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**REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED ADJUSTMENT CREDIT
IN THE AMOUNT OF SDR 119.1 MILLION
(US\$ 150 MILLION EQUIVALENT)
TO THE
UNITED REPUBLIC OF TANZANIA
FOR A
PRIMARY EDUCATION DEVELOPMENT PROGRAM PROJECT**

August 22, 2001

**Human Development 1
Country Department 4
Africa Regional Office**

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CURRENCY EQUIVALENTS
 (Exchange Rate Effective July 30, 2001)
 Currency Unit = Tanzanian Shillings (TSH)
 1 TSH = US\$0.001124
 US\$1 = TSH 890
FISCAL YEAR
 2002 - 2004 .

ABBREVIATIONS AND ACRONYMS

BoT	Bank of Tanzania
CIDA	Canadian International Development Agency
DANIDA	Danish International Development Association
DFID	Department for International Development (UK)
ESDP	Education Sector Development Program
EU	European Union
GER	Gross Enrollment Ratio
GNP	Gross National Product
HIPC	Heavily Indebted Poor Country
HRDP	Human Resources Development Project
IBRD	International Bank of Reconstruction and Development
IDA	International Development Association
IEC	Information, Education and Communication
JICA	Japanese International Cooperative Agency
LGRP	Local Government Reform Program
MCDWAC	Ministry of Community Development, Women Affairs and Children
MDAs	Ministries, Departments and Agencies
MLYD	Ministry of Labor and Youth Development
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoSTHE	Ministry of Science, Technology and Higher Education
MTEF	Medium-Term Expenditure Framework
NBS	National Bureau of Statistics
NECTA	National Examination Council of Tanzania
NGO	Non-Governmental Organization
NORAD	Norwegian Agency for International Development
PEDP	Primary Education Development Program
PER	Public Expenditure Review
PMO	Prime Minister's Office
PO-RALG	President's Office- Regional Administration and Local Government
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Program
Sida	Swedish International Development Agency
TASAF	Tanzania Social Action Fund
TIE	Tanzania Institute of Education
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education
URT	United Republic of Tanzania

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THE UNITED REPUBLIC OF TANZANIA PRIMARY EDUCATION DEVELOPMENT PROGRAM (PEDP) PROJECT

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**THE UNITED REPUBLIC OF TANZANIA
PRIMARY EDUCATION DEVELOPMENT PROGRAM PROJECT**

CREDIT AND PROJECT SUMMARY

Borrower: The United Republic of Tanzania

Amount: SDR 119.1 million
(US\$ 150 million equivalent)

Terms: Standard IDA credit terms with a maturity of 40 years

**Credit Objectives
And Description:**

The proposed credit is to support the Government of Tanzania to reform its primary education system through the Primary Education Development Program (PEDP). The objectives of the PEDP are: to improve education quality, expand school access, and increase school retention at the primary level. The objectives would be achieved through measures to increase resource availability, improve resource allocation and utilization; to improve educational inputs; and to strengthen institutional arrangements for effective primary education delivery. The PEDP would include (a) introduction of capitation and development grants for primary schools; (b) further development of educational inputs; and (c) institutional capacity building at central, district, and school levels for efficient operation of primary education system.

Risks: The overall program risk rating is not high given government's long-term commitment to the sector and institutional development, particularly with the Prime Minister's Office's oversight of the program. Major risks include: (a) weak coordination between Ministry of Education and Culture (MoEC) and Regional Administration and Local Governments (PO-RALG); (b) primary school enrollment may exceed program estimates and system capacity in the first year; (c) insufficient capacity to manage primary education delivery at the district level. In addition, although Tanzania is establishing a sound system of formal rules for financial management, issues of non compliance, limited execution, inadequate monitoring, insufficient capacity and weak enforcement constitute major risks in financial accountability and management.

Benefits: The major benefit of the operation is to produce more and better qualified primary school graduates to establish a solid foundation for building a much strengthened labor force to support the overall development efforts of Tanzania. In addition, decentralized education management will lead to more effective service delivery with greater involvement of schools and communities.

**Estimated
Disbursement:**

Three tranches of SDR 39.7 million (US\$ 50 million equivalent) each will be disbursed after the agreed actions of tranche release are successfully completed.

**REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED
PRIMARY EDUCATION DEVELOPMENT ADJUSTMENT CREDIT
TO THE UNITED REPUBLIC OF TANZANIA**

I. INTRODUCTION

1. I submit for your approval the following report and recommendation on a proposed adjustment credit to the United Republic of Tanzania in the amount of 119.1 million Special Drawing Rights (SDR), or US\$ 150 million equivalent, in support of the Government's reform program for primary education. The credit would be on standard IDA terms with 40 years maturity and a 10-year grace period.

2. The objective of the IDA adjustment operation is to provide support to the Government of Tanzania in reforming the delivery of primary education through the Primary Education Development Program (PEDP) as the first phase in the development of its Education Sector Development Program (ESDP). The PEDP project aims at improving quality, increasing school retention, and expanding school access at the primary level. The objectives are to be achieved through measures to improve resource availability, allocation and utilization; to strengthen educational inputs; and to improve institutional capacity for effective delivery of primary education. The IDA operation would support major policy measures including: (a) introduction of primary school capitation and development grants, (b) provision of funds for further development of educational inputs, and (c) institutional capacity building at central, district, and school levels for efficient operation of the primary education system. Based on the projections of the resources needed for achieving the government's policy goals for the development of primary education, available budgetary allocation without the external support would be over 40 percent lower than the estimated costs during fiscal years 2001/02 through 2003/04. To effectively tackle the sector issues, immediate additional funding is therefore necessary to support investments in the Government's PEDP.

3. The structure of the report is as follows. Part II of this document presents the macroeconomic context in Tanzania. Part III describes government's overall program and major components of PEDP. Part IV provides details of IDA's operation. Part V discusses IDA's portfolio implementation, particularly with regard to lessons learned from IDA operations in the country context. Part VI discusses the collaboration between Tanzania and the International Monetary Fund and other external donors. The report concludes with a recommendation for credit approval from the Executive Directors.

II. MACROECONOMIC CONTEXT

4. Over the past four years, the Government of Tanzania intensified macroeconomic policy reforms with the aim of creating a more stable macroeconomic environment. Tanzania has successfully completed implementing actions agreed to under the three-year IMF's Poverty Reduction and Growth Facility (former ESAF) and IDA's Programmatic Structural Adjustment Credit (PSAC). The macroeconomic reforms were pursued with the understanding that such stability was necessary to achieve sustained growth, which is required to reduce the pervasive poverty in the country. As a result, Tanzania has progressed significantly in reestablishing macroeconomic stability. Inflation has fallen from levels in excess of 30 percent in 1995 to single

digit at 5.1 percent at the end of June 2001; the exchange rate remained reasonably stable for the 18 months prior to the recent 11.3 percent depreciation. Official external reserves increased from about 1.6 months of imports of goods and non-factor services in 1995 to 5.1 months of goods and non-factor services in 2001. The overall fiscal balance, including grants, has had a surplus of between 0.2 percent and 1.6 percent of GDP from 1998 to 2000. The deficit to GDP outturn (excluding grants) was 2.6 to 5.8 percent between 1998 to 2000. In the medium term, however, this improvement will need to be grounded in a strong fiscal system to ensure sustained macro-stability.

5. In parallel with the macroeconomic reforms, the GOT also carried out structural reforms focusing on realigning the incentive structure toward increased exports, using scarce foreign exchange more efficiently, liberalizing markets for goods and services, and reducing the involvement of the public sector in commercial activities. A large part of the economic distortions have been dealt with effectively. Although still fragile and shallow, markets are relatively free, the parastatal sector and the civil service are considerably smaller, and a significant improvement in fiscal discipline has taken place, particularly in enforcing cash budgets and introducing a computerized budgeting and accounting system – the Integrated Financial Management System (IFMs).

6. Notwithstanding the above progress, growth remains low by the standards of strong African performers and is fragile because of high dependence on foreign aid. The growth rate from 1998 to 2000 has averaged around 4.6 percent, or approximately 1.7 percent growth in per capita terms. With 51 percent of the population living below the international poverty line of \$1 a day, the Government has embarked on an aggressive poverty reduction strategy, which emphasizes both higher growth and more effective public service delivery. Tanzania's PRSP was endorsed by the Boards of the IDA and IMF on November 30, 2000 (document number IDA/SecM2000-618). The strategic prioritization areas are reflected in the budget for FY01, and in the budget for FY02 presented to Parliament in June 2001. The poverty reduction strategy emphasizes priority sectors of primary education, primary health care, agricultural research and extension, rural roads, the judiciary, and HIV/AIDS. A progress report on the first year of implementation of the PRSP is to be submitted to the Boards of the IDA and the IMF by September 2001 prior to being considered as one element required for reaching the HIPC completion point.

7. Tanzania's economy today is largely market oriented and has in place many elements required for private sector-led growth. However, it does not have an adequately qualified and trained work force essential for rapid economic growth, and effective diversification of the production and export bases. The combination of intermittent economic growth, fiscal constraints, and inadequate sector policies and programs constrained the performance of the education sector in the late 1980s and early 1990s. The gross enrollment rate in primary schools has been stagnant at around 77 percent since 1995. In addition, only about 60 percent of the relevant school age children complete primary school while the secondary school gross enrollment rate is still extremely low at 8 percent.

8. Overall, the education system in Tanzania performs far below what is required to meet its development needs. Poor education quality, low access and retention in primary schools are primarily due to insufficient school inputs, resulting in inefficiencies in the system. These issues are further linked to the insufficient public funding of the sector, thus high and unaffordable costs imposed on households. At the secondary level, limited public provision, together with increased demand results in expanded private provision and rising costs. Increasing public financing of the education sector is therefore essential for improving sector performance in the areas of enhancing education quality and expanding enrollment coverage.

III. PRIMARY EDUCATION DEVELOPMENT PROGRAM (PEDP)

9. PEDP is a major component of the Government's Education Sector Development Program (ESDP) which also includes, secondary, tertiary and higher education, and non-formal education. Because of the sizable nature of the task to develop an investment program for all sub-sectors concurrently, the decision was made to first address issues in the primary education sub-sector. The first phase of ESDP will focus on policy measures and investments designed to provide sufficient public funding to primary education in order to alleviate the cost burden on households, provide inputs necessary to ensure minimal standards of instruction quality, enhance internal efficiency, as well as increase access to primary education, particularly in areas and among demographic groups that are socially and economically disadvantaged.

A. Sector Issues

10. Extensive sector analyses have been done since mid-90s. Government has also recently finalized the Education Sector Country Status Report (CSR), which drew from the analytical work which had been done previously, and deepened the analysis of costs and financing issues. Assessment of the impact of socio-cultural factors, household costs of primary education, as well as the possible impact of the removal of UPE fees and other levies on school quality and enrollment was also based partly on studies prepared by agencies and NGOs such as UNICEF, Maarifa ni Ufunguo, and the Aga Khan Foundation. The CSR and these studies formed the basis of extensive discussions of sector issues and development strategies with donors and NGOs. In addition, the Public Expenditure Review and Medium-Term Expenditure Framework processes have provided insights into public finance issues in the sector. The major sector issues identified in these analyses and addressed in PEDP are summarized in the following section.

Quality

11. Examination scores. In the absence of standardized performance assessment, the results of the Primary School Leaving Examination is used as an proxy for academic performance. Based on the PSLE, the quality of primary education is low. The average score during 1997-99 was just above the minimum passing score of 40 percent. Regional and gender disparities are large. In 1999, the average PSLE score was 60 in Arusha and 55 in Dar es Salaam. In contrast, it was 30 in Shinyanga and 32 in Tabora. The overall average score of pupils in urban schools was 53, compared to 39 for those in rural schools. With regard to gender differences, the 1999 PSLE average score was 36 for girls and 42 for boys.

12. School Inputs. The average teacher-pupil ratio in primary schools was 1:39.8 in 1999, which is lower than the government benchmark of 1:45. However, there are variations across regions: teacher-pupil ratio varies from 1:32 in Kilimanjaro to 1:56 in Shinyanga. At the same time, primary school teacher qualifications are low: 54 percent of the primary teachers have minimal training beyond their own primary schooling while only 46 percent have the required grade A qualification. Urban authorities benefit from a larger percentage of the more qualified grade-A teachers (47 percent) than rural areas (37 percent).

13. Learning materials and educational inputs are in short supply. Textbook shortage exists in almost all subjects. In some districts, available textbooks in the two basic subjects of Kiswahili and Math provide only 60 - 65 percent coverage (based on the target book:student ratio of 1:3), while other subjects can be as low as 12 percent. Library facilities are practically non-existent, and the curriculum content is deemed to be inappropriate and rigid.

Internal efficiency

14. At the primary level, while an estimated 83 percent of the age cohort currently enters grade 1, only 70 percent of the entrants reach the end of the primary cycle (Grade 7). This implies that on average only 58 percent of each age cohort obtains a complete primary education.

The dropout rate is highest in grade 4 which is to a large extent related to poor performance in grade 4 exams, which is used to screen students for upper grades. On average, it is estimated that it takes 9.6 years to complete the 7-year cycle of primary education.

15. Late school entry. Studies on Tanzania show that over 81 percent of school entrants start school later than age 7. Most importantly, late school entry is highly correlated with higher likelihood of dropping out. Over-crowded classrooms limit entrants to grade 1, creating a backlog which often forces some children to start school later as older children are given preference. Long distances between households and schools in some areas also affects school entry age. Children need to be big enough in stature to cover the long distances and there are safety concerns associated with girls and for children in areas with wild game commuting long distances.

School access

16. Current overall entry rate to grade 1 is reasonably high at 83 percent and gender disparities do not appear to be significant. However, regional disparities in enrollment are prevalent. In some regions, the entry rate falls to below 70 percent.

17. Scarcity of schools and classroom facilities are major obstacles to achieving UPE, especially with a growing school-age population. Classrooms are estimated to be 41 percent below requirements and staff houses at 78 percent. Toilets, desks, chairs and other school inputs are also in short supply. On average, there are two teachers and 76 pupils per classroom. The impact of these shortages is aggravated by very limited use of double-shifting and multi-grade teaching.

18. The direct monetary cost of schooling imposed on parents curtails household demand for schooling: school fees and levies, expenditure on textbooks, uniforms, as well as development levies all add to the financial burden of households with school-age children. Supply-side constraints have also seriously suppressed household demand for education as many schools are inconveniently located to allow easy access. These factors add to the already high opportunity costs of schooling.

HIV/AIDS and school health issues

19. A particularly important and growing threat to the education system is the HIV/AIDS pandemic. HIV/AIDS affects both education coverage and quality. It dampens the demand for education as affected households have fewer resources to spend on education either because of reduced income due to illness of income earners or diversion of scarce resources for health care. Children in these households are often pulled from school to care for ill parents or have to work to make up for lost household income. At the same time, the epidemic affects the supply of educational services at all levels through increased mortality, morbidity and absenteeism among teachers and education personnel. Currently, there are a number of health programs under implementation to reduce HIV transmission for both children and teachers. However, the momentum of the epidemic will continue to cause decreased supply and demand if actions are not taken to mitigate its effects (including actions that can be taken in the education sector). Therefore, systematic forecasting and planning is needed for future sector and human resource development.

20. There are also other health and nutrition problems that constrain the learning of school age children. Poor physical condition and malnutrition are important underlying factors for low school enrollment, absenteeism, poor classroom performance and early school dropout. Some recent school health pilot programs have proved to be quite effective. However, a national school health and nutrition program has not yet been developed. A coordinated program and action plan for implementation will be developed during the program period for implementation.

Sector resource and private costs

21. **Public finance:** Tanzania's education sector is under-funded. Currently, public spending on education constitutes only 2.3 percent of GDP. This level of expenditure is low even when compared to other African HIPCs' current average of 4.0 percent. The low public expenditure on education reflects the weak fiscal capacity of the government with tax revenues averaging only 11 percent of GDP during 1997-1999. Therefore, even with around one-fifth of government spending being devoted to education, the total public expenditure on education is only a small proportion of Tanzania's total GDP. Consistent with the Tanzanian government's policies and given its limited resources, budgetary priority is accorded to primary education. In 1999, 62 percent of the education recurrent spending was devoted to primary education to support government's goal of UPE.

22. **Resource allocation:** Within primary education, the resource allocation pattern is largely inequitable and inefficient. As teacher salaries represent a bulk of the resources allocated to primary schools, the deployment and utilization of teachers generally underlies the pattern of resource allocation. Rural-urban and regional variations in pupil-teacher ratios indicate discrepancies in the deployment of teachers according to school enrollment size, suggesting that there are more teachers in urban than in rural schools. Another factor related to public resource allocation across primary schools is the profile of teachers with different levels of education, training and experience and thus different pay scales. For example, grade A teachers constitute about half of the total teaching staff in urban schools on average, compared to around 40 percent in rural schools. Therefore, for primary schools of the same enrollment size, teacher salary cost per student is higher in urban schools (estimated at 20,000 Tsh per year) than in rural schools (estimated at 16,400 Tsh per year).

23. **Resource utilization:** Since 1995, personal emoluments have averaged 96 percent of total government recurrent expenditure at the primary level, leaving only 4 percent of the residual to be devoted to various recurrent outlays on teaching and learning materials, examinations and related expenses. This implies that most schools and students have limited basic teaching and learning materials and facilities.

24. The extra resources from savings due to efficiency gains are limited given the current national primary teacher-pupil ratio of 1:40 and the low proportion of grade A teachers. In addition, there is no strong evidence that teachers are overly compensated for their qualifications or skills in the context of the Tanzanian labor market, particularly with regard to the pay structure of the civil servants. Therefore, additional resources are essential for primary education development.

25. **Private costs.** In the mid-1990s, the GoT instituted cost-sharing in primary education, mainly through UPE fees and other school levies. The policy objective was to enhance private and community participation and sustainability of financing education given the government's fiscal constraints. As a result, many households shoulder a significant share of their children's educational expenses which they can ill afford. During the 1998/99 school year, households with children in primary or secondary schools paid over half of the total cost per student. The opportunity cost of schooling, thus forgone child labor and income, takes another toll on household's resources.

Institutional arrangements and management

26. Historically, the MoEC was responsible for policy formulation as well as the delivery of education. However, the centrally controlled system proved to be unsustainable and started to crumble by the mid-80s, when the central government was no longer able to plan and monitor

effective delivery of education service. In view of this, responsibility for education delivery and operations has been decentralized to districts under PO-RALG. Currently, PO-RALG is being restructured to carry out decentralized functions including education delivery. Limited human and financial resources have been the major constraints at the district level. Efforts at the school and community levels to address issues of coverage, quality and efficiency of primary education have largely been ineffective, due to the inadequate training and insufficient resources for school committees and school operations and development. In addition, in spite of the change, MoEC's current organization structure remains oriented to programs and education delivery. To address this, the ministries' roles and mandates have been redefined from direct services delivery towards strategic, policy and regulatory functions under the ongoing Public Service Reform Program. Staffing at the MoEC is yet to reflect the re-orientation to policy and regulatory functions. There is a dearth of professionals with skills and experience in policy analysis and formulation, planning and monitoring and evaluation. Furthermore, the current staff in the ministry needs to undertake a difficult reorientation from a hands-on service delivery and directing culture to a strategic and guiding role.

27. Availability of funds: One of the major factors of resource deficiency is how funds flow downstream to the school level. Currently, subventions are made to meet personal emoluments and other charges from the Ministry of Finance (MoF) to councils to fund recurrent expenditure requirements of primary education. In addition, the disbursements via MoEC were mainly for centrally procured goods and services such as administration of examinations rather than on educational inputs. At the same time, the system suffers from intermittent disbursement of the development funds from the central government to the districts. This constitutes one of the major obstacles to strategic planning of school development.

28. Fund flow from the district to the school level is another serious issue. Currently, few districts fund education activities from their own sources. Moreover, the district councils retain close to 60 percent of UPE fees contributed by parents, in spite of a 1997 directive from the MoEC requiring that these fees be retained at the school level. A number of ad hoc initiatives with donor support are currently underway to help increase the fund flow to the community or school level. However, to establish a more sustainable system, clear criteria for regular and adequate releases of funds directly to the school level have to be established, along with systems and capacity building at the district and school levels for effective fund utilization.

29. Decentralization: As noted above, the government has reformed the system for primary education provision. This effort is correctly understood as part of the nation-wide process of a comprehensive reform of local government, and its relationships with other agencies at the central and regional tiers of government. However, decentralization is a complex and slow process demanding considerable technical and financial resources at both the central and local government levels. Resources were neither ample nor readily available at the launch of the reforms. In addition, many perceived risks by stakeholders plus resistance to the changes at the technical levels have resulted in significant delays of the actual implementation. These issues are now being addressed by the Government.

30. Donor Support: The donor community has made considerable efforts to support the decentralization process and to ensure that resources are devolved to the school and community levels. A significant portion of donor contributions is transferred directly to districts. However, as a substantive part of the aid inflows do not pass through the Government budget, government's capacity to carry out policy formulation, planning (including resource allocation) and implementation of its development programs is reduced. Further, given the complexities and delays involved in decentralization, donor-supported efforts are not yet fully harmonized with the government's broader decentralization policy and programs. Some projects are too donor-driven, costly and unsustainable and appear to favor districts with better-established capacities.

Additionally, each donor has unique funding processes and modalities, making donor coordination difficult for MoF, MoEC and PO-RALG. Therefore, the establishment of clear procedures for managing the delivery of education at the decentralized level with respect to funds allocation, utilization and auditing would facilitate better use of donor resources and bring these within the regular government administrative structure.

B. Government Strategy and PEDP

Government Strategy

31. Social sector development is regarded as one of the most important elements within the overall poverty reduction and development framework. In 1995, MoEC prepared an *Education and Training Policy* that emphasized liberalizing the education sector in step with the rest of the economy and increasing the accountability of service providers to clients. The Education Sector Country Status Report, Education Sector PER and MTEF have identified the critical constraints on the provision and further development of primary education as well as the broader education sector issues. Furthermore, with the overall objective of producing more and better qualified graduates to support the development efforts of Tanzania with much strengthened labor force, the Government's sector policies are being refined and finalized based on extensive consultations with technical working groups comprising all stakeholders.

32. As stated in the Government's Letter of Primary Education Sector Development Policy, PEDP is the priority of the Government's sector-wide development program, focusing primarily on policy measures and investments designed to provide sufficient public funding to primary education, to alleviate the household cost burden, to ensure adequate school inputs, to enhance education quality and internal efficiency, and to increase access to primary education.

33. Large increases in fund flows, together with the abolition of school fees and other levies, would result in a sharp enrollment increase in school year 2002. In order to manage this enrollment surge, the Government has developed a number of options for rapid progress towards UPE based on managed growth strategies that will avoid widespread deterioration in learning conditions and will be financially sustainable. Currently, government has considered a *phased* approach to the enrollment expansion. The 3-year target between 2002 and 2005 will be to enroll all 7-10 year olds, thereby eliminating the backlog of 8-10 year old out of school children while establishing the capacity to admit all seven year olds in grade 1 from 2005 onwards. This target would be reached by admitting about 1.5 million children per year in 2002-2005, almost doubling the current number of new admissions. By 2004, the gross enrollment ratio would reach 117 percent.

34. Government plans to take well-coordinated actions covering the areas of new admission policy; flow of school capitation grants; provision of school development grants and related classroom construction; teacher employment and allocation; and institutional capacity building at each level. The sector would face a huge challenge in this regard, as the national projection shows that over 9,000 teachers need to be hired, and about 14,000 classrooms need to be built before school year 2002.

