Introduction

1. I welcome this CAS discussion and appreciate staff’s efforts in putting together a document that has benefited from extensive consultations with the Government, Parliamentarians, representatives of NGOs and Women’s groups. The document provides a clear assessment of the country’s development issues, both internal and external, and attempts to incorporate lessons of experience gained from the previous CAS implementation. Where a strong point of the CAS lies in its investment in broad-based consensus, a weaker point lies in the apparent absence of the private sector in this dialogue.

2. My Dutch Authorities support the Bank’s assistance strategy for Tanzania and indicated this during the discussions held on the subject in Dar es Salaam. The CAS is strongly based on the foundations of the macro-economic successes reached through improved economic management, increased levels of (tax) revenues, the containment of domestic borrowing and the reduction of public dissavings, elements which form the basis of the IMF program. Fiscal policy discipline has been restored, tax-collection performance improved tremendously with the introduction of the TRA, expenditures have been reduced to levels more compatible with Government cash inflows, growth of the money supply and inflation have been brought down.

3. I also agree with the economic-growth orientation taken by the CAS as an important principle in fighting poverty. Improved ‘packaging’ of social-sector services could improve its access and quality, particularly for the poor. In order to improve sustainable access to social services, both the government and the general public need to improve their purchasing power. This requires economic growth which can only be efficiently fueled by higher levels of private-sector investments, opening up of new (export) markets and improved access to efficient economic and financial services.

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4. Government management and funding capacities are important issues. The recent Public Expenditure Review indicates that the number of projects on the development budget went down from about 2000 in 1994 to about 1400 last year. Actual funding by Government of Tanzania only reached the 15% mark of totally accepted commitments in FY 96/97. Priority setting is still problematic, it may be concluded. The problem is illustrated by the serious inconsistency between previous year 85% funding gap of the development budget and the categorization of only 5% of the portfolio as non-core.

Issues

1. Notwithstanding our positive view on Government performance, a number of issues arise on the economic side. Restructuring NBC is identified as essential but progress remains unclear. A major risk here is whether GoT is able to handle NBC restructuring without disrupting confidence in the financial sector. There are somewhat confusing signals on whether GoT is seeking Bretton-Woods support to delay the split-up of NBC. Proposals developed by GoT with support of the WB on setting up a Micro Finance Bank are raising some concern among micro finance experts and donors; it is not clear whether these are fully endorsed by other relevant actors, for example CGAP secretariat.

2. Tax revenue is to go up to 17% of GDP but recent reports show a slightly weaker tax collection performance over the past few months. Although union tax rates have been harmonized, differences in local taxes between Zanzibar and Mainland still remain. No mention is made of any legal steps taken in the process of collecting old CIS debts. The WB rightly worries about the level of the development budget but did not find it appropriate to lead the donor community in protesting the reduction in road maintenance disbursements late last year.

3. It is unclear what strategies to follow to realize the actual clustering of projects into joint programs. Neither is it clear to what extent donors are willing to increase their macroeconomic budget support to GoT. This would on the one hand reduce the burden of handling large numbers of individual projects and on the other hand improve the funding ability of the government development budget. Initiating the discussion on reallocation of donor funding in favor of macroeconomic or sectoral budget support and private-sector development seems opportune. Discussions currently being held at Dar es Salaam, also with WB participation, on the follow-up of the 'Hellinger report' and the OECD report 'Shaping the 21st Century' form a good starting point.
4. It is unclear what the WB considers to be a reasonable salary structure within the civil service keeping in mind the creation of a leaner, more focused and better performing government. What does the WB do to realize such a situation keeping in mind the need to eventually reach consistency with a healthy fiscal policy. Improving salary levels would not only form an incentive to better individual performance, but would also reduce the incidence of petty corruption. A continued effort to reduce discretionary powers placed officials is part of this process.

5. Last, but definitely not least important: I support the WB attention for social sectors. However, I fill that the CAS analyses on social-sector services, gender and environment is, relatively speaking, weak. I encourage the WB to work with other donors in these areas.