

**THE WORLD BANK GROUP ARCHIVES**

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**Folder ID:** 1775108

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**Dates:** 10/01/1981 - 08/31/1982

**Sub-Fonds:** Records of President A. W. Clausen

**Fonds:** Records of the Office of the President

**ISAD Reference Code:** WB IBRD/IDA EXC-09-3965S

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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

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CAUSEN'S - Country Files: Tanzania

Vol 1

The World Bank Group  
**Archives**



1775108

Country Files: Tanzania - Correspondence 01 A1990-013 Other # 19 Box # 209502B

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WBG Archives



August 19, 1982

Dear Mr. President:

Many thanks for your most thoughtful letter of July 26 on the subject of the Bank's Africa Report.

I am most encouraged by your comments and assessment of the Report. The basic message of the Report is indeed, as you state, that there needs to be a considerable transfer of resources to Sub-Saharan Africa to support investment programs and the implementation of policy changes if the economic decline projected for the 1980s is to be reversed.

We called for a doubling of official development assistance to Africa and an allocation of an increasing share of IDA resources. In the present crisis facing IDA, we very much appreciated the action you took in writing to various DAC country leaders urging that they continue their level of IDA contributions despite the cutback by the United States. As you know, we have been pressing all our efforts not only in mobilizing the full commitment of funds for IDA 6 but for an early start for the negotiations for IDA 7 which we hope to launch in the fall. We are pressing for an increase in real terms in IDA 7 which would result in a larger transfer of concessional funds to Sub-Saharan Africa. But as you know, the international climate for foreign assistance is at this time very difficult, and we must hope for the best results from our negotiations.

I very much appreciate the frank exchange of views. I do hope we can continue to maintain this contact which should give invaluable support to the Bank's work not only in Tanzania but throughout the developing world.

Sincerely,



(A. W. Clausen)

His Excellency The President  
of the United Republic of Tanzania  
Julius K. Nyerere  
P.O. Box 9120  
Dar-es-Salaam, Tanzania

bcc: Mr. K.A. Malima, Minister for  
Planning and Economic Affairs

Messrs. Stern, Qureshi, Benjenk,  
Knox, Thahane, Wapenhans

DRClarke:js

Roy -

I think the Nyerere


~~attached~~ letter is Fine. The  
→ Malima letter needs

no response - he is

~~is~~ answering our

letter. Since he is  
also the Governor for  
the Bank we must

anyway send him a  
copy of the Nyerere  
letter. That will do it.

8.19.82  
OK 





FORM NO. 1663  
(5-80)

THE WORLD BANK

ROUTING SLIP

DATE:

August 17, 1982

FROM THE OFFICE OF THE  
VICE PRESIDENT, EXTERNAL RELATIONS

NAME

ROOM NO.

Mr. Southworth

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

REMARKS:

Letter to President Nyerere submitted  
for Mr. Clausen's signature. It has  
been cleared with Mr. Wapenhans.

FROM:

D. R. Clarke,

E-826

xt.72237

# ROUTING SLIP

Date  
August 16, 1982

## OFFICE OF THE PRESIDENT

Name

Room No.

Mr. D.R. Clarke

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

For reply for Mr. Clausen's signature  
by August 19, please.

From

Roy Southworth



# ROUTING SLIP

Date

## OFFICE OF THE PRESIDENT

Name

Room No.

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

From

**WORLD BANK**

**OFFICE OF THE PRESIDENT**

August 16, 1982

Mr. Clarke:

At Mr. Clausen's request, I spoke with Willi Wapenhans about how we should reply. He suggested a short letter that thanks the President for his thoughtful letter and expresses gratitude for his assistance in writing DAC country leaders on the IDA contribution. We should also mention the efforts underway for FY84 in IDA 6 and IDA 7. We might conclude by saying that we appreciate this frank exchange of views and look forward to it continuing

Roy Southworth



352

Copies sent to: Messrs. Stern,  
Benjoni, Thahane, Knox,  
Cassimane, D.R. Clarke  
8/11  
Mr. Qureshi 8/16

action Reading

THE STATE HOUSE,  
DAR ES SALAAM,  
TANZANIA.

26th July, 1982.

Mr. A. W. Clausen,  
President of the World Bank,  
Washington D.C. 20433  
U.S.A.

Dear Mr. Clausen,

Your letter of 21st June 1982 arrived just as I left Dar es Salaam for a tour of three Regions of Southern Tanzania so that it has only now become possible for me to reply to it.

The World Bank Report on Sub-Sahara Africa to which you refer is extremely valuable and makes many constructive contributions to African development, especially in pointing to many of the things which African countries can, and must, do for themselves. It challenged the regrettable tendency in Africa to act as if the origin of our own problems affected the necessity for us to undertake the task of dealing with them. Inevitably, however, each country in Africa will have reservations about some section of the Report or some verbalisation of the problems which we face in this continent; and I think the Dakar Memorandum, or the Governors during their Meeting, did record their opinion that the Report had not given sufficient emphasis to energy, industrialisation, regional cooperation and the influence of external economic policies on African endeavours.

But despite its often justified and trenchant criticisms of Africa's failures, I think we can all agree that the basic message of the Report is the need for a very considerable transfer of resources to Sub-Sahara Africa. It is on such a transfer that depends a positive outcome of almost all the actions suggested in the different sections. Indeed unless the critical minimum of resources are supplied from outside it is highly unlikely that the problems discussed could be overcome, at least within an acceptable time frame and without dangerous social and political upheaval, whatever policies are adopted by African countries, or even if we were all angels of probity and omniscience.

.../2.



Yet as we look at the signals given by the international community we see no indication that Official Development Assistance to Africa will in fact be doubled in this Decade, as the Report urges. On the contrary, some of the wealthiest countries have announced their intention of cutting ODA or offering it only with unacceptable political conditions. The Bank is, as you say, planning to allocate 34% of IDA resources to this area in the 1982-86 period as compared with 25% in the current 5 year period. But the total available for allocation may well be smaller, so that it is unclear whether this will mean a higher monetary IDA allocation. In real terms it will almost certainly mean a smaller rather than a larger resource transfer to Sub-Sahara Africa because of the effects of inflation in the world monetary system.

In the light of these signs, and quite apart from the inevitable influence of the different political and technical environment of the two meetings, it is perhaps not surprising that the Development Ministers meeting of ECA, at which 50 very different political entities are represented, should react with what amounts to a scream of frustration. I do realise that this does not make easier your own efforts, and those of your colleagues, to gain support for IDA from the countries of the economic North. But mixed signals - however frustrating - are no monopoly of Africa, as can be seen from a most cursory glance at the communiques issued after such Summit Meetings as Ottawa, Versailles, Cancun and Paris - to say nothing of the stream of messages which come out from other offices in Washington D.C.!

The truth is that in these matters we are dealing with highly emotional and political as well as highly economic affairs. And as the World Bank deals with almost all of the Governments of Sub-Saharan Africa, I do not think you can be in any doubt about the importance which our part of this continent attaches to the Bank and its activities. Let me in any case assure you that when I wrote to various DAC country leaders to urge that they should maintain the value of their IDA contribution despite the U.S. cut, I was doing so - as was made clear - out of a genuine recognition of the vital nature of IDA to the poorest countries. It is because of this recognition that we can - and do - remain interested both in the proportions of Bank Funds spent in the poorest countries,



and also in the quantities of money which those proportions represent.

Thank you for writing to me. I believe that this kind of contact between us is very valuable.

Yours sincerely,

Tulius K. Payne .

RECEIVED

1982 AUG 11 PM 2:38

OFFICE OF THE PRESIDENT



372

RI

Copies to Stan,  
Quesshi, Benjamin,  
Thabane, Knox,  
Wayenbans, D. R. Clarke

THE UNITED REPUBLIC OF TANZANIA  
OFFICE OF THE VICE-PRESIDENT  
MINISTER OF STATE FOR PLANNING AND ECONOMIC AFFAIRS

Telegraphic Address: "MINISTER".

Telephone Number: 21779.

In reply please quote:

P.O. Box 9242,

DAR ES SALAAM.

Ref. No. MPEC/B/10/1/12

6th August, 1982

Mr. A. W. Clausen,  
President,  
The World Bank,  
Washington, D. C. 20433  
UNITED STATES OF AMERICA

Dear Mr. Clausen,

I wish to thank you for your letter of June 24, 1982, to which you very kindly also attached a copy of your letter to President Nyerere on the World Bank Report on Accelerated Development in Sub-Sahara Africa.

I do appreciate the concern shown by the World Bank on what appears to you to be an inconsistent position taken on the World Bank report at the Tripoli Ministerial meeting, on the one hand, and the African Caucus meeting of Dakar, on the other. My own opinion, however, is that the difference between the Dakar memorandum and the Tripoli declaration is basically a matter of emphasis. This was to be expected; the technical preparations for the two respective Ministerial meetings were done by different people and at different places, even though some of the participants were at both gatherings.

What is more important, however, is that the main message of both the Dakar memorandum and the Tripoli declaration is not all that dissimilar. Both documents, for instance, acknowledge the positive technical aspects of the World Bank Report. Further, the Dakar memorandum refers to the World Bank Report's inadequate appreciation of the historical role of industrialization for Africa's development, the dominant contribution of the external environment to Africa's current economic problems, the dangers and implied vulnerability of excessive dependence on exports of, especially, primary products, the importance of food self-sufficiency, as well as the crucial role of collective self-reliance and economic integration for the development of Africa. The fact that we have not ourselves done much in all those areas, or that the little which has been undertaken was not done well, is no good reason for not focussing on these issues for future. All those reservations were implicitly or in some cases explicitly alluded to in the Dakar memorandum.

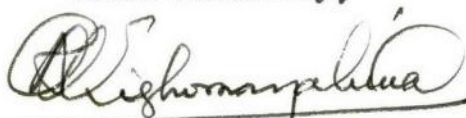
....2/

The Tripoli declaration does take the issue further when it relates the World Bank Report to the Lagos Plan of Action, which is the political-economic guideline for Africa for the next twenty years. It is in that political context that one has to read the Tripoli declaration statement that the Report "was adopting approaches, concepts, which are divergent from those of the Lagos Plan of Action and the Final Act of Lagos and is in fundamental contradiction with the political, economic and social aspirations of Africa". I would admit that the language, particularly of the latter portion of the above quoted statement, may have been excessive. The fact remains that the World Bank Report and Lagos Plan of Action do have quite different approaches and strategies for African development, as was clearly pointed out by a joint review of OAU, ECA and ADB secretariats. It may therefore be very difficult for any one country to stop such an important Report being discussed at the forthcoming OAU Heads of State Summit if the majority of OAU members wish it to be on the Agenda.

It is certainly not our wish to quarrel with the Bank, and I do hope that I have clarified some of the issues which may have caused disquiet to you and your colleagues. For we are very much aware, Mr. President, that Africa needs and will continue to need substantial resources from both the World Bank and elsewhere, in order to realize its most cherished aspirations. But the obverse side of our own prime responsibility to solve Africa's various and intractable problems, is that Africa should have her own "input" into discussions about the appropriate approaches and strategies for economic development. In all fairness these should be regarded as being of paramount importance.

I very much look forward to meeting you, Mr. President, during the 1982 Annual Meetings in Toronto as well as to continued Tanzania/Bank Cooperation.

Yours sincerely,



K. A. Malima

MINISTER FOR PLANNING AND ECONOMIC AFFAIRS

CHIEF OF THE DEPARTMENT

1985 NOV 18 PM 4:28

RECEIVED



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Yours sincerely,



K. A. Malima  
MINISTER FOR PLANNING AND ECONOMIC AFFAIRS

OFFICE OF THE PRESIDENT

1982 AUG 16 PM 4:59

RECEIVED

A.W. CLAUSEN  
President

June 24, 1982

Dear Mr. Minister:

By this time, your Executive Director, Mr. Y. S. Abdulai, has informed you of the outcome of the discussions recently held at the Development Committee meeting in Helsinki. These were a follow-up on the African Caucus meeting in Dakar in March in connection with the Bank's report on Accelerated Development in Sub-Saharan Africa.

In view of the inconsistent position taken on the Bank's report in the Tripoli Declaration (adopted by a Ministerial meeting of the ECA in Tripoli on April 30, 1982) and the proposal that the subject be considered at the forthcoming meeting of African Heads of State to be held in Libya in August, I have addressed the attached letter to President Nyerere.

Sincerely,



The Honorable  
K. A. Malima  
Minister for Planning  
and Economic Affairs  
P. O. Box 9242  
Dar es Salaam  
United Republic of Tanzania

BC: Messrs. Stern  
Benjenk  
Thahane  
Knox  
Wapenhans  
Abdulai  
Razafindrabe

Copy

A. W. CLAUSEN  
President

June 21, 1982

His Excellency The President  
of the United Republic of Tanzania  
Julius K. Nyerere  
P.O. Box 9120  
Dar-es-Salaam, Tanzania

Dear Mr. President:

During our discussion in Dar-es-Salaam last November, we had broached a number of themes arising in the Bank's report on Accelerated Development in Sub-Saharan Africa: An Agenda for Action. In March, the African Governors of the Bank and Fund also met in Dakar for a discussion on the report.

I was most encouraged by the outcome of the Dakar meeting, particularly with the recognition given in the concluding Memorandum that the report contributes to the implementation of the Lagos Plan of Action during the 1980s. I was also pleased to note the affirmation in the Memorandum of "the need for adjustment and for a constant readaptation of development policies" and "to make efficient use of available resources, be they human or financial, public or private." We fully accept the conclusion of the Memorandum that it will be for each country to design its own programs and policies to deal with particular national economic problems. The Bank is pursuing the economic policy dialogue with individual African countries and stands ready to assist governments in the preparation of specific programs of action.

At the same time, the Dakar Memorandum calls on the Bank to act as an intermediary and catalyst between the international community and Africa, particularly in regard to the transfer of resources for development. We had urged in our report that Official Development Assistance to Africa in the decade should be doubled, and we intend to press vigorously to seek a maximum response from the donor community. For our part, the Bank has taken steps to ensure a significant increase in the flow of concessional assistance to Africa in the allocation of 34% of IDA resources to Sub-Saharan Africa in the 5-year period 1982-86 compared with 25% in the previous 5-year period.

The Development Committee, a Joint Ministerial Committee of the World Bank and the IMF, which met recently in Helsinki, confirmed these understandings. In its Communique, the Bank is "urged to work



June 21, 1982

- 2 -

expeditiously to assist the Sub-Saharan countries to formulate specific programs of action and, taking account of the Dakar Memorandum of March 3, 1982 presented at its meeting, to continue its dialogue with donor countries in order to enhance the flow of aid in real terms necessary to support such programs of action."

Against this background, I have taken note of the Declaration of Tripoli adopted at an ECA meeting of Ministers responsible for economic development and planning on April 30, which takes a position inconsistent with that of African Governors of the Bank. The Tripoli Declaration refers to the Bank's report as "adopting approaches, concepts and objectives which are divergent from those of the Lagos Plan of Action and the Final Act of Lagos and is in fundamental contradiction with the political, economic and social aspirations of Africa." The Declaration also mandated the Executive Secretary of the Economic Commission for Africa to transmit the Declaration to the Secretary General of the OAU "for presentation to the forthcoming meeting of the Assembly of Heads of State and Government of the Organization for necessary action."

If the Bank is to make an effective contribution to economic development in the Sub-Saharan African region and implement the conclusions of the African Governors at Dakar, it is of importance that consistent signals be conveyed on the African position not only to the Bank, but to the international community at large. I, therefore, very much hope that we can count on your assistance in clarifying the background indicated above of the discussions we have had with African Governors of the Bank on the Africa Report should this item appear on the Agenda of the forthcoming OAU Heads of State meeting.

Sincerely,



(A.W. Clausen)

cc. and cleared with Messrs. Abdulai  
Stern  
Benjenk  
Knox

cc. and cleared in substance with Mr. Thahane

cc. Messrs. Razafindrabe  
Wapenhans

DRClarke:ls



THE WORLD BANK  
Washington, D. C. 20433  
U. S. A.

A. W. CLAUSEN  
President

August 4, 1982

Dear Mr. Minister:

I thank you for your letter of July 6 which I received last week. I also appreciated receiving your Government's Structural Adjustment Program. The staff in the regional office is now reviewing the rehabilitation measures included in the program and will let you have comments and questions for further clarification in due course. I hope that we have an opportunity to exchange views on your Government's plans in the course of the Annual Meeting next month.