35. In addition, strengthening the technical design of educational inputs such as curriculum, examinations and assessment, pre-service and in-service teacher training, school health and nutrition programs, particularly in the context of the threat of HIV/AIDS epidemic, is to start immediately.

Primary Education Development Program

(1) Primary school grants

A. Capitation grants

36. To address the issues of scarcity of resources and limited school inputs, the program will introduce capitation grants to allow funds flow to school level through the council bank account no. 5 to finance school recurrent costs. The capitation grant is estimated at US\$10 per pupil, including US\$4 for textbooks, and US\$6 to support other teaching and learning materials, school operation and administration, and cluster-based teacher professional development.

37. The capitation grant will finance school plans for school operations prepared and implemented by school committees under the supervision of wards and districts. However, school plans will follow broad specifications of inputs prepared within the policy framework adopted at the central level. The plans will also have to be prepared within the administrative structure of the Local Government Reforms which require school committees to prepare the plans in a participatory manner and have them approved by the legally constituted body, the Village Council.

38. At the initial stage, US\$4 out of the capitation grant will be distributed to the district level in line with GoT's current phased textbook decentralization program until full decentralization of procurement of textbooks is realized at the school level. Eventually all schools will receive \$10 per student when they start to manage textbook purchase themselves. In order to adequately prepare all districts for developing school plans, managing grants and to test the system, the rest of the US\$6 of capitation grant will be implemented in two phases. In the first phase starting January 2002, a capitation grant of \$3 will be provided to all schools for maintaining minimal operational costs. The additional \$3 will be added to those schools/communities which have completed and submitted annual plans for their budgets, respecting guidelines that have been agreed upon at the district and central levels. It is anticipated that around 30 councils will receive the full amount of \$6 capitation grant by school year 2002. In the second phase starting in January 2003, all schools are expected to have developed school level plans and will receive \$6 in capitation grants. To help ensure community interest and supervision of the spending of the grants, voluntary community contributions will be commingled with the capitation grants into one bank account.

B. Development grants

39. In addition to lack of school materials and inputs, there is currently a severe shortage of physical facilities. Classroom deficit exists in every district using MoEC's standard of 45 pupils per classroom. However, the degree of classroom deficit varies. An efficient allocation of about 14,000 new classrooms would aim at equalizing pupil-classroom ratio across districts.

40. The *development grant* will support the construction, rehabilitation, furnishing and equipping of classrooms, including sanitary facilities, and construction of teachers' houses. Construction methods will be built on ongoing low-cost school community building programs supported by the PO-RALG and donor agencies such as DfID, Ireland Aid and the Netherlands. Efforts will also be made to coordinate with districts covered by TASAF to continuously promote community participatory approach in school construction. School places would especially be expanded in rural areas and poor or remote communities. To promote community ownership and participation, voluntary community contributions either in cash or kind will be encouraged.

41. Construction feasibility is a major concern in some districts, due to the large number of additional classrooms needed. For example, in Kahama district, over 1,000 classrooms are needed before 2002 school year starts. Detailed construction plans at the district level are to be laid out immediately to identify the construction sites and mobilize both financial and human resources.

42. *Teacher employment and allocation:* The overall rapid increase of enrollment requires additional teachers with adequate qualifications. The new hiring need is even more pressing given the rigidity of teacher deployment across districts. It is projected that an average of about 10,000 new teachers are needed each year between 2002 and 2004, assuming around 10 percent of the teachers teach double-shift. According to the most recent teacher audit report, there are an estimated 20,000 to 25,000 unemployed teachers on the job market. Therefore, overall teacher supply does not constitute a serious constraint for the next three years. However, a difficult issue is the uneven teacher distribution across districts, reflected by a wide variation in pupil-teacher ratios across districts. Using 45:1 PTR criteria, it is estimated that about one-third of the districts currently have surplus teachers. An efficient allocation of teachers with standard pupil-teacher ratio is necessary for efficient resource allocation, as well as to ensure adequate education delivery. However, redeployment of teachers may be difficult because of social and political constraints. Therefore, government's current strategy to deal with surplus teachers would focus on utilizing the existing teaching force by promoting school enrollment so as to utilize as much existing teaching resources as possible in teacher-surplus districts, and assigning new teachers to districts with highest PTRs. However, the enrollment expansion has its upper bound. Therefore, although school-age population growth will eventually eliminate surplus of teachers within 5 to 10 year period, wastage of resources in the short-run is unavoidable if re-deploying teachers is practically difficult.

43. Current teacher allocation plans relate to the uneven needs of new hiring of teachers across districts. For example, according to district-level projection, in 2002, about 900 of the new teachers should be needed in Kahama district. Nationwide, more than 4,000 new teachers will be needed in 5 districts of Mbulu, Musoma rural, Bariadi, Kwimba, and Kahama. These districts are to a large extent economically or socially disadvantaged areas. Therefore, incentive schemes, such as relocation packages including provision of teacher housing, are to be designed in line with teacher allocation targets for these and similar areas.

44. Furthermore, the deployment of teachers within districts is also a key aspect of efficient teaching resource allocation. Detailed district plans will be put in place to ensure equitable distributions and adequate provision of teacher resource across wards and schools.

45. *Teacher training:* Teachers are the main instrument for bringing about quality improvement in the learning experience and learning progress of children in primary schools. In this regard, Government plans to provide support for in-service professional development of teachers on a continuous basis through cluster-based training within individual schools. Supported by the capitation grants, the focus of this program is to strengthen the capacity of primary school teachers including head-teachers to take greater responsibility for improving classroom teaching and learning. The training program would cover classroom management, multi-grade and double-shift teaching, work plan preparation, pedagogical and teaching skill development, etc. In addition, school heads would acquire improved capacity for professional leadership, organization and management, planning and mobilization of resources, and collaboration with communities. These cluster-based training will be facilitated by a professional support network through Teacher Resource Centers.

46. In addition to cluster-based teacher professional development, other in-service programs for upgrading the levels of qualifications of teachers will be enhanced based on a revised structure of existing initiatives which are already being supported by some donors.

47. In parallel, priority also needs to be given to quality improvement in pre-service teacher education in order to ensure production of high quality teachers. Quality improvement strategies will include re-structuring pre-service training and consolidation of the teacher training college system for effective utilization of resources. This would require improvement in the areas of

recruitment of quality staff and students; staff professional development; financial and resource base; organization and management structure; and curriculum development; and the linkage of the pre-service and in-service teacher training and development system.

(2) Institutional capacity building

48. To ensure that primary school grants and teacher resources are managed effectively, management at each level will be fully involved. During the initial six months of the PEDP, all parties from the central level down to the school and community level will undergo a sensitization program which will focus on how the PEDP will be implemented. They will also receive intensive training and equipment to ensure that everyone is prepared to implement the program at the beginning of the school year in January 2002. Regional offices will provide technical support to district and ward education officers who will be responsible for the overall oversight of the use of both the capitation and development grants in the PEDP program. District and ward education officers will monitor progress and supervise school operations and provide technical support to school committees and supervision of substantive issues addressed in school plans. To help districts take on these additional responsibilities, each district will, in addition to undergoing sensitization programs and receiving equipment and training, receive the equivalent of ten percent of the capitation grant to facilitate the supervision and implementation of the Program.

49. *School and Community Level:* In order to prepare school committees for various managerial responsibilities in education delivery, the district implementation support team, together with the ward education officers, will train the village/Mtaa council, school committee, head-teacher and other teachers in: (i) how to make a school plan and budget; (ii) how to shop for and procure goods and services; (iii) how to evaluate bids; and (iv) how to keep records of cash inflows and expenditures. Head teachers will be trained in pedagogical support and school management, including accounting, supervision of teachers, data collection and use, and school-community relations. Community leaders will also be trained to better understand the role of the community in the provision of education, as well as in the management of resources for school improvement.

50. *District Level:* The district implementation support team and ward education officers will be resourced to provide technical and logistical support to school committees and guide school management teams on education policies and standards. In the context of the Public Sector Reform Program, capacity building at this level would emphasize strengthening management capacity to monitor and evaluate provision of primary education by establishing mechanisms for supporting wards and communities which would be responsible for the day-to-day running of schools. This would include collection and analysis of data on implementation progress, achievement of district and national education development goals, as well as the extent to which communities' needs are met. The current functions at this level of the administration of national examination and assessment and school inspection will also be strengthened.

51. *Central Level:* Following the design of the Public Sector Reform Program, PEDP also provides technical assistance to strengthen the capacity of MoEC and related institutions in technical design, implementation and monitoring and evaluation of primary education programs as well as in policy and planning, consistent with the changed roles and responsibilities of MoEC. Changes in staff size and profile will be handled in the context of PSRP. Technical assistance will also be given to strengthen the roles of PO-RALG in providing technical support to the District Councils in planning, budgeting and program implementation of district plans.

52. *Information System for Monitoring and Evaluation:* The Government proposes to strengthen the information systems and processes used for monitoring and evaluation. This is critical given GoT's focus on further development of primary education and as HIPC resources

and increasingly donor funds begin to be disbursed through the regular government budget. Substantial computer capacity to support an EMIS system is being established in the MoEC. Similar capacity would also be established to link the PO-RALG and districts into the system. Further focus would be on the establishment of the capacity at the PO-RALG for data recording and compiling, and MoEC for data analyses for the purpose of effective system monitoring and evaluation.

(3) Improving Design of Educational Interventions

A. Educational inputs

53. PEDP includes measures to further strengthen basic education, introducing reforms as necessary in the areas of curriculum and textbook design; examinations and assessment design and administration; pre-service teacher training; in-service teacher training and teacher upgrading, professional development and support at the school level and general school administration and management. Funds will be provided to identify existing deficiencies and provide technical advice in these areas. Policies and timebound action plans would be developed to implement more efficient arrangements to increase the availability and effective utilization of these inputs in schools.

B. School health and HIV/AIDS program

54. A school health and nutrition program is to be introduced to improve the health status of pupils. In addition, an effective strategy for HIV/AIDS prevention and impact mitigation is to be developed, specifically focusing on increasing knowledge and life skills to protect primary school children, teachers and educational personnel from AIDS as well as to develop central and school level policies to prevent and mitigate the negative impact HIV/AIDS will have on the education sector (teacher absences, teacher deployment, sexual harassment, etc).

C. Program Feasibility

55. PEDP is ambitious yet technically sound. The technical design of various components of the program was done through government's thematic technical working groups on school access, education quality, financing and resources, and institutional arrangements. These technical designs are built on on-going programs which are being further revised and modified and will be used as a basis for preparing school plans. To ensure program feasibility and effectiveness, government has commissioned technical assistance for consultation in the areas of: school construction and rehabilitation; further expansion and development of the Interim Textbook Program; strengthening the content of in-service teacher professional development. In addition, to ensure the successful implementation of PEDP, the Government has established adequate institutional arrangements including a series of revised regulations and procedures in financial management and procurement to ensure efficient funds flow to the school/community level and effective fund utilization particularly at school/community level. See Annex F for the Government's detailed PEDP implementation and institutional arrangement.

56. PEDP is also financially feasible. An adequate amount of sectoral budget allocation has already been included in the newly published government budget for fiscal year 2002. The budgetary increases particularly reflect the priorities given to the improvement of primary education delivery under local government. The budget envelop projection figures for FY2003 and FY2004 are taken from Tanzania Ministry of Finance's cross-sector MTEF. The projections from FY2005 and onwards follow the assumptions of the key parameters as follows:

- 5-6 percent GDP growth;
- marginal tax rate 13 percent in 2005, gradually increased to 15 percent;
- around 55 billion Tshs (in nominal terms) of HIPC funds in-flow annually;
- 25 percent of government recurrent expenditure goes to education sector;

- 62 percent of education spending goes to primary education.

57. Total PEDP cost is estimated at 977 million US dollars for fiscal year 2002 and 2004. The projections indicate that external resource requirement would be reduced to zero in 2012 as domestic revenue grows mainly due to economic growth. However, 427 million US dollars of external resources would be needed between FY2005 and 2012. Currently, donors such as DfID, EU, Netherlands, SIDA, JICA, Ireland Aid, CIDA, have contributed a substantial resource pool to PEDP for FY 2002. With the Government commitment to the sector development and donor's continuous support, adequate public resources to the sector, particularly to primary education would ensure a sustainable path for further development.

D. Poverty Reduction and Social Impact

58. PEDP will benefit all households with school age children by improving school inputs and education quality. The abolition of school fees will especially benefit poor families that could not previously afford primary education. The expansion of primary education would also improve school access in remote areas where most of the economically and socially disadvantaged populations are located. With better access and quality of basic education, the poorest population would have an opportunity to strengthen their capacity of earning a decent income.

59. Besides benefiting the target populations, better educated graduates would provide the overall development efforts of Tanzania with much strengthened labor force. Poverty reduction will be achieved at a potentially faster rate. Improved quality of life, beyond those resulting directly from higher income, will reduce mortality rates and improve nutrition and health standards. In addition, large amount of fund flows into communities for school construction and school materials will bring increased demand for local goods and labor thus potentially increased individual income.

60. An improved public policy and financial management system would increase the effectiveness in the use of public sector and donor resources by better identifying priorities of investments, and improving targeting of resources to high priority areas with minimum leakage. Decentralization of education management will lead to more appropriate solutions for communities and more effective delivery of education services. Schools and communities will have greater input in decision making, giving them a greater stake and interest in the success of education service delivery.

IV. THE PROPOSED PRIMARY EDUCATION DEVELOPMENT ADJUSTMENT CREDIT

A. Credit rationale and coverage

61. The education sector has been given priority in the context of government's comprehensive poverty reduction strategy. Supporting Tanzania's primary education is one of the most important strategic components specified in IDA's latest Country Assistance Strategy (CAS, discussed by the Board on June 15, 2000; document number IDA/R2000-90[IFC/R2000-96]) in Tanzania, targeted at fostering socially and economically sustainable development by reducing poverty and inequality through investment in human capital. With projected deficits resulting from the comprehensive scope and goals of PEDP, the IDA operation would provide funding to support the major components of the sector development program

62. IDA has a fairly rich body of up-to-date cross-sectoral and sector-specific analytic work undertaken for Tanzania, including the Country Assistance Strategy, the Country Economic Memorandum and the Tanzania Social Sector Review, produced in close consultation with a

broad cross-section of Tanzanian stakeholders. Combined with the Tanzania-specific operational experience culled from a series of education projects supported by IDA and other donors, this knowledge base is expected to help further the achievement of Tanzania's goals in the primary education sub-sector.

63. IDA's work in supporting the decentralization and devolution program in Tanzania in the context of the Local Government Reform and the Public Service Reform Programs would also provide critical inputs for the development of appropriate institutional systems and capacities for improved delivery of primary education. IDA-Government collaboration on a range of issues, should create a strong foundation on which to build and implement the PEDP.

64. Finally, IDA has been instrumental in the establishment of a solid and candid dialogue between the Government and the donors active in the education sector in Tanzania. Continued close work with these donors should produce a well-coordinated and robust support package for primary education.

B. Risks

65. The overall risk rating is not high given government's long-term commitment to the sector development, particularly with the Prime Minister's Office's oversight of the program. However, major risks include: (a) weak coordination between MoEC and PO-RALG, including regional and district administration in the delivery of primary education; (b) primary school enrollment may exceed program estimates and/or system capacity in the first year, and there may not be enough classrooms or teachers to handle the surge in enrollment; (c) insufficient capacity to manage primary education delivery at the district level.

66. Although a relatively high CPIA rating has been proposed for Tanzania this year, the weakness in Tanzania's financial accountability and arrangements also calls for effective risk mitigation and management measures.

67. Recently Tanzania has put in place a sound financial management system with the introduction of an Integrated Financial Management System, and the enactment of the new Public Finance Act No. 6 of 2001 and the Public Procurement Act No. 3 of 2001. However, a lot of work remains to be done particularly in the area of capacity building and strengthening of the institutional monitoring and reporting framework. Specifically, weaknesses include (1) central and local government accounting and financial reporting; shortage of qualified and experienced accounting and internal auditing personnel due to unattractive civil service salaries; lack of effective sanctions for non compliance; lack of Government IT policy and weak records management, and (2) public sector auditing: inadequate resourcing both financial and human. The recently finalized Country Financial Accountability Assessment has identified the areas of relatively high risks.

68. The risks are reduced substantially given PO-RALG's full engagement and commitment to the program. Collaboration between MoEC and PO-RALG is strengthened as the program evolves. Regional Secretariats are further strengthened to support district level program implementation and effective education delivery. In addition, the enrollment influx in school year 2002 is expected to be more gradual than some neighboring countries' experiences, as enrollment increase has already started in many places with the information on PEDP and related policies passed through media.

69. Mitigation measures for risks in financial management and accountability include consistent utilization of the EPICOR Platinum system, public expenditure tracking, and a financial management manual for use at the school and community levels.

C. Credit and Disbursement Arrangements

70. The proposed IDA credit would be US\$150 million. The borrower would be the United Republic of Tanzania. The credit would be disbursed in three tranches of US\$50 million each for FY2002, FY2003 and FY2004. These tranches would be essential to fill Government's budgetary gap, particularly in the balance of payments, thus maintaining sound implementation of PEDP within a solid financial and macroeconomic framework. The first tranche would be released upon Board approval and effectiveness of the Development Credit Agreement. The other two tranches would be subject to satisfactory implementation of the reform program; and the completion of applicable actions for tranche release. The final draft policy matrix specifying the content of tranche release actions and performance targets was developed and agreed with the URT government during appraisal.

71. Disbursement arrangements will follow the simplified procedures approved by the Board on February 1, 1996. The Government of URT will open an account in the Bank of Tanzania. Upon IDA notification of tranche release, proceeds of the IDA Credit will be deposited by IDA in this account at the request of the URT government. Although a routine audit of the account will not be required, IDA reserves the right to require it.

D. Agreed actions for tranche release

72. The Government is committed to the implementation of PEDP and has taken the following actions to facilitate PEDP progress.

General education:

- Completed and discussed the Education Sector Country Status Report prepared in 2000-01;
- Approved the Primary Education Development Program (PEDP) as the first phase of the Education Sector Development Program, consistent with the 1995 Education and Training Policy.

Expanding Enrollment:

- Approved a policy for the introduction of double-shift in two-thirds of all primary school classrooms to intensify classroom utilization;
- Lifted the freeze on teacher hiring;
- Abolished fees for pre-service teacher training.

Improving Quality of Teaching and Learning Processes:

- Introduced public funding for regular school level professional development of all teachers as part of the capitation grant;
- Approved a policy to provide incentives for teachers who have to teach double-shifts.

Building Capacity within the education system and other public and private sectors with a stake in education provision:

- Approved a policy authorizing School Committees to manage capitation and development grants;
- Established a Capacity Building Fund equivalent to US\$500 per School for the Training of School Committees.

Strengthening the institutional arrangements that support the planning and delivery of education services:

- Prepared a strategic plan for re-orienting the Ministry of Education and Culture (MoEC) to provide policy guidance and technical support, to establish minimum educational standards, and to monitor and evaluate education standards and delivery;
- Prepared a strategic plan for improving the function of PO-RALG in education service delivery;

- Allocated Tanzanian Shillings 160 billions in the budget to meet the FY02 recurrent costs of the PEDP

73. The following table contains other proposed tranche release conditions.

Policy Matrix and Tranche Release Conditions

Area of Reform	<u>Effectiveness Tranche Release</u>	<u>Second Tranche Release</u>	<u>Third Tranche Release</u>
General Education		<p>Achieved progress on PEDP annual performance indicators as outlined in the Letter of Primary Education Sector Development Policy</p> <p>Completed school development plans for 60% of schools and full capitation grants transferred to eligible schools.</p>	<p>Achieved progress on PEDP annual performance indicators as defined in the Letter of Primary Education Sector Development Policy.</p> <p>Allocated at least 20 percent of the primary education budget to non-salary expenditures.</p>
Expanding Enrollment	<p>Abolished UPE fees and other school levies. (Completed)</p> <p>Issued guidelines for implementing government's policy for admission to primary schools to ensure all 7 - 10 year old children absorbed in primary schools by 2004.</p>	<p>Introduced double-shift in 50% of all primary school classrooms.</p>	<p>Introduced double-shift in 80% of schools with pupil-classroom ratio greater than 60:1.</p>
Improving Quality of Teaching and Learning Processes	<p>Prepared Terms of Reference for revising the designs of in-service and pre-service teacher training programs, primary school curriculum, and examinations to facilitate enhanced student learning and classroom interaction.</p>	<p>Prepared an incentive package for the inter- and intra-district deployment of teachers, especially to increase teacher availability in rural areas.</p> <p>Revised the designs of in-service and pre-service teacher training programs, primary school curriculum, and examinations to facilitate enhanced student learning and classroom interaction.</p>	<p>Started paying incentives for teacher deployment</p> <p>Started implementing revised in-service and pre-service teacher training programs, primary school curriculum, and examinations to facilitate enhanced student learning and classroom interaction</p>
Building Capacity within the education system and other public and private sectors with a stake in education provision	<p>Issued instructions for School Committees to establish and operate bank accounts into which Capitation and Development Grant funds would be disbursed.</p> <p>Established mechanisms for the delivery of primary education through regional secretariats, local government authorities, wards, and schools. (Completed)</p>	<p>Issued a strategy for implementation of the National Policy for non-formal and adult education.</p>	<p>Completed School Development Plans in schools; opened and operated school bank accounts.</p> <p>Trained staff with direct responsibility for PEDP management in planning, implementation, monitoring and evaluation, as well as policy analysis and formulation.</p>
Strengthening the institutional arrangements that support the planning and	<p>Developed a national IEC strategy, including the provision of PEDP information and guidelines to all staff at the regional and district levels, teachers and School</p>	<p>Issued specific guidelines and procedures for decentralized school/community level procurement of goods and services for school operations and</p>	<p>Established an improved Educational Management Information System (EMIS) according to an agreed plan</p>

<p>delivery of education services.</p>	<p>Committees with direct responsibility for PEDP implementation. (Completed)</p> <p>Designated an official in PMO for PEDP coordination, and designated Program Coordinators in the Ministry of Education and Culture and in PO-RALG, to facilitate PEDP implementation.</p>	<p>development, including textbooks, other learning materials, and construction and furnishing of classrooms and schools.</p>	<p>Implemented a decentralized textbook procurement system in all Local Government Authorities that permits schools to procure textbooks</p> <p>Strengthened the school inspection system under which each school is inspected at a minimum once every two years</p>
<p>Financing the PEDP</p>	<p>Introduced a decentralized primary school funding and financial management mechanism, under which funds for primary education are allocated and released from the Ministry of Finance to the primary schools accounts through the education accounts of local authorities. (Completed)</p>	<p>Allocated adequate budget to cover (i) Capitation Grant and School Development Grant to school committees; (ii) administrative costs related to Capitation Grant and School Development Grant to Local Government Authorities; (iii) costs related to the provision of primary school teachers on the basis of 1:45 teacher/pupil ratio.</p> <p>Issued detailed criteria for Development Grant allocation between respective councils and all schools in each councils.</p> <p>Distributed the financial management manual describing mechanisms and procedures for the accurate accounting, reporting and auditing of PEDP funds to all schools and councils</p>	<p>Allocated adequate budget to cover (i) Capitation Grant and School Development Grant to school committees; (ii) administrative costs related to Capitation Grant and School Development Grant to Local Government Authorities; (iii) costs related to the provision of primary school teachers on the basis of 1:45 teacher/pupil ratio.</p>

74. The following actions have been completed:

- Abolition of UPE fees and other school levies through the 2001 Appropriations Act;
- Establishment of mechanisms, satisfactory to IDA, for the delivery of primary education through regional secretariats, local government authorities, wards, and schools;
- Development of a national IEC strategy, satisfactory to IDA, including the provision of PEDP information and guidelines to all staff at the regional and district levels, teachers and School Committees with direct responsibility for PEDP implementation;
- Introduction of a decentralized primary school funding and financial management mechanism, satisfactory to IDA, under which funds for primary education are allocated and released from the Ministry of Finance to the primary schools accounts through the education accounts of local authorities

75. The first tranche will be released upon the fulfillment of the following remaining conditions of effectiveness:

The Borrower furnishes to the Association evidence that it has:

- issued guidelines, satisfactory to the Association, for implementing its policy to admit all 7 -10 year old children in primary schools by 2004;
- prepared terms of reference, satisfactory to the Association, for revising the design of in-service and pre-service teacher training programs, primary school curriculum, and examinations to facilitate enhanced student learning and classroom interaction;
- issued instructions, satisfactory to the Association, for School Committees to establish and operate bank accounts into which Capitation and Investment Grants will be disbursed; and
- designated an official in PMO for PEDP coordination, and designated program coordinators, all satisfactory to the Association, in the Ministry of Education and Culture and in PO-RALG, to facilitate PEDP implementation.

V. IDA OPERATIONS

76. IDA has had nine education projects in Tanzania starting with the First Education Project in 1964. Following the Seventh Education Project approved in 1980, most recent projects in the sector include Education Planning and Rehabilitation Project (1990), and still on-going Human Resources Development Pilot Project I. Most of these operations are rated satisfactory with regard to their development objectives including improving education quality and efficiency, increasing school access, as well as promoting school retention. Most importantly, these operations provide valuable experience, and constitute a good basis for designing various elements of the sector-wide PEDP.

77. Tanzania has a long record of implementing adjustment operations. The recent Country Assistance Evaluation (OED) has identified strength and weakness of IDA's adjustment operations in Tanzania. This operation has reflected IDA's emphasis on addressing the issue of stagnant social indicators in Tanzania. In particular, it has significant operational implications in addressing one of the outstanding issues identified in the above report regarding the lack of balance between the attainment of fiscal discipline and protection of operations and maintenance spending. The introduction of school capitation grant would increase the proportion of non-salary spending to 20 percent of total primary education budget from the current level of only 4 percent.

78. Further lessons learned and reflected in the program design also include:

- It is critical that close and consistent inter-ministerial dialogue be established, with collective support from all key donors in the sector towards ensuring the emergence of a common playing field. The preparation and discussion of various sector reports, as well as the preparation of the PEDP were carried out under the guidance of the Inter-ministerial Steering Committee for Education and Training, and in close collaboration with donors, NGOs, and other stakeholders. The Government's PEDP document will be used by all donors as a basis for negotiating external funding for the program.
- It is important to strengthen the government institutional arrangements through program implementation. Implementation of PEDP will be carried out by existing units of the PMO, MOEC and PO-RALG. Implementation arrangements will be adapted to be consistent with the evolution of the PSRP and LGRP.

- *Fostering and respecting government ownership of its sectoral reforms is paramount for ensuring the sustainability of development program. Although there was close collaboration between GOT, donors and NGO's in the preparation of the PEDP, the final documentation was prepared by GOT officials and discussed and approved by the Steering Committee before it was issued to donors as a common basis for negotiating funding.*
- *Support for local capacity strengthening and policy reform is necessary to ensure that the full potential of the program is realized in every community where it is introduced. Manuals and handbooks for schools and communities have been prepared to guide implementation. In addition, GOT has also allocated funds in its budget for an extensive IEC program and for capacity building at all levels.*
- *Adequate financial management capacity at all levels within the sector is important to ensure program success. GOT has been gradually introducing an improved financial management system, the IFMS, which now covers central government agencies and some local authorities. The PEDP financial management systems and manuals have been developed on this foundation, and additions and improvements have been introduced to deal with districts and schools not yet covered by the IFMS. Staff training at all levels will be financed under the capacity building program.*
- *Accountability and efficiency of resource utilization can be enhanced when fund flows downstream to the community level to be managed for school operations and improvement. The PEDP financial management arrangements provide for funds to be transferred from the MoF to school accounts through district councils. The funds are further to be managed by village/school committees.*

VI. COLLABORATION WITH IMF AND OTHER DONORS

79. In the context of the Enhanced HIPC program, IDA and IMF have been working together closely on education sector strategies to incorporate in PEDP a series of policy measures aimed at reaching sector performance targets for HIPC completion point.

80. In addition, bilateral donors have been very active in supporting the development of PEDP. IDA and all the bilateral donors have worked with the Government to integrate into the PEDP many of the on going donor-supported individual projects. These projects include support of (a) DfID in classroom construction, and provision of textbooks (b) Netherlands in District-Based School Program; (c) Sida in Textbooks Project and Teacher Training; (d) Ireland Aid in Whole School Development Program; (e) UNICEF in programs covering training of school committees, supporting teachers centers, strengthening of council and ward support systems; and promoting adult education and early childhood development. PEDP project tranche release conditions would be partly based on the results of the IDA/Donor joint review of PEDP implementation by the Government.

VII. RECOMMENDATION

81. I am satisfied that the proposed credit would comply with the Articles of Agreement of IDA and recommend that the Executive Directors approve it.

James D. Wolfensohn
President

By: Sven Sandström

Washington, D.C.
August 22, 2001

Annex A: Tanzania Social Indicators

	Latest single year			Same region/income group	
	1970-75	1980-85	1993-99	Sub-Saharan Africa	Low-income
POPULATION					
Total population, mid-year (millions)	15.9	21.8	32.9	642.8	2,417.1
Growth rate (% annual average for period)		3.2	2.7	2.6	1.9
Urban population (% of population)	10.1	17.6	31.7	33.8	31.4
Total fertility rate (births per woman)	6.8	6.5	5.4	5.3	3.7
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (US\$)	..	..	260	490	420
Consumer price index (1995=100)	1	8	171	131	138
Food price index (1995=100)	..	10	162	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	38.2	..	..
Lowest quintile (% of income or consumption)	..	..	6.8	..	..
Highest quintile (% of income or consumption)	..	..	45.5	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	..	1.3	1.7	1.2
Education (% of GNI)	..	..	..	4.1	3.3
Social security and welfare (% of GDP)	..	..	..	..	..
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	56	48	..	..
Male	..	55	48	..	..
Female	..	56	49	..	..
Access to an improved water source					
<i>(% of population)</i>					
Total	..	..	54	55	76
Urban	..	..	80	82	88
Rural	..	..	42	41	70
Immunization rate					
<i>(% under 12 months)</i>					
Measles	..	66	78	57	64
DPT	..	67	82	59	70
Child malnutrition (% under 5 years)	..	..	31	..	..
Life expectancy at birth					
<i>(years)</i>					
Total	48	51	45	47	59
Male	46	49	44	46	58
Female	50	53	46	48	60
Mortality					
Infant (per 1,000 live births)	118	108	95	92	77

Under 5 (per 1,000 live births)	218	176	152	161	116
Adult (15-59)					
Male (per 1,000 population)	513	451	542	499	288
Female (per 1,000 population)	419	370	500	453	258
Maternal (per 100,000 live births)	..	..	530	..	..
Births attended by skilled health staff (%)	..	58	35	..	..

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. Latest year for access to improved water source data is 2000.

2001 World Development Indicators CD-ROM, World Bank

Annex B: Tanzania Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	1996	1997	1998	1999	2000	2001	2002	2003	2004
National accounts (as % of GDP)									
Gross domestic product	100	100	100	100	100	100	100	100	100
Agriculture	48	47	45	45	44	44	43	43	42
Industry	14	14	15	15	16	17	17	18	18
Services	38	39	40	40	40	40	40	40	40
Total Consumption	96	95	101	99	109	98	98	94	94
Gross domestic fixed investment	16	15	13	13	14	13	13	20	21
Government investment	3	3	3	3	3	2	2	2	2
Private investment	13	12	10	10	11	10	11	18	19
Exports (GNFS) ^b	18	17	13	14	16	14	15	16	15
Imports (GNFS)	31	27	27	26	28	26	26	27	28
Gross domestic savings	4	5	-1	1	-9	2	2	6	6
Gross national savings ^c	2	4	-1	1	-9	2	2	7	7
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	6496	7684	8591	8760	8130	9749	10266	10849	12988
GNP per capita (US\$, Atlas method)	190	210	240	260	280	280	290	300	310
Real annual growth rates (% , calculated from 1992 prices)									
Gross domestic product at market prices	4.6	3.5	3.7	3.6	5.1	5.4	5.7	6.0	5.9
Gross Domestic Income	4.1	4.2	3.3	4.1	2.7	9.0	8.8	3.8	..
Real annual per capita growth rates (% , calculated from 1992 prices)									
Gross domestic product at market prices	1.7	0.8	1.1	2.4	1.6	4.1	3.6	3.8	-100.0
Total consumption	-1.2	-6.5	10.8	2.7	-3.1	5.6	7.7	-0.7	-100.0
Private consumption	1.7	-15.2	10.8	4.0	-4.1	17.7	8.4	-1.2	-100.0
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	1142	1274	1099	1195	1266	1406	1576	1732	1986
Merchandise FOB	696	794	577	543	600	696	799	884	1029
Imports (GNFS) ^b	1986	2040	2314	2244	2248	2504	2688	2904	3614
Merchandise FOB	1370	1388	1519	1573	1592	1772	1889	2046	2487
Resource balance	-844	-767	-1216	-1049	-982	-1098	-1112	-1172	-1628
Current account balance	-942	-842	-1242	-1081	-992	-1088	-1090	-1143	-1610
Net private foreign direct investment	134	150	172	183	193	193	200	208	219
Change in reserves ^d	-81	-208	-34	-143	-273	-83	-109	-150	-61
<i>Memorandum items</i>									
Resource balance (% of GDP)	-13.0	-10.0	-14.1	-12.0	-12.1	-11.3	-10.8	-10.8	-12.5
Real annual growth rates (YR92 prices)									
Merchandise exports (FOB)	11.8	-1.5	-21.8	-8.1	10.9	15.9	14.9	10.6	16.4..
Primary	13.9	13.7	-0.2	-18.2	-21.7	..	..	..	..
Manufactures	41.8	12.5	-9.4	-67.9	-9.5	..	..	..	..
Merchandise imports (CIF)	-9.2	1.3	9.4	7.4	-2.4	11.3	6.6	8.3..	21.6..

(Continued)

Indicator	Actual			Estimate		Projected			2004
	1996	1997	1998	1999	2000	2001	2002	2003	
Public finance (as % of GDP at market prices)									
Current revenues	11.9	12.2	10.8	10.6	11.9	11.2	11.2	11.4	11.7
Current expenditures	12.6	11.2	9.9	10.1	12.8	12.5	13.4	12.9	12.0
Current account surplus (+) or deficit (-)	-0.7	0.9	0.9	0.5	-0.9	-1.4	-2.2	-1.5	-0.3
Capital expenditure	3.2	2.3	3.5	3.8	5.5	3.9	3.8	3.7	3.7
Foreign financing	0.9	2.8	3.6	4.1	6.6	5.9	6.5	5.1	3.8
Monetary indicators									
M2/GDP	21.7	19.7	18.0	18.7	21.5	19.0	18.8	18.6	18.3
Growth of M2 (%)	26.4	13.3	10.8	18.5	14.8	9.2	8.8	8.8	8.3
Private sector credit growth / total credit growth (%)	-205.3	6528.6	244.8	155.4	-57.4	146.1	4.3	-735.6	34000.0
Price indices(YR92 =100)									
Merchandise export price index	113.0	116.0	118.0	115.0	111.7	111.5	114.4	117.3	119.7
Merchandise import price index	56.0	46.0	103.7	96.4	102.4	102.2	102.0	101.9	102.7
Merchandise terms of trade index	38.0	122.4	113.8	119.3	109.1	109.0	112.2	115.2	116.6
Real exchange rate (US\$/LCU) ^f	118.3	125.6	135.5	135.5	120.6	121.8	121.8	121.8	0.0
Real interest rates									
Consumer price index (% change)	28.0	21.0	12.8	7.9	5.9	5.0	4.2	3.9	..
GDP deflator (% change)	19.3	20.6	17.1	10.3	-5.1	15.5	4.2	3.7	..

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Sources: The World Bank (2001).

Annex C: Status of Bank Group Operations in Tanzania

STATEMENT OF IDA's Held and Disbursed Portfolio

In Millions US Dollars

Project ID	FY	Purpose	Original Amount in US\$ Millions				Difference between expected and actual disbursements ^a			
			IBRD	IDA	SF	GEF	Cancel	Undisb	Orig	Frm Rev'd
P002804	1998	AGRIC RESEARCH		21.80			0.00	13.20	0.60	0.00
P002801	1994	ASMP		24.50			2.90	1.00	-3.00	-5.50
P057187	2000	FIDP II		27.50			0.00	22.30	7.20	0.00
P002789	1998	HUMAN RESOURCE DEV		20.90			0.00	6.80	-2.00	0.00
P058627	2000	HEALTH SECTOR DEV		22.00			0.00	18.50	-1.10	0.00
P046872	1997	LAKE VICTORIA ENV		0.00			0.00	1.50	-2.50	0.00
P046837	1997	LAKE VICTORIA ENV		10.10			0.00	2.40	-1.40	0.00
P002812	1995	MINERAL SECTOR DEV.		12.50			0.00	1.70	-2.30	-1.70
P002753	1997	NAT EXT PROJ PH. II		31.10			0.00	10.40	1.50	0.00
P002756	1993	POWER VI		200.00			0.00	12.70	-47.50	0.00
P049838	2000	PRIVATIZATION		45.90			0.00	37.70	7.40	0.00
P002822	2000	PSAC I		190.00			0.00	154.90	-29.30	0.00
P060833	2000	PUBLIC SERV REF PROG		41.20			0.00	32.70	-5.50	0.00
P002757	1991	RAILWAYS RESTRUCTUR		76.00			11.30	10.00	-0.70	-15.90
P038570	1997	RIVER BASIC MGM SMAL		26.30			0.00	12.50	1.30	0.00
P002770	1994	ROADS II		170.20			0.00	114.40	77.50	-14.00
P050441	2000	RURAL & MICRO FIN SVC		2.00			0.00	1.70	0.60	0.00
P069982	2001	REGIONAL TRADE FAC. PROJ		0.00			0.00	0.00	0.00	0.00
P065372	2001	SOCIAL ACTION FUND PR		60.00			0.00	56.20	-1.30	0.00
P047761	1999	TAX ADMINISTRATION		40.00			0.00	29.70	10.50	0.00
P002780	1993	TELECOM II		0.00			0.00	0.00	0.00	0.00
P002786	1991	TZ PETROL REHAB		44.00			0.00	3.00	-9.40	-9.40
P002758	1996	URBAN SECTOR REHAB		105.00			0.00	31.00	-13.50	0.00
Total:				1171.00			14.10	574.20	-12.70	-46.50

**STATEMENT OF IFC's
Held and Disbursed Portfolio**

In Millions US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1996/99	AEF A&K Tanzania	0.26	0	0	0	.26	0	0	0
1997	AEF Aquva Ginner	0.68	0	0	0	.68	0	0	0
1998	AEF Blue Bay	1.5	0	0	0	1.5	0	0	0
1996	AEF Contiflora	.35	0	0	0	.35	0	0	0
1998	AEF Drop Zanzibar	.32	0	0	0	.32	0	0	0
1997	AEF Hort. Farms	.44	0	0	0	.44	0	0	0
1998	AEF Maji Masafi	1	0	0	0	1	0	0	0
1996	AEF Milcafe	.18	0	0	0	.18	0	0	0
1994	AEF Moshi Lthr	0	.19	0	0	0	.19	0	0
1999	AEF Musoma Fish	1.5	0	0	0	1.5	0	0	0
1994	AEF Nomad Safari	0.02	0	0	0	.02	0	0	0
1997/99	AEF Pallsons	.38	0	0	0	.38	0	0	0
1994	AEF Raffia Bags	.29	0	0	0	.29	0	0	0
1995	AEF Tanbreed	.7	0	0	0	.7	0	0	0
1994/96	AEF Tanganyika	.06	0	0	0	.06	0	0	0
1996	AEF Zainab Grain	.76	0	0	0	.76	0	0	0
2000	AEF Zan Safari	.7	0	0	0	.7	0	0	0
1997	DATEL	2.08	.51	0	0	1.18	.48	0	0
1994	Eurafrican Bank	0	.73	0	0	0	.73	0	0
1996	IHP	1.18	.6	0	0	1.18	.6	0	0
2000	IOH	2.5	0	0	0	2.5	0	0	0
2000	NBC	0	10	0	0	0	0	0	0
1993	TPS (Tanzania)	7	.87	1.04	0	7	.87	1.04	0
1991/97	TPS Zanzibar	0	.03	0	0	0	.03	0	0
1994	Tanzania Brewery	0	6	0	0	0	6	0	0
1998	Tanzania Jubilee	0	.29	0	0	0	.29	0	0
1994	ULC Leasing	1.13	.95	0	0	1.13	.76	0	0
	Total Portfolio:	23.03	20.17	1.04	0	22.13	9.95	1.04	0

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
1998	TTCL	0	20000	0	0
1999	AEF Arusha	1500	0	0	0
2001	AEF Boundary Hill	200	0	0	0
2000	AEF Drop II	200	0	0	0
1999	AEF Moun Village	900	0	0	0
1998	AEF Neptune Flwr	402.76	0	0	0
2000	NBC	30000	0	0	0
	Total Pending Commitment:	33202.76	20000	0	0

**Annex D: Tanzania Primary Education Development Program
Credit Data Sheet**

Timetable of key credit processing events

Appraisal:	July 16-30, 2001
Negotiation:	August 16-17, 2001
Board Presentation:	September 20, 2001
Effective Date:	October 22, 2001
Closing Date:	October 31, 2004

Annex E: Letter of Primary Education Sub-Sector Policy

**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF FINANCE**

Telegram: "Treasury", Dar Es Salaam
Telephone: 111174/6, Fax 110326, Telex: 41329
(All Official communications should be
addressed to the Permanent Secretary to
the Treasury and not individuals).
In reply please quote:



P. O. Box 9111,
DAR ES SALAAM

Ref. No. **TYC/B/40/110**.....

21st August, 2001

Mr. Callisto Madavo
Vice President,
World Bank, Africa Region
1818 H. Street, N.W
Washington, D.C
USA.

Dear Mr. Madavo,

**RE: TANZANIA'S PRIMARY EDUCATION SUB-SECTOR
POLICIES, STRATEGIES AND DEVELOPMENT
PROGRAMME**

I am writing on behalf of the Government of the United Republic of Tanzania to request for a credit of US \$ 150.0 million from the International Development Association (IDA) in support of the Primary Education Development Programme (PEDP). The proposed credit will increase, among other things; resource availability to primary education, efficiency in resource utilization, improve quality in teaching and learning, improve school access and strengthen sector management at all levels.

2. The Education Sector is one of the most important areas in the Tanzania's overall poverty reduction and development framework. The Government attaches high priority to strengthening human resource capacity as a means of reducing poverty and promoting economic growth through raising the basic level of education of the population. This letter highlights the main sector constraints and the government strategies to

address them, consistent with the Poverty Reduction Strategy Paper (PRSP) objectives.

Background and Sector Issues

3. A robust education sector is essential for producing a better-qualified and skilled Tanzanian work force for accelerated economic growth and poverty reduction. In this regard, education is key to raising productivity and improving living standards. Currently, the education system in Tanzania performs far below what is required to meet its development needs. Poor education quality in primary schools is reflected in insufficient school inputs and related low access and retention, resulting into inefficiencies in the system. These issues are further linked to the insufficient public funding of the sector, and thus high costs imposed on households. At the secondary level, access is limited. Limited capacity of Government and private provision to expand secondary education to match with accelerated expansion of primary education results into very low gross and net enrolments. Teacher education, which plays a vital role in promoting access and quality education, suffers from low tutor competence, inadequate funding and facilitation. In addition, vocational education and training can no longer produce the skill mix to meet the labour market needs. All these existing sector issues are closely related to each other. Therefore, sector-wide development strategies have been given priority in the context of government's poverty reduction strategy. The focus of the first phase of sector development is to strengthen and improve performance of the primary education sector, closely followed by the development of secondary and tertiary education.

National Strategies for Policy Reform

4. In 1995, the Government of the United Republic of Tanzania through the Ministry of Education and Culture (MOEC) issued an *Education and Training Policy* that emphasized liberalizing the education sector in line with the rest of the economy and increasing the accountability of service providers to clients. *The Secondary Education Strategy* is also underway with the objectives of improving quality and raising enrollment rates at the secondary level. *Adult and Youth Basic Education (AYBE) programmes* are also being promoted by the government and supported by various development partners. Immediate priority will be on issuing a strategy for the implementation of the national policy on non-formal and adult education. As regards higher education, *Higher Education Master Plan (HEMP)* is under preparation focusing on the rationalization of underutilized and inefficient tertiary education institutions.

5. Most recently, in the context of the Poverty Reduction Strategy Paper (PRSP), the government of Tanzania has undertaken to develop a national strategy for primary education, together with detailed council plans under the ongoing school mapping exercise which has already covered 53 percent of the total 113 local government. A number of specific targets for improving primary education achievement have been clearly enunciated in the PRSP document, along with broad actionable areas. The government has also been working with the donor community and other stakeholders in preparing analytical reports to reach an in-depth understanding of the critical constraints to the performance and further development of primary education as well as the broader education sector. To this end, a comprehensive Education Sector Country Status Report was prepared and discussed with a wide cross-section of stakeholders early 2001. It provides understanding of the critical constraints to the performance of the sector and makes recommendation for the development of primary education as well as the other sub-sectors.
6. The Primary Education Development Programme is derived from the Education Sector Country Status Report and on various analytical studies on the sector. In line with the government's basic education strategy in the context of PRSP, the objective of PEDP is to improve quality, expand school access and equity, and increase school retention at the primary level.

Implementation of the Strategy

7. Recognizing that school fees and other levies imposed on households had constituted an obstacle to the further development of primary education, the government has decided to abolish Universal Primary Education (UPE) fees in accordance with the PRSP. In order to substitute and add resources to the sector, major measures of the sector strategy include the introduction of primary school grants to meet recurrent costs in support of: (i) quality improvement of education at school level; (ii) enhancing retention and completion of primary education cycle for all children; (iii) making primary education equitable by expanding access to all children; and (iv) enhancing capacity building at the school, community, local and central government levels. Enrollment is estimated to increase by 1.2 million between 2001 and 2002 as a result of population growth and increased demand following the removal of fees. The targets for primary education development between 2002-05 include: establishing enrollment capacity for all 7-10 year olds in Grade 1 by 2005; reduced

dropout rate between grade 4 and 5 from 13% to 10% between 2002-04; increased non-salary expenditures in primary school budget from 4% to 20% by 2002-03.

8. A national Information, Education and Communication Programme will be implemented to ensure that all local government staff, including teachers and headteachers, community members and actors at all levels understand their role in relation to the policies and strategies.
9. In order to improve the quality of classroom teaching and learning, in-service professional development programs for all teachers will be developed and implemented based on quality and cost-effective criteria. Also given the anticipated enrollment expansion, a pre-service program will be designed and implemented to cater for increased teacher demand. The pre-service and in-service programs will maximize utilization of the existing teacher training colleges and tutors.

