	0.70	4.66
1978	Highland Soap and Allied Products Limited	Soap Manufacture	1.38	0.36	1.74
1979	Metal Products Limited	Household Utensils	<u>1.33</u>	<u>0.18</u>	<u>1.51</u>
	Total gross commitments		6.67	1.24	7.91
	Less cancellations, terminations, repayments and sales		<u>3.96</u>	<u>0.70</u>	<u>4.66</u>
	Total commitments now held by IFC		<u>2.71</u>	<u>0.54</u>	<u>3.25</u>
	Total Undisbursed		<u>2.71</u>	<u>0.54</u>	<u>3.25</u>

TANZANIA

SMALLHOLDER TEA CONSOLIDATION PROJECT

SUPPLEMENTARY PROJECT DATE SHEET

I. Timetable of Key Events

- | | | |
|--|---|--------------------------------|
| (a) Time taken to prepare project | : | 18 months |
| (b) Preparation by | : | TTA with Bank Group assistance |
| (c) Initial Discussion with IDA | : | December 1975 |
| (d) First IDA mission | : | April 1978 |
| (e) Date of departure of appraisal mission | : | July 17, 1978 <u>1/</u> |
| (f) Completion of negotiations | : | April 28, 1980 |
| (g) Planned date of effectiveness | : | July 1980 |

II. Special Bank Implementation Actions

None

III. Special Conditions

1. Government would not undertake any additional tea plantings without making appropriate arrangements for establishing adequate processing capacity for the subsequent production (para. 47).
2. Execution of a Subsidiary Loan Agreement between the Government and TTA (condition precedent to effectiveness, para. 55).
3. Appointment of TTA's General Manager (condition precedent to effectiveness, para. 58).
4. Until completion of the project, the current green leaf producer price would be held constant, in nominal terms, and would only be increased if TTA's projected net operating income is positive (para. 66).

1/ A subsequent Post-Appraisal Mission visited Tanzania in September/October 1979 to reassess TTA's financial viability.