We propose to send a mission to Dar-es-Salaam around mid-September to review the program in detail with you and your associates. The main purpose of the mission would be to develop in discussions with you a clear understanding of how the objectives of the program are to be achieved. As you know, our agricultural staff has been working for some time on a detailed assessment of the rehabilitation needs in the critical agricultural sector. Their report should be completed shortly and should be helpful in identifying the specific adjustment measures that will be needed.

I am pleased that the Advisory Group has proved helpful to the Government in addressing the very serious problems affecting Tanzania's economy. I would be very happy indeed if the Government's program could become the basis for effective support by the Bank Group in the rehabilitation process.

I look forward to seeing you at the Annual Meeting next month.

Sincerely,



His Excellency  
A. H. Jamal  
Minister of Finance  
The Treasury  
P. O. Box 9111  
Dar-es-Salaam, Tanzania

*logged*



THE TREASURY,  
P.O. Box 9111,  
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA  
THE MINISTER FOR FINANCE

Ref No: TYC/S/180/45

6 July, 1982

Mr. A.W. Clausen,  
President, World Bank Group,  
1818 N. Street, N.W.  
Washington DC, 20433.

A

Dear Mr. Clausen,

Further to my letter of April 24, 1982, I am glad to inform you that we have now adopted a three-years structural adjustment programme prepared with the assistance of the Advisory Group, whose services were funded with the help of IDA Credit.

In accordance with your desire, a copy of the programme is being sent to you separately.

The programme will yield results if we succeed in mobilising additional external resources to the tune of 400m. dollars in the first year; and 250m. dollars each in the 2nd and 3rd year.

The 1982/83 Budget had to be prepared without any definitive projection of inflow from outside, other than what could be envisaged under existing framework of understanding with external agencies. We have however started taking such measures as are within our competence, effective from the beginning of this month.

Article IV Consultations with the IMF have been just concluded and we are now assessing the prospects for a successful round of negotiations with the Fund with a view to securing as much balance of payment support as possible.

Together with balance of payment facility from the IMF, we are anxious that an IDA credit in support of the structural adjustment programme is secured without delay. In order not to lose time, Government will deeply appreciate if a Bank appraisal mission is put into place as a matter of urgency. This will also assist in building up the necessary momentum for mobilising additional support from several bilateral sources.

We are under no illusion as to the grimness of the task in front of us. With the understanding and help of the Fund, the Bank and bilateral agencies we are confident that it will be possible to turn the corner, while very much hoping that the international economic environment will begin to improve without further damage to the interests of the developed and the developing countries alike.

On behalf of the government, I take this opportunity of expressing my sincere thanks to the Tanzania Advisory Group whose work enabled us to prepare and eventually adopt the structural adjustment programme. We very much appreciate receiving the IDA credit in funding the operations of the group which has been both timely and valuable.

In the course of appraising the Structural Adjustment Programme it is probable that further technical assistance will be needed to deal with the specific requirements of particular sectors. We hope that such assistance will be available from friendly sources including the World Bank Group.

With warm regards,

Yours sincerely,



A.H. Jamal

MINISTER FOR FINANCE

CHANCE OF THE WEEKEND

1985 JAN 30 PM 01

RECEIVED



RECEIVED

1982 JUL 26 PM 6:07

OFFICE OF THE PRESIDENT

MINISTER OF JUSTICE

J. H. T. J. J.



Donna Williams

Mr. Justice

Enclosed for the Minister of Justice are two copies of the report of the Commission on the Administration of Justice. The report is a comprehensive study of the administration of the courts and the legal system. It is a valuable contribution to the understanding of the legal system and its functioning. The report is a comprehensive study of the administration of the courts and the legal system. It is a valuable contribution to the understanding of the legal system and its functioning.

On behalf of the Commission, I take this opportunity to express my appreciation to the members of the Commission and to the staff of the Commission. The Commission has been very fortunate to have the participation of the members of the Commission and to the staff of the Commission. The Commission has been very fortunate to have the participation of the members of the Commission and to the staff of the Commission.

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THE WORLD BANK JUL 27 1982

## ROUTING SLIP

Date

July 26

## OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Wapenhans

B 1210

~~Mr. Krashe~~

7/27/82

Mr. Baumhere it is  
at last

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

XX

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Would you please arrange for a reply to be prepared for Mr. Clausen's signature by August 3, if possible.

Mr. Caldeira.

cc: Mr. Baum

From

Roy Southworth



THE TREASURY,  
P.O. Box 9111,  
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA  
THE MINISTER FOR FINANCE

Ref No: TYC/S/180/45

6 July, 1982

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President, World Bank Group,  
1818 N. Street, N.W.  
Washington DC, 20433.

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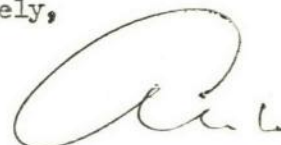
We are under no illusion as to the grimness of the task in front of us. With the understanding and help of the Fund, the Bank and bilateral agencies we are confident that it will be possible to turn the corner, while very much hoping that the international economic environment will begin to improve without further damage to the interests of the developed and the developing countries alike.

On behalf of the government, I take this opportunity of expressing my sincere thanks to the Tanzania Advisory Group whose work enabled us to prepare and eventually adopt the structural adjustment programme. We very much appreciate receiving the IDA credit in funding the operations of the group which has been both timely and valuable.

In the course of appraising the Structural Adjustment Programme it is probable that further technical assistance will be needed to deal with the specific requirements of particular sectors. We hope that such assistance will be available from friendly sources including the World Bank Group.

With warm regards,

Yours sincerely,



A.H. Jamal

MINISTER FOR FINANCE





THE UNITED REPUBLIC OF TANZANIA

STRUCTURAL ADJUSTMENT PROGRAMME FOR  
TANZANIA

APPROVED BY THE BOARD OF DIRECTORS OF THE INTERNATIONAL MONETARY FUND  
JUNE 1982

# STRUCTURAL ADJUSTMENT PROGRAMME FOR TANZANIA

# **Structural Adjustment Programme for Tanzania**

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- The Adjustment Programme

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- Money Supply
- Balance of Payments
- Exports
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- Implementation Activities
- Implementation Secretariat



## PREFACE

The first major attempt by the Government to deal with the unprecedented economic difficulties facing the country, was the formulation of the National Economic Survival Programme (NESP) in 1981. The main elements of NESP, whose main objective was to mobilize domestic resources to the maximum possible, included:

- i. an aggressive export drive in order to increase substantially foreign exchange earnings;
- ii. judicious use of available foreign exchange so as to enhance future earning capacity as well as save on imports;
- iii. the elimination of food shortage through in-expensive small-scale village irrigation projects as well as the cultivation of drought-resistant food crops;
- iv. strict control of public spending in both Government and parastatals;
- v. development plans should emphasize consolidation in contrast to expansion of new activities;
- vi. expansion of the scope and capacity for self-reliance in all sectors of the economy and raising the productivity of the workers and farmers through appropriate incentive schemes.

2. Thus, as a follow-up to those efforts, the Government, with the help of an Independent Advisory Group, prepared a three year Structural Adjustment Programme (1982/83—1984/85). The Structural Adjustment Programme (SAP) encompasses specific measures and definitive actions that have to be taken at the macro and sectoral levels in the immediate and medium terms, in response to the following imbalances in the national economy:

- i. budgetary and the consequent monetary imbalances which have contributed to an increase in the rate of domestic inflation;
- ii. external imbalances due to the deterioration in the terms of trade and low export performance;
- iii. imbalance between productive and non-productive economic activities which has placed a heavy burden on the productive sectors of the economy resulting in a reduction in total output; and the emergence of an unofficial market parallel to the formal channels has in a way undermined the country's planning and control system, creating at the same time other undesirable effects.

3. Thus, the formulation and implementation of a structural adjustment programme is intended to restore balance in the functioning of the economy as well as rationalizing the use of our resources through domestic efforts and external assistance, in forms that are flexible enough to revive existing economic activities. It is not, therefore, intended to undertake new economic activities during the adjustment period unless they contribute further to economic rehabilitation and to the envisaged adjustment programme. The main objectives of the structural adjustment programme will be to:

- (a) reduce the rate of inflation through adjusting the government budget to levels that are consistent with the growth of national economy;
- (b) achieve balance of payments adjustment so as to alleviate the existing extreme foreign exchange scarcity and the consequent domestic production capacity underutilization;
- (c) achieve an increase in the productivity of parastatal enterprises and improvement in public sector management;
- (d) maintain the already achieved equity in income distribution as well as the provision of social services and other basic needs to the majority of the population.

4. In essence the achievement of those objectives would require that we take measures that are aimed at restructuring future economic activities, with regard to priorities in government spending and rationalisation of existing economic activity, improvement in institutional machinery, as well as in the country's planning and control system, and restoration of balance in the major government and external accounts. Such an action programme would largely involve policies, among others,



concerning government revenues and expenditures, wages, prices, credit and parastatal deficits. Thus, the main elements of the structural adjustment programme on which the proposed action programme is based can briefly be said to consist of:

- i. provision of incentives and support for exporters of both traditional and non-traditional products;
- ii. articulation of specific priorities for cutbacks in the composition of future government recurrent and development expenditures;
- iii. reduction in the rate of monetary expansion through measures to restore overall economic balance as well as strict financial controls of public sector expenditures;
- iv. improvement of decision making process in respect of foreign exchange management;
- v. improvement of efficiency in the parastatal sector;
- vi. rationalisation of agricultural producer and ultimate consumer pricing policies;
- vii. increase in efficiency of transport, marketing and distribution services;
- viii. undertake measures that not only economize the use of imported fuel but also stimulate the development of alternative domestic sources of energy;
- ix. ensure the effective use of external assistance, taking into consideration the nation's objectives as well as investment priorities.

5. Thus, in order to implement this programme the Government will take measures at macro and sectoral levels, which are aimed primarily at consolidating and rehabilitating the national economy. While some of the measures will be taken immediately and during 1982/83, others will be taken later on in the course of the adjustment period. In addition, an Implementation Secretariat will be created, under the Ministry of Planning and Economic Affairs, to co-ordinate and monitor programme implementation and the performance of the respective institutions. It will also initiate action on the work that is still to be done in respect of certain other areas.

6. Furthermore, it is expected that all implementing institutions whether public or private as well as the general public, will offer their utmost co-operation and dedication, so as to ensure the success of this programme. In addition to our own domestic efforts, we also hope that flexible and substantial external assistance will be forthcoming, especially to those areas that need rehabilitation to get the economy on the right footing.

7. Finally, I wish to take this opportunity, on behalf of the Government, to express our most sincere appreciation and gratitude to the Tanzania Advisory Group, and all those who have assisted and facilitated the work of that Group, from whose report to the Government this Structural Adjustment Programme for Tanzania was prepared.

**K. A. MALIMA**

*Minister for Planning and Economic Affairs*



## SECTION I

### Introduction

#### General:

1.01 The Structural Adjustment Programme for Tanzania has been prepared on the basis of proposals and recommendations contained in the Interim Report of the Tanzania Advisory Group. This programme which has been prepared after careful consideration of the main policy proposals of the Report, provides the basis for negotiations of additional support for the balance of payments and other economic rehabilitation activities. It is, however, recognized that implementation of the package will have to be undertaken under conditions of great austerity, if economic recovery is to be achieved.

1.02 The programme is set out in a *three year* perspective. This is important because funding for a period of at least that duration is necessary both to prevent a premature relapse in the economy and to allow for a realistic interval for the recovery in world economic conditions.

1.03 The programme concentrates on an immediate *action programme* in the coming fiscal year, but also envisages the adjustment process as an ongoing process and identifies a number of areas where additional policies for the longer term should be formulated in coming years. This is particularly true regarding agricultural policies influencing farm and village level productivity. The programme does not yet cover tourism and natural resources, which are important areas of potential foreign exchange earning.

1.04 The programme emphasises the importance of the phasing of policy measures and making realistic judgements about the expected response. In any agreement with external funding agencies it is essential that any conditions agreed should be realistic in assessing the lags to be expected between a resource injection and policy changes, and improved performance in relation to such key indicators as the budget deficit, the money supply and the balance of payments. For the viability of the programme the timing of any conditions will be as important as their stringency. Given the degree of current economic difficulties (e.g. the absence of stocks at all levels, the need for rehabilitation and elimination of bottlenecks in some sectors before output can be restored) and administrative limitation, the positive effects of the programme, in terms of restoration of fiscal balance and improvements in the external account, can only be expected in the second and third year of the programme. Much of the first year will continue to be dominated by crisis conditions, although it is to be hoped that the first steps in easing foreign exchange constraints will boost economic performance.

1.05 The programme is set out in two parts. The macro-economic part concerns measures to strike a better balance in the economy, to reduce inflationary pressures and provide the environment in which the external payments situation can be improved. The second part consists of a package of sectoral programmes and steps required to ensure implementation and further development of the structural adjustment programme. The two parts are inter-linked in that greatly improved performance cannot be expected of a particular sector under conditions of extreme overall economic difficulty, while a longer term improvement in national economic performance depends on more effective operation of key institutions and sectors.

#### The Economic Crisis:

1.06 The depth and persistence of the economic crisis has resulted from a series of shocks which, since 1978, have weakened the economy. Some are global in origin—the second round of oil price



increases, increases in the prices of manufactured goods, together with the fall in the prices of our exports resulted in unprecedented balance of payment crises for Tanzania, particularly in 1981. Other negative factors which are more specific to Tanzania include two successive bad crop years, the costs of the Kagera War and the burdens resulting from the break-up of the East African Community.

1.07 At the same time there are certain longer term weaknesses in the economy which must be corrected if growth is to be sustained. These include the poor agricultural performance in the past decade, the need to improve parastatal performance, and the need to modify and restructure the industrial sector in order to make it less import-dependent and raise its export performance.

#### **The Adjustment Programme:**

1.08 The adjustment programme has two aspects:

- (a) *Crisis Management*, which is intended to get inflation under control and to achieve a quick restoration of productive activities, facilitated by an external injection of balance of payments support;
- (b) *Structural adjustment* can then be pursued in an environment that is more conducive to effective implementation of the policy measures which, in the medium term, will reduce dependence on external support as well as restore growth momentum.

1.09 *Crisis management* involves *restraint*, including necessary cutbacks to restore balance in government and external account. It therefore implies policies that are related to the budget, prices, credit, parastatal deficits, etc. In terms of domestic monetary balance it will involve a short term shift from new investment to the use of available resources to maintain and utilize fully existing capacity.

1.10 *Structural adjustment* requires a broad set of mutually consistent and interacting policies whose objective is to:

- (a) *restructure* future economic activity through altered incentive systems, priorities in government spending, etc. designed to achieve a more sustainable external balance and renewed growth;
- (b) *rationalize* production to increase capacity utilization, improve manpower utilization and reduce unproductive activities;
- (c) *improve planning and control systems* through more effective budgeting, monitoring, evaluation and enforcement of agreed priorities.

1.11 The programme also aims at defending basic socio-economic objectives by:

- (a) avoiding retrenchment in the provision of basic social services;
- (b) avoiding measures which would place the burden of short term adjustment on the most vulnerable economic groups;
- (c) defending the role of publicly owned economic institutions and taking measures to improve their operational efficiency;
- (d) allowing for positive initiatives in extending popular participation in the control of institutions\* (e.g. cooperatives, workers' participation in management, farmers' influence over crop authorities).

1.12 In summary, the structural adjustment programme concentrates on the following measures:

- (a) improved incentives and support for exporters of both traditional and non-traditional products;
- (b) priorities for cutbacks and future composition of government expenditure;
- (c) controls over parastatal finances, to limit their burden on the budget and monetary system;
- (d) improvement of decision-making in allocation of foreign exchange;
- (e) measures to improve parastatal efficiency;
- (f) liberalisation of interregional trade in agricultural and consumer goods and rationalisation of pricing;





## SECTION II

### MACRO-ECONOMIC POLICY TARGETS: THE THREE YEAR PROGRAMME:

2.01 In this section, the targets for the budget, the balance of payments and the money supply are set out for the coming three fiscal years\*. Of course there is considerable uncertainty regarding a number of the magnitudes involved, but the data is sufficient to demonstrate the major policy choices to be made and the overall viability of the programme.

2.02 Two important assumptions underlying the targets are:

- (a) that the necessary corrective action on the exchange rate front for the time being has been taken. According to the Tanzania Advisory Group recommendations a devaluation based on technical consideration, of 7—17% was called for, thus on March 6, 1982, Government devalued the shilling by 12% in relation to the US dollar.
- (b) that first steps in implementing the package would be taken at the beginning of the 1982/83 fiscal year. However, it is realised that even if additional external funding is made available immediately, its effect in reactivating the economy will not be felt until the third or fourth quarter of fiscal year, 1982/83, because the full impact will take time to work its way through the economy.