Institutional Reforms

10. The plans and programs enumerated above recognize the needs for an adequately funded school system that benefits from greater involvement of parents, communities and local government management. Major institutional reforms are sought to address the main concerns in the education sector. The Public Service Reform Programme (PSRP) and Local Government Reform Programme (LGRP) are focused on a shift in roles and mandates for delivery of basic social services between the central government ministries, departments and agencies and local government authorities. The role of ministries is to be confined to the core functions of policy making, regulation and monitoring and evaluation of service delivery, which is administered at various levels of local government and the private sector. The following four major institutional reforms are being undertaken: - (i) reformed institutional structure and functions are to be put in place by 2004 through actions specified in the attached work programme; (ii) Ministry of Education and Culture will continue to be re-oriented to provide policy and planning guidance and to monitor education delivery consistent with the Public Sector Reform Programme; (iii) President's Office, Regional Administration and Local Government will deliver primary education through regional secretariats, local government authorities, wards, villages and schools; and (iv) Mechanisms for community participation and school level accountability will be established and/or strengthened.

Actions

11. The section below highlights some of the main actions, which Government will implement in the immediate-term. The Government will continue and broaden the on-going reforms and provide the framework for a sector-wide program in primary education. The main elements involve: - the formulation of an admission strategy to absorb all 7 –10 year old children in school between 2002 and 2004; introduction of a capitation grant for recurrent expenditure at school level and adoption of a principle of fund flow to schools through Local Government Authorities by school year 2002; allocation of a development grant to school committees for classroom construction and adoption of a principle of community-based classroom construction strategy by 2002; providing teacher housing, particularly to encourage teaching force deployment into rural starting from 2002; establishing double-shift up to an average of 50% of primary school classrooms in order to intensify classroom utilization to help deal with the enrollment surge between 2002-2004; continue with double-shift teaching in 80% of all schools with a classroom/pupil ratio of 1/60 by FY04; gradual provision of incentives to teachers involved in double-shifting by 2003; designing an in-service teacher training program for all teachers in the country including development of instructional materials by end of FY2001/ 2002; developing a comprehensive pre-service teacher training program to ensure adequate teacher supply by end of FY 2001/2002; and reviewing, and introducing reforms if necessary, to the school curriculum, Grade 7 national examinations, and assessment of learning achievements by end of FY 2001/2002;
12. The effort is part of the nation-wide process of a comprehensive reform of local governments, and its relationship with other agencies at central and regional tiers of the government. However, the overall implementation of the decentralization policy will require time as it entails a progressive restructuring of the institutional framework which specifies organizational arrangements regarding the teacher and other public resource management agencies, such as the Ministry of Education and Culture, the Teacher Service Commission, the Local Government Service Commission, President's Office, Regional Administration and Local Government, and the Regional Secretariats.
13. Currently, the Government is working actively with the development partners and all stakeholders to move the PEDP forward. Many bilateral donors are committed to the continuous support to the development of Tanzania's primary education. We believe that with

the commitment of the government and the support of the development partners including the proposed IDA Primary Education Development Credit, Tanzania will be able to mobilize the resources to successfully address the education sector issues. In this context, the government is committed to allocate resources for the PEDP to cover (a) capitation grants and school development grants to school committees, (b) administrative costs related to capitation and school development grants to Local Government Authorities, as well as, (c) costs related to the provision of teachers to primary schools on the basis of 1/45 teacher/pupil ratio. We are confident that the primary education strategies and related actions outlined above and those included in the Work Programme annexed hereto will be achieved with continuous support of the international community.

Thank you for your continued support and cooperation.

Yours Sincerely,



Peter J. Ngumbulu
PERMANENT SECRETARY

**TANZANIA
PRIMARY EDUCATION DEVELOPMENT PROGRAMME
WORKPLAN**

Objective	Action Prior to Effectiveness	Work plan Year 1 July 01-July 02	Work plan Year 2 July 02-July 03	Workplan Year 3 July 03-July 04	Outcomes by July 2004
Increase access at the primary education level	1. Design of IEC program about PEDP implementation aimed at public at large and initiate special programs for parents, community, council and ward officials and educational personnel at all levels.	1. Continue IEC program 2. Continue recruitment process of teachers needed (9,100) for the 2002 School Year 3. Construct 14,000 classrooms before January 2002. 4. Prepare	1. Continue recruitment process of teachers needed (11,000) for the 2003 School Year 2. Construct 14,000 classrooms before the 2003 School Year 3. Report classroom construction process for the	1. Issue progress report on meeting development indicators in School Year 2003. 2. Issue M&E report for the School Year 2003 for schools, which received development grants. 3. Plan for recruitment of	Enrollment capacity for all 7 year olds in Grade 1 by the 2005 School Year. Wide understanding of respective roles of parents, schools, communities, local and central government levels and donor community in PEDP implementation.

		<p>construction plan for following School Year 2002.</p> <p>5. Prepare and adopt streamlined class 1 curriculum (e.g. 3½ hrs a day focused on core subjects) to be used in schools double-shifting.</p> <p>6. Double-shift up to 2/3 classrooms where needed to cater to for enrollment surge.</p>	<p>School Year 2002.</p> <p>4. Plan for classroom construction for schools 2004.</p> <p>5. Issue M&E report for SY2002 for schools, which received development grants.</p> <p>6. Plan for allocation of development grant to schools.</p> <p>7. Plan for recruitment of 11,000 teachers for SY2003.</p>	<p>10,000 teachers for School Year 2004.</p>	
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		<p>7. Disburse development grant to ensure construction begins before School Year begins in January 2002.</p> <p>8. Disburse capitation grant to schools.</p>	<p>8. Report implementation of streamlined curriculum in Grade 1 for those schools double-shifting.</p>		
<p>Improve quality at primary school level</p>	<p>1. Provide draft terms of reference for further development of (i) school level professional development of teachers; (ii) pre-service and in-service teacher</p>	<p>1. Prepare revised designs and action plan for implementation of the following components: i) school level professional development of teachers, ii) pre-service and</p>	<p>1. Implementation of revised components; i) school level professional development of teachers; ii) pre-service and in-service teacher upgrading; iii) curriculum and</p>	<p>1. Introduction of full capitation grant to all schools in FY 2002/2003.</p> <p>2. Report on implementation progress on revised components on school level</p>	<p>Reduced dropout rate between grades 4 and 5 from 13% to 10% between 2002 and 2004.</p> <p>Decreased pupil: textbook ratio.</p> <p>More qualified teaching force</p>

	<p>upgrading (iii) curriculum and textbook development; and (iv) examinations and assessment.</p>	<p>in-service teacher upgrading, iii) curriculum and textbook development, and iv) examinations and assessment.</p> <p>2. Introduction of full capitation grant (\$10) to schools participating in full program and partial capitation grant (\$7) to remaining schools in January 2002.</p>	<p>textbook development; and iv) examinations and assessment.</p> <p>2. Introduction of full capitation grant (\$10) to all schools in School Year Y2003.</p> <p>3. Implementation of national school health program and HIV/AIDS prevention and mitigation program.</p> <p>4. Further</p>	<p>professional development, pre-service and in-service teacher training, curriculum and textbook development and examination and assessment.</p> <p>3. Fully decentralization of textbook provision to school level</p> <p>4. Prepare M&E report on use of capitation grants by schools and on</p>	<p>leading to improved classroom learning.</p> <p>Increased relevance of curriculum and examinations.</p> <p>Increased awareness of HIV/AIDS, modes of transmission, methods of prevention and inculcation of life skills.</p> <p>Improved health status of school age children leading to improved learning.</p>
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		<p>3. Prepare strategy and action plan for implementation for i) national school health program; and ii) HIV/AIDS prevention and mitigation program and budget.</p> <p>4. Prepare implementation plan to decentralize textbook provision and procurement to school level.</p> <p>5. Prepare implementation plan for national application of</p>	<p>decentralize textbook provision to school level.</p> <p>5. Issue with M&E report on use of capitation grants by schools and on enrolment and quality indicators SY2002.</p>	<p>enrolment and quality indicators in SY2003.</p>	
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		\$10 capitation grant for all schools for School Year 2003.			
Strengthen institutional capacity and management of education system for effective delivery of primary education.	<ol style="list-style-type: none"> 1. Completed Program Implementation Manual. 2. Appointment of program coordinators within PMO, MOEC and RALG and program implementation support teams at district levels. 3. Every school to have opened a 	<ol style="list-style-type: none"> 1. Capacity building program for regional and district level staff to guide and monitor school planning. 2. Capacity building program for village, community and school level to prepare and implement school plans and 	<ol style="list-style-type: none"> 1. Furnish IDA with progress report on implementation of program implementation manual and on institutional framework. 	<ol style="list-style-type: none"> 1. Prepare progress report on implementation of development and capitation grant for SY2003 for all schools. 	Capacity at all levels in RALG and MOEC to carry out assigned functions. MOEC will be able to provide policy and planning guideline and monitor education delivery consistent with PSRP, ii) PO-RALG will be able to delivery primary education through regional administration offices, district wards and schools. Mechanisms for

	<p>bank account in order to receive grant (by Nov. 2001).</p> <p>4. Prepare plan for national introduction of school based planning by School Year 2002.</p>	<p>management school grants (immediate focus on schools which will receive full capitation grant)</p>			<p>community participation and school level accountability will be established and/or strengthened.</p>
<p>Improve resource availability allocation and utilization.</p>	<p>1. Provide IDA with program implementation manual and program operational manual.</p>	<p>1. Inclusion of PEDP in MTEF.</p> <p>2. Increase non-salary expenditures from 4% to 20% in primary school budget.</p> <p>3. Provide adequate funds</p>	<p>1. Inclusion of PEDP in MTEF.</p> <p>2. Maintain non-salary expenditure level of 20% in primary school budget.</p> <p>3. Maintain adequate funds</p>	<p>1. Inclusion of PEDP in MTEF.</p> <p>2. Maintain non-salary expenditure level of 20% in primary school budget.</p> <p>3. Maintain adequate funds</p>	<p>An education system that is adequately funded from national budget but that functions on the basis of school level planning and district level management.</p> <p>Financial and operating manual</p>

		<p>in recurrent budget for central and district administration to cover administration of school examination, school inspections and costs for more effective support of primary school operations in FY01/02.</p>	<p>in recurrent budget for central and district administration to cover administration of school examination, school inspections and costs for more effective support of primary school operations in FY02/03.</p> <p>4. Prepare and publish detailed budget report.</p>	<p>in recurrent budget for central and district administration of school examination, school inspections and costs for more effective school operations in FY03/04.</p> <p>4. Prepare and publish detailed budget report.</p>	<p>for nation application.</p>
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**Annex F: Tanzania Primary Education Development Program
Institutional and Implementation Arrangement**

GOVERNMENT OF THE UNITED REPUBLIC OF TANZANIA

PRESIDENT'S OFFICE, REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT
MINISTRY OF EDUCATION AND CULTURE
MINISTRY OF SCIENCE, TECHNOLOGY AND HIGHER EDUCATION



EDUCATION SECTOR DEVELOPMENT

PROGRAMME (ESDP)

Primary Education Development Plan (PEDP)

STRENGTHENING INSTITUTIONAL ARRANGEMENTS
August 3, 2001

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LIST OF ABBREVIATIONS

BEDC:	Basic Education Development Committee
BFC:	Basket Fund Committee
CBOs:	Community Based Organizations
CG:	Capitation Grant
CSO:	Civil Service Organizations
DED:	District Executive Director
DEO	District Education Officer
EPF:	Education Program Fund
ESDP:	Education Sector Development Program
EMIS:	Education Management Information system
IAE:	Institute of Adult Education
IEC:	Information, Education Communication
IFMS:	Integrated Financial Management System
IG:	Investment Grant
LGA:	Local Government Authority
LGRP:	Local Government Reform Program
LGAMTs	Local Government Authority Managements Teams
M&E:	Monitoring and Evaluation
MANTEP:	Management Training of Education Personnel
MoF:	Ministry of Finance
MoEC:	Ministry of Education and Culture
MCDWC:	Ministry of Community Development Women Affairs and Children
MSTHE:	Ministry of science, Technology and Higher Education.
MLYD:	Ministry of Labor and Youth Development.
NECTA:	National Examination Council of Tanzania
NFE:	Non-Formal Education
NGO:	Non-Governmental Organization
NPA:	National Plans of Action
PEDP	Primary Education Development Plan.
PER:	Public Expenditure Review
PO-RALG	President Office – Regional Administration and Local Government.
PO-PP	President’s Office Planning and Privatisation
PRSP:	Poverty Reduction Strategy Paper
PSRP:	public Service Reform Program
PTR:	Pupil Teacher Ratio
PMO:	Prime Minister’s Office
PIU:	Project Implementation Units
POA	Plans of Action
RAS:	Regional Administrative Secretary
RS:	Regional Secretariat
TIE:	Tanzania Institute of Education
TLS.	Tanzania Library Services
TTC:	Teacher Training Colleges
UPE	Universal Primary Education
USD	United States Dollar.
VEO:	Village Executive Officer
WEO:	Ward Executive Officer
WEC:	Ward Education Coordinator

STRENGTHENING INSTITUTIONAL ARRANGEMENTS

1.0 AN INSTITUTIONAL FRAMEWORK TO SUPPORT A SECTOR-WIDE APPROACH

The organizational arrangements put in place at the centre to steer and coordinate the development of the ESDP will be institutionalized and strengthened to support the implementation of the programme. In particular, the **ESDP Coordination Committee** will spearhead and coordinate implementation of the first phase of the programme, and the design of the subsequent phases and components. The roles of the Committee have been specified to be, to: (a) oversee the implementation, development and execution of decisions of national education policies; (b) monitor the ESDP; (c) provide higher level inter-ministerial coordination; and (d) guarantee ESDP consistency with broad Government policies. The Permanent Secretary, Prime Minister's Office (PMO), chairs the Committee. Other members of the Committee are the Permanent Secretaries of the ministries of Education and Culture (MOEC); Science, Technology and Higher Education (MSTHE); President's Office Regional Administration and Local Government (PORALG); Labour and Youth Development (MLYD); Community Development, Women Affairs and Children (MCDWAC); the President's Office Planning and Privatization (PO-PP); and Finance (MOF).

Nevertheless, a more encompassing institutional framework is needed to support a sector-wide approach in three important organizational aspects. First, the organizational responsibilities, mandates, roles and functions for implementation and accountability will be mainstreamed in the existing structures at all levels, i.e. in central government, at the district council level, and at the school and community level. There will be no enclave Project Implementation Units (PIUs). Second, implementation will be decentralized, in line with the Government's on-going drive for decentralized delivery of basic social services, under the Local Government Reform Programme (LGRP). Third, without compromising efficiency, effectiveness and accountability of the use of resources, implementation will be predominantly community-based, on the basis of applying the principle of subsidiarity within a decentralized framework. On this basis, an overall institutional framework for the ESDP development and implementation has been defined as shown in the organogram in the appendix.⁵

A Basic Education Development Committee (BEDC), which will be co-chaired by the Permanent Secretaries of MoEC and PO-RALG, and will include a representative of the Permanent Secretary of MoF; the ESDP Coordinators at MoEC and PO-RALG; and the representatives of all ESDP donors, NGOs other stakeholders that are active in education, will oversee and coordinate the mobilization, disbursement, use and accountability of programme funds. This institutional mechanism will be reinforced by an annual joint stakeholders (Government-donors-NGOs) review of the ESDP implementation review.

2.0 OVERALL FRAMEWORK BASED ON DECENTRALISATION POLICY AND LOCAL GOVERNMENT REFORM

Decentralisation policy, which underpins the on-going Local Government Reform (LGR), has moved the roles and functions of primary education Development program delivery from MOEC to the Local Government Authorities. Furthermore, the mandate and roles to oversee on the delivery of primary education by the Local Authorities has shifted to PO-RALG. MOEC roles and functions in primary education are now confined to policymaking, setting standards and quality assurance, in collaboration with PO-RALG. In this context, there is need to review structures and staffing in the primary education department of the MOEC. Refer to appendices 5 and 1 for details.

2.1 President's Office, Regional Administration and Local Government (PO-RALG)

The role and mandate to oversee and coordinate the Local Government Authorities lies with the PO-RALG. PO-RALG will technically lead and coordinate the implementation of grants-based components that have to do with primary education development. The office will also undertake implementation of own capacity building and that in the Regional Secretariats (RSs), the Local Government Authority and Schools. Specific roles and functions to be performed by PO-RALG include:

- To guide and oversee the delivery of primary education by Local Government Authorities (LGAs).
- To provide strategic leadership and technical support to Council Education offices.
- To ensure that councils prepare consolidated three-year education development plans that conform to government development goals and to MOEC education policy and quality assurance standards.
- To consolidate Council plans and budgets into National Plans of Action, (NPA) which will provide the basis for the approval and transfer of PEDP funds from the Education Programme Fund.
- To collaborate with the MOEC in order to monitor, review and evaluate PEDP outputs and outcomes.
- To participate as a joint stakeholder in the annual ESDP process of reviewing primary and non-formal education.
- To support and build the capacity of the district education offices.
- To communicate education information to all system levels and interested stakeholders.
- To collaborate with other agencies in education sector planning and in specifying national service delivery standards for primary education;
- To technically support LGAs in planning and implementing primary education programmes in accordance with the national service delivery standards and the ESDP strategies;
- To technically support the LGAs in mobilizing resources, and ensuring integrity, transparency and accountability in the use of resources; and
- To collaborate with the MOEC, monitor and evaluate quantitative outputs and outcomes for cost-efficiency in education service delivery against the set service delivery standards and provide feedback to Local Authorities and the National planning agencies.

2.2 The Regional Secretariats (RS)

PO-RALG has a big task to oversee and coordinate the implementation of this sector program as large as the ESDP. In this respect, the office's capacity is strengthened by the support of the 20 Regional Secretariats (RSs), which organizationally and administratively fall under PO-RALG. The RSs establishment has comparatively highly qualified and experienced specialists (including education officers, engineers and finance specialists) who will be fully utilized. Therefore, RSs will support the PO-RALG in overseeing and coordinating the work of the Local Authorities in the ESDP implementation, provide the national guidance, technical support and oversight roles and responsibilities for the ESDP implementation. This arrangement will be consistent with the policy and legislative framework that redefined the role of the RS to one of providing technical support and advisory services to the Local Government Authorities. In this context, PO-RALG

will delegate specific mandates and functions to the RS. In this framework, therefore, RSs will provide considerable support to the Local Government Authorities and at the same time assist the PO-RALG to monitor and evaluate program implementation by the Local Government Authorities (LGAs). The program will enhance capacity building and train the staff in PO-RALG and the RS to play these roles effectively. This includes IEC to the community.

There will also be national level oversight and coordination roles and functions in support ESDP implementation for which the PO-RALG needs to rapidly organize and develop capacity. In particular, and as a priority, PO-RALG will identify a Coordinator with skills and experience in program management and coordination who will take charge for the day-to-day monitoring, supervising and coordinating the ESDP implementation, including liaising with the Local Authorities (mainly through RSs), other central government agencies, NGOs and donors.

2.3. Local Government Authorities

The heaviest load for ESDP implementation will fall on the Local Government Authorities (a total of 113 across the country), each of which will be individually responsible for the implementation in the areas falling under their jurisdiction. Local Government Authorities Directors will, in any case, manage the implementation of ESDP in their respective Local Government Authorities within a framework that enables and empowers communities around the schools to meaningfully and effectively participate in the implementation of decisions.

Democratic and meaningful participation by communities and school committees in the implementation of the ESDP interventions at the school level will vastly enhance the opportunities and capacity for efficient, effective, transparent and accountable utilization of the program funds. Furthermore, this community/school-based implementation strategy will overcome the pitfalls in centralized or district-based procurement and implementation for the thousands of project sites at each school. Therefore, the roles and functions of the Local Government Authorities in the ESDP implementation will be confined to guiding, supporting and coordinating the implementation work by communities and school committees.

2.4 The District Council and Urban Authorities

The Local Government Authorities Management Teams (LGAMTs) led by Local Government Authorities Directors, and including the Local Government Authorities Education Officer, already have the role and responsibility to oversee the implementation of all development programs at the Local Government Authorities level, and they will play the same role with respect to ESDP. However, under this program, LGAMTs will need to shift from direct *execution of activities to providing technical and organizational assistance to school committees and village councils* who will implement their school plans. The LGAMTs will be responsible for ensuring a participatory, inclusive and gender-responsive implementation of the ESDP in the Local Government Authorities, and to this end will meaningfully and regularly involve representatives of relevant NGOs and other CSOs (especially women and disadvantaged groups). Therefore, LGAMTs will be trained in participatory planning and management of projects. Additionally, the LGAMTs will play a critical role in monitoring and evaluating ESDP implementation in their respective areas, and providing central organs with feedback on achievements and obstacles. The LGAMTs will meet at least once a month to review progress of ESDP implementation, and the Director will regularly present the minutes of its deliberations to the Council's Committee responsible for Social Services.

The starting point for the Directors will be planning the development of primary schools under their jurisdiction in a participatory, inclusive and gender-responsive approach. On this basis,

also, they will prepare requisitions for funds to be transferred to schools). Furthermore, the Councils will directly and through ward development committees and the village councils, guide and ensure proper use and accountability of funds by the school committees. Accordingly, the Local Government Authorities will be strengthened to exercise oversight, and also provide effective technical support to school and village committees to, among others, undertake procurement and other implementation tasks, and to account for the use of funds and report properly and in a timely manner.

2.5 The Village Council/Mtaa Committee

The Village Government is the Government in the Village and the Mtaa Committee for urban areas. With respect to governance, there is a Village assembly comprising of the residents of the Village and has a Village Council, which forms the Government at this level. Executives in the Village include a Village Executive Officer and in some cases especially with education extension officers delivering services. The majority of these are primary school teachers. Village Government is led by an elected Chairperson to oversee the welfare of the people. The village government has various committees dealing with specific areas such as social services, economic affairs, security and can form sub committees among others a school committee. At present, Tanzania has 10,863 registered villages. In rural areas a sub - village or Kitongoji is the lowest level of the Village Government.

The basic role of the Village Council in PEDP will include:

- Mobilization of community contributions to the program in cash and in kind.
- Preparation of participatory three year and annual education plans.
- Promotion of community ownership of PEDP.
- Providing support to School Committee.
- Mobilization of parents and guardians to take their children to school.
- Exercising general oversight of the school Committees to ensure they operate in a transparent and accountable manner.
- Mobilization of community based organizations, (CBOs) and NGO, to be able to participate in the program.
- To enhance public availability of education information, including about PEDP.
- To ensure the School Committee is responsive to and accountable to the people.

The support of the community is important for the Village council to perform these community-based roles.

2.6 Mtaa/ Kitongoji Level

Mtaa and Kitongoji are the lowest administrative parts of an urban ward and a village government respectively.

These areas are headed by elected leaders, estimated to be 70,000 in the entire country. Since this is the closest level to the target group of PEDP a MTAA and KITONGOJI have the following roles;

- (i) To maintain a register of residents in the area.
- (ii) To keep records of births and deaths in the area, in so doing facilitate admission of grade 1 children.
- (iii) To sensitize parents to take their children to school.
- (iv) To ensure every child goes to school and to combat truancy.
- (v) To mobilize members of the Mtaa to Participate in PEDP activities.
- (vi) To implement other tasks as may be instructed by the council.

2.7 School Committees

School committees have a pivotal role in implementing ESDP. Funds will flow directly to the school account, through No Acc.5 of the Local Government Authorities. The committee will therefore be accountable to the Director for the proper use of those funds. While the village council will articulate the overall policy directions, it is the school committee that will determine priorities and work out a detailed implementation schedule and supervise actual execution.

Every school is required by law to have a School Committee – both to exercise community oversight over the school and to provide community support to the staff of the school. As with village councils, school committees vary a great deal in their form and operations. In general at present they do not function effectively, and are not viewed by the community as an institution that can be an engine for change. School Committee problems include:

- (i) The composition is not very inclusive, especially of pupils, the poor and other marginalised groups;
- (ii) Meetings are often not held on a timely basis or at all;
- (iii) Deliberations are not recorded and/or not made available to the public;
- (iv) The powers and responsibilities of the school committee are not well known and are often thwarted by authorities.

As a result the ESDP will undertake a major school committee capacity-building program. The composition of some school committees and election procedures will be reviewed to ensure greater inclusiveness and accountability. In particular, the ward education coordinator, the ward councilor, democratically elected representatives of pupil's councils (see Appendix 6) and other critical education sector stakeholders present in the area – such as private education providers and NGOs dealing with education will be members of the school committee. School committee members will be trained in their roles and responsibilities. Particular attention will be given to democratizing the functioning of the committee, including making it more responsive towards community interests and sharing information widely. An ESDP implementation handbook for School Committees and Head Teachers will guide on roles and responsibilities, organization, and modalities at these levels.

Specifically, the role and functions of the school committee in ESDP implementation are six-fold:

- facilitate planning, budgeting and implementation of ESDP projects;
- mobilize *voluntary* community contributions to ESDP projects – which may be in the form of money, labor, or another acceptable to the community;

- provide accessible information to the community on implementation process, indicating progress achieved, problems encountered, funds used, etc.;
- contract out for construction of classrooms and procurement of construction materials, learning and teaching materials;
- manage the funds received for the project implementation while ensuring maximum transparency and accountability; and
- prepare and submit regular project progress reports to the LAMT through the DEO.

2.8 Communities

At the school/community level, transparency and accountability on the ESDP and other school development activities will be enhanced through wide dissemination of information, to schools, to village councils, ward development committees, and local NGOs and CBOs. This will be a responsibility of VEO, WEOs and Council Directors, who will also ensure that information and concerns raised at the community level are effectively communicated upwards to relevant bodies. Modalities for this two-way information and communication element will be specified in the ESDP Implementation Handbook for Local Government Authorities.

Other information and knowledge on the ESDP plans including transfer of funds to schools and district councils will be disseminated through the national mass media (radio, television and newspapers) and through special publications of the ESDP, including the programme newsletter, which is already published and distributed on a quarterly basis.

2.9 Pupils' Council and School Baraza

Participation and inclusiveness in school management, and particularly in ESDP implementation will be broadened through the meaningful involvement of children in Pupil Councils and school "barazas". The Pupil Council will also elect two representatives to the School Committee. Pupil participation will be done in a manner that reflects basic principles of democratic representation and gender equality. The modalities for the involvement of pupils in school governance are outlined further in appendix 6.

3.0 MINISTRY OF EDUCATION AND CULTURE (MOEC)

Following decentralization of delivery of primary education, the residual roles and functions of the MOEC for the sub sector are confined to participatory planning, policy making, regulation, and monitoring and evaluation of outcomes and impact for quality assurance. The ministry remains directly responsible for all aspects of secondary education. In this framework, MOEC will be responsible for the implementation of all the centralized components and sub-components of the ESDP, including secondary education, curriculum development, teacher development/management and strengthening institutions and systems at the centre.

- To set policies that ensure quality education for all in Tanzania.
- To prepare, in a collaborative manner, detailed plans for PEDP implementation
- To monitor, review and evaluate progress, outcomes and the impact of the PEDP for quality assurance, and to regularly make such reports to the BEDC.
- To produce regular financial reports to be submitted to the BEDC.
- To collaborate with the PO-RALG Education Team on issues of planning, monitoring and evaluation.
- To participate as a joint stakeholder in the annual ESDP process of reviewing the education sector, including the primary and non-formal education programmes.

- To support and build the technical capacity of Local Government Authority education offices.
- To collate and communicate education information, including HIV/AIDS-related data, to all system levels, supporting educational institutions, and interested stakeholder

MOEC's responsibilities and tasks in the implementation of the ESDP Initiation Phase will be limited to components dealing with policy development, quality assurance and capacity building in such other central agencies as NECTA, TIE, TSC, IAE etc. and Teacher Training Colleges (TTCs). Nevertheless, in this transition phase (because some Local Government Authorities have not been prepared to effectively take over the decentralized services), MOEC will need to support PO-RALG in steering the decentralized implementation of the ESDP primary education components. Consultations and collaboration between the two organizations should not be limited to formal contacts in such fora as the BEDC and the ESDP Steering Committee.

In both the PO-RALG and the MOEC, the Permanent Secretary will be overall responsible for strategic leadership and management of the programme component(s) to be coordinated by the respective ministry. Further, to ensure due attention to programme implementation issues, the Permanent secretary will in each case designate a senior officer, who under her/his direction will, on a day-to-day basis, carry out the roles and functions of the ESDP coordinator in the ministry/department. The coordinator will work closely with the heads of departments and key agencies in the sector and, at the discretion of the Permanent Secretary, involve donors and NGOs' representatives as well.

4.0 FINANCIAL INSTITUTIONAL ARRANGEMENTS

4.1 Overview

The Government has already set up a credible procurement, financial management and accounting. Efforts to improve financial management and accountability have been realized through the integrated Financial Management System (IFMS). This system is supported by the EPICOR/Platinum computer software which has the capability to link financial performance with strategies, objectives and activities. The IFMS is now operational in all MDAs in Dar es Salaam, 19 sub-treasuries in the region and 28 LGAs. In Dar es Salaam all MDAs are on line with the MOF. The PEDP financial arrangements will therefore take advantage of the improved financial management system within the context of Public Service Reform Programme (PSRP) and the Local Government Reforms.

Government representatives in the BEDC and donors active in education may constitute a sub-committee of the BEDC, to be known as the ESDP Basket Fund Sub-Committee, for the purpose of formally agreeing and signing-off for the transfer of funds from the Education Basket Fund.

The MOF will be responsible for opening an account – US Dollar Holding Account – with the Bank of Tanzania where the basket funds will be deposited. The government and the donors will then transfer agreed funds to the account. Upon getting approval of the Basket Fund Sub-Committee of BEDC, MOEC and PORALG will request for disbursement of funds from the US Dollar Holding Account. The MOEC and PORALG will be responsible for accounting of the funds through submission of audited financial statements and production of other performance reports as will be required.

The PO-RALG will be responsible for ensuring that development plans covering three years for the primary schools are completed for each council and conform to government development goals. PORALG will work with the Councils to accomplish this task. On the basis of the development plans, PORALG and MOEC will ensure Plans of Action (POA) for the first year

and subsequent periods are prepared. On the basis of the POA, donors will annually declare their agreed level of funding to the basket fund through the Treasury.

The Councils under the coordination of PORALG are responsible for implementing programmes and overseeing financial matters for primary education. Resources allocated for primary education will be managed and supervised by the Councils.

4.2 Administration of Grants to schools.

To facilitate a community/school-based implementation of the ESDP, funds will generally be transferred directly to schools through the Local Government Authorities education sector bank accounts. The grants will be split into capitation grants and investment grants, to cover operating costs for quality improvement as well as construction costs at the school level. All the costs are provided for in the Plan Document.

The **capitation grant** will cover recurrent costs (books, teaching aids, basic equipment, simple repairs, capacity building, local training, teaching material development, etc) at primary school level. School committee will determine the precise use of capitation funds in an inclusive, democratic and transparent manner within general guidelines/parameters set by the BEDC. All students in public primary schools will be eligible for the grant. The grant is determined on per enrolled child per year basis, and the total grant amount per school will depend on the number of students enrolled in a school. Initially, for the 2002 school year, determination of enrollment will be based on projections calculated under the ESDP expanded enrollment program, enhanced by other more accurate information that may be available. The capitation grant will be equivalent to US \$10 (approximately Tshs 9,000) for all schools nationwide. However, because a fully decentralized textbook procurement process is not yet in place, a large portion of the capitation grant (\$ 4) will in the first year be disbursed to the Local Government Authorities to procure textbooks and other learning materials on behalf of the schools. Of the remaining \$6, \$3 will be provided to all schools initially and an additional \$3 will be provided upon submission of school plans. The BEDC will annually review and, if appropriate, revise the capitation grant amount and the modalities for calculating enrollment.

The capitation grant is meant for use at the school level and will be transferred to the school accounts through the LGA Account Number Five. Explicit procedures and supervisory measures will be established to ensure smooth flow of capitation funds and avoid potential delays, and other bottlenecks at the central and district levels. This includes 'ring fencing' and earmarking capitation funds for specific schools such that Local Government Authorities would not have discretion to divert use of the funding for other purposes, even for a temporary period. The amount of funds transferred will be fully transparent and be made publicly available (e.g. through use of public notice boards) at all – Council, ward and school – levels. In addition procedures for accounting for funds and triggering payments will be simplified to ensure timely flows without compromising basic accountability.

The **investment grant** for primary schools will cover costs for construction of new classrooms and water and sanitation facilities, and major rehabilitation of existing buildings. This grant will be based on the development plans and the attendant investment budget approved for each school by the Local Government Authority in accordance with nationally set policies, criteria and guidelines. Initially, however, in the absence of updated plans, grants may be awarded based on national data regarding infrastructure shortfalls. In 2001 the grant will focus on the construction of approximately 14,000 classrooms and water/sanitation units to be completed in time for the 2002 enrollment expansion. The grant amount will be determined on the basis of need, and will prioritize schools that are disadvantaged. The precise modalities for the use of the investment

grant are provided in detail in separate manuals, but in all cases procedures employed will be simplified as much as possible. The BEDC will annually review and, if appropriate, revise the modalities for the calculation and provision of the investment grant.

4.3 Transfer of funds to Schools

The School Committees will be responsible for opening bank accounts for depositing the money. The signatories will be appointed in a joint meeting of the Village Council and the school committee. One of the signatories should be the Head teacher. The minutes of these meetings will facilitate the opening of bank accounts. The committee will send particulars of the account to the Council Director who will consolidate the information for transmission to the local Banks and PO-RALG. PO-RALG will forward this information to MOF.

Based on the existing financial management procedures, the MOF upon receipt of all approvals from PO- RALG, MOEC and BEDC and the Basket Fund committee will transfer funds directly to education bank accounts of the respective Councils. The MoF having done so will send advise to MOEC and PO-RALG to inform them of the transfer. The Council Directors will then write cheques to the Local Banks of the respective school and inform the Schools accordingly for them to start spending.

4.4 Transparency and accountability at school Level

A village Council and the School committee will meet for purposes of planning and budgeting of the PEDP activities. The Ward Executive Officer, the Village Executive Officer and the Ward Education Coordinator will help the Village Council in this process.

The roles and responsibilities of the Village council and the school Committee with regard to financial management as elaborated in the Financial Management Manual Will be:

- To ensure safe custody of property acquired using project funds.
- To ensure that proper record of activities is kept well.
- To facilitate the work of auditors at school level.
- To ensure that funds are used efficiently and effectively.
- To prepare whole school plans and budgets and periodic reports.
- To report to the Council Director through the Ward Education Coordinator.
- To withdraw funds from the bank and keep it in safe custody before use including the provisions of safes and strong rooms.

4.5 Disbursement of Funds

The program will use existing government systems to make timely disbursements. For primary education, disbursements will be made via Account No.5 to school bank account. The Council-support funds will be disbursed to Account No.5. Disbursements will be released upon satisfying several conditions as described below

Disbursement will be made upon receipt by Accountant General (MoF) of an authorization from the BEDC with the following:

- (i) The names of Local Government Authorities that are to receive the funds
- (ii) The amount of funds that is to be paid to each LGA.
- (iii) Details of the bank account (Account No.5) to which the funds will be transferred (i.e. bank name, bank location, type of account, and account number)

- (iv) A copy of minutes of the BEDC duly signed by the members of the committee
- (v) A covering letter from the Accounting Office of PO-RALG requesting for the release of funds in respect of basic education disbursement.

Upon such conditions being fulfilled, the Accountant General (MoF) will issue 'accounting warrant' for each LGA/Ministry which will allow the transfer of funds from the Bank of Tanzania Consolidated Fund Account to the LGA/Ministry's bank account.

Details on procedures for disbursement and accounting appear in the Financial Management and Accounting manual for PEDP and as illustrated in the Appendix.2.

The approval of funds by the BEDC will depend on the presentation by LGAs (with support from the regional secretariats) to BEDC of consolidated and summarized quarterly school plans and reports; and lists of special items such as textbooks that require separate disbursement. The consolidated documents will be compiled from detailed school plans and reports, including information of funds spent/needed for each activity.

Disbursements to primary schools for the first and second quarters will be released on the basis of approved annual plans. Funds for the subsequent quarters will be triggered by a report on the quarter beginning six months earlier (e.g. funds for quarter 3 will be released upon receiving the report for quarter 1). This is to avoid delays in releasing funds that could be caused by delays in submitting reports and having them approved due to remoteness of some of the schools, otherwise presentation of end of quarter reports will be the basis of releases. Also allowance is given for the time taken to approve and consolidate the reports at various levels of administration before they are presented to the BEDC. A one-quarter lag in reporting will smoothen the flow of funds to the projects .for this special cases.

4.6 Financial Management

The Accounting Officers of the Ministries/Local Government Authorities and the Schools directly covered by the programme will ensure that there are well-defined and transparent financial management and reporting procedures in place. They will produce quarterly and annual financial reports that will be submitted to the Education Sector Development Program Steering Committee via the Basket Fund Committee. Copies will also be sent to all Donors contributing to the Fund.

The implementation of the accounting system as laid down in the accounting procedure manual for the schools, the Local Government Authorities and the ministries participating in the programme will be prerequisite for the disbursement of funds to such units as described in the section on disbursement procedures. The system developed is considered adequate to meet Government and Donor requirements and simple enough to be used and maintained by the various units with minimum assistance. The system ensures that the records for the use of funds are maintained in accordance with sound accounting practices and is capable of generating accurate and timely information that can easily be verified.

4.6.1 Financial Accounting

School committees and the Local Government Authorities will be trained in financial management aspects to ensure that they appreciate the need for maintaining accurate accounting records.

Accounts for all units participating in the programme will be maintained in accordance with generally accepted accounting standards.

The MOEC and the PO-RALG, through their Programme Implementation Teams (PIST) will maintain accounts for the components implemented by them. The accounts will include annual financial statements. These will be submitted to auditors for auditing.

The MOEC and PO-RALG will maintain other records including those relating to physical activities that will facilitate the preparation of performance reports.

School Committees will ensure that proper records of their activities are maintained and that required reports for submission to the councils are produced in time and are available for audit at any time.

The Local Government Authorities will ensure proper books of account for activities taking place in the schools are maintained and accounts are produced in time. The accounts prepared will be supported with all necessary records including original documents relating to expenditure incurred.

Record files for the schools will be kept by the School Committee for purposes of external auditing. The Accounting System will operate on EPICOR/Platinum software in the Ministries involved and those Councils that have installed the system. All accounting units will use the accounting and responsibility codes issued under the platinum system. Other features of the system that will be adhered to include observing spending limit according to the Exchequer Issue.

4.6.2 The Accounting Procedure Manual

The accounting procedure manual details the operation of the accounting system using IFMS. The manual covers an outline of the system; chart of accounts; accounting for funds received; operation of joint donor fund holding account; payment system; preparation of annual budget; management information reports; and, examples of the various forms and reports

4.6.3 The Basis of Accounting

The government uses the cash basis of accounting and this will be applicable for the programme. The programme may move to other forms of account like accrual (or modified accrual) basis of accounting in case the government moves towards that direction in the future.

4.6.4 Internal Auditing Function

All ministries and regional secretariats have Internal Audit functions which are independent units reporting directly to their respective Accounting Officers. Staff in these units is few as they are intended to cover the limited functions of the units. The ministries have an establishment of about four staff who are semi qualified in most cases, but with long experience. In lieu of the added workload by the programme, the two ministries (MoEC & PORALG) and the regional secretariats (RS) will be strengthened by providing additional training. The RS staff will audit the council and school project committee activities.

4.6.5 External Auditing Function

The annual financial statements of the project will be audited in accordance with International Standards of Auditing as modified to reflect national auditing requirements. Arrangements will be made for a joint financial audit mechanism of the National Audit Office and a private firm. The modus operandi for the joint audit has to be established and cleared with the Auditor General. The audited financial statements with the auditor's report thereon and the auditor's management letter covering internal control and accounting procedures weaknesses discovered as a result of the audit, will be sent to Donors within six months of the end of the period audited. The Auditor General would be the signatory to the report. The Basket Fund Committee and the ESDP Coordination Committee will also attach their comments on the various issues raised in the auditors' report.

To enhance the skills of the audit staff in the National Audit Office, the private firm will be required, as part of the contract, to provide on-the-job training for some employees, especially in the audit of computerized accounting. This will allow the Auditor General's staff to assume a greater role in the audit of council accounts as the programme continues to embrace more schools in its coverage.

4.6.6 Recording of Fixed Assets

Moveable fixed assets acquired under the programme shall be recorded in fixed assets registrar kept at the station where the asset is located. The School Committee will also maintain a register to record items such as books, desks, and other teaching aids acquired under the programme. Given that the platinum software does not provide for fixed assets management, the recording shall be on spreadsheet or manually maintained registers. The accounting officers entrusted with the assets shall be accountable for the fixed assets register.

4.6.7 Reports

The reporting formats for quarterly and annual reporting have been developed and included in the accounting manual. These formats will be refined/modified as the system is implemented. The formats for Project Management Reports (PMRs) will be adopted.

4.6.8 Procurement:

All procurement under the program will be conducted according to the Government laid down procedures. In summary procurement of goods and services is categorized as follows:

- Goods (includes textbooks, equipment)
- Services (Consultancy)
- Capacity building (training)
- Works (classroom, toilets, teachers houses construction)

These procedures are elaborated in the procurement procedure manual prepared for the (PEDP) program.

4.6.9 Staffing Matters

An assessment of the MOEC/PO-RALG/Regional Secretariat/councils' accounts staff capacity to manage effectively the financial system points to the need to complement what is available with qualified and experienced staff with higher accounting qualifications, preferably CPA/ACCA, and with computer skills. The Department of the Accountant General recognizes that financial management accounting capacity in all ministries is generally weak. Furthermore, staff training especially at council level will be undertaken in areas of computer operations and procedures related to the utilization and reporting of the programme funds.

5.0 EXTENSIVE CAPACITY BUILDING MEASURES

Smooth implementation of the program will entail considerable capacity building, especially at the council and school levels. Capacity building will take several prongs, and funds for capacity building are provided in PEDP.

First, there will be creating awareness and educating the various stakeholders, from the ministry headquarters to school committees and the communities at school levels of the ESDP goals and targets, and the roles and responsibilities allocated to each level. For this purpose, an interactive information, education and communication (IEC) program for the ESDP will be undertaken throughout the implementation of PEDP.

Second, there will be short-term training of program officers at the various levels to provide them with the basic knowledge and skills needed for efficient, effective, transparent and accountable exercise of their roles and functions. Thus, responsible officers in each ministry will under the program be trained in, among others areas, project management with particular attention to ensuring sound understanding of sound financial regulations and procedures. There will also be specialist training for officers such as supplies officers (for procurement), accountants and administration officers who will be allocated specific roles and functions as set out in detail in the manuals and handbooks for procurement, accounting and other implementation tasks. Such training would also be provided to the RS staff in each of the 20 regions. At the district level, there will be training of trainers (TOT) by teams from the RSs for the purpose of training the school committees in project implementation and accountability arrangements. The team from the RS will train a district team. The district team will in turn work with NGOs to train the members of all the school committees, school management teams and pupils' councils. In service training will also be carried out for teachers.

Third, short and long training for the professional development of the officers responsible for the management of the ESDP, geared to improving policy development, quality assurance, monitoring and evaluation, planning and strategic management of the sector issues, and the ESDP implementation. The needs for this training are being identified in the context of the on-going strategic planning in the MOEC and PO-RALG under the Public Service Reform Programme (PSRP).

Fourth, provision of equipment, tools and facilities needed by the implementing agencies (PO-RALG, MOEC, RS, Councils) and schools to carrying out their roles and functions under the program. While there will be preliminary assessment of these needs in the on-going institutional assessment, it is considered more cost-effective, and consistent with the PSRP implementation strategy that such needs will be provided on a demand-driven and flexible basis. For this purpose,

the project will establish a comparatively small fund from which the implementing agencies can receive grants on application, backed by proposals that demonstrate need and a clear link to the program performance indicators. The support to PO-RALG, MOEC, RS, Council and School committee will be based on a plan for capacity building will be prepared at each level and forwarded BEDC/Basket Fund Committee for approval and to MOF for disbursement of the funds. All levels will be required to account for the funds before the next release is made. For details refer to the Financial Management and Accounting Manual disbursement system.

6.0 THE PLANNING PROCESS.

Through participatory methodologies all school plans will be initiated and PRIORITISED by the School committees. The plan will be scrutinized and approved by the Village council. Facilitators on use of participatory methodologies will be mobilized to empower communities with the skill and guide the preparation of the plan process. During the preparation of the plan it is encouraged that all stakeholders of PEDP will be invited to participate and express their commitments to the program. This planning process aims to sensitize the community on PEDP and create a framework for good local governance. The output of the process should aim to create ownership of the plan.

Once the plan has been approved by the village council it will be forwarded to the Council Director through the Ward development Committee for financing of the plan. Refer to Appendix 3

7.0 MONITORING AND EVALUATION ARRANGEMENTS

The performance of the ESDP will be tracked through a set of key indicators, which will be primarily updated and reviewed each year in the Annual Work Plan and Budget. The Education Management Information System (EMIS) will be the main source of information for monitoring and evaluating key program outputs and outcomes on annual basis. Indicators to be monitored through the EMIS include enrollment rates, attendance rates, dropout rates, student-teacher ratios, school entry and completion rates, and PSLE scores. All these indicators will be disaggregated by gender and administrative area (region, district, ward, etc). Quarterly program implementation reports that will flow bottom-up from the school level will provide regular information on activities and outputs. IFMS will be the source of regular accounting and financial reports on the ESDP. MOEC and PO-RALG officials, Local Government Authority officers and even beneficiaries will be able to track the movement of resources and delivery of ESDP activities through the daily control system of IFMS. The annual reports from EMIS, IFMS and program implementation progress will be augmented with audit reports and expenditure tracking studies, which will contribute to operational transparency. The main body responsible for monitoring implementation progress, including use of funds, will be a revitalized and empowered school committee. Part of the task will be shared with PO-RALG when its management information system will be in place.

An ESDP monitoring and evaluation system has been prepared. The main inputs for review of progress indicators will be the regular reports generated out of the ESDP M&E system and will include monthly/quarterly/biannual reports by each district council, which will be circulated to MOEC and PO-RALG. The reports will include regular financial and procurement reporting, incorporating the tracking of the flow and use of funds at council and school levels. Consolidated program reports will also be prepared by the two ministries for review and discussion by the BEDC, in the first instance, and subsequently by the ESDP Steering Committee. At the end of each academic year, annual reports will be prepared both at councils' and at national levels and submitted to the respective review committees. Once approved by the

ESDP Steering Committee, the national report will be available for distribution to all stakeholders. The report will be prepared when the end of year accounts are available and have been audited, and should be submitted to the Steering Committee no later than 9 months after the end of the financial year.