#### Objectives:

2.03 The objectives of the macro-economic measures are as follows:

- (a) *Restoration of output* by utilizing the foreign exchange inflow and by shifting resources from capital to recurrent uses, the government will initiate the process of restoring output levels currently constrained by the lack of inputs and of foreign exchange;
- (b) *Reducing the budgetary deficit* to reduce the pressure of excess demand, with the resulting inflationary effects, it is proposed to reduce the budgetary deficit. This will be achieved partly as a result of the revenue effects of output expansion. In addition it is intended to significantly reduce development spending, and to restrain the growth of the recurrent budget to levels that imply an overall decline in real terms, while ensuring the maintenance of social services and the expansion of economic services by budgetary reallocation;
- (c) *Reducing the growth of the money supply* as a result of the reduction in the government deficit a sharp reduction in the growth of money supply will be achieved in year two and three of the programme. In the first year money supply can be expected to continue to grow by more than 20%. This is both because the improvement in the budgetary situation will only have a full year's impact in the second year (because of the six months lag between access to additional exchange, expansion in production and the eventual increase in sales tax receipts), and because monetary expansion will be necessary to facilitate the increase in output and accumulation of stocks during the first year;
- (d) *Restoring the external account.* It is intended that by the completion of the programme (i.e. in year four), export earnings should be expanded sufficiently that import requirements can be covered without the need for exceptional financing measures. Over the three years it is also intended to pay off arrears in import payments.

\*While these targets have been tested for consistence against a gross domestic product framework, gross domestic product projections are not included. The existing gross domestic product tables are too inadequate to provide a reasonable basis for projections. The improvement of the gross domestic product data is an urgent requirement for more effective policy analysis.



### **Budgetary Targets:**

2.04 The three year programme includes a provision for substantial drawings and credits from the IMF and the World Bank and for some reallocation of bilateral aid towards recurrent needs. All this is to be negotiated and at this moment is uncertain. However, even if negotiations are now initiated and completed relatively swiftly, agreement is unlikely to be reached before the end of the first quarter of the coming financial year and the fiscal effects will not have worked their way through the system in full until by the end of fiscal year 1982/83. Therefore, irrespective of the assumptions made about the success or otherwise of negotiations, the coming budget must be austere in order to contain inflationary pressures in 1982/83.

2.05 The more detailed budgetary targets are set out in Table 1. The intention is that in the first year there should be a significant reduction in the government's financing requirements and in government borrowing from the banks. By constraining growth in recurrent expenditure within 12% and as a result of revenue increases expected towards the end of the year (as a result of output recovery) it should be possible to reduce the recurrent deficit. Restraining the growth in recurrent spending to 12% nominal terms in a period of inflation implies a significant reduction in real terms. This could be achieved without reducing the social and economic services of government only by reductions in defence, in parastatal finance as well as by trimming administrative costs wherever possible.

2.06 The more difficult budgetary target is to achieve substantial reduction in the development budget. This is a crucial requirement both because of its effects on the financial situation and because it is the main instrument for shifting resources from the creation of new capacity to the increase in output from existing capacity. It is intended to reduce development spending substantially by postponing projects to achieve a reduction of the total financing requirements in real terms. After allowing for a downturn in aid resulting from the reduction in development spending and for the positive impact of the March 1982 devaluation the government borrowing requirement from the banking system is reduced compared with the expected 1981/82 outcome. This is not a sufficient reduction to eliminate inflationary effects of the budget but would be a significant first step.

### **Money Supply:**

2.07 In the second and third years it is intended that continued restraint on growth in government spending, combined with expanding government revenues as the economy recovers, should result in a sharp deceleration in the growth of the money supply—to a level of about 13% per annum. At the same time, following the cutback in development spending in the first year, some recovery can be expected in the second and third years.

2.08 A more restrictive approach would aim for a lower growth in the money supply in the first year, by not allowing for increases in non-government borrowing. This might be justified in light of the initial high degree of liquidity in the economy. The judgement made here is that this would run the danger of being unduly restrictive in a period of restocking and output recovery.

### **Balance of Payments:**

2.09 The balance of payments projections in Table 2 are based on cautious assumptions regarding export performance in 1982/83. Despite export promotion efforts, the constraints on all aspects of economic activity resulting from the foreign exchange crisis are likely to hold down export performance in the first half of the year. Subsequent growth is projected realistically assuming significant recovery in output of a number of traditional exports, and a fast growth in non-traditional exports. These projects could prove conservative, if recovery in O.E.C.D. economies turns the terms of trade sharply in Tanzania's favour.



## **Exports:**

2.10 The export projections are built up by separate estimates of possible targets for traditional exports, mineral and manufactures and an assumption regarding shifts in the terms of trade. The basic aim is to raise the *quantity* of exports by one third by 1984/85 over 1981/82 levels. More specifically, the assumptions made are that:

- (a) there is some growth in coffee production—of the order of 5—6% per year;
- (b) restoration of tea and tobacco exports close to earlier peak production (1978—79) levels in the case of tea; 1976—77 in the case of tobacco;
- (c) restoration of cashew production to the range of 60—70 thousand tons of raw nuts (roughly one half of the historical peak);
- (d) the maintenance of clove exports above 7,000 tons per annum;
- (e) the restoration of cotton output (65—70 thousand tons per annum i.e. about 10% below earlier peak production);
- (f) the reversal of the declining trend in sisal production, so that output is maintained at over 100,000 tons per annum.

2.11 While these targets may appear by no means ambitious in that only in the case of coffee do they imply surpassing previous peaks, they do involve reversing a downward trend.

2.12 Part of the required response from the agricultural sector can be expected as a result of a sustained commitment to the provision of the flow of necessary inputs repetition and to the improvement of marketing and the maintenance of real incentives (including the speed of payments for crops to the farmers and the provision of incentive goods). However, there are also a number of specific bottlenecks which require action. These include resolving the labour supply problem for sisal. In the case of cotton, measures to rehabilitate ginning capacity and restore soil fertility, are required. In tobacco, the supply of wood fuel for curing is a constraint. In cashew the reasons for current poor output performance need to be established. None of these problems can be resolved by any set of simple policy decisions by government. In a number of cases action is already being taken to formulate and implement the required policies. What is required is a process of systematic effort to identify bottle-necks and monitor performance to ensure the appropriate priorities in the face of changing conditions. To focus appropriate attention on these needs, the Ministry of Agriculture (Kilimo) will prepare, in cooperation with the crop authorities and the implementing secretariat (see below), a half yearly report to the Economic Committee of the Cabinet (E.C.C.) on performance and requirements of key export crops, identifying bottlenecks and resource needs.

2.13 For mineral exports, while there are longer term prospects for expansion, the realistic short term assessment is that during the structural adjustment programme period, there is likely to be some decline (a decline of 10% is assumed). On the other hand, the structural adjustment programme has, as one of its key objectives, the promotion of non-traditional exports. The intention is that non-traditional (i.e. manufactured) exports should be doubled. (The 1979 peak was US \$75 million; a more typical year would be at about half that level. We have included a figure of \$30 million (1982 prices) for manufactured exports—not including diamonds or fuel and residual furnace oil—by 1984/85).

2.14 In addition, it is to be hoped that there will be some revival in export prices as the O.E.C.D. economies recover from the current recession. The projections assume a shift in the terms of trade of 5% in Tanzania's favour.

## **External Resources:**

2.15 The key assumptions regarding other aspects of the balance of payments are that IMF/IBRD funding becomes available and that bilateral donors can be persuaded to provide more than one third of their finance in form of import support and sectoral rehabilitation packages. It is also assumed



that access to such finance should allow for the avoidance of new commitments of suppliers credit and therefore for a sharp reduction in their use. Over the three year period, accumulated arrears in import payment should be eliminated.

#### Imports:

2.16 The net result will be a significant increase in import capacity. Combined with the fact that there would be a shift in the balance of imports from capital goods towards inputs for current production, this generates the possibility of output recovery. However, it should also be noted that support for the expected increase by the projected import totals imply a continuation of considerable restraint on the use of imports.

#### Macro Policy Instruments:

2.17 Government will now proceed to negotiate with the IMF and the IBRD to seek the required programme funding and will approach bilateral donors to seek the required flexibility to shift resources to import and local cost support.

2.18 In relation to development spending, government will trim the level of investment by eliminating projects or rephasing where they lack priority in terms of their expected impact on the balance of payments in the short and medium term. This is meant to shift resources to raise output currently so as to relieve scarcities and promote exports. The restraint on development spending does not prejudice the issue of the Songo Songo project. It is assumed that if that is implemented it will be through a financial arrangement which will make the project self-financing and will not divert resources from other uses.

2.19 In relation to *recurrent spending*, savings will be achieved by further efforts to reduce defense spending to normal peace-time level and to control spending over-runs. Also, a package of measures will attempt to limit the budgetary burden resulting from crop authorities, including appropriate pricing to prevent losses on the trade in some foodstuffs, particularly wheat and rice, as well as macro-economic implications. While there is no simple answer to the problems of financial control of the parastatals, the government will make every effort to focus on this problem in this structural adjustment programme.

2.20 Across the board *reduction in public service employment* are not contemplated as there are many activities which are understaffed. Nevertheless, steps will be taken to identify areas in which significant savings in public employment can be achieved.

2.21 In relation to revenue:

- (a) additional personnel will be allocated to boost the strength of revenue collection;
- (b) steps will be taken to introduce more rigorous assessment of non-salary incomes, including presumptive assessment and collection subject to subsequent appeal;
- (c) introduction of a special tax on a limited range of non-price controlled products where the National Price Commission estimates that likely supply will be insufficient to meet market demand. This emergency tax will be levied through the crisis period to increase government revenue;

2.22 To manage the external balance a number of measures will be taken which are spelt out in the sectoral chapters. In general, the allocation of foreign exchange and credit will reflect:

- (a) the need to shift imports from capital to intermediate goods;
- (b) the need to break bottlenecks, and provide the inputs and incentives to promote non-traditional exports;
- (c) to provide the required inputs and the supply of incentive goods to give a short-term boost to agricultural exports;
- (d) improve agricultural marketing to ensure prompt and adequate payment to farmers.



Table 1

**Budget Targets 1982/83—1984/85**  
(Million T. Shs.)

	1981/82	1982/83	1983/84	1984/85
Recurrent Revenue	8,858	9,800	10,800	
Revenue Effect of Output Increase		<u>700</u>	<u>2,000</u>	
	8,858	10,500	12,800	14,300
Recurrent Expenditure	<u>-12,644</u>	<u>-14,144</u>	<u>-15,700</u>	<u>-17,400</u>
	-3,786	-3,644	-2,900	3,100
Import support	<u>1,600</u>	<u>1,300</u>	<u>1,800</u>	<u>1,800</u>
	-2,186	-2,344	-1,100	1,300
Development Expenditure	<u>-5,600</u>	<u>-4,816</u>	<u>-5,100</u>	<u>-5,400</u>
Total Financing Required	7,786	-7,160	-6,200	-6,700
Aid	<u>3,897</u>	2,584	<u>2,750</u>	<u>3,000</u>
	3,889	4,576	3,450	3,700
Local borrowing	<u>800</u>	<u>900</u>	<u>1,000</u>	<u>1,100</u>
		3,676	2,450	2,600
Exchange Rate Impact on Budget (March 1982)	<u>—</u>	<u>400</u>	<u>—</u>	<u>—</u>
Net borrowing by Govt. from Banks		3,276	2,450	2,600
Money Supply (M2) June 1982 Est.	18.0b	21.6b	25.8b	29.3b
				33.1b
Increased borrowing by Manufactures and others		950	1,100	1,200
Total Increase in money supply	<u>—</u>	<u>4,226</u>	<u>3,550</u>	<u>3,800</u>
% Increase	20.0	19.6	13.8	13.0

**Estimated Recurrent Expenditure for 1982—83**

	1981/82	1982/83	
Consolidated Fund	1,596	2,328	+45.9
Ministries (incl. defence)	5,910	5,995	+1.4%
Regions	2,950	3,199	+8.4%
Contingencies	761	791	
Parastatal subsidies	427	1,102	
Parastatal Rehabilitation	<u>1,000</u>	<u>730</u>	-27%
	12,644	14,144	+11.8%

2.23 The overall figure of T. Shs. 14.1 billion represents an increase of 11.8% over the likely outcome for 1981/82. Ministerial expenditures (excluding Defence) will rise by 7.4% and regional expenditure by 8.4%. Parastatal subsidies (including the fertilizer transport subsidy) will more than double while parastatal rehabilitation expenditures will decline by about 27% per cent. Consolidated Fund expenditure will increase by 45.9% over the previous year.

2.24 The critical assumption here has been that defence expenditures can be reduced. This has been achieved as the 1982/83 budget has been trimmed to achieve a nominal reduction of 35.5 per cent. The rate of increase of ministerial and regional expenditures is below that of inflation but no necessarily below the rate of inflation of Government goods and services since wage rates are not likely to rise by much next year.

Table 1  
Schedule 1

**Assumptions:**

(a) Recurrent Revenue:

Adjusted for additional sales tax arising from increased manufacturing output due to availability of foreign exchange. Calculated as follows:

Total sales tax estimated for 1981/82	= 5.1 b
Less beer and cigarettes	= 3.1 b
Other products	= 2.0 b

Assume flows equally each quarter:

1982/83	1st Quarter	2nd	3rd	4th	
	0.5	0.5	0.5	0.5	= 2.0 b
+ Capacity Increase	-10%	0%	60%	100%	
Revenue	0.45	0.5	0.8	1.0	= 2.75 b
Beer and Cigarettes	0.77	0.77	0.77	0.77	
	-10%	10	0	0	
	0.7	0.77	0.77	0.77	= 3.01
					<u>5.76</u>

Increase in revenue 1982/83 = 0.66 say 0.7

1983/84 onwards increased revenue = 2 b as capacity utilization is doubled in *non-beer* cigarette industries. Capacity utilization in latter (i.e. sales tax) remains unchanged.

- (b) Growth in recurrent revenue = 18.5% 1982/83
- (c) Recurrent expenditure. An increase by Shs. 0.7 billion to provide about 5.3% growth in money terms. Cut back defence and add Shs. 0.3 b or so to basic social needs expenditures.
- (d) Growth in recurrent expenditure: About 11% in 1983/84 and 1984/85—emphasis on basic social needs expenditures and rehabilitation.
- (e) Development Expenditure: Cut back heavily 1982/83 and allow about 6% growth in nominal terms during 1983/84 and 1984/85.
- (f) Exchange rate adjustment March 1982: Shown separately year 1. Included in other figures thereafter.
- (g) Increased borrowing by manufacturing sector assumes gross output of about Shs. 5.5 b or 70% capacity—2 months sales, 2 months purchases less outstanding credit.
- (h) Other sectors need Shs. 0.36 b on account of increased trading activities.
- (i) Money supply (M<sub>2</sub>) figure for June 1982 etc.

**Table 2**

<b>Balance of Payments</b>	<b>(Million US \$)</b>		
	<b>1982/83</b>	<b>1983/84</b>	<b>1984/85</b>
Export	635	690—720	792—840
Others net	80	90	100
Foreign Aid	270	296	322
IMF/IBRD	210	230	250
Suppliers Credits	120	120	120
Import Support	140	194	194
	1455	1620—1650	1778—1826
Reduction of Arrears	60	96	120
Possible Imports	1395	1524—1554	1658—1706

Aid figures consistent with budget, likewise import support.