A joint GOT-donors comprehensive mid-term evaluation of the ESDP Initiation Phase will be undertaken after 18 months of operation. The main purpose of the evaluation will be:

- (i) to determine whether satisfactory progress is being made towards meeting the original project objectives;
- (ii) to evaluate the initial impact of the programs on the beneficiaries;
- (iii) to assess the extent to which district and community capacity is strengthened;
- (iv) to determine whether the democratically-managed delivery of education services has been enhanced;
- (v) to draw lessons from the experience, enabling the ESDP to adapt its approach for the future.

8.0 INCENTIVES FOR TEACHERS AND OFFICERS WORKING FOR THE PROGRAM.

Special incentives will be provided for teachers in the PEDP in two circumstances. First, teachers in remote rural areas will be provided with incentives that may include housing and/or other benefits to attract or retain them to teach in these areas. Second, teachers who are required to do double-shift teaching to cater for the expanded enrollment under PEDP will also receive a special double-shift extra duty allowance.

The question of support, equipment and incentives for government officers who undertake special duties to implement PEDP was raised in the technical working group and will be considered at a later stage of program development.

9.0 IMPLEMENTATION SCHEDULE

The implementation of this plan commences with immediate effect (by July 2001). The plan has two phases:

- (a) An interim short-term phase spanning July to December 2001. The primary objectives in this phase are: (i) to create awareness at all levels about the targets and operational implications of the massive increase in primary schools enrolment by January 2002; (ii) to provide decision-makers at every level with the basic information, knowledge and skills necessary to enable them to effectively discharge their respective roles, responsibilities and functions in the programme implementation; (iii) to initiate the installation of basic systems and capacity needed to facilitate proper management and accountability for the ESDP funds at all levels. The IEC program will involve a multi-media approach. Political leaders at all levels will be engaged in this exercise. The training programme will be conducted in a participatory manner and emphasize responsiveness and two-way communication. The installation of basic systems will involve use of guides, handbooks and manuals prepared at the centre.
- (b) A medium term phase to last to the end of the Primary Education Development Plan (PEDP). During this phase, support to capacity building will be provided by the programme through a flexible demand-driven arrangement, whereby: (i) a capacity building fund will be established as a component of the programme, (ii) MDAs, DEDs and NGOs will be

invited to apply from the fund for capacity building grants. The fund will be managed by the MOEC/PO-RALG but grants from the fund will be on approval by the BEDC.

- (c) In the medium term perspective, the three ministries with direct responsibility for the development and implementation of the ESDP, i.e. the PMO, the MOEC and the PO-RALG will be strengthened to ensure that they have capacity for gender-responsive participatory planning, policy formulation and coordination. These capacity building measures will be within the strategic plans that the ministries are developing under the Public Service Reform Programme (PSRP). Nonetheless, it is anticipated that these measures will cover:
- Restructuring the MOEC from a programme'-delivery to policy-making, quality assurance and regulation orientation;
 - Strengthening the PO-RALG and RS for effective coordination of primary education development, and the implementation of the ESDP;
 - Staff development, especially in the core skills of participatory planning, policy formulation and coordination;
- (d) Development of management systems. Priority systems development will cover:
- Participatory planning and budgeting;
 - Financial management and accountability for programme fund;
 - Education management and information system (EMIS); and
 - Monitoring and evaluation (M&E).
 - Maximising public transparency and information sharing

Appendix 1
Implementing Agencies Roles, Functions, Outputs, and Implications

Institution/	Composition	Roles and Functions	Outputs	Institutional/ Changes Needed & Capacity Interventions
1. ESDP STEERING COMMITTEE	1. PS, PMO (Chair) 2. PS, MOEC 3. PS, MSTHE 4. PS, PO-RALG 5. PS, MLYD 6. PS, MCDWAC 7. PS, MOF 8. PS, PO-PP 9. PS, PO-CSD	1. To oversee the implementation, development and execution of decisions related to national education policies. 2. To monitor the ESDP. 3. To provide higher-level inter-ministerial co-ordination. 4. To ensure ESDP consistency with broad Government policies. 5. To institute an annual joint stakeholder review process that operates in conjunction with the Government's commitments to the PER and PRSP processes. The annual sector review will reflect on and assess technical issues related to the efficiency, effectiveness, and relevance of programmes in the education sector, including primary and non-formal education.	1. Integrated sector policies and programs. 2. Coordinated implementation of sector programs 3. Monitoring and evaluation reports 4. Financial resources for programs implementation	1. Strengthen the social sector coordination unit in PMO 2. Memorandum of understanding between GOT, donors and NGOs
2. BASIC EDUCATION DEVELOPMENT COMMITTEE (BEDC)	1. PS, MOEC (Co-Chair) 2. PS, PO-RALG (Co-Chair) 3. DPS, MOF 4. ESDP Coordinator, MOEC (Secretary) 5. ESDP Coordinator, PO-RALG 6. NGO representatives (3-4) 7. All ESDP Donors representatives (1 for each) 8. Director, Management Services, CSD	1. To formulate primary and basic education plans in line with government policy. 2. To collaborate with funding agencies and other stakeholders in the formulation and financing of planned activities. 3. To identify needs for technical and financial resource support for PEDP implementation. 4. To co-ordinate and oversee the management of an effective multi-media PEDP Information, Education and Communication (IEC) programme. 5. To pool Government and donor resources through the establishment of a ring-fenced pooled Education Programme Fund (EPF) as part of the Treasury's Consolidated Account in the Bank of Tanzania. 6. To endorse annual financial reports regarding budgets and the use of plan funds, and to take appropriate follow-up action. 7. To annually review the key performance indicators in order to assess PEDP progress and to set targets for the new year. 8. To institute and regularly review PEDP mechanisms for planning, management, monitoring and evaluation, and funding. 9. To ensure the participation of stakeholders in the annual ESDP review process, and to oversee the primary and non-formal education components of the overall education sector review. 10. To effectively collect and communicate educational information between the ministries, donors, NGOs and other represented stakeholder groups.	1. Approved plans and budgets 2. Approved program implementation progress reports 3. A program audit reports 4. Funds disbursed	1. Agree criteria for approving district work plans and budgets as the basis for authorizing the disbursement of funds. 2. MOEC ESDP coordinator to have capacity for supporting the committee 3. Prepare and monitor action plan to operationalize PEDP

3. PO-RALG	<ol style="list-style-type: none"> 1. PS, PO-RALG (Leader) 2. ESDP Coordinator (Secretary) 3. PO-RALG Heads of Departments 4. Regional Education Team 	<ol style="list-style-type: none"> 1. To guide and oversee the delivery of primary education by local authorities. 2. To provide strategic leadership and technical support to district education offices. 3. To ensure that councils prepare consolidated three-year education development plans that conform to government development goals and to MOEC education policy and quality assurance standards. 4. To consolidate district plans and budgets into national Plans of Action, which will provide the basis for the approval and transfer of PEDP funds from the Education Programme Fund. 5. To collaborate with the MOEC in order to monitor, review and evaluate PEDP outputs and outcomes. 6. To participate as a joint stakeholder in the annual ESDP process of reviewing primary and non-formal education. 7. To support and build the capacity of the council education offices. 8. To communicate education information to all system levels and interested stakeholders. 	<ol style="list-style-type: none"> 1. Approved Council's plans, work plans, budgets and "Funds Requisitions". 2. Progress reports 3. M&E and audit reports 4. Service delivery standards 	<ol style="list-style-type: none"> 1. PS, PO-RALG to appoint ESDP Coordinator, possibly a new position in the "Ministry". 2. Strengthen RAS/ Regional Education team to coordinate and support ESDP at regional level
4. ESDP Coordinator, PO-RALG	N/A – A specific officer to be so designated.	<ol style="list-style-type: none"> 1. Coordinate implementation and monitoring of PEDP with the PO-RALG PS 2. Consolidate councils budgets and work plans for review by PS and submission to the BEDC. 3. Liaise with Councils (through the Regional Secretariats) 	<ol style="list-style-type: none"> 1. An effective coordination 2. Quality and consolidated work plans, budgets and "Funds Requisitions". 	<ol style="list-style-type: none"> 1. Post holder to be appointed.
5. MOEC	<ol style="list-style-type: none"> 1. PS, MOEC (Leader) 2. ESDP Coordinator (Secretary) 3. MOEC Heads of Departments 4. Heads of Education Agencies 	<ol style="list-style-type: none"> 1. To set policies that ensure quality education for all in Tanzania. 2. To prepare, in a collaborative manner, detailed plans for PEDP implementation. 3. To monitor, review and evaluate progress, outcomes and the impact of the PEDP for quality assurance, and to regularly make such reports to the BEDC. 4. To produce regular financial reports to be submitted to the BEDC. 5. To collaborate with the PO-RALG Education Team on issues of planning, monitoring and evaluation. 6. To participate as a joint stakeholder in the annual ESDP process of reviewing the education sector, including the primary and non-formal education programmes. 7. To support and build the technical capacity of council education offices. 8. To collate and communicate education information, including HIV/AIDS-related data, to all system levels, supporting educational institutions, and interested stakeholders. 	<ol style="list-style-type: none"> 1. Approved councils plans, work plans, budgets and "Funds Requisitions". 2. Progress reports 3. M&E reports 4. Service delivery standards 	<ol style="list-style-type: none"> 1. MOEC to designate a senior official as ESDP Program Coordinator
6. PROGRAM (ESDP) Coordinator, MOEC	N/A	<ol style="list-style-type: none"> 1. Coordinate implementation and monitoring of PEDP with the MOEC PS 2. Organize for consolidation of work plans, budgets for review by PS and submission to the BEDC 	<ol style="list-style-type: none"> 1. An effective coordination 2. Work plans, budgets & Funds Requisition approved by PS and BEDC 	<ol style="list-style-type: none"> 1. organize and strengthen ESDP coordination role.

7. Regional Secretariat / Education Team		<ol style="list-style-type: none"> 1. To carry out periodic internal audits in the LGCs and schools to ensure that performance targets and financial regulations are being met. 2. To effectively communicate educational information to councils and other local stakeholders. 3. To effectively communicate information and concerns from councils and communities to the zonal and national level. 		
8. District Inspectorate		<ol style="list-style-type: none"> 1. To ensure that every school is inspected at a minimum every two years. 2. To advise school committees on how they can govern effectively and democratically. 3. To help build the capacity of district, ward and school authorities to efficiently and effectively deliver a good quality of primary education. 		
9. The Council	<ol style="list-style-type: none"> 1. Directly elected Councilors 2. The Council Director 	<ol style="list-style-type: none"> 1. Allocating an appropriate proportion of district resources to basic education; 2. Political oversight of ESDP implementation in the district; 3. Providing a link between grass-root institutions and central/national institutions; 4. Mobilizing local resources in support of ESDP implementation; 5. Canvassing political support for ESDP and raising public awareness of ESDP objectives. 6. Involving NGOs and other stakeholders in implementation and monitoring 7. To produce and submit regular financial reports to PO-RALG and MOEC 	<ol style="list-style-type: none"> 1. Political direction with regards to ESDP implementation in the district; 2. District consensus on the priorities for basic education in the district; 3. Public support of the ESDP program. 	<ol style="list-style-type: none"> 1. The Council needs sensitization on the ESDP; 2. Strengthening of the Council to make its operations more efficient and effective.
10. The District Management Team	<ol style="list-style-type: none"> 1. The District Executive Director 2. All Heads of Department 	<ol style="list-style-type: none"> 1. Training teams of grassroots facilitators to facilitate the formulation of ESDP school-level plans; 2. Involving civic organizations, entrepreneurs, NGOs, and other basic education stake-holders in implementing ESDP; 3. Coordinating with Heads of Department with functions related to ESDP implementation; 4. Overall administrative oversight of ESDP implementation in the district. 5. Through the Regional Secretariat, providing the Central/National organs with periodic reports on the implementation of ESDP at the council level 	<ol style="list-style-type: none"> 1. A coherent district-wide implementation plan; 2. Regular and timely district reports on ESDP implementation 	<ol style="list-style-type: none"> 1. Create capacity in participatory planning/ management at council level 2. Create system for involvement of non-Government organs in program implementation 3. Create competence at district level for providing facilitation services for grass-root level institutions.

11. The Council Education Office	<ol style="list-style-type: none"> 1. The Council Education Officer; 2. Heads of Sections in the DEO's office; 3. Others (e.g. NGOs) to be co-opted 	<ol style="list-style-type: none"> 1. In line with principles of local government reform, the local authorities will involve the meaningful participation of all community stakeholders in planning, monitoring and implementation processes. 2. To prepare, in a participatory and inclusive way, three-year and annual development plans for the council's primary schools. 3. To use the development plans as a basis for preparing and monitoring requisitions for Investment Grant transfers to schools. 4. To guide and enforce the proper use and accounting of PEDP funds by the school committees, directly, and through ward development committees and village councils. 5. To provide technical support to school and village committees in the tasks of procurement, fund utilisation, and proper and timely reporting. 6. To regularly monitor, review and evaluate the progress of PEDP activities, and to report to Council Directors and MOEC. 7. To effectively communicate educational information to wards, schools and other local stakeholder groups, as well as to regional and national levels. 	<ol style="list-style-type: none"> 1. Smooth schedule implementation of ESDP in the council; 2. Regular and timely progress reports. 	<ol style="list-style-type: none"> 1. Enhance capacity for monitoring and quality assurance; 2. Involve non-Governmental bodies in providing technical and logistical support to School Committees; 3. Sensitization of non-education officers.
12. The Ward Development Committee	<ol style="list-style-type: none"> 1. Ward Executive Officer 2. Ward Education Coordinator 3. Other Ward officials and extension officers 4. Village chairpersons 5. Others (e.g. NGOs) to be co-opted 	<ol style="list-style-type: none"> 1. Providing support to the SMTs and School Committees in the Ward; 2. Canvassing popular support for ESDP in the Ward; 3. General oversight of ESDP implementation in the Ward. 4. Involving civic organizations, entrepreneurs, NGOs, and other basic education stake-holders 	<ol style="list-style-type: none"> 1. Smooth implementation of ESDP in the Ward. 	<ol style="list-style-type: none"> 1. Strengthen teamwork among Ward officials; 2. Sensitization of all officials on ESDP.
13. The Ward Education Coordinator		<ol style="list-style-type: none"> 1. To ensure that all girls and boys of school age in the ward are enrolled and attending school by 2004. 2. To share information with, and facilitate the participation of all parents and the wider community in realising the PEDP objectives. 3. To help identify priorities for school development plans and to assist in the planning process. 4. To ensure that the implementation of PEDP-funded activities operates in a transparent and accountable manner, by guiding and enforcing the proper use and accounting of funds by school committees. 5. To co-ordinate the formulation of Whole School Development Plans within the ward. 6. To effectively communicate educational information to schools and other local stakeholders 		

14. The Village Council/Mtaa Committee	<ol style="list-style-type: none"> 1. The Village Chairperson; 2. Vitongoji/ Mtaa Chairpersons 3. Village Executive Officers 	<ol style="list-style-type: none"> 1. Mobilizing local resources to support ESDP implementation; 2. Formulating villages priorities and objectives for ESDP implementation; 3. Promoting community ownership of the ESDP; 4. Providing support to the School Committee; 5. General oversight of the School Committee to ensure it operates in a transparent and accountable manner; 6. Mobilizing community-based organizations, NGOs, etc to participate in implementing ESDP. 	<ol style="list-style-type: none"> 1. Consensus at the village level on the priorities and objectives for ESDP; 2. Smooth implementation of the ESDP in the village. 	<ol style="list-style-type: none"> 1. Participatory facilitation of the village planning process to ensure it is a genuinely community exercise; 2. A need to foster inclusion of all community members – including the marginalized; 3. A need to enhance governance at the Village level; 4. Formulating guidelines on the role and functions of grass-root level institutions.
15. The School Committee	<ol style="list-style-type: none"> 1. The School Committee Chairperson; 2. The Head Teacher; 3. Elected Members of the Committee, including parents and 2 pupils 4. Teachers' representative 	<ol style="list-style-type: none"> 1. To sensitise and involve all pupils, parents and school staff in respect of the roles they can play in maximising the benefits of primary school. 2. To oversee the day-to-day affairs of the school. 3. To work together with the Head Teacher and other teachers to prepare a Whole School Development Plan. 4. To approve Whole School Development Plans and budgets and submit them to the council. 5. To facilitate planning, budgeting and implementation of the PEDP-funded activities. 6. To open bank accounts and to efficiently and effectively manage funds received for implementation, while guaranteeing maximum accountability and transparency in the processes used, including making incomes and expenditures publicly available. 7. To ensure safe custody of property acquired using the PEDP funds. 8. To prepare and submit accurate and timely progress and financial reports to the Ward and council. 9. To effectively communicate educational information to all parents, pupils, community stakeholders, and to ward and local authorities. 	<ol style="list-style-type: none"> 1. Proper implementation schedules and budgets; 2. Close supervision of ESDP implementation at the School level; 3. Smooth relations between the school and the village community. 	<ol style="list-style-type: none"> 1. Reviewing composition of school committee to reflect roles /responsibilities and better grassroots representation 2. Creating an environment for genuinely democratic election to the Committee; 3. Ensuring that all stakeholders are represented, including pupils; 4. Bringing in other parties capable of aiding ESDP implementation; 5. Creating systems and procedures for transparent functioning; 6. Providing the Committee with basic skills in school management.
16. The school management team	<ol style="list-style-type: none"> 1. The Head Teacher; 2. All School Teachers. 	<ol style="list-style-type: none"> 1. Overall management of the School in line with school committee decisions; 2. Overall management of ESDP implementation. 	<ol style="list-style-type: none"> 1. Smooth implementation of ESDP at the school level. 	<ol style="list-style-type: none"> 1. Basic skills in management; 2. Sensitization on ESDP
17. The Pupil Council & School Baraza	<ol style="list-style-type: none"> 1. Democratically elected pupil representatives from all classes (with equal gender representation) 	<ol style="list-style-type: none"> 1. Represent views and interests of all pupils, including marginalized and those with special needs, in school governance and decision-making. 2. Contribute to developing and monitoring school plans and use of funds. 3. Represent pupil interests in the school committee 4. Communicate information between school/village management and pupils 	<ol style="list-style-type: none"> 1. Effective representation of pupil views and interests in school governance and decision-making 	<ol style="list-style-type: none"> 1. Guidelines for establishment and effective functioning of pupils councils established and disseminated

Appendix 2
A summary illustration of the procedures for disbursement and accounting

S/N	ACTIVITY	SPC	COUNCIL	RS	PORALG	BFC	MoF
1	Consolidated Annual school plans and budget taken to BEDC for approval				√		
2	BEDC/BFC review the plans and action plans and approves spending for 1 st and 2 nd quarter					√	√
3	PO-RALG advises MOF to issue Exchequer Issues to all councils in respect of schools for first quarter budget release.				√		
4	MOF issues Exchequer Issues and instruct BOT to transfer funds to Council Bank Account No.5. Itemizing PEDP funds.						√
5	Council Director Advises Bank to credit School Bank accounts.	√	√				
6	Council Director inform School Committees on the release.	√					
7	School utilizes funds as earmarked to activities						
8	School Committees prepare 1 st quarter report at the end of the Quarter						
9	Before 1 st quarter ends PO-RALG advises MoF to issue exchequer issues for the second quarter.						√
10	MoF exchequer issues release for 2 nd quarter release and instructs BoT to transfer funds to acct. No.5.	√					
11	Repeat Step 4, 5, 6 and 7.						
12	School Committee prepares 1 st and 2 nd Quarter report and submit to the Council			√			
13	The Council reviews the reports consolidate them and approve.				√		
14	Regional Secretariat reviews the reports against allocation and consolidate them if satisfied if not goes to councils for verification	√	√	√	√	√	√
15.	PORALG reviews the reports and approves			√	√		
16	Repeat step 1 for 3 rd and 4 th quarter releases.				√		

Appendix 3 Developing a School Plan

Schools participating in the ESDP will prepare a development plan that covers three years. The plan will identify programs and projects or activities that the school will undertake during the period. The Plan will be prepared in a participatory manner in the framework of participatory planning and budgeting as advocated in the LGRP. A Plan of Action and a tentative budget will be prepared to accompany the development plan.

A school will prepare a participatory development plan after it has been covered by the school mapping exercise being undertaken under the guidance of the MoEC. In addition to the school mapping, the Councils are preparing micro-plans for the district. These micro plans cover in general education problems in the district, their causes and strategies for overcoming them. As such, the micro-plans provide some good guidance to the schools in identifying problems and laying down strategies to deal with them. In addition to the latter, the schools will be provided with guidelines to lead them through the exercise. The guidelines will be issued by the PO-RALG in collaboration with the MoEC.

The process of generating the development plan starts at the school. The school management, with good representation from the staff members and pupils, and working closely with the School Committee, will prepare a draft plan. All teachers and pupils will discuss the draft plan at appropriate forum. The draft plan will eventually be approved at a meeting of the school Assembly that brings together the stakeholders of the school, particularly the parents.

In preparing the plan, the school may seek guidance from the Council or the Ward Education Coordinator. Such guidance is important in ensuring that the school plan generally conforms to council programs and plans.

The draft plan, after endorsement at school level, will be forwarded to the Village Council for review and endorsement. Active participation of the Village Council in the affairs of the school is critical because this is the community that is supposed to support the school in terms of providing resources, overseeing management and articulating peoples interests. The Village Council's mandate in helping the school is emphasized in the decentralization process.

The Village Council, on behalf of the community, will agree on the type of community contribution that it will give to the plan. Apart from according it some form of ownership, the Village Council will have to confirm in writing to the Council that it will contribution that is a condition for the school to access the ESDP Fund.

From the Village Council, the draft Plan will be forwarded to the Council. Through the Ward level At Council level, the Plans will be reviewed and approved. At this stage the Council will:

- Check whether the goals, strategies and activities to accomplish them are logical and realistic;
- Check whether the Plan tallies with the overall Council education plan;
- Assess whether it has the capacity to supervise what has been proposed on the investment side;
- Check whether the Action Plan prepared reasonably translates the Plan strategies into a workable program;
- Assess whether the tentative budget prepared realistically translates the plan into a realizable program; and

- Assess whether the Plan reflects reasonably the flow of resources from the ESDP Fund.

If satisfied with the above conditions, the Council will approve it and consolidate with other plans to make a district fundable plan. If not satisfied, the Plan will be taken back to the School Committee for further reworking. The participatory process will be used to recast the Plan.

The Council has responsibility to prepare a summary of the plans and forward the same to the Regional Secretariat. At this stage the summaries will be consolidated at Regional level and then forwarded to the PO-RALG. The ministerial Support Team under the program Coordinator will prepare a summary that will be tabled before the BEDC Basket Fund Committee. Content of the Development Plan includes:

- (i) Identification of existing opportunities for Primary Education service delivery
- (ii) Identifying obstacles which hinder an effective education service delivery
- (iii) Identify major causes of the obstacles. Emphasis must also be placed on social cum behavioral problems that affect attendance of classes by pupils. Quite possible some cultural problems could be a cause to the dropouts. These problems should be addressed in the plan.
- (iv) Define program specific objectives with verifiable indicators (e.g. enrollment ratios, pass rates, completion rates, dropout rates etc.) that will be achieved over the next three years.
- (v) For each objective identify outputs to be achieved e.g. Contributions of parents reach a certain level; teachers are attracted to school environment; pupils are attracted to school environment etc.)
- (vi) Identify activities to accomplish the outputs, the inputs required, and verifiable indicators
- (vii) Identify resources required and prepare budget
 - Type of resource
 - The source of the resource (community, NGOs, Council, ministry, donor etc.)
 - The costs in TSH.
- (viii) Indication of the monitoring tools.

The Focus of the school Plan of Action (PoA)

A plan of Action will also be prepared which focuses on the activities to be undertaken during the year. The timeframe can focus on the quarters of the year. The matrix below summarizes the requirements for the PoA.

Aim/objectives	Expected Outputs	Activities	Requirements (resources)	Time Frame	Actors (persons responsible)	Assumptions made

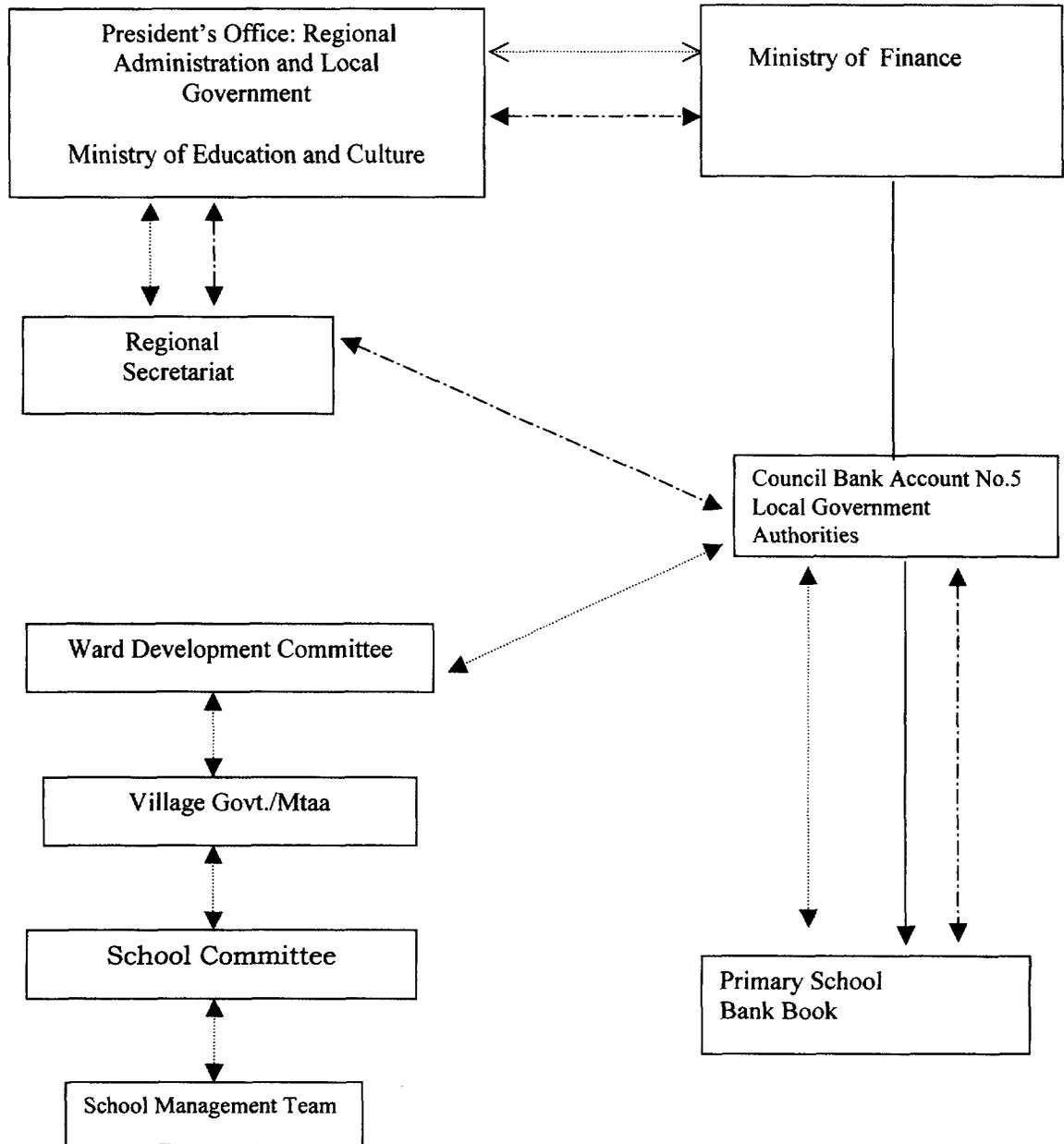
Need for a Plan Preparation Time-Table

All schools will be provided with a timetable that they will have to adhere to during the planning period. The Plan preparation period will be about six months. This period includes:

- (i) Issuing of guidelines and directives by the MoEC and PO-RALG.
- (ii) Distribution of guidelines by the Councils to the schools
- (iii) Actual preparation of the Plans by the schools.
- (iv) The time required for the various approving institutions to act upon the draft plans. At least a period of two weeks must be provided for each level.
- (v) Time allowance for recasting the Plans in case some amendments are directed by the approving authorities.

The time required for resources to be transferred from the Bank of Tanzania to the council Bank Account and eventually to the school Bank Account..

**Appendix 4
Proposed Financial Mechanism for PEDP**



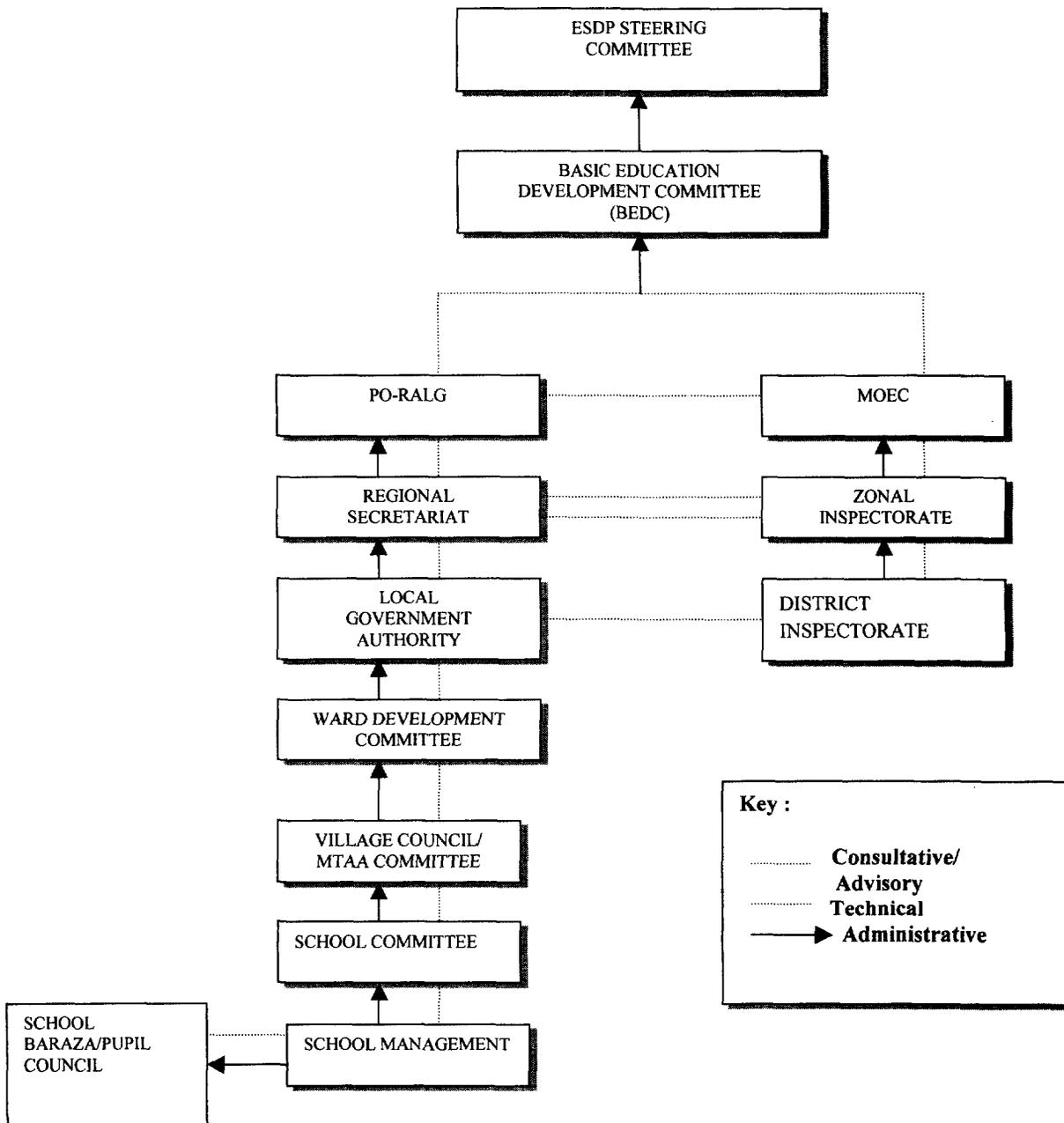
Keys:

Disbursement

Information flow

Reporting

**Appendix 5
Overall Institutional Framework for ESDP/PEDP Implementation**



Appendix 6

Outline of Arrangements for Pupil Participation in School Governance

Two pupils from each stream (1 boy, 1 girl) will be *democratically elected by their peers* to be members of the Pupil Council. (This may begin from Std 3 if Std 1 and 2 pupils are considered too young.) In addition, 2-4 extra 'special seats' may be allocated for children with disabilities or other special needs.

The role of pupil representatives will be to a) represent the interests of their classmates in the Pupil Council and b) to share information from the Pupil Council with their classmates. This requires the pupil representatives to be responsive to their constituency – informally on a continual basis and through formal class meetings held for this purpose once a month.

The meeting of all the pupil representatives will constitute the Pupil Council. The council will have its own democratically elected leadership, which will include a chairperson, vice-chairperson, secretary and two representatives to the school committee. Other leadership positions may also be created as needed/desired by the Pupil Council.

The Pupil Council will normally meet once per month and more often if necessary.

The pupil representatives on the school committee will receive their mandate from and report to the Pupil Council.

All pupil representatives/leaders will serve for a term of one year and be eligible for re-election.

A senior teacher/counselor will attend Pupil Council meetings as an observer. The role of this person will be to a) facilitate capacity development of Pupil Councils and b) serve as a conduit of information between pupils and teachers/school administration (Pupil Council leaders will also communicate themselves with the school administration). This teacher/counselor will be carefully chosen, preferably by the pupils themselves, to ensure he or she is able to play a *facilitative* role and avoid dominating or manipulating Pupil Council meetings.

Additionally, a summary of a) Pupil Council, b) teacher/staff and c) school committee meetings will be presented and key issues discussed at a monthly school baraza (meeting). This baraza should not be dominated by the Head-teacher/teachers, or simply an avenue for them to make announcements, but rather an opportunity to share information from and dialogue on key issues among the entire school community. Parents who are members of the school committee will be invited to participate in the baraza. The baraza should be jointly organized and run by the Head-teacher and Pupil Council Chairperson.

The entire process should be characterized by principles of respect, inclusiveness, transparency, honesty and other values consistent with child friendly and rights-respecting schools.

Clearly, the democratic system described above represents a major departure from current practice at school level. Clear guidelines and procedures will need to be developed, and a strategy devised to promote the idea/concept at all levels. Change will take time, and require significant capacity development, including documenting lessons learned, sharing good practice, etc. A careful plan of how to do this will need to be developed, and will be part of the program to school committee capacity building program.

Annex G: Key Performance Indicators

- Admission capacity established by January, 2004 to start enrolling all 7 years olds in Grade 1;
- Drop-out rate between grade 4 and grade 5 reduced from 13 percent to 10 percent by school year 2003;
- Adequate budgetary allocations made and disbursed for capitation grants equivalent to US\$10 per student for all primary school students by fiscal year 2002/03;
- The agreed strategic plans for reforming MoEC to provide policy and planning guidance, technical support, and to establish and monitor educational standards, and for PO-RALG to deliver primary education through regional and council offices, and communities implemented consistent with Public Service and Local Government Reforms by 2004;
- PO-RALG issues instructions to regional secretariat offices, councils and wards on their roles in primary education delivery by September, 2002;
- Agreed institutional mechanisms and procedures to facilitate school/community participation in the management of primary schools introduced by June 2002.
- Eighty percent of primary schools manage capitation and development grants using school/community bank accounts.

Annex H: Economic and Financial Analyses

Summary:

The existing constraints in Tanzania primary education call for a comprehensive development approach with sector-wide planning and financing. Within this context, the Education Sector Development Program (ESDP) was analyzed in terms of rationale for public financing; cost-effectiveness; and financial sustainability. The results indicate that the investments under ESDP are cost-effective and financially sustainable.

(i) Rationale for public intervention

Macroeconomic context: Tanzania had experienced significant economic growth since independence, followed by improvement in access to education, health and other social services under centrally directed, medium-term and long-term development plans. However, these gains could not be sustained because of the inefficiencies of the state-dominated economy, macroeconomic imbalances and various domestic and external shocks, which led to a sharp economic decline. Falling real public expenditures on social programs led to significant declines in service delivery.

The private sector has started to develop since mid-80s when a comprehensive structural adjustment program was first introduced to dismantle state-control system. Tanzania's economy underwent a major transition from state controlled to free market during this period. The economy today is largely market oriented and has in place many elements required for private sector-led growth. However, Tanzania does not have an adequately qualified and trained work force necessary for achieving higher economic growth, for contributing to effective diversification of the production and export-bases and for ensuring the sustainability of these developments for poverty reduction.

Education sector status: The combination of intermittent economic growth, fiscal constraints and inadequate sectoral policies constrained the performance of the education sector in the late 1980s and 1990s. By the end of 1990s, the gross enrollment rate is around 77 percent. In addition, only about 60 percent of the relevant school age children complete primary school. Also, the overall secondary school gross enrollment rate is still extremely low at only 8 percent.

A robust education sector is essential to producing a better qualified and skilled Tanzanian work force for accelerated economic growth and poverty reduction. As human capital is key to raising productivity and enhancing the capacity of the poor to earn a decent income, as well as improving their welfare and social mobility, education constitutes an essential part of achieving equitable and sustainable economic growth.

The current low human capital stock in Tanzania has been a major constraint to development, particularly in the context of economic reform with a more diversified economy in vision. The current education sector can no longer generate enough qualified graduates to meet the needs. The prevalent scarcities of school inputs and inadequate school supply have resulted in low education quality and access. Current poor sector performance is directly linked to insufficient public funding of the sector, and thus heavy cost burden on households in the form of UPE fees and other large amount of irregular school levies. Therefore, increasing public financing of education sector is essential to the improvement of sector performance with regard to education quality and coverage.

(ii) Sector development projections

The introduction of capitation grant under ESDP would significantly reduce household cost of schooling, thus increase demand for primary education. In particular, given the existing backlog

of out-of-school school-age children, an enrollment surge is well expected during the first three years of ESDP.

Based on school age population projection and current school enrollment age structure, it is estimated that by the beginning of 2002, there are around 1.8 million 8-10 year-olds, plus more than 200 thousand 11-13 year-olds out of school. The first 3 years of ESDP would aim at absorbing all 8-10 year-olds through new admission into the system. Table 1 presents the distribution of in and out-of-school children age 8-13 in 2002. By year 2005, new admission would only consist of 7 year-olds. Table 2 shows the target admission profile between 2002 and 2004. We further assume that 96 percent of 7 year old children eventually have access to schools. The overall grade 1 enrollment is derived by adding new admission and previous year's grade 1 repeaters.

Table 1: Number of in and out-of-school children at 8-13 by 1999 and 2002

Age	1999 (Base year)			2002		
	Population	In School	Out-of-school	Population	In school	Out-of-school
7	909,000	147,106	761,894	973,275		
8	881,730	316,541	565,189	943,980	160,895	783,085
9	855,278	445,211	410,067	915,660	346,212	569,448
10	829,620	538,200	291,420	888,191	486,943	401,248
11-13	1,951,528	1,651,788	299,740	2,042,330	1,807,999	234,331
Total	5,427,156	3,098,846	2,328,310	5,763,436	2,802,049	1,988,112

Table 2: Target new admission age profile 2002-2004

Age	1999 (Base year)	2002	2003	2004
7 ¹	140,083	300,000	546,219	1,018,455
8	189,376	379,304	500,000	449,339
9	166,554	419,448	403,781	173,175
10	121,982	401,248	150,000	0
10+	97,442	0	0	0
Total	715,437	1,500,000	1,600,000	1,640,969

1. 1999 figure includes 4,078 enrollees below age 7.

Table 3 to table 5 present the projections of enrollments, and teacher and classroom needs between 2002-2012. The grade-specific enrollment projection is based on the new admission figures and the current grade-specific repetition and drop-out rates as reported in Tanzania Education Sector Country Status Report. We further assume that the drop-out rate between grade 4 and grade 5 decreases from current 13 percent to ESDP's target of 10 percent between year 2002 and 2004; and further to 3 percent from year 2005 and onwards.

Table 3: Enrollment Projection

	1999 (base yr)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
All 7 year olds	909,000	973,175	995,558	1,018,455	1,041,880	1,065,843	1,090,358	1,115,436	1,141,091	1,167,336	1,194,185	1,221,651
4% of 7 yr old	36,360	38,927	39,822	40,738	41,675	42,634	43,614	44,617	45,644	46,693	47,767	48,866
Target New admission	715,437	1,500,000	1,600,000	1,640,969	1,041,880	1,065,843	1,090,358	1,115,436	1,141,091	1,167,336	1,194,185	1,221,651
Grade 1	737,564				1,049,656	1,054,699	1,078,385	1,103,170	1,128,542	1,154,499	1,181,053	1,208,217
Grade 2	659,852	801,683				1,032,298	1,018,078	1,039,669	1,063,503	1,087,961	1,112,984	1,138,582
Grade 3	646,132	735,271	781,859				1,033,985	997,414	1,015,935	1,039,029	1,062,912	1,087,358
Grade 4	684,634	679,098	721,719	767,425				1,047,993	986,384	999,998	1,022,219	1,045,671
Grade 5	534,047	567,761	604,953	643,008	737,435				1,040,355	959,814	967,747	988,502
Grade 6	454,425	554,063	566,604	602,699	640,632	732,535				1,057,725	963,065	966,578
Grade 7	473,162	581,142	555,471	566,025	600,792	638,560	727,648				1,078,876	969,087
Enrollment	4,189,816	5,405,070	6,247,624	7,125,416	7,421,234	7,710,240	8,003,641	8,246,550	8,094,103	7,763,496	7,388,854	7,403,994
7-13 population	5,427,156	5,810,309	5,943,946	6,080,657	6,220,512	6,363,583	6,509,946	6,659,675	6,812,847	6,969,543	7,129,842	7,293,828
GER	0.77	0.93	1.05	1.17	1.19	1.21	1.23	1.24	1.19	1.11	1.04	1.02

The large number of admission inflow between 2002 to 2004 is highlighted in table 3. The impact of these three large enrollment cohorts will last until 2010 when all of them exit the system. The enrollment projection shows that the gross enrollment rate will be over 100 percent in 2004, and peaks at 124 percent in 2008.

Rapid increase in enrollment would put much pressure on teacher needs. Total number of teachers required is further determined by the size of basic teaching unit (see footnote in table 4), or streams, and teacher double-shifting ratio. The projection for teacher needs assumes 45 pupils per stream, which is the standard class size as specified by MoEC's primary education minimum standards. Since there has been teacher hiring freeze since 1999, total number of teachers by the end of school year 2001 is estimated at 100,665 using 1999 teacher number of 103,966 with an annual attrition rate of 1.6%. It is projected that by the end of 2001, over 9,000 new teachers need to be hired. It has been estimated that there are over 20,000 unemployed teachers on the labor market currently. However, to put them into teaching position in school year 2002, immediate recruiting and deploying action needs to be taken.

It should be noted that although double-shifting of teachers could be effective to deal with the shortage of teaching force in the short run, in many cases it results in shorter learning hours, thus negative impact on learning results. Therefore, double-shifting of teachers is more or less a temporary measure when new hiring reaches the capacity ceiling.

Table 4: Teacher requirement projection
(Pupil/teaching unit:45)

	1999	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
# of teaching unit ¹	93,107	120,113	138,836	158,343	164,916	171,339	177,859	183,257	179,869	172,522	164,197	164,533
% of teaching unit acquired by D/S ²		0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.15	0.09	0.01	0.00
% of actual teaching unit D/S		0.11	0.18	0.25	0.25	0.25	0.25	0.24	0.18	0.09	0.01	0.00
PTR	40.30	50.00	52.94	56.25	56.25	56.25	56.25	55.90	52.94	49.18	45.45	45.00
Teacher requirement	103,966	108,101	118,011	126,674	131,933	137,071	142,287	147,522	152,889	157,858	162,555	164,533
Attrition=1.60%		1,611	1,730	1,888	2,027	2,111	2,193	2,277	2,360	2,446	2,526	2,601
New hiring		9,047	11,639	10,552	7,286	7,249	7,409	7,511	7,727	7,415	7,223	4,579

1. Teaching unit is also referred to as "stream"; it is also equivalent to "class size" when one class has only single stream.
2. Double-shifting.

Total classroom required is determined by teaching unit size as well as double-shifting ratio of classrooms. Compared with double-shifting of teachers, double shifting of classrooms has less negative impact on learning results. However, key challenges would be the coordination and management of classroom utilization, when as high as two-thirds of classrooms are double-shifting. Double-shifting of classrooms would have to be put into school plans as the enrollment surge between 2002 and 2004 would aggravate the already severe classroom shortage currently. It is estimated that during the following 3 years, an approximate average of 14,000 classrooms have to be built in order to cater the enrollment with a reasonable class size of 45 pupils. The most challenging period would be between June 2001 and January 2002, as about 14,000 new classrooms have to be ready when the new school year starts. In other words, on average, each of the 11,000 currently operating schools need to add at least one classroom during the 6-month period.

Table 5: Classroom requirement projection

	1999	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
# of teaching space needed	93,107	120,113	138,836	158,343	164,916	171,339	177,859	183,257	179,869	172,522	164,197	164,533
% of teaching space acquired by Double/Shifting		0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.368	0.32	0.265	0.25
% of classroom D/S		0.67	0.67	0.67	0.67	0.67	0.67	0.67	0.58	0.47	0.36	0.33
Classroom requirement	57,367 (existing)	72,068	83,302	95,006	98,950	102,803	106,715	109,954	113,677	117,315	120,685	123,400
Existing classrooms previous year		60,000	72,068	83,302	95,006	98,950	102,803	106,715	109,954	113,677	117,315	120,685
depreciation rate		0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02
depreciation		1,800	2,162	2,499	2,850	1,979	2,056	2,134	2,199	2,274	2,346	2,414
New construction		12,068	11,234	11,704	3,944	3,853	3,912	3,239	3,723	3,638	3,370	2,715
Total construction needed		13,868	13,396	14,203	6,794	5,832	5,968	5,373	5,922	5,911	5,716	5,129

(iii) Unit cost analysis

Unit (recurrent) cost analysis is undertaken to evaluate the cost-effectiveness of primary school grant. Table 6 shows the projection of unit cost (in 1999 constant price) evolution over the period of year 2002 to year 2012.