## SECTION III

### SECTORAL PROGRAMMES:

#### AGRICULTURE:

##### Contents

- A. Background
- B. Objectives and Strategy
- C. Programme Implementation Activities
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    - Food Crops
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    - Technology and Mechanisation
  - Marketing and Prices
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    - Ministry of Agriculture
    - Crop Authorities
    - Co-operatives
    - Tanzania Rural Development Bank
- D. External Support
- E. Further Work

## A. Background:

### 3.01 The main features of agricultural sector performance have been:

- (a) *Food Supply:* A progressive deterioration in the food supply in the early 1970s was followed by remarkable recovery restoring a reasonable level of self-sufficiency in years of favourable weather. Wide year to year fluctuations in officially marketed output have not been successfully stabilised by official procurement and expansion of storage resulting in the need for large and unpredictable imports (particularly for Dar es Salaam). This has created a major source of instability in the government budget and balance of payments. The need for imported food has contributed to the substitution as well as increasing preference for maize, wheat and rice in place of traditional lower cost staples.
- (b) *Export Crops:* The volume of export crops declined substantially for cashewnut, cloves, cotton, pyrethrum, sisal and tobacco; coffee exports stagnated; growth in tea exports ceased in the later 1970s. Climate and international price movements adversely affected production and exports but the major influences included lack of inputs and incentive goods, processing, marketing and transport problems consequent of foreign exchange shortages as well as institutional inadequacies.
- (c) *Marketing and Prices:* In principle, government, through the National Milling Corporation, has a monopoly in trade in the main cereals with official pan-territorial prices for producers and consumers. In practice a considerable trade takes place outside official channels in local markets and on an inter-district and inter-regional basis at unofficial prices which have diverged substantially from official prices. Pan-territorial prices for food grains have stimulated production in areas remote from final markets with consequent high transport (and foreign exchange) costs, and may have indirectly discouraged the output of higher value export and other crops. Marketing major export crops is a monopoly of the respective crop authorities. For the past decade the relative returns to food and export crops have shifted over a wide range with significant effect on production. The formulation of official prices has not paid sufficient attention to relative crop prices. The official producer prices for export crops are lower in real terms than in the early and mid 1970s partly as a result of world price movements. However, increasingly expensive and inefficient marketing services have contributed to the relative decline, including failure to make prompt payment to farmers.
- (d) *Institutions:* Over the past twenty years concern for rural development has led to frequent major institutional reform including government decentralisation, village organisation, the role of co-operatives, establishment of parastatal crop authorities which have affected extension, research, input supply, marketing and processing services. The speed and frequency of such institutional changes has undoubtedly carried heavy costs in building up experience and maintaining a clear system of responsibility and accountability. There has been a deterioration in the level of support to smallholder farming and failure of management in the large-scale sector.

3.02 The aim of the proposals in the Structural Adjustment Programme is to generate swift results. As such they do not address many important longer term issues of agricultural policy, although every attempt has been made to ensure consistency with longer term objectives including movement towards socialist forms of agricultural organisation.

## B. Objectives and Strategy:

3.03 The structural adjustment programme which is expected to be implemented over a three year period will focus on the following objectives and targets:

- (a) expand export earnings through restoring the volume of traditional agricultural exports and raise the volume of output of cashews, coffee, cotton and tobacco;



- (b) reduce the foreign exchange costs of agricultural production;
- (c) reduce foot imports through increased national maize reserve etc. and handling capacity to ensure overall food security;
- (d) improve the agricultural marketing system and thereby reduce the fiscal and monetary strains arising from inefficiency;
- (e) ensure a secure and reasonably priced food supply for consumers and adequate incentives and opportunities for producers to expand their incomes;
- (f) restore agricultural infrastructure to the standards of the early 1970s and ensure its maintenance.

3.04 Measures will be taken in the immediate future and during the three year period by the institutions concerned to achieve the above objectives.

3.05 In order to achieve these objectives the sector programme will:

- (a) provide agricultural inputs and incentive goods to farmers, and rehabilitate processing facilities;
- (b) provide inputs and spare parts for agriculture—related manufacturing and for transport;
- (c) introduce differential regional food crop prices;
- (d) apply minimum producer and maximum consumer prices to a reduced limited range of food crops;
- (e) improve price formulation and linkage with overall short-term planning;
- (f) improve the operations of existing major agricultural marketing institutions.

3.06 A longer term development strategy for this sector is at the moment being formulated by a Presidential Task Force with view to come up with specific recommendations and a longer term action programme. In addition, a Commission to revise the national agricultural policy has been appointed. The Commission will study current crop production trends in rural areas as well as parastatal farms and come up with recommendations for increasing production of food and cash crops. This work will provide the basis for a formulation of government policy towards agriculture which will fill the gaps in the proposed structural adjustment programme, which as it stands says little about factors affecting productivity improvement at the farm level.

### **C. Programme Implementation Activities:**

#### **Crop Development**

##### **Food Crops**

3.07 Policies and programmes necessary to ensure sustained food self-sufficiency are being reviewed and developed by the Government. This study will be completed together with an assessment of requirements for external assistance in the first year of the Structural Adjustment Programme.

3.08 In the interim it is intended to enable the National Milling Corporation to purchase and store at a reasonable cost of operation national food crop surpluses (including maize, millet, cassava, pulses) which are generally available in climatically favourable years. Such surpluses will contribute to the national reserve and assist to ensure overall food security. Food crop purchases, storage, transport and handling requirements and costs will be assessed and Government will seek external assistance to finance the operation.

##### **Export crop packages**

3.09 Crop packages will be developed for each of the major agricultural exports—cashew, coffee, cotton, pyrethrum, tea, tobacco and livestock products. Each crop package will comprise a policy framework, physical inputs and facilities, and institutional support including:



- (a) provision of farm inputs (seeds, agro-chemicals, tools, equipment);
- (b) extension services support;
- (c) credit requirements;
- (d) appropriate pricing policies;
- (e) development of marketing channels;
- (f) rehabilitation of processing, transport and other supporting facilities;
- (g) strengthening of responsible implementing agencies
- (h) an implementation programme and monitoring mechanism.

3.10 The components and cost of each crop package will be those required to increase production and export volume over a three year period to the levels prevailing in the early 1970s and, where external market conditions permit, to raise export volume. In designing packages special account will be taken of the net foreign exchange earning of the crop, of critical supply constraints, and of the price responsiveness of farmers.

3.11 Crop packages that will also be suitable for external financing, will be prepared by the Ministry of Agriculture and Crop Authorities in association with other responsible institutions. Implementation of programmes will clearly identify action required by each agency involved, and a mechanism will be established to monitor short term developments to identify bottlenecks, and to ensure appropriate action is taken. The major relevant implementing agencies, to be strengthened under the programme, include the Cashewnut Authority of Tanzania, Coffee Authority of Tanzania, Tanzania Cotton Authority, Tanganyika Pyrethrum Board, Tanzania Tea Authority, Tanzania Sisal Authority, the Tobacco Authority of Tanzania, and the Tanzania Livestock Development Authority.

3.12 Crop packages will be complemented by support packages for other related activities including processing, industrial input suppliers, rail and road transport, and feeder roads. In addition, support packages will be prepared for agriculture sector service institutions (which are not crop specific) including the Cooperatives, the Tanzania Rural Development Bank, etc.

#### **Input Supply:**

3.13 Only a few regions and districts are relatively well served with well stocked specialised or other sales outlets for agricultural inputs, but the rest lack such outlets. Thus, it is essential to ensure that a range of inputs (primarily fertilizers, pesticides, tools, sprayers and animal drawn equipment) are available to farmers under one roof, wherever possible on a cash basis, in all areas.

3.14 Existing institutions (including the Agricultural and Industrial Supplies Company, Cooperatives, Crop Authorities, Tanzania Seed Company, Tanzania Fertilizer Company, Tanganyika Farmers Association, TRDB, Ubungo Farm Implements and Regional Trading Companies) will be assisted to widen the range of inputs on sale and expand the number of sales outlets. In addition a network of Farm Services Centres will be established gradually extending to every district. The Ministry of Agriculture in collaboration with institutions identified above will prepare a detailed, fully-costed programme.

#### **Technology and Mechanisation:**

3.15 The use of available alternative technologies will be promoted to reduce the requirement for imported inputs and foreign exchange. This will involve the increased use of compost manures, animal driven ploughs for cultivation, and of non-motorised wheeled transport.

3.16 Savings will also be achieved through improved training in the use and maintenance of imported machinery under the crop packages programme.

3.17 Priority will be given to a tractor and farm machinery rehabilitation programme to improve utilisation of the existing public and private sector stock. The Ministry of Agriculture in cooperation



with the State Motor Corporation (and its subsidiaries) together with the Agricultural and Industrial Supplies Company, and the Regional Trading Companies, National Agricultural Food Corporation and other producers will make an assessment of the requirements for spare parts for different makes, of inputs and improvements to existing maintenance facilities (including private garages and workshops) and of training needs of mechanics and operators. On the basis of this assessment a Rehabilitation Project will be prepared for appropriate external financing; multilateral donors will be the most appropriate sources of assistance because of the multiplicity of makes and sources of supply. In the interim, pending the rehabilitation of the existing tractor stock and establishment of effective maintenance services, imports of new tractors will be restricted.

#### **Marketing and Prices:**

##### **National Milling Corporation (NMC):**

3.18 The role of NMC primarily focus on:

- (a) procurement and management of urban food supplies;
- (b) the guarantee of minimum producer prices for specified crops, and maximum consumer prices;
- (c) surplus procurement for and management of the emergency food reserve and contingency planning.

3.19 In order to reduce costs, NMC activities will be rationalised and consolidated as follows:

- (a) NMC geographical covering will be reduced, decentralised institutions at district and village level will be assisted to undertake buying, selling and storage operations where crop surpluses are too low to cover NMC overheads, and NMC will intervene only to handle emergency requirements;
- (b) variations in regional producer prices for food crops will be introduced in place of pan-territorial prices, to reflect and reduce transport and marketing costs, between the producers and the final market and take account of regional specialisation.

3.20 NMC's present practice of announcing stable producer prices and stable consumer prices ahead of the crop season will be made more flexible. A sliding scale price developed (by the Marketing Development Bureau in association with NMC), system will be introduced under which both producer and consumer prices are adjusted within an announced range depending on the actual supply situation, prices being increased in years of scarcity and reduced in years of good harvests. Similarly producer prices generally will be announced in September instead of July to reduce the possibility of with-holding. Less preferred food stuffs (for example, millet, cassava) will be priced to make them relatively more attractive to the consumer when preferred cereals are in short supply. Controlled releases of various food stuffs and flexible pricing measures will assist stabilise demand and supply in official markets, improve NMC's financial position, minimise the costs of unsaleable stocks in surplus years, and permit price adjustments to take account of inflation during the crop season.

3.21 The financing of surplus procurement by NMC and the export of surplus food crops is discussed above. The need for improved specialised management and for improved financial control, distinguish between overhead costs and payments due to farmers to ensure prompt payment to farmers is recognized.

#### **Prompt Payment:**

3.22 The Party and Government will ensure that specific measures are taken to guarantee prompt payment to the farmer. Marketing parastatals at all levels will be instructed to treat prompt payment as a matter of highest priority. In case of complaints from villages and individual farmers, corrective action will be taken at regional and/or national level.



### Price Formulation:

3.23 The Ministry of Agriculture's Marketing Development Bureau price formulation work will be developed to reflect:

- (a) the effect of relative crop price movements on the balance of crop output;
- (b) probable differences in farmer response to price incentives, crop by crop, in the light of past experience;
- (c) the net foreign exchange potential of each crop in the light of world market prospects and the foreign exchange component of production, processing and transport costs.

3.24 There will be more effective inter-ministerial consultations in the price formulation process to ensure that fiscal and macro-economic effects are adequately taken into account.

### Other Institutions:

3.25 A broad range of actions required to improve the accountability, organisation, efficiency and financial control of parastatal organisations including those operating in the agricultural sector are outlined under the respective sections. More specific action in relation to institutions in the agricultural sector include:

- (a) *Ministry of Agriculture* (Strengthening of Planning Unit, Extension Services etc).
- (b) *Crop Authorities*—are amongst the most important institutions in the Tanzanian economy. Priority will be given to ensuring they are staffed with the most competent and accomplished managers. The development of specialist skills by and continuity of staff in senior positions is critical to effective performance and will be actively encouraged. Crop Authority activities will be rehabilitated and strengthened under the Export Crop Package Programme.
- (c) *Cooperatives*: The government expects local initiatives to determine the pace and progress towards the reintroduction of cooperatives producing both food crops and other crops essential for local processing and for exports. Cooperatives will be allowed to take over the functions of crop authorities in the field of input supply to and purchasing harvested production from constituent members, whenever this is feasible. The transfer of assets and liabilities to cooperatives will be worked out in advance by Government, the Crop Authorities, the National Bank of Commerce and the Tanzania Audit Corporation to ensure an orderly transfer of responsibility and avoid losses in the transfer process. Liabilities will require particular careful review and will need to be reduced. Book keeping control systems and a cadre of cooperative department staff (including inspectors) will be in place in advance of such transfer.
- (d) *Tanzania Rural Development Bank*—actions required are outlined below.

### D. External Support:

3.26 A number of donors are already providing support for the rehabilitation of the agricultural sector including the IDA Export Rehabilitation Programme, the EEC/EDF Coffee Project, etc. Similar support is required for a period of at least three years for the following components of the agriculture sector programme:

- Food crop Production
- Food crop Surplus Procurement (NMC)
- Export Crop Packages
  - Cashewnut (CATA)
  - Coffee (CAT)
  - Cotton (TCA)
  - Pyrethrum (TPB)
  - Tea (TTA)
  - Tobacco (TAT)



—Livestock Products (LIDA)  
Input Supply Services  
Tractor Rehabilitation

**E. Further Work:**

3.27 Further studies and the preparation of detailed costed programmes are required to implement and obtain external support for the agriculture sector programme. These will be undertaken in the coming months with the support and assistance of the Implementing Secretariat and include:

Long Term Agricultural Strategy	—Presidential Task Force
(including Food production and Self-sufficiency)	(underway)
Foodcrop Surplus Procurement,	—Kilimo/Task Force
Storage and Handling	
Export Crop Packages (7)	—Ministry of Agriculture et al
Input Supply Services	—Ministry of Agriculture et al
Tractor Rehabilitation Project	—Ministry of Agriculture et al
Sliding Scale Prices	—MDB/NMC
Foodcrop Exports	—KILIMO/BET
Price Formulation	—MDB

## **SECTION III**

### **SECTORAL PROGRAMMES:**

#### **INDUSTRY**

##### **Contents**

**A: Background**

**B: Objectives and Strategy**

**C: Programme Implementation Activities**

Capacity Utilisation, Efficiency and Rationalisation

Plant and Industry Rehabilitation Packages

Innovation and Incentives

Export Promotion Programme

New Investment

**D: External Support**

**E: Further work**



#### **A. Background:**

3.28 Under the Two Five Year Plans (1964—1969 and 1969—1974) industrial production was increased through a fairly ad hoc programme of import substitution. The long term "Basic Industry Strategy" (1975—1995) was adopted in 1975 with the objective of "developing Tanzania Resources to meet Tanzanian needs. Resources were to be channelled into the manufacture of a wide range of consumer, intermediate and capital goods primarily for the home market in order to create a structure whereby inputs for industrial development would be domestically produced.

3.29 In the period 1964—1978 a high rate of industrial growth was achieved and the range of activities expanded remarkably. However, production declined from 1979, when the onset of the current economic crisis exposed major underlying weaknesses including.

- (a) Excessive import dependence for recurrent imports to utilise existing capacity;
- (b) Export earnings lower than the cost of recurrent import requirements;
- (c) In certain cases the recurrent foreign exchange cost of the domestic production exceeds the cost of the finished imported product.

3.30 Because of the high degree of import dependence the sector was highly vulnerable to the impact of the balance of payments crisis. Shortage of foreign exchange to procure recurrent inputs as well as weaknesses in management, and transport and distribution problems have led to a domestic decline in production, to shortages of essential products, and increasing under-utilisation of installed capacity. Installed capacity has actually continued to increase during the crisis period as projects under implementation were completed.

#### **Industrial Exports:**

3.31 The urgent need to increase industrial exports to assist close the enormous balance of payments gap is recognised and the National Economic Survival Programme (NESP) places great emphasis on this problem. In 1980 textiles, clothing and food products accounted for over 75% of industrial exports. However, despite the NESP commitment to increase non-traditional exports there was a decline in exports in 1981, export targets for most industrial products were not met, in the case of textiles less than 20% as trade with Mozambique fell sharply.

3.32 At the present juncture in the world economy entry into the industrial market is not easy given the intensity of competition. Difficulties must be overcome to shift production from domestic to export markets resulting from the fact that;

- (a) most industrial projects were not developed on the basis of competitive advantage in external markets;
- (b) potentially competitive plants may face domestic costs which render the financial outcome unprofitable;
- (c) returns from domestic sales are currently so great that there is little incentive to seek export markets;
- (d) domestic firms were not geared to export markets in terms of product design and marketing organisation;
- (e) government policy in relation to such matters as licensing and exchange control lacks the flexibility required to enable manufactures to respond to international market opportunities;
- (f) financing arrangements are not geared to the uncertainties, delays and other factors affecting export activities;
- (g) in the short term, the allocation of industrial capacity and foreign exchange to export production will reduce the availability of goods for the domestic market.



## **B. Objectives and Strategy:**

3.33 The objectives of the industrial sector component of the Structural Adjustment Programme are to:

- (a) increase the supply to the domestic market of basic consumer goods for the urban and rural sector, inputs for agriculture, and incentive goods to encourage cash crops production;
- (b) reduce the import content of industrial production;
- (c) generate a much higher level of industrial exports;
- (d) minimise demands on the balance of payments for the expansion of industrial capacity;
- (e) maximise revenue generating potential from incremental production.

3.34 The pursuit of these objectives will require:

- (a) increased utilisation of existing capacity;
- (b) allocation of foreign exchange to more efficient plants;
- (c) replacement of foreign inputs by domestically produced inputs;

3.35 Priority in the allocation of foreign exchange to industry will be accorded to:

- (a) the supply of certain basic amenity goods, the scarcity of which has particularly demoralising effects on the public—for example, soap and cooking oil;
- (b) ensuring a reasonable flow of incentive goods to stimulate, inter alia, increased cash crop production—for example, bicycles, radios, etc.,
- (c) inputs for agriculture—for example, agro-chemicals, tools and equipment;
- (d) the production of goods generating high sales and excise tax revenues—for example, beer and cigarettes;
- (e) the production of goods/or exports.

## **C. Programme Implementation Activities:**

### **Capacity Utilisation, Efficiency and Rationalisation**

3.36 Increased output will be achieved by allocating additional foreign exchange to ensure high capacity utilisation of the most efficient plants producing priority goods for the domestic market, and/or goods for export. The over-riding criteria for measuring efficiency will be:

- (a) for the domestic market—the foreign exchange cost per unit of output compared to the cost of imports;
- (b) for the export market—net foreign exchange earnings.

3.37 Industries with surplus capacity or plants producing low priority goods will be closed down. Where domestic production of priority goods is highly inefficient and this cannot be remedied, it will be necessary to terminate production and import finished goods.

3.38 Government will establish a specific list of priority goods for the domestic market. The Ministry of Industries will utilise the services of the Secretariat, the Tanzania Industrial Studies and Consulting Organisation and the Tanzania Investment Bank to evaluate in depth the efficiency of each plant in order to identify plants for rehabilitation and foreign exchange allocation, and plans for closure.

3.39 Plants and commodities with high net foreign exchange earning potential will be identified in the same study as a first step towards export promotion.

3.40 Workers will be protected against avoidable hardships in cases of plant closure. They will have priority for re-employment in expanding enterprises, or for re-call for future employment. Where this is not possible compensation will be offered for the disruption of their employment including a period of paid leave or termination allowances, the cost of transport to their home areas if desired, etc.



### **Plant and Industry Rehabilitation Packages:**

3.41 The achievement of full capacity utilization in plants identified for rehabilitation will require the provision of imported replacement or additional machinery and equipment, spare parts, as well as imported materials and additional locally produced materials.

3.42 The Ministry of Industries review will identify those requirements on an annual, plant by plant and industry basis for a three year period. It is anticipated that foreign exchange will be available to meet these requirements through general import support under this programme. It is also intended to have packages containing requirements for larger plants or for particular industries such as textiles. Such plant or industry rehabilitation packages would be suitable for separate specific rehabilitation projects supported by individual donors.

3.43 The Structural Adjustment Programme support to other sectors will ensure an adequate supply of locally produced raw materials, transport, etc. to the industrial sector.

### **Innovation and Incentives:**

3.44 The Ministry of Industries innovation scheme and individual plants will receive additional financial and technical support to investigate and undertake potentially highly productive innovations in such areas as fuel economy, the substitution of local for imported inputs, recycling of wastes, manufacture or refurbishing of spare parts, the maintenance of equipment, etc. Innovation will be supported both through the proposed plant or industry rehabilitation packages, and by further support for the innovation scheme.

3.45 Productivity will be improved through improvements in work organisation and incentives to replicate the success of existing schemes in, for example, cigarette production.

### **Export Promotion Programme:**

3.46 The export promotion component of the industrial sector programme will deal with the difficulties outlined above and attempt to double industrial exports over the three year period. This requires:

- (a) direct action to promote specific exports in the short term, under a special programme;
- (b) a policy package and implementation programme to shift the attention of the industrial sector towards export markets.

3.47 The short term programme will involve the identification of specific export possibilities which will generate significant amounts of net foreign exchange earnings, and deal with bottlenecks in achieving specific targets. Detailed assessment will be undertaken of the foreign exchange costs of production of specific firms and of markets and prices for potential export goods including, for example, cement, textiles, clothing and certain food products. This assessment would carry forward and supplement the analysis of export prospects of specific firms recently undertaken by the Ministry of Industries and form the basis for restructuring production and obtaining the required financial support package. Particular attention will be given to the feasibility of shifting plants entirely to export production, for example, Tanga cement (to the Middle East and Indian market) which will facilitate provision of necessary foreign exchange and financial support package.

3.48 A more effective set of policy instruments will be prepared to provide incentives for, facilitate, and underpin industrial export promotion. The most important single objective is to streamline and consolidate procedures, controls and incentives currently under the responsibility of a number of government agencies including the Ministry of Industries, the Treasury, the Ministry of Trade, the Bank of Tanzania (BOT), the Board of External Trade (BET) and others.



3.49 The BET (a parastatal under the Ministries of Trade and Industries) will be given overall responsibility for export promotion activities. BET will provide a "one stop" service to exporters through a single government office for information, licences, incentives, subsidies, rebates and all associated documentation in order to ensure speed and simplicity of procedures and their operation. It will be considerably strengthened by the provision of physical facilities (offices, communication), and an increased number of suitably qualified personnel and adequate budgetary provision. Funds will be provided for manufactures/export participation in overseas trade fairs and exhibitions and for business travel associated with market development and servicing. External support including substantial technical assistance will be required for the development of BET following on that received previously through the Commonwealth Secretariat and the United Nations International Trade Centre (ITC).

3.50 Other areas for which an action programme will be required in support of export promotion of industrial products will be to look into the possibility of undertaking the following measures:

- (a) provision of either a subsidy on gross value or, if appropriate, a preferential exchange rate in favour of non-traditional exports;
- (b) give priority in the allocation of foreign exchange (with automatic replenishment where appropriate) and import licences;
- (c) streamlining of export licence requirements;
- (d) whenever possible, rapid confirmation of foreign letters of credit by the National Bank of Commerce;
- (e) give preferential interest rates on credit given to non-traditional exporters by the NBC;
- (f) appraise and decide on the proposal to establish an export credit guarantee scheme by the NBC;
- (g) help Tanzania exporters give competitive credit terms to foreign buyers;
- (h) provision of non-material incentives for workers and managers of firms that achieve export targets.

3.51 Detailed proposals for the Industrial Export Promotion Programme will be prepared by a study team drawn from the Ministries of Trade and Industries, Implementing Secretariat, BET and with the assistance of Bank of Tanzania and NBC. The study team will recommend whether action needed and support for the programme might be best provided by either:

- (a) *Industrial Exports Development Credit*, to provide inputs to the industrial sector and for the development of BET or
- (b) *Revolving Export Fund* administered by BET to finance overseas promotion, trade credit or an export credit guarantee scheme together with a separate foreign exchange window for industrial exporters to permit quick and ready access to imported inputs.

#### **New Investment:**

3.52 The industrial Sector Programme will give priority to the rehabilitation of existing capacity and a number of projects planned for implementation in the immediate future will be postponed or cancelled. Exceptions will be made only for projects which will break bottlenecks to enable support expansion in the utilisation of existing industrial capacity, or which will generate an immediate expansion in net foreign exchange earnings. A preliminary list of projects to be postponed or cancelled has been prepared and will be reviewed by the Ministry of Industries.

3.53 In the longer term project evaluation, design and choice will be made more sensitive to foreign exchange implications.

#### **D. External Support:**

3.54 The following components of the industrial sector rehabilitation programme and of the industrial exports promotion programme are considered suitable for external support:



Industry/Plant Rehabilitation Packages.

Textiles etc..

Industrial Innovation Scheme

Board of External Trade:

Industrial Exports Development Credit or the Revolving Export Fund

**E. Further Work:**

3.55 Further detailed studies are required to prepare an implementation programme for industrial rehabilitation and export promotion, and costed packages for submission to donors. These will be undertaken in the coming months by the Ministry of Industries and other institutions with the support and assistance of the Implementing Secretariat, and include:

Identification of priority goods for the domestic market

Factory Rehabilitation Study

Industry/Factory Rehabilitation Packages

Industrial Innovation: Scheme Support Requirements

Industrial Productivity

Export Markets for Industrial goods

Board of External Trade

Industrial Exports Development Credit

Revolving Export Fund

# **SECTION III**

## **SECTORAL PROGRAMMES**

### **TRANSPORT**

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  - Regional Transport Corporations**
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- E. Further work**



#### **A. Background:**

3.56 Transport deficiencies are one of the main bottlenecks for the economy's productive sectors and for improved export performance. The problems that face this sector are mainly technical, managerial, operational, financial as well as of supply. These are reflected in the following:

- (a) lack of reliable statistics for administrative and planning purposes; for example on the stock of vehicles;
- (b) non-optimal use of most of the public sector vehicles in the provision of essential transport services;
- (c) allocation of new vehicles does not take into consideration their economic and efficient use;
- (d) operational problems that had almost paralyzed Air Tanzania Corporation;
- (e) Operational problems of the Dar es Salaam port which affected adversely the export and import trade.

3.57 In addition, insufficient foreign exchange and local funds available to the transport system make it impossible to purchase the required spare parts, rolling stock or even carry out proper maintenance and repair. There are also institutional reasons for the generally poor performance of the sector which was partly manifested by the decline in both the volume of goods and the number of passengers carried over the past few years.

#### **B. Objectives and Strategy:**

3.58 The main steps to be taken during the structural adjustment programme period include:

- (a) Maximum use of existing railways, shipping and port services to reduce pressure on the already over-burdened and more expensive road transport system;
- (b) Rationalization and more efficient use of transport facilities by national institutions, including the pooling and rationalization of parastatal vehicle capacity to achieve higher average load factors;
- (c) Strengthening of the planning capacity of the Ministry of Works, Transport and Communications and their parastatal institutions;
- (d) Preparation of a longer term strategy for the transport sector to strengthen and develop it;
- (e) In the short and medium term periods, priority will be given to the rehabilitation and maintenance of rail and road systems and of existing vehicle fleet and rolling stock rather than create new transport facilities;
- (f) Shift the long-distance movement of cargo from road to rail;
- (g) The country's transport tariff policy will be sufficiently flexible to allow for real cost differentials among regions due to different cost structure and road standards and of different types of transport operations; it will allow for recovery of costs and reasonable margins for transport operators;
- (h) Unnecessary administrative restrictions and controls on inter-regional movement of goods and vehicles that limit efficient use of the sector's facilities will be removed;
- (i) More systematic and energetic measures will be taken for more economic use of energy, thus preventing wastage by public vehicle users;
- (j) Additional financial resources (both local and foreign) will be provided to ease critical bottlenecks in the sector, particularly for undertaking adequate maintenance of existing facilities and replacement of worn-out vehicles.
- (k) Make more effective domestic use of the TAZARA Railway, related to general development activities, namely, agriculture, mining and industries in the regions over which the railway passes.



### **C. Programme Implementation Activities:**

3.59 A number of programmes are being implemented or are planned for in the various subsectors. It is expected that these programmes will, in the near future, provide the necessary impetus to revitalise the sector so that it can provide the required services to other sectors of the economy during the structural adjustment period. They include the following.

3.60 Roads rehabilitation and maintenance will be given high priority including the reconstruction of the Chalinze—Segera—Korogwe road, some parts of the Tanzam highway. Additional assistance, to that provided under existing IBRD funded Trunk Road Maintenance Programme would be required. These activities will facilitate the movement of crops and inputs into the agricultural sector and transportation of industrial goods, etc.

3.61 A number of new road projects are being undertaken to increase the network of tarmac roads in the country and make more places easily accessible. Projects under implementation or which are already financed include Morogoro—Dodoma, Makambako—Songea and Mwanza—Musoma. In addition, assistance is required for Rusumo—Lusahunga on the Rwanda border, for the improvement of the coastal road from Kibiti to Lindi, and for the Unity Bridge (Mozambique/Tanzania).

3.62 A feeder road development programme based on labour intensive methods is receiving support from ILO. This programme will be considerably expanded to improve farm-market communication and requires external assistance.

#### **Vehicles:**

3.63 Plans have reached an advanced stage to rehabilitate about 600 grounded public sector vehicles and to complete about 700 vehicle bodies. The programme which will be assisted by the EEC (at a cost of approximately Sh. 150 million) is expected to put back on the road a number of non-operative vehicles. Some assistance for vehicle spare parts for some institutions is being provided under the IBRD export Rehabilitation Credit and further assistance would be required.

#### **Regional Transport Corporation:**

3.64 A new approach to public sector transport includes the establishment of Regional Transport Companies in all regions with IBRD assistance. These companies will be carrying out the bulk of all road transport operations and are jointly owned by various public sector institutions in the respective regions. So far five such companies have been established and following performance evaluation further assistance will be required for additional companies.

#### **Railways:**

3.65 A detailed study of the main problems as well as the medium and long-term requirements of the Tanzania Railways Corporation (TRC) has been undertaken with the assistance of CIDA. TRC locomotive maintenance capacity should improve following the commissioning of the heavy-duty workshop at Morogoro. The Rehabilitation programme for the railway currently being implemented or to be implemented shortly also includes the physical rehabilitation and strengthening, improvement of the communication system, reconstruction of bridges, provision of additional rolling stock, etc. Partial financing is in place for this, and additional financing is required. TAZARA will badly need more powerful locomotives from West Germany, but additional locomotives and assistance with rehabilitation and maintenance is also required.

#### **Air Transport:**

3.66 A major expansion of Dar es Salaam Airport and construction of new terminal buildings is



being carried out with French assistance. Assistance is required for the improvement of operation and maintenance of Air Tanzania Corporation.

#### **D. External Support:**

3.67 The sector requires substantial additional external assistance to supplement existing efforts, particularly in terms of technical assistance, funds for the purchase of vehicles, rolling stock and equipment, spare parts for rehabilitation and additional development. Further external assistance will be sought on the following projects and programmes:

- Major road rehabilitation and maintenance

  - Chalinze—Segera—Korogwe

  - Tanzam Highway

- Major road construction

  - Rusumo—Lusahanga

  - Kibiti—Lindi

  - Unity Bridge (Mozambique/Tanzania)

- Feeder road rehabilitation, construction and maintenance

- Vehicle rehabilitation credit

- Regional Transport Corporations

- Tanzania Railways Corporation Rehabilitation

- TAZARA Rehabilitation

- Air Tanzania operation and Maintenance support

#### **E. Further Work:**

3.68 Priority will be given to the formulation of detailed support packages outlined above. This will be undertaken by the Ministries of Work, Transport and Communications, and respective parastatals assisted and supported by the Implementation Secretariat.

3.39 Because of the lack of data required for planning and managing the various areas in this sector the Ministry of Transport and Communications will commence a data collection exercise on the demand and supply for transport capacity in the country. The Ministry in cooperation with other institutions (local and external) will also prepare a long-term strategy for the transport sector.

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### **SECTORAL PROGRAMMES**

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- D. External Support**
- E. Further Work**



## **A. Background:**

3.70 At the moment, about nine-tenths of commercial energy consumption is supplied by oil. The increase in oil prices beginning in 1973 has placed a very heavy burden on the country's balance of payments situation. The electric power system has been expanded and after completion of Kidatu II installed capacity increased from 251MW in 1978 to 360MW in 1980, of which 300MW are from hydro-power stations and remaining 60MW from thermal stations scattered throughout the country. Despite the total system capacity being sufficient to meet total demand even in peak periods, power shortages in many parts of the country have been responsible for stoppages of industrial production or for the delay in starting up of new industries. These shortages have occurred because surplus power on the grid cannot be made available to demand centres off the grid and because of insufficient or poor condition of local generating facilities. In view of the generally depressed present state of the economy the latest forecast of the demand trend for power indicates that power shortfall will not occur until 1987, if no new power supply is brought on stream.

3.71 Fuel wood and charcoal is widely used as an alternative to commercial energy. However, its widespread use has more often than not resulted in deforestation with extremely negative environmental consequences. To avoid those consequences an active policy towards wood fuel use is required. It is important to monitor developments and avoid negative environmental effects and ascertain future wood availability.