Table 6. Unit Cost Evolution

	Key Parameters	1999 (base year)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SCHOOL LEVEL													
Teachers salary		24613.51	20633.24	20366.02	19437.73	20631.24	21495.48	22314.75	23522.49	25844.11	28769.94	32903.07	33936.64
	Teacher wage growth Effective PTR	40.30	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
D/S Supplement	0.4	0.00	917.06	1090.61	1283.77	1493.12	1742.65	2031.28	2362.72	2810.17	3366.30	406.53	0.00
	% of D/S teachers	0.00%	0.11	0.18	0.25	0.25	0.25	0.25	0.24	0.18	0.09	0.01	0.00
	S/T Wages	24615.55	21550.79	21697.52	21821.51	22694.37	23602.14	24546.23	25615.10	27454.29	29776.14	32435.59	33936.64
School operation ¹		907.92	3237.00	4984.00	4580.00	4990.00	4780.00	4980.00	4980.00	4980.00	4980.00	4980.00	4980.00
Textbooks			3320.00	3320.00	3320.00	3320.00	3320.00	3320.00	3320.00	3320.00	3320.00	3320.00	3320.00
	S/T Op. Exp.	907.92	6557.00	8300.00	8300.00	8300.00	8300.00	8300.00	8300.00	8300.00	8300.00	8300.00	8300.00
	S/T SCHOOL	25523.47	28107.79	29997.52	30121.51	30994.37	31902.14	32846.23	33915.10	35754.29	38076.14	40735.59	42236.64
INSPECTION													
Wages		120.29	100.83	99.04	98.94	100.82	104.63	109.04	114.11	125.31	130.29	137.86	163.83
	Inspector wage growth Teacher per inspector	211	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Operating expenses		73.01	174.43	174.85	174.85	174.85	174.85	174.85	174.85	174.85	174.85	174.85	174.85
	Growth of Op. Exp	0.00%	139.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	S/T	193.30	275.68	273.89	271.79	275.67	279.70	283.89	288.97	300.16	315.14	332.71	340.69
REGIONAL AND DISTRICT ADMINISTRATION													
Wages		630.68	537.41	561.21	564.41	586.99	610.27	634.89	662.54	710.11	770.18	831.95	877.77
	% of S/T school wage	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%	2.59%
Examinations		0.00	373.84	497.77	433.72	390.35	629.77	653.89	684.53	739.24	823.92	714.73	675.12
	% of std 4 enroll.	0.16	0.13	0.12	0.11	0.18	0.19	0.19	0.13	0.12	0.13	0.14	0.14
	% of std 7 enroll.	0.11	0.11	0.09	0.08	0.08	0.08	0.09	0.14	0.17	0.19	0.15	0.13
Operating		1826.85	2246.11	2035.13	1904.21	1861.19	1822.73	1786.34	1758.17	1775.65	1813.92	1868.91	1883.79
	Growth of OP. EXP.		45.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	S/T	2463.53	3377.36	3114.11	2922.34	3041.93	3062.97	3075.07	3105.23	3245.00	3409.60	3419.59	3416.68
NATIONAL ADMINISTRATION													
Wages		108.26	94.78	95.43	95.97	99.81	103.81	107.90	112.56	120.73	130.96	142.66	149.26
	% of S/T school wage	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%
Operating expenses		496.23	384.66	352.89	291.80	280.17	269.67	259.78	252.33	236.88	267.82	281.40	280.82
	Growth of op. Exp.		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	S/T	604.51	479.46	428.23	387.77	379.98	373.47	367.74	364.79	377.63	398.78	424.05	430.08
UNIT COST		28784.82	32240.29	33813.74	33703.41	34691.94	35618.28	36572.93	37674.09	39677.07	42199.66	44911.95	46424.09

1. School operation is financed through "Capitation Grant" starting school year 2002, which covers teaching and learning materials, administrative cost, school facility repairs, and cluster-based teacher professional development activities.

2. Includes school materials, student welfare, etc.

The unit cost is composed of school level costs; inspection costs; district and regional level costs; and central ministry level costs. At each level, the costs are categorized into personal emolument (PE) and operating costs (OC). Under ESDP, 6 US dollar capitation grant will be allocated to finance school level operation (in 2002, 70 percent of the schools will get 3 dollars per pupil, another 30 percent of schools receive 6 dollars per pupil. See program description for details). In addition, there will be an increased amount of operating cost at district level, which is estimated at about 10 percent of the amount of school capitation grant. Teacher salary is assumed to grow at 4 percent annually, so is inspector's salary. We also assume the ratios of wage component of the unit cost between school, district, and central ministry levels keep constant.

The major determinants of unit cost change are salary growth and the introduction of capitation grant to finance school operation. As salary is assumed to grow at 4 percent annually, the unit cost increases steadily after a jump at the beginning of 2002 when the capitation grant starts to flow down to schools and keeps constant afterwards. Pupil-teacher ratio is another important factor of the magnitude of the unit cost. Other parameters constant, decrease in pupil-teacher ratio would raise the level of unit cost.

The overall evolution of unit cost represents the dynamics of primary education system moving towards a more efficient process of education delivery with optimized level of school inputs following the external shock due to the introduction of capitation grant. Although unit cost per enrollee has increased between 2002 and 2012, the education system is more efficient as indicated by potentially improved ratios between PE and OC inputs. For example, in 2012, PE:OC ratio would be reduced to 75:25 from as high as the current 90:10, as more fund has flowed into the long starved school operation for adequate education delivery. In addition to the adjustment of input ratios, the efficiency gain is also reflected in the input-output ratio. If overall public spending represents the level of inputs, the most important measure of outputs of education system is the total number of graduates and, most essentially, the quality of these graduates. Improved education quality and alleviated household costs both relate closely with improved school retention and grade promotion rates, thus better internal efficiency and less wastage of the system.

(iv) Financial analysis

Costs of primary education

The first 3-year period of ESDP is aimed at jump-starting the system with sufficient fund flow into the long-time starved system. Once the capitation grant is introduced together with the abolishment of UPE fees and other school levies, an enrollment increase is anticipated within a short period of time, which in turn requires a large amount of funds to follow-up to increase teaching force and school places. Table 7 presents the primary cost projection between fiscal year 2001/02 and 2011/12.

Total amount of recurrent cost is the product of total enrollment and recurrent unit cost in each year. School year figures are adjusted to fiscal years according to the disbursement nature of the line items. The major component of investment cost is classroom construction. The average construction cost of each classroom is estimated at 5,000 US dollars, including necessary sanitary facilities. In addition, the total cost also includes development cost at each level for ESDP related staff training and other capacity building activities

Table 7: Cost Summary

Cost		2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Recurrent :												
Primary: PE	Teacher salary	108,172	126,021	145,523	161,954	175,199	189,219	203,848	216,727	226,692	235,414	245,464
	District salary	2,798	3,260	3,764	4,189	4,532	4,894	5,273	5,606	5,863	6,089	6,349
	Ministry salary	476	554	640	712	771	832	897	953	997	1,035	1,080
OC	school operation	8,748	24,305	33,299	36,221	37,677	39,128	40,463	40,688	39,485	37,729	36,834
	textbooks	17,945	20,742	23,656	24,638	25,598	26,572	27,379	26,872	25,775	24,531	24,581
	exams	3,102	3,110	3,233	4,405	4,856	5,233	5,645	6,145	6,393	5,281	4,999
	district operation	12,140	12,840	13,568	13,814	14,054	14,297	14,499	14,372	14,098	13,787	13,799
	central operation	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079	2,079
	others	528										
Inspectorate												
PE		516	582	655	719	778	841	907	978	1,052	1,128	1,197
OC		945	1,092	1,246	1,298	1,348	1,399	1,442	1,415	1,357	1,292	1,295
Total recurrent		157,449	194,584	227,663	250,030	266,892	284,494	302,430	315,836	323,793	328,366	337,677
Investment	classroom											
	Construction	57,551	55,594	58,942	28,197	24,205	24,767	22,298	24,577	24,532	23,721	21,285
	Staff house											
	construction	12,086	11,675	12,378	5,921	5,083	5,201	4,683	5,161	5,152	4,981	4,470
	Construction											
	supervision	350	350	350								
	Capacity building:											
	district level	5,273	3,750	3,809								
	Capacity building:											
	regional level	830	830	830								
	Capacity building:											
	central ministry											
	MoEC	830	830	830								
	PO-RALG	830	830	830								
	Strengthening											
	educational inputs	500	500	500								
	Sub-sector											
	program											
	development	830	830	830								
Total investment		78,249	74,358	78,469	34,118	29,287	29,969	26,981	29,739	29,684	28,702	25,755
Grand total		235,698	268,943	306,132	284,148	296,179	314,463	329,411	345,575	353,477	357,068	363,432

Public resources and financing gap

The amount of public financing for primary education is determined by government's budget envelope, which includes domestic revenue and donor's budget-support funds, and the budget allocation across sectors. As Tanzania is expected to reach the HIPC completion point by September, 2001, HIPC funds would be another source of budget envelope.

The budget envelop projection figures between 2001/02 and 2003/04 are directly from ministry of finance's cross-sector MTEF. The projections from 2004/05 and onwards follow the assumptions of the key parameters as follows:

- 5-6 percent GDP growth;
- marginal tax rate 13 percent in 2005, gradually increased to 15 percent;
- around 55 billion Tshs (in nominal terms) of HIPC funds in-flow annually;
- 25 percent of government recurrent expenditure goes to education sector;
- 62 percent of education spending goes to primary education.

Resource projected to be available to primary education is summarized in table 8. Table 9, together with figure 1 and figure 2, shows the financing gap evolution between 2002 and 2012.

Table 8: Resource Summary

Resources	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
GDP (mill. Tsh)	8,011,395	8,492,079	9,001,604	9,541,700	10,114,202	10,721,054	11,364,317	12,046,176	12,768,947	13,535,083	14,347,188
Growth rate	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Marginal tax rate				0.13	0.13	0.13	0.13	0.14	0.14	0.15	0.15
domestic revenue	906,671	1,069,732	1,134,914	1,240,421	1,314,846	1,393,737	1,477,361	1,686,465	1,787,653	2,030,263	2,152,078
HIPC	55,264	54,952	52,846	50,330	47,933	45,651	43,477	41,406	39,435	37,557	35,768
Poverty reduction budget support	182,429	241,058	228,564	228,564	228,564	228,564	228,564	228,564	228,564	228,564	228,564
Budget envelop	1,144,364	1,365,743	1,416,325	1,416,325	1,591,344	1,667,952	1,749,402	1,956,435	2,055,651	2,296,384	2,416,411
Recurrent envelop	1,092,239	1,307,495	1,368,318	1,380,917	1,551,560	1,626,253	1,705,667	1,907,524	2,004,260	2,238,974	2,356,001
Edu recurrent/total recurrent				25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
primary/Edu. Recurrent.				62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%	62.00%
Primary budget allocation	128,865	150,761	177,929	214,042	240,492	252,069	264,378	295,666	310,660	347,041	365,180

The international community is committed to the development of Tanzania primary education. On one hand, donor's sector support is to be further sought, on the other hand, government commitment of allocating more public resources to the sector, particularly to primary education would be a more sustainable path for further sector development.

Table 9: Financing Gap

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Total cost	235,698	268,943	306,132	284,148	296,179	314,463	329,411	345,575	353,477	357,068	363,432
recurrent cost	157,449	194,584	227,663	250,030	266,892	284,494	302,430	315,836	323,793	328,366	337,677
investment cost	78,249	74,358	78,469	34,118	29,287	29,969	26,981	29,739	29,684	28,702	25,755
Total Resource	128,868	150,761	177,929	214,042	240,492	252,069	264,378	295,666	310,660	347,041	365,180
Total recurrent budget	126,044	146,253	171,952	214,042	240,492	252,069	264,378	295,666	310,660	347,041	365,180
Total development budget	2,823	4,508	5,977								
Total Financing gap	106,830	118,181	128,203	70,106	55,687	62,394	65,033	49,909	42,817	10,027	-1,748
recurrent financing gap	31,405	48,331	55,711	35,987	26,400	32,425	38,052	20,170	13,132	-18,675	-27,503
development financing gap	75,854	70,279	72,920	34,118	29,287	29,969	26,981	29,739	29,684	28,702	25,755
million USD: recurr. Gap	38	58	67	43	32	39	46	24	16	-22	-33
million USD: dev. Gap	91	84	87	41	35	36	33	36	36	35	31
million USD: total fin. Gap	129	142	154	84	67	75	78	60	52	12	-2

Figure 1: Total Financing Gap

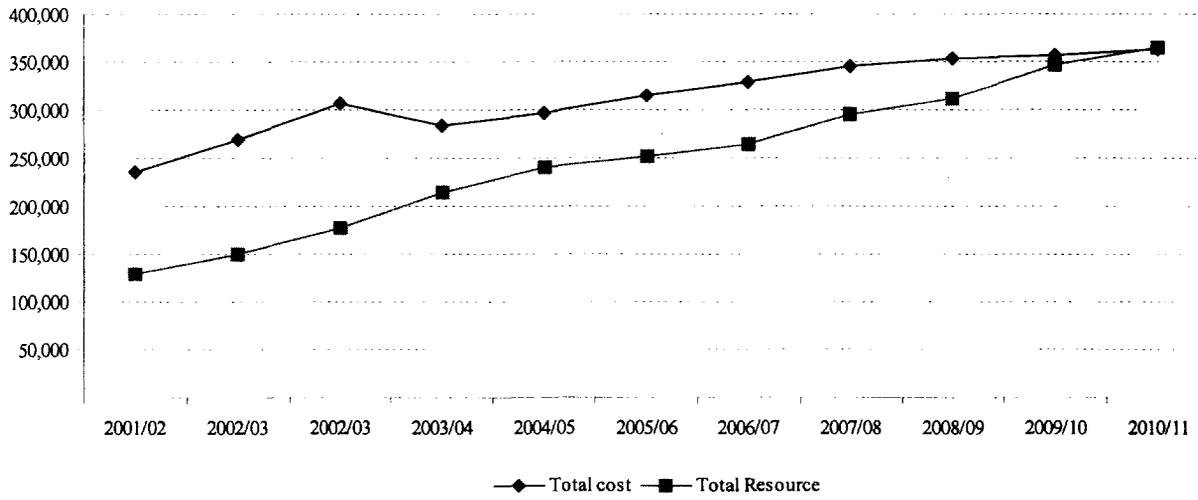
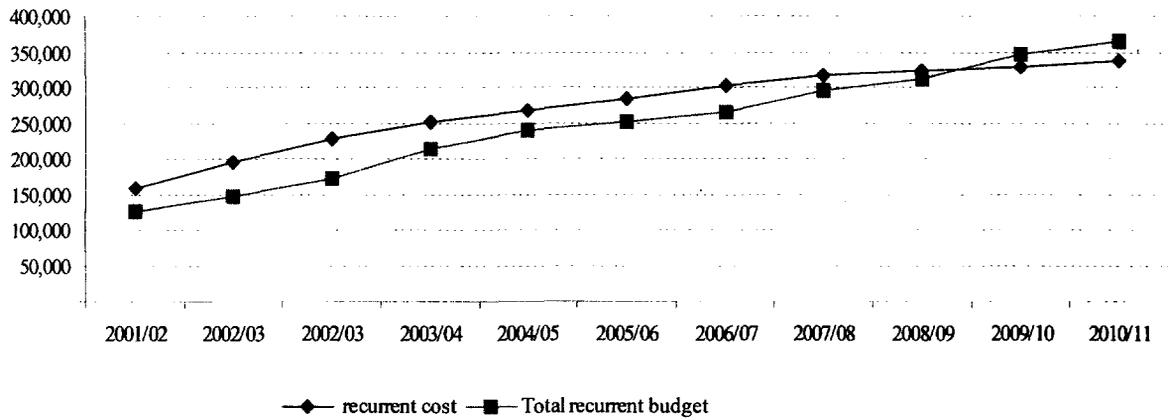


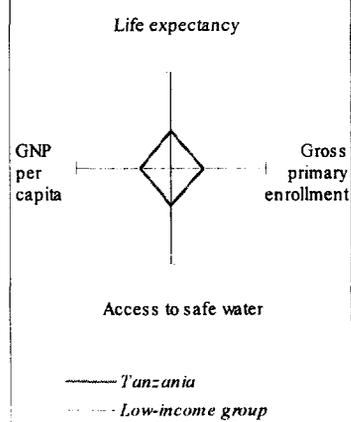
Figure 2: Recurrent Financing Gap



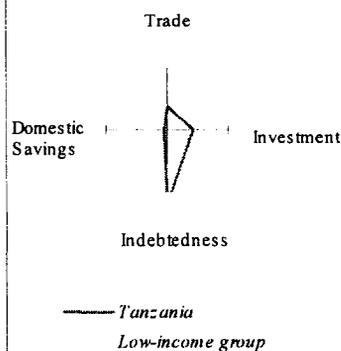
Annex I: Tanzania at a Glance

POVERTY and SOCIAL	Sub-Saharan Africa				
	Tanzania	Africa	Low-income		
1999					
Population, mid-year (millions)	32.9	642	2,417		
GNP per capita (Atlas method, US\$)	260	500	410		
GNP (Atlas method, US\$ billions)	8.5	321	988		
Average annual growth, 1993-99					
Population (%)	2.7	2.6	1.9		
Labor force (%)	2.7	2.6	2.3		
Most recent estimate (latest year available, 1993-99)					
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	32	34	31		
Life expectancy at birth (years)	47	50	60		
Infant mortality (per 1,000 live births)	85	92	77		
Child malnutrition (% of children under 5)	31	32	43		
Access to improved water source (% of population)	49	43	64		
Illiteracy (% of population age 15+)	25	39	39		
Gross primary enrollment (% of school-age population)	67	78	96		
Male	67	85	102		
Female	66	71	86		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1979	1989	1998	1999	
GDP (US\$ billions)	..	5.3	8.6	8.8	
Gross domestic investment/GDP	..	18.1	16.5	17.0	
Exports of goods and services/GDP	..	11.3	12.8	13.3	
Gross domestic savings/GDP	..	-3.5	2.3	2.2	
Gross national savings/GDP	2.0	2.2	
Current account balance/GDP	..	-4.2	-14.5	-14.8	
Interest payments/GDP	..	0.9	1.2	0.4	
Total debt/GDP	..	110.3	88.5	75.2	
Total debt service/exports	..	32.5	20.9	11.8	
Present value of debt/GDP	66.1	..	
Present value of debt/exports	496.9	..	
	1979-89	1989-99	1998	1999	1999-03
<i>(average annual growth)</i>					
GDP	..	3.0	4.0	4.7	5.7
GNP per capita	..	0.5	2.1	2.5	3.4
Exports of goods and services	..	8.9	9.8	4.7	5.7

Development diamond*

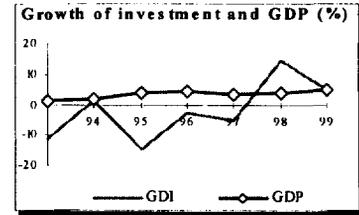


Economic ratios*

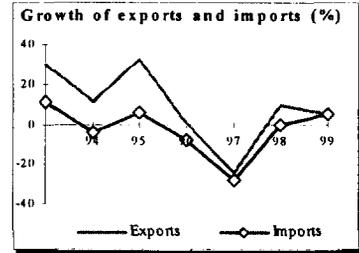


STRUCTURE of the ECONOMY

	1979	1989	1998	1999
<i>(% of GDP)</i>				
Agriculture	..	50.7	44.8	44.8
Industry	..	14.9	15.4	15.4
Manufacturing	..	8.5	7.4	7.4
Services	..	34.4	39.8	39.8
Private consumption	..	87.5	86.6	86.2
General government consumption	..	16.0	11.1	11.6
Imports of goods and services	..	32.9	26.9	28.0

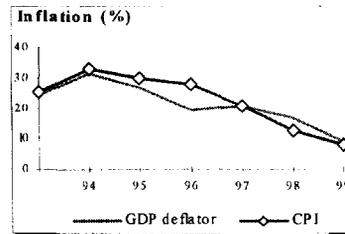


	1979-89	1989-99	1998	1999
<i>(average annual growth)</i>				
Agriculture	..	3.4	1.9	4.7
Industry	..	2.6	10.3	4.8
Manufacturing	..	2.3	8.0	4.9
Services	..	2.5	4.2	4.8
Private consumption	..	2.9	1.3	4.7
General government consumption	..	-7.4	-4.5	4.7
Gross domestic investment	..	-1.1	14.3	4.8
Imports of goods and services	..	-2.1	-0.3	4.7
Gross national product	..	3.5	4.8	5.0

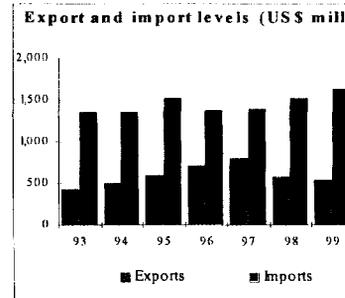


PRICES and GOVERNMENT FINANCE

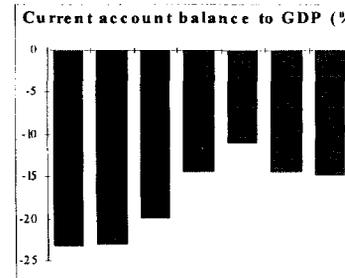
	1979	1989	1998	1999
Domestic prices				
<i>(% change)</i>				
Consumer prices	..	25.8	12.8	7.9
Implicit GDP deflator	..	45.9	16.7	9.1
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	11.3	10.8	10.6
Current budget balance	..	-1.0	0.9	0.5
Overall surplus/deficit	..	-3.5	-2.6	-3.3

**TRADE**

	1979	1989	1998	1999
<i>(US\$ millions)</i>				
Total exports (fob)	..	415	577	541
Coffee	..	103	111	98
Cotton	..	70	91	90
Manufactures	..	89	68	84
Total imports (cif)	..	1,211	1,519	1,631
Food	..	81	84	89
Fuel and energy	..	150	138	134
Capital goods	..	443	551	629
Export price index (1995=100)	..	79	86	84
Import price index (1995=100)	..	89	83	84
Terms of trade (1995=100)	..	88	103	99

**BALANCE of PAYMENTS**

	1979	1989	1998	1999
<i>(US\$ millions)</i>				
Exports of goods and services	1,099	1,163
Imports of goods and services	2,314	2,457
Resource balance	-1,216	-1,294
Net income	-57	-35
Net current transfers	31	34
Current account balance	-1,242	-1,295
Financing items (net)	1,276	1,424
Changes in net reserves	-34	-129
Memo:				
Reserves including gold (US\$ millions)	599	776
Conversion rate (DEC, local/US\$)	..	119.4	664.7	744.8

**EXTERNAL DEBT and RESOURCE FLOWS**

	1979	1989	1998	1999
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	4,269	5,854	7,605	6,584
IBRD	168	252	21	16
IDA	208	1,016	2,463	2,594
Total debt service	100	177	239	144
IBRD	16	42	14	6
IDA	2	12	33	44
Composition of net resource flows				
Official grants	349	536	648	..
Official creditors	139	98	135	-39
Private creditors	71	24	-15	..
Foreign direct investment	0	6	172	183
Portfolio equity	0	0	0	..
World Bank program				
Commitments	143	73	43	159
Disbursements	72	115	102	199
Principal repayments	4	28	29	30
Net flows	68	87	73	169
Interest payments	15	26	18	21
Net transfers	54	61	55	148