3.72 Tanzania's energy potential, particularly its hydro-capacity, is very large in the longer term. There are substantial coal deposits which are largely unexploited. Deposits of natural gas are also known to exist in substantial quantities. Other unexploited sources of energy include wind, solar, biomass, geothermal, etc.

## **B. Objectives and Strategy:**

3.73 Energy availability for sectors such as transport, industry, and agriculture is critical to the implementation of the structural adjustment programme. A combination of measures are required with the following general objectives:

- (a) maximum economic use of fuel, since measures have already been taken to curb the profligate use of petrol, further substantial savings are not anticipated;
- (b) to reduce the imported energy burden on the balance of payments by making maximum use of known potential domestic energy sources;
- (c) identification of domestic energy resources and expansion in domestic energy potential through exploration and the development of the capacity to exploit these resources;

3.74 In the short to medium term priority will be given to:

- (a) the development of known sources of hydro-power;
- (b) use of indigenous sources of energy whenever possible, a phased replacement of diesel fuel generators, and extension of the national grid;
- (c) use of coal to generate thermal power to supplement hydropower, to provide backup power during drought periods and for other uses, especially industry;
- (d) undertake training of required personnel;
- (e) carry out comprehensive studies of other sources of energy and the options available including on-going oil exploration.
- (f) put into practical use findings of researches and experiments on the use of wind as a source of energy and look into further use of coal in place of fuel.

3.75 Long term energy policy and development will take into consideration the various potential sources of energy in the country including prospects of finding oil. Energy development will precede development of energy-using sectors (industry, mining, etc..) in order to avoid power bottlenecks for



projects in these sectors. A detailed analysis will be carried out to establish priority and sequencing of the development of alternative energy sources while giving attention to costs, gestation period, availability of resources, environmental impact and the implication for the development of other economic and social sectors. The analysis will also include the provision of cheaper and appropriate sources of energy to the fuel wood to increase productivity, provide essential services and prevent negative environmental effects.

### **C. Programme Implementation Activities:**

#### **Electric Power**

3.76 Rehabilitation of existing diesel fuel generators and installation of new diesel generators in some of the towns to improve the production and supply of electric power and minimize distributional losses will be undertaken to meet short and medium term power demands.

3.77 In order to avoid severe power shortages in the late 1980's planning of a 75 MW station of Mtera Dam has reached an advanced stage. Implementation of this project will start this year in 1982/83.

3.78 In the longer term (later 1980's or early 1990's) a larger area of the country will be covered by the national grid system. The extension of the grid system is underway and will take several years to complete. The grid system will eventually cover the North Western, the South Eastern and other zones and will replace a number of diesel stations, reducing consumption of imported fuel. Diesel generators would be utilized on a stand-by basis and no further diesel generating plants will be constructed.

3.79 Attention is being given to the development of mini-hydro schemes for small townships and for rural electrification.

#### **Coal:**

3.80 Production of coal is undertaken on a small scale at Ilima colliery. The coal is mainly used by tea estates and tobacco driers. In order to supply the required coal to the Pulp and Paper and the Cement factories, a coal mine with an annual capacity of about 150,000 tons will be developed at Songwe—Kiwira. The mine is expected to come into production in 1986. In future the use of coal in place of oil will be undertaken whenever possible.

#### **Oil and Natural Gas:**

3.81 Oil and natural gas exploration is being carried out in a number of areas and drilling is progressing well. Recently two exploration and production—sharing agreements to allow more investigations of some of the potential areas have been signed. A preliminary decision has been taken to use the natural gas resource at Songo Songo for the production of ammonia/urea fertilizer mostly for export. A firm decision on this project will be taken after the completion of further studies to ascertain its technical, economic and financial viability.

#### **Fuel Wood and Charcoal:**

3.82 More than four-fifths of the energy consumed in Tanzania is accounted for by traditional sources, mostly fuel wood and charcoal. These sources which are used in brick making, tobacco and tea industries and for domestic purposes, serve as alternatives to commercial energy but at present, have negative consequences on the environment. Steps will be taken to ensure that replanting of trees is sufficient to offset current use.

#### **Other Measures:**

3.83 It is intended to use molasses from local sugar factories to manufacture power alcohol if the



project under consideration is found feasible, to adapt existing buildings and building design to minimize the use of energy, and to take other appropriate measures to economize the use of energy in transport, industry and other sectors.

#### **D. External Support:**

3.84 Continued and additional external support is required for on-going and additional projects including:

##### **On-going Projects:**

###### **Electric Power**

- Extension of the grid system (transmission lines etc..)
- electrification of townships
- rural electrification programmes
- supply of generators
- coal
- Ilima colliery

###### **Oil and Gas:**

- Songo Songo (gas and oil exploration)

###### **Fuelwood and Charcoal:**

- afforestation programmes

###### **Other:**

- Technical assistance
- training
- studies on other energy sources

##### **Additional Projects:**

###### **Electric Power:**

- Mtera power projects
- Mini-hydros

###### **Coal:**

- Songwe-Kiwira coal

#### **E. Further Work:**

3.85 The Stiegler's Gorge multipurpose project has been under investigation for some years now. Implementation has been constrained by the enormous size of the initial investment required for its first phase. However, there are other two major potential sites for possible hydro-power generation, Kingenenas and Shughuri Falls which are also within the Rufiji/Kilombero Basin. Studies of these two sites will be carried out soon. Following completion of the studies a decision will be made on the future sequencing of hydro-power schemes to take care of the requirements in the 1990's and beyond.

# **SECTION III**

## **SECTORAL PROGRAMMES**

### **DISTRIBUTION**

#### **Contents**

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    - Farm Inputs**
    - Storage**
    - Allocation Information**
  - Prices**
    - Price control**
    - Taxes**
- D. External Support**
- E. Further work**



## **A. Background:**

3.87 The distribution system has undergone major changes in the past fifteen years. A much higher proportion of wholesale trade in imported and locally manufactured goods is handled by public sector institutions and important changes have been made in their respective roles. A price control system has been in operation since 1973.

3.88 The Ministry of Trade is responsible for institutions which comprise the backbone of the distribution system through the Board of Internal Trade (BIT) including seven specialised National Trading Companies (NTC) for various product groups, and twenty Regional Trading Companies (RTCs) one for each region of the country. But in the mid 1970s, BIT controlled 40% of total imports (8% of which were consumer goods) and about 40% of wholesale trade. The range of products handled has expanded, particularly with the takeover of food distribution following dissolution of the Co-operative Unions in 1976. The financial structure of BIT Companies has been strengthened and profitability increased with rising turnover; however profitability is not an adequate criteria to ensure efficiency in view of their monopoly situation. The distribution agencies are subject to difficulties and complaints arising from present shortages, due to insufficient production and import capacity, which are outside their control. There are, of course, inefficiencies and weaknesses in the agencies particularly due to bureaucratic procedures, overstaffing, storage and transport problems. These require correction within the framework of the present system rather than through further major institutional changes.

3.89 Confinement policy allocates a monopoly on the import of selected public sector institutions. Under the policy all inputs should be handled by sixteen institutions (including seven NTCs and other parastatals for specialized requirements). However, many goods bypass this arrangement as a result of large aid inflow. Distribution of locally produced goods has been confined mostly to NTCs although a few industries (breweries, cigarettes, shoes) have their own distribution network. At local level RTCs give preference to village and co-operative shops. Services offered by public sales outlets, especially retail shops, are still weak and private traders continue to play a key role in many areas.

3.90 Following the development of shortages of critical goods in 1980 a quota system of allocation was introduced. Allocation committees with wide ranging membership operate at national, regional, district and ward levels to determine the allocation, currently, of thirty-two critical items. Quotas are reviewed every six months. The system is reasonably effective in ensuring fair distribution to the Regions at the whole sale level, but it is still difficult to enforce at the sub-wholesale and retail level.

3.91 The National Price Commission (NPC) founded in 1973, is responsible for control of ex-factory, wholesale and retail prices, with annual reviews. It previously covered over 2,000 items mostly goods but including some services. Some items have recently been decontrolled and a government committee is currently reviewing the situation. Many prices are pan-territorial, that is, uniform throughout the country, others reflect variations in transport costs to the Regions. NPC lacks adequate staff and facilities and priority is given to attempting to control trading margins rather than producer prices. Enforcement is difficult because of shortages of most price-controlled consumer goods, so that goods are often only available at prices which contravene regulations. In any case in periods of severe shortages price control can only be effective if rationing is undertaken as a back-up measure.

## **B. Objectives and Strategy:**

3.92 The policy objectives in relation to the distribution system are to:

- (a) ensure the regular supply of essential basic food and consumer items with particular emphasis on lower income groups, and the supply of farm inputs;



- (b) establish effective price control and maintain pan-territorial prices at Regional Centres on a limited range of basic items;
- (c) maintain and improve the quota allocation system;
- (d) consolidate the role and improve the efficiency of major public sector institutions engaged in wholesale distribution;
- (d) gradually strengthen co-operative and other publicly owned retail outlets whilst acknowledging the continuing role of private trade;
- (f) improve storage availability and ensure co-ordination in provision and use between institutions;

3.93 In pursuit of these objectives the sectors programme will:

- (a) give priority to the distribution of basic items and consider, in the case of continuing severe shortages, the introduction of a rationing system for a few essential items in major towns;
- (b) keep the number of items subject to price control under constant review, with a view to leaving only the irreducible minimum;
- (c) provide improved information to the general public by RTCs and other agencies on the availability of goods under the quota allocation system;
- (d) reduce the scope and stream-line the operation of pan-territorial prices;
- (e) improve the organisation, efficiency and accountability of parastatal and other government agencies engaged in distribution, and enable them to operate more flexibly and in a more business like way;
- (f) expand storage facilities and improve inter-agency co-ordination in the use of storage;
- (g) exercise caution in trade confinement policy and permit continued private distribution where it provides an important essential service.

### **C. Programme Implementation Activities:**

#### **Distribution System:**

##### **Institutions:**

3.94 Proposals for improving the organisation, efficiency and accountability of public sector institutions engaged in the distribution sector (BIT, NTCs and RTCs) are included under the overall parastatal development programme discussed below. Particular attention will be paid to improving levels of employee productivity through incentive schemes, the rationalisation of procedures and introduction of more business like methods, and a reduction in the volume of paper work. Alternative criteria to measure efficiency other than the achievement of financial profits will be developed.

3.95 Village and co-operative shops will be assisted to offer improved services by developing management capability and will be given preference in the allocation of particularly scarce goods as essential steps to improving their performance and attaining financial viability.

3.96 It is recognised that the development of public sector distribution will be a gradual process and that private trade still has an important economic function which it will be encouraged to fulfil.

##### **Farm Inputs:**

3.97 The supply and distribution of farm inputs is considered in the control of the agricultural sector programme above.

##### **Storage:**

3.98 Storage requirements for both the distribution of goods and crop procurement are closely linked to transport operations. Storage availability should be sufficient to even out seasonal peaks



particularly in respect of agricultural produce. It is also necessary to ensure co-ordination between autonomous institutions in the development of storage to avoid the creation of excess capacity, and ensure maximum utilisation.

3.99 A number of institutions, including NMC are developing or planning additional storage at production and consumption centres at national, regional and district levels. Under the Structural Adjustment Programme the location, capacity and use of existing and planned storage will be reviewed, the most urgent requirements clearly identified and arrangements for financing and execution will be put in hand.

#### **Allocation Information:**

3.100 A more open information and public relations policy will be pursued on quota allocations of basic goods in order to reduce rumour, minimise malpractices, and assist monitoring. In particular, NTCs and RTCs will make public when goods are available and in what quantities by posting notices locally and through national and local information and news media.

3.101 Trading companies will be made more responsive to the effects of their actions on consumers, and more service—orientated. They will undertake more market research to determine actual requirements of goods in different areas of the country.

#### **Prices:**

##### **Price Control:**

3.102 The National Price Commission (NPC) will be reinforced to enable it to improve methods and practices in setting ex-factory prices for controlled items taking adequate account of capital structures and of productive efficiency. It will also be strengthened to more effectively monitor the application of price controls and other related macro-economic issues.

3.103 The Government has already taken measures to reduce the number of items subject to price control. The process of reviewing price controlled items will be taken on a continuous basis.

3.104 The pan-territorial pricing system will apply only to the twenty Regional centres for basic goods (mainly food items, bottled and tinned drinks and foods). RTCs will be fully compensated for the difference between the average transport factor allowed in the price set by NPC and actual transport costs incurred by National suppliers of basic goods (SUDECO for Sugar, STAMICO for Salt, NMC for foodstuffs, etc.) This will require detailed work on a transport equalisation scheme by NPC.

3.105 In turn each RTC would establish average transport costs within the Region and apply this uniformly.

3.106 For goods other than basic goods, actual transport cost will be fully reflected in the price. In the case of relatively high value goods, transport constitutes a fairly small percentage of the consumer price so that price variations between Regions will be small. In the case of bulky low value goods (such as cement, CGI sheets) price differentials reflecting transport costs will encourage their movement to and improve physical availability in the more remote areas.

#### **Taxes:**

3.107 A special tax will be levied on a limited group of non-essential products where the NPC estimates that likely supply will be insufficient to meet market demand. This will eliminate existing windfall gains derived from the gap between the present official price and the un-official consumer price as well as increase government revenue.

**D. External Support:**

3.108 Requirements for external support in the distribution sector are for:

Storage Rehabilitation and Development

Agricultural input supply

**E. Further Work:**

3.109 The following further studies are required for the implementation of the sector programme:

Storage Rehabilitation and Development

— Ministry of Trade,

— Ministry of Agriculture

— Parastatals.

Ex-Factory Prices

— NPC/Ministry of Industries

— KILIMO

Transport Equalisation Scheme

— NPC/RTCs

Rate of Return on Investment

— DEVPLAN



## SECTION III

### SECTORAL PROGRAMMES PARASTATALS

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- B: Objectives and Strategy**
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    - Staff and Staff training
    - Systems
    - The Budget
    - Immediate measures on overheads
    - Workers Councils and Controls
- D: External Support**
- E: Further Work**

## **A. Background:**

3.110 The performance of parastatals varies widely. Some operate efficiently and generate surpluses but others suffer from poor commercial performance. In general, there is inadequate accountability at all levels of decision taking. The elaborate internal and external control system over parastatal activities, which exist on paper are in reality, very weak. Motivation of both managers and workers has been found to be inadequate as evidenced by problems of discipline in a number of firms and this is compounded by the absence of effective incentives either moral or material.

## **B. Objectives and Strategy:**

3.111 The objectives of structural adjustment in this sector will be to:

- (a) Help restore the commercial viability of parastatals and their capacity to generate surpluses.
- (b) Reduce the fiscal burden of parastatals on the Government budget.
- (c) Achieve greater autonomy of parastatals in day to day activities within a clearly articulated system of central and local controls.
- (d) Restore discretion but also responsibility and accountability to all levels of decision takers in this sector—boards, managers and workers.
- (e) Safeguard the system of workers involvement and extend it overtime.

3.112 The strategy to be followed to attain these goals will focus on:

- (a) Rationalising the decision taking structure of parastatals.
- (b) Clarifying the roles of Ministries, boards, managers and management committees within a structure that gives enterprises more day to day autonomy.
- (c) Introducing a new material incentive system in line with the national productivity, incomes and prices policy.
- (d) Improving the reporting and accounting systems of parastatals and providing more and better qualified accounting and book-keeping staff.
- (e) Introducing standardised budgeting based on performance and investment criteria, to be supervised by Treasury and Devplan at the centre and workers' councils and boards at the enterprise.
- (f) Focussing special attention on reducing parastatal overheads.

## **C. Programme Implementation Activities:**

3.113 Measures will be taken in the immediate future to clarify responsibility, inject scarce technical expertise where it can be used most economically and situate ministerial responsibility clearly. These steps are meant to locate responsibility for production and discipline at the enterprise level, strengthen the degree of controls over activities of parastatals in a non-bureaucratic way. Thus, holding companies will be developed as repositories of scarce technical skills and provide for an efficient scheme of material incentives which relates rewards to production performance:

- (a) As far as possible a clear structure of decision taking with respect to ministries, holding parastatals and operating companies will be clearly spelt out so that the structure will have both discretion and responsibility to increase the autonomy of parastatals and their efficiency. External controls of parastatals will be strengthened to improve accountability but not to increase rigidity or stifle creativity and incentives.
- (b) Holding companies would provide technical expertise, help arrange and review plan targets, training programmes, budgetary/financial requirements, inter-enterprise trade, export promotion, etc. In other words, holding companies would be the principal planning bodies for specific industries and the main centre of technical expertise for individual enterprises.
- (c) Boards of holding companies will be comprised predominantly of experienced and qualified people who are also technically oriented. Performance of board members would be monitored by the ministry concerned. Holding company boards will have power to draw up



short lists of managers for their enterprises management committees for formal appointment.

- (d) Management Committees will among others also be composed of workers elected from and by the employees in the enterprise with one member from the CCM branch executive, one member of the JUWATA branch executive, and one representative of the relevant consumer interests in society who will be appointed by the holding company.
- (e) Managers will be hired on terms laid down by SCOPO and will be answerable to the Management Committees for the efficient performance of their tasks but would have discretion to implement production and action plans once approved by management committees and holding companies.

3.114 Since in certain aspects these steps involve major departures from the present system they will be implemented on a gradual basis.

3.115 With respect to holding parastatals themselves, emphasis will be placed on the appropriate expertise of board members with more representation from workers than at present. Boards will be free to appoint managers using normal advertising and recruitment procedures. Because boards exercise discretion in such appointments they will, thus, be answerable for mistakes.

3.116 In addition to steps being taken within the government's Productivity, Incomes and Prices Policy on material incentives the following additional steps will be taken to reinforce the existing policy:

- (i) the Permanent Labour Tribunal (PLT) on the advice of the National Institute for Productivity (NIP) and the recently formed Productivity Council will advise holding companies on the parameters within which bonuses and penalties should be awarded and may, if necessary, scrutinize individual schemes, a task which will normally be done by the holding companies themselves.
- (ii) Incentives will be significant with ranges as high as 30% above the base wage for ordinary workers, but consideration will be given to avoid opening up too large wage and salary differentials.
- (iii) Penalties for poor performances will be as high as 10% of the base wage for ordinary workers and 20% for more highly paid personnel.
- (iv) Greater than budgeted productivity increases will be rewarded by granting workers favoured access to durable consumer goods which would otherwise be difficult to obtain.

This bonus system will also generally apply to larger parastatals which are not in holding company form. Here boards of directors would approve proposals subject to external review by the PLT.

#### **Financial Control:**

3.117 In this subsection measures will include:

- (a) Introduction of crash programmes to improve book-keeping for specific institutions including the National Milling Corporation (NMC) Crop Authorities etc.,  
An emergency programme for these institutions will be prepared by the Institute of Finance Management (IFM), Nyegezi Social Training Centre, Institute of Development Management (IDM) and the National Board of Accountants and Auditors (NBAA). To accommodate parastatal needs existing training institutions will be expanded to increase the intake especially at the National Bookkeeping Certificate (NABOCE) level. In addition efforts will be made to raise teaching standards and improve the pass rate.
- (b) Treasury will review the staff strength of these training institutions in order to improve the standards and increase the intake of students.
- (c) Treasury, with the help of NBA/IFM, will also review the distribution of accounting and book-keeping staff by education and experience between various parastatals and undertake



reallocation to meet staff requirements in certain critical areas in the short term, priority will be given to crop authorities.

- (d) Each parastatal will be required to sponsor at least two candidates each year for NABOCE and the National Accountancy Diploma (NAD).
- (e) For medium and long term standardized accounting, book-keeping and budgeting system will be introduced.
- (f) The budget system will be linked to cost reduction or output or surplus generation. Initially each parastatal will be required to link its expenditures to a few key performance indicators. NIP and IFM will assist in this process during 1983/84. Thereafter the indicators used could become more numerous and more refined.
- (g) Before the commencement of each budget cycle the Public Investment Division of Treasury will issue general budget guidelines for all parastatals and holding companies indicating maximum acceptable growth rates in certain expenditure items. Similar guidelines will be issued simultaneously for the capital budget by DEVPLAN.
- (h) All budgets, once approved by the relevant boards of directors or managing committees, will be subject to scrutiny by Treasury and Devplan. In this way parastatals would for the first time be brought into the annual budget procedure and special skeleton accounts will be published for scrutiny by the Government, Parliament and the Party.
- (i) Performance relative to budget will be assessed at least every quarter with reasons given for deviations from budget. This information will be presented to workers' councils for review and comment before being considered by boards, and then sent to Treasury. Efforts will be made by IFM, IDM and other training institutions to provide courses for workers' councils, tailored to the needs of their specific industry, to assist them in interpreting and assessing budgets.
- (j) The Public Investment Division of Treasury will be strengthened immediately by the recruitment of economists from the University and elsewhere so that it can undertake this quickly and efficiently.
- (k) As a preliminary step a freeze will be imposed on overhead expenditures of parastatals at their 1981/82 levels, and any growth in spending which would otherwise have taken place is to be transferred to Treasury as a special contribution by parastatals to the central government budget. This contribution will not be eligible for inclusion in any application to the price Commission for price increases, but must be found from efficiency improvements within parastatals. To effect this, workers' councils will be called upon to advise, specifically, on how operating expenses might be trimmed as part of the annual budget exercise.
- (l) Flagrant departures from budgets will be reported by Treasury to the Parliamentary Committee and Party for appropriate action against boards and managers. It is hoped, however, that these external interventions will only be applied where internal controls fail to operate.
- (m) Special attention will be given to the accounting and budgeting needs of the larger parastatals, especially crop authorities. Where detailed reports have been carried out on these aspects of their operation e.g. Coffee Authority and NMC, boards will be required to draw up implementation programmes with definite deadlines and advise government and the Tanzania Audit Corporation (TAC).
- (n) The statement of affairs of NMC, Cotton Authority etc., will be drawn up as recently as possible, more attention will be focussed on putting new systems, staff and staff training programmes in place.
- (o) Where evidence of wrong-doing exists, the case will be taken to the workers councils and the boards with view to taking appropriate action, legal or otherwise. It is important that workers' bodies become an active forum for discussing such matters as they are much better placed than most others to police irregularities.



- (p) The Statistical Bureau will continue with its questionnaire of parastatal accounts and will also liaise on an on-going basis with TAC, on data and analysis. This aims at having data generated in annual accounts in a form that can be used directly for publication and planning purposes.

#### **D. External Support:**

3.118 The requirements for external support in the parastatal sector are specified under the sectoral programmes. However, support will also be required for the following:

- (a) Technical assistance—recruitment of professional staff for NBAA.
- (b) Consultancy funds to carry out various studies for several parastatals.
- (c) Funds for recruitment of professional personnel for training institutions and for expansion in order to increase the intake of students.

#### **E. Further work:**

3.119 Further work will be required in the following areas:

- (a) Appraise the already proposed structure of decision taking with respect to ministries, Boards, holding parastatals and operating Companies.
- (b) Analysis of problems affecting various parastatals including managerial, financial and technical in order to come up with specific recommendations and workable programme.

## **SECTION III**

### **SECTORAL PROGRAMMES**

#### **Financial Institutions:**

**A: Background**

**B: Objectives and Strategy**

**C: Programme Implementation Activities**

**D: External Support**

**E: Further Work**



#### **A. Background:**

3.120 Most of the problems facing the banking system in Tanzania stem from a period of rapid expansion from mid to late 1970s. This put a severe strain on staff and led, in many cases, to a lapse of the control function of the banks. Other major changes in institutional structure and practice during this time (e.g. abolition of cooperatives, introduction of villagisation etc.), put further pressures on banks. But each institution has its own unique problems.

3.121 The National Bank of Commerce (NBC) has been severely strained by a two thirds increase in the number of offices since the mid 1970s—shortages of skilled staff being felt at all levels. This expansion has also made it more difficult to balance the bank's books. Head office costs have risen rapidly in recent years and problems of discipline in many offices have emerged. Profits of NBC have declined recently.

3.122 The capital position of the NBC has been adversely affected in recent years by large non-commercial overdrafts to parastatals and by the large backlog of unpaid import bills. The NBC has also encountered problems in its foreign business.

3.123 The Tanzania Rural Development Bank (TRDB) has experienced problems of loan repayment particularly after the introduction of crop authorities and abolition of the cooperative movement. The TRDB is facing problems of liquidity largely on account of delays by Treasury in passing on aid and transport subsidy disbursements. Operating expenses of the TRDB have risen fairly rapidly in recent years.

3.124 The Tanzania Housing Bank (THB) has acute staff shortages and very serious book-keeping and accounting problems. It has been unable to generate surplus and maintain adequate reserves.

#### **B. Objectives and Strategy:**

3.125 The major objectives of the structural adjustment programme for financial institutions will include:

- (a) Strengthening the control function of the banking system by making a clear division between commercial and non-commercial business with the latter being underwritten by Treasury.
- (b) Improving the commercial viability and efficiency of financial institutions.
- (c) Improving standard of service to the public.
- (d) Ensuring the security of state and public funds invested in those institutions.

#### **C. Programme Implementation Activities**

##### **The National Bank of Commerce (NBC)**

3.126 The concept of a branch will be reviewed to accommodate some branch expansion limited to simple physical and personnel requirements, which would at the same time allow NBC time for consolidation of its operations.

3.127 An immediate staff training programme at all levels with an initial emphasis on re-training of the new bank managers, accountants and supervisors will be prepared. Appropriate courses will be designed in cooperation with other training institutions.

3.128 Branches with serious accounting personnel problems will be identified and some emergency staffing measures taken to help them improve their services and operations. Special regional action squads will be formed to replace the existing staff undergoing training.

3.129 Efforts will be made to improve services to Customers through increased staff discipline and by strengthening the inspectorate unit of the bank. The unit will receive material incentives including upgrading and special training programmes.



3.130 The bank is already undertaking steps to decentralise its activities and cut head office and administrative costs by introducing very tight budget starting 1982/83

3.131 With regard to parastatal overdrafts the bank will immediately reintroduce an emphasis on cash flow analysis of customers' business as a basis for lending decisions. Credits to parastatals will be restricted to amounts shown to be required on the cash flow basis and covered with an adequate security. The bank will not lend money to parastatals which do not fulfil those conditions.

3.133 The Bank is presently examining the possibility of having a special account for administrative and overhead costs for each crop authority and a separate account for payments to farmers. The Bank will alert the respective crop authority whenever it spends beyond its budgeted figures for the former account. The latter account will not be used to pay administrative and overhead expenses, instead it will be used to ensure and safeguard prompt payments to farmers.

3.134 Interest rates on bank credits will be raised up to 25%, i.e. from 7.5%—12% to 9.5% to 15% in order to improve NBC's performance and other considerations.

3.135 Special attention will be given on improving the performance of foreign operations department including its staffing.

#### **Tanzania Rural Development Bank (TRDB):**

3.136 In order to recover TRDB's loan arrears, crop authorities will be given mandate to deduct loan repayments, on behalf of TRDB crop proceeds before paying villages.

3.137 The Tobacco Authority will start purchasing of the crop from villages and not from individuals.

3.138 The Credit administration structure as proposed by TRDB will be implemented and the Government and the Party will help TRDB recover its outstanding loans.

3.139 TRDB will retain its function of distributing inputs until a more efficient alternative has been established and is functioning.

3.140 A thorough review of TRDB, operating costs will be undertaken with view to reducing them beginning 1982/83.

3.141 Interest rates on credits will be raised by up to 25%, for villages in line with increases of other banks.

#### **Tanzania Housing Bank (THB):**

3.143 Interest rates on mortgages and savings deposits will be raised by up to 25%, while those on Workers and Farmers Housing Development Fund remain unchanged at 3½%. Interest rates on low cost housing will be raised to ½% above deposit rates for all types of lending and additional surplus will be used to build up reserves.

3.144 NBC will be asked to release some of its more experienced staff, possibly on secondment basis, to assist the THB while urgent crash training programme will be introduced in conjunction with NBC training College.

3.145 The Workers Council of the THB will be convened regularly to advise on ways to improve THB efficiency and to reduce administrative problems.

3.146 Tanzania Housing Bank has been designated a priority institution for emergency accounting and managerial assistance.



#### **D. External Support:**

3.147 One of the problems adversely affecting the improvement of the operations of the banks is the lack of competent manpower in senior key positions and certain departments. External support in the form of technical assistance to cover these gaps will therefore be required.

3.148 The NBC will need a short term technical assistance for its Foreign Operations Department to help devise ways and means of increasing efficiency in the foreign transactions side of its business.

3.149 Since most of THB's head office managerial positions are vacant, technical assistance will be required especially in the field of accountancy to fill the gap in this area.

3.150 Arrangements will be made immediately to recruit an economic advisor to the Bank of Tanzania to assist in the formulation of macro-economic policy and strengthen the Research wing of the Bank.

#### **E. Further Work:**

3.151 In the structural adjustment programme the National Insurance Corporation and Tanzania Investment Bank have not been covered. It is envisaged that recommendations for a plan of action will be prescribed after an analysis of the operations of these two parastatals.

### **SECTION III**

#### **SECTORAL PROGRAMMES**

#### **OTHER SECTORS**

3.152. The preparation of detailed programmes will be undertaken for water, natural resources, and manpower utilisation and will be co-ordinated by the Implementation Secretariat.



## SECTION IV

### IMPLEMENTATION

#### Aid Policy, Co-ordination and Requirement

##### Background

##### Objectives and Strategy

##### Programme Implementation

##### Further Work

#### Implementation Activities

#### Implementing Secretariat

## **Aid Policy, Co-ordination and Requirements:**

### **A: Background:**

4.01 Tanzania's foreign aid has increased substantially since the Arusha Declaration. In 1967/68 foreign aid was only \$10 million, equivalent to 5% of imports, 4.7% of exports, about 8% of gross investment and about 24% of the development budget. But at present Tanzania receives foreign aid of between \$500 and \$600 million per year. Thus, foreign aid now accounts for about 45% of the import bill, over one third of total gross investment and about 60% of estimated development budget revenues (net of import support) for 1981/82. Aid is now equivalent to more than 25% of monetary GDP and thus of more or less the same order of magnitude as export earnings if not larger. It is clear from these figures that over the last 15 years Tanzania has become more and more dependent on external assistance.

4.02 Tanzania receives aid from a multiplicity of sources, hence the need for its effective co-ordination cannot be over emphasised. During the five year period, 1975—1979, out of the total aid of \$1,718 million, 73% came from bilateral sources and the remaining from multilateral sources such as the World Bank/IDA group which accounted for 60% of the total assistance from multilateral sources in 1979. With regard to bilateral aid, the most important donors include Sweden (15% of total in 1979), Netherlands (10%), W. Germany (7.5%), Japan (7.4%), Norway (6.3%), U.K. (6%), the USA (5.7%), Canada (5.3%), and Denmark (4.9%).

4.03 During 1975—1979, 54% of total aid was in form of grants and two thirds of the bilateral aid was in this form. The grants component in the total aid has increased significantly to 70% in 1979, 90% of which came from the bilateral sources. A number of Tanzania's aid donors now give assistance in form of grants and almost all outstanding loan servicing commitments to those countries have been cancelled. In 1979, the country's outstanding external public debt amounted to \$2.25 billion with an average interest rate on this debt of approximately 1.7% per annum. Of recent, Tanzania has been forced to increase its external borrowing on non-concessional terms i.e. supplier's credits, borrowing from the IMF etc, which has increased her future debt servicing burden.

4.04 External aid has contributed significantly to the financing of development expenditure for most sectors. Project aid accounted for about 60% of grants in 1980 and 48% of loans; and 21% of the grants were used for general imports, compared to 30% of loans. About 16% of the loans were in form of commercial credits. Because of the dominance of project aid, its co-ordination from the viewpoint of the country as well as the donors, is of crucial importance to ensure its effectiveness, particularly its control so that it gives maximum contribution to the country's social and political objectives.

### **B: Objectives and Strategy:**

4.05 During the structural adjustment period, efforts will be made to ensure there is more effective use of external assistance to attain the country's short, medium and longer-term objectives. Thus aid co-ordination will take into account national investment priority needs and sequencing of projects, resource balance, absorptive capacity of the economy, future recurrent expenditure and manpower demands, the cost of aid, flexibility and other relevant issues.

4.06 In order to derive more benefits from aid, it is important that its selection and co-ordination is properly managed. So during the crisis period the main objective and strategy in this area will be:

- (a) make effective use of aid to increase capacity utilisation in industry, agriculture, tourism, transport and other sectors in order to get the economy moving again;
- (b) reduce the extent to which donor's preference determine Tanzania's priorities in terms of investment and programmes;
- (c) undertake a much more critical review of aid requests and aid use; while the need for aid is realized, emphasis will be placed on aid projects which are in line with the aid policy laid



down in the Arusha Declaration;

- (d) except for foreign aid required for structural adjustment in the short run, future aid priorities will concentrate on maintaining the flow of aid in real terms (at donor inflation rates) at the level of the last 2—3 years, shifting aid from project aid to import support and local cost support, guaranteeing food aid when needed, building up strategic food reserves and negotiate foreign debt service obligations;
- (e) vetting of all aid projects and programmes will be carried out on a continuous basis by DEVPLAN and TREASURY to ensure the appropriateness of aid in terms of its technology and manpower demands, use of local resources, avoidance of budget dependence and its contribution to basic needs, particularly those of the lower income groups.

4.07 In summary, clear cut areas of priorities and a workable system of vetting projects and programmes which require aid will be established. The main target will be for a reduced real amount of aid to contribute more towards meeting declared goals than has hitherto been the case.

#### **C. Programme Implementation:**

4.08 In order to co-ordinate external assistance requirements and ensure effective control by Tanzania of balance of payments support, project support and the country's rehabilitation programme, a number of measures are being taken to correct both operational and institutional deficiencies. During the adjustment period Tanzania will undertake to implement the following:

- (a) During the adjustment period, Tanzania will need to mobilize both balance of payment and development programme support from international institutions and bilateral sources. The requirements for balance of payments support amount to at least US \$300 million annually, apart from receiving accommodation from commercial creditors. It will also include switching about US \$80 million annually from project aid to import and local cost support for the rehabilitation programme. External support requirements for various sectors and institutions in terms of finance, import support, technical assistance etc., are detailed in Section III.
- (b) Central Ministries, namely, DEVPLAN and TREASURY will with immediate effect undertake to scrutinize each and every aid proposal against national priorities and matching of aid forms to those priorities. This will be undertaken in light of the required consistency with national targets for balance of external payments and for balance in the development budget. This exercise will involve looking into the questions of the size of the aid commitments, maximisation of disbursements within a given total of commitments, prompt reimbursement of local costs, and tailoring the composition of aid to aggregate needs, for example, switching from technical assistance to project support or from project support to food or import support as national balance requires.
- (c) Measures will be taken to limit total aid flows; and aid flows to sectors and specific ministries/parastatals to amounts which can be absorbed within existing managerial, administrative, institutional and foreign exchange and budgetary constraints. Thus aid that places a burden on the country's absorptive capacity will be rejected. Equally, external aid that generate import dependence or that places heavy demands on future recurrent expenditures and skilled manpower needs will be scrutinized with a view to minimizing these constraints.

4.09 It is intended to create a mechanism which would provide a framework under which Tanzania and donors will effectively co-ordinate aid, particularly in terms of national priority areas; and arrangements under which donors are informed of each other's and Tanzania's development policies and activities will be made. Institutions responsible for aid will be strengthened as follows:

- (a) A new section will be created in the External Finance Division of the Treasury to deal with



- aid co-ordination, policy and analysis;
- (b) The main functions of the section will be to co-ordinate aid, analyse aid flows, monitor aid terms and availability, advise on policy with regard to negotiations with donors, and assist in projecting future aid flows;
  - (c) Immediate steps will be taken to build up the staff strength of the External Finance Division at the Treasury. The Directorate of International Economic Co-operation and the Budget Directorate of DEVPLAN will also be strengthened in order to deal effectively with the country's aid programmes, economic co-operation, issue financial and physical progress reports of aid financed projects etc.

#### **D. Further Work:**

4.10 Since aid requirements cannot be met by general programme support and because of the constraints faced by donors in the administration of their aid programmes, global aid requirements need to be translated into sectoral packages which:

- (a) meet the country's needs for rehabilitation, maintenance and recurrent foreign exchange needs; and
- (b) the donor's requirements to meet project and aid-tying criteria and their own budgetary needs with respect to both the budgeting and drawing down of aid.

4.11 Experience with rehabilitation packages points to the direction of bridging the gap between the requirement of programme and project aid. Thus given the greatly varying requirements of differing donors, the achievement of the required flexibility will require an on-going effort beyond the time horizon of one year. So it is expected that the Implementation Secretariat will co-ordinate the immediate start of such work.

#### **Implementation Activities:**

4.12 The implementation requirements in relation to macro-economic targets, sectoral programmes and external assistance specifying actions, responsible institutions and target dates will be carried out by the respective Ministries and institutions in cooperation with the Implementing Secretariat which would have primary responsibility for coordinating and monitoring the performance of responsible institutions.

#### **Implementing Secretariat:**

4.13 To undertake additional work on the structural adjustment programme and monitor the implementation of the decisions already taken, it is proposed to set up an implementing secretariat immediately. Its work will be supervised by a review committee consisting of the Principal Secretaries of Planning and Finance, and the Personal Assistant (Economics) to the President and the Prime Minister. An Interim Director will be appointed immediately and a small staff seconded from ministries, parastatals and the University. Funding will be sought to provide technical assistance support to the Secretariat.

4.14 The first task of the Secretariat will be to initiate action and co-ordinate the areas identified in this programme that require further study.



cc: for Mr. Clausen's Office

May 19, 1982

Dear Mr. Minister:

I thank you for your letter of April 24 and the encouraging news which it contained. I am indeed pleased that you feel you now have the framework for an effective structural adjustment program; I am gratified that the Advisory Group has been helpful to your Government in formulating a program together with a set of policies that you feel can effectively address the more urgent economic problems Tanzania is facing.

We are looking forward to receiving your Government's specific proposals. I can assure you that we will give the review of the program the high priority which it deserves. We do realize, of course, that some of the deeper, structural reasons impairing the more rapid expansion of the economy, especially in agriculture, may require some time to solve. However, we would hope that the medium term program you refer to will provide an effective framework for recovery, on the basis of which sustained longer term development can be resumed.

I was especially encouraged to learn that you are also entering into discussions with the International Monetary Fund. As I have mentioned to you, we believe that the support of the Monetary Fund is absolutely essential to stabilization and recovery. I hope that your discussions with the Monetary Fund will lead to an early agreement and set the stage for active support for the program by the international community.

I have asked my staff to keep me informed of the progress of your discussions with the International Monetary Fund and our own review of your Government's adjustment program. I hope that we will receive your detailed proposals soon so that we can make the necessary plans for staff visits and discussions at an early, mutually convenient time.

Sincerely,

A. W. Clausen

His Excellency  
A. E. Jamal  
Minister for Finance  
The Treasury  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern, Lafourcade, Abdulai, de Larisiere (IMF), Dunn

RCalderisi/JKraske/WWapenhans:ds1



THE TREASURY,  
P.O. Box 9111,  
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA  
**THE MINISTER FOR FINANCE**

Ref.No. TYC/I/200/23

24th April, 1982

Mr. A. W. Clausen,  
President,  
World Bank Group,  
1818 H Street N.W.  
Washington D.C. 20433

Dear Mr. Clausen,

I am writing with regard to the round of negotiations into which we now wish to enter.

2. As you know, in the past six months we have had the benefit of the services of an Advisory Group, organised at the Bank's suggestion and funded by an I.D.A. credit. We have received an Interim Report from the Group and a number of other inputs into our policy formulation process. We have found their advice to be on the one hand professional and tough minded, while on the other hand sensitive to Tanzanian realities. We have accepted the main thrust of the recommendations made. Now we are proceeding to the difficult task of implementation.

3. Currently, we are formulating a three year structural adjustment programme, as a Tanzanian government policy package, drawing significantly on the Advisory Group's work. This will include a number of steps which can be taken in the near future covering some of the key requirements of the programme. Naturally, there are also areas in which further detailed work will be required. We see work on an adjustment programme as an ongoing process. We are also giving a high priority to the creation of effective implementation machinery.

4. The Programme, as it is emerging, has four main emphases. The immediate need is to restore a reasonable fiscal and monetary balance. There is then a need to allocate resources and provide



incentives to get the export sector moving. We are giving high priority to steps to improve financial control and management of the parastatals. We are also including a package of measures to rationalize and improve the efficiency of industry, transport and trade.

5. Given the gravity of the current situation, we are emphasizing measures which can generate results within the short-term of the coming three years. We are also aware of longer-term needs, particularly in the agricultural sector, which will require much further work to formulate an effective package to carry us beyond short-term rehabilitation.

6. Given the stringency of the current external payments situation, the freedom of manoeuvre to reallocate resources, provide appropriate incentives and in general get the economy moving is very limited. In such conditions, adjustments is bound to be slow and uncertain. We, therefore, see the need to enter a round of negotiations for flexible external funding as a key next step. This will involve negotiations with the Fund and, we hope parallel discussions with the Bank to negotiate structural adjustment funding, to be sustained over a minimum period of three years. There will also be a need to discuss with the bilateral aid community the specific requirements of the structural adjustment funding.

7. We are aware, more so than any outside observer, of the pressing need to improve our economic performance. The responsibility to do this rests solely on us. We have always been willing to make difficult decisions where these are justified by a realistic and pragmatic analysis of our situation. We will continue to do so. However, we are also determined to defend our achievements and commitment to longer-term development goals even in the face of economic crisis.

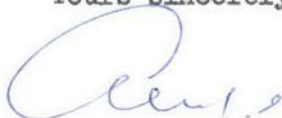
8. We suspect that the Bank will find our proposed programme has considerable merit, while both sides will recognize on the need for further work in important areas, such as longer-term agricultural programming.

9. We are eager that the coming round of discussion should proceed as expeditiously as possible. We think that the Bank sponsored Advisory Group has created the conditions for a significant initiative to turn the economy around and we are willing on our side to commit the full energy and authority of the government to the exercise.

10. I am, therefore, writing this letter as a preliminary to such discussions and to seek the Bank's guidance as to the next steps with respect to structural assistance lending.

11. Please accept my warmest regards.

Yours sincerely,



A. H. Jamaat  
MINISTER FOR FINANCE

Copy to: Mr. S. Abdulai,  
Executive Director  
World Bank Group,  
1818 H Street N.W.  
Washington D.C. 20433.

" " H.E. Paul Bomani.  
Ambassador of the United Republic of Tanzania  
to the U.S.A.  
2139 R Street N. W.  
Washington D.C. 20008,  
U.S.A.



cc: Mr. Clausen's office

February 11, 1982

Dear Mr. President:

Thank you very much for your letter of January 21, 1982, replying to my December 24 letter to you. Mrs. Clausen and I still have very vivid and pleasant memories of our visit to your country.

We at The World Bank also look forward to the recommendations of the Advisory Group and your own decisions based on them, and we share your hope that your Government will be able to take actions, to revive the economy, which are consistent with your philosophy.

Let me say how much I appreciate and share your concerns over the difficulties we face in raising resources for IDA, and the problems thus created in our attempts to help the poorer developing countries. I hope you will help us by doing everything you can, in your position as one of the leaders of the developing world, to persuade contributing nations to support IDA.

Sincerely,

  
A. W. Clausen

His Excellency Julius Nyerere  
President of the United Republic of Tanzania  
P. O. Box 9120  
Dar es Salaam  
Tanzania

cc: Mr. Abdulai

cc: Messrs. Stern; Qureshi; Lafourcade (2);  
Wapenhans; Adler; Kraske; Dunn;  
Woodward; Gore; Nooter

DADunn:cdw

21st January 1982

Mr. A.W. Clausen,  
President,  
The World Bank,  
Washington D.C. 20433,  
U.S.A.

Dear Mr. Clausen,

I was very glad that you were able to visit Tanzania so soon after taking up the onerous responsibilities of your present office, and would like to thank you for your letter of 24th December 1981.

Without going over our whole discussion again, I would like to repeat that I am looking forward to receiving the Report of the World Bank Advisory Group. I am hoping that this will give us an appropriate framework within which we can weigh up the possible alternative strategies and programmes, but I am under no illusion that their advice will itself solve our problems, or that with their help we can avoid very difficult decisions and actions. My hope is, however, that they will help us to see the implications for our own path of socialism and self-reliance of alternative actions, some combination of which is necessary to revive the Tanzanian economy. I also hope that as we carry out the necessary actions we shall have the sympathetic understanding of the World Bank, and its assistance as appropriate.

That point does cause me to express my serious concern about the way in which I.D.A. is being deprived of resources at a time when the need is for greatly enhanced contributions. It is obviously impossible for infrastructural and agricultural development to be financed through loans from the World Bank itself - with its inevitably hard terms - when the equilibrium between import costs and export values has been lost. Yet, as you know, agricultural development, education, and transport and communications, etc., are among the most urgent needs of countries like Tanzania.

Allow me to use this opportunity to send my personal good wishes to you.

Yours sincerely,





cc: for Mr. Clausen's Office (2)

October 23 1981

Dear Minister Malima:

I have just recently received your letter of September 23, 1981 and would like to thank you for the kind sentiments expressed.

It was a great pleasure for me to meet with you and your colleagues during the Annual Meetings and to discuss how the Bank might assist your Government in meeting the problems and challenges which Africa will face over the next few years. I know that I came away from these discussions with a much better appreciation of the problems and your efforts in addressing them. I hope that my visit with you in November will provide us with a particular understanding of Tanzania's difficult situation. I am grateful to your Government for this opportunity.

Sincerely,

(Signed) A. W. Clausen  
A. W. Clausen

His Excellency  
Kighoma Ali Malima  
Minister of State for Planning and  
Economic Affairs  
Office of the Vice President  
P.O. Box 9242  
Dar es Salaam, Tanzania

Clearances and cc:  
Mr. Willi A. Wapenhans, EANVP  
Mr. Jochen Kraske, EA1DR  
Mr. David A. Dunn, EA1DA

EJohnson-Sirleaf:ds1



*With the Compliments of the  
Embassy of  
The United Republic of  
Tanzania*

Oct 5, 1981



788  
THE UNITED REPUBLIC OF TANZANIA

OFFICE OF THE VICE-PRESIDENT

MINISTER OF STATE FOR PLANNING AND ECONOMIC AFFAIRS

Telegraphic Address: "MINISTER".

Telephone Number: 21779.

In reply please quote:

Ref. No. MPEC/B/10/2

Hand Delivered  
HIN  
P.O. Box 9242,

DAR ES SALAAM.

23rd September, 1981

Mr. A.W. Clausen,  
President,  
World Bank,  
1818 H Street,  
Washington, D.C.

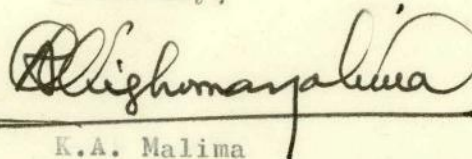
Dear Mr. Clausen,

We have learned with a great deal of pleasure that you intend to visit East Africa after the Annual Meetings. It is indeed an honour to us that you have chosen East Africa for your first country visits since taking over the Presidency of the World Bank. It also exemplifies the importance that the Bank and, especially, you personally attach to our Region.

Thus, on behalf of the Government of the United Republic of Tanzania, and as Governor of the World Bank, I wish to extend to you our warmest welcome to Tanzania for the period of November 22 - 25, inclusive. I am sure that your visit will be not only fruitful but also beneficial to both Tanzania and the Bank. I hope to have an occasion to discuss with you about your forthcoming visit during the Annual Meetings in Washington.

I look forward to meet you.

Sincerely,



K.A. Malima

MINISTER OF STATE FOR PLANNING & ECONOMIC AFFAIRS

c.c. Mr. Y. Seyyid Abdulai,  
Executive Director,  
World Bank,  
1818 H Street,  
Washington, D.C.

OFFICE OF THE PRESIDENT

1981 OCT -1 AM 10:11

RECEIVED

THE UNITED REPUBLIC OF TANZANIA  
OFFICE OF THE VICE-PRESIDENT  
MINISTER OF STATE FOR PLANNING AND ECONOMIC AFFAIRS

P.O. Box 9242  
Dar es Salaam

23rd September, 1981

Telegraphic Address: "Minister"  
Telephone Number: 21779  
In reply please quote:

Ref. No. \_\_\_\_\_

Mr. A.N. Clauson,  
President,  
World Bank,  
1818 H Street,  
Washington, D.C.

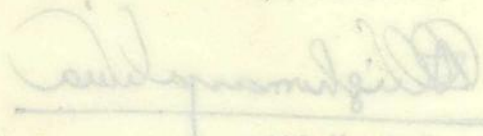
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I look forward to meet you.

Sincerely,



A.A. Malina

MINISTER OF STATE FOR PLANNING & ECONOMIC AFFAIRS

Mr. Y. Seyid Abdullahi,  
Executive Director,  
World Bank,  
1818 H Street,  
Washington, D.C.

OFFICE OF THE PRESIDENT

1981 OCT -7 AM 10:17

RECEIVED



AUG 3 1981

Dear Mr. & Mrs. Zimmerman:

Thank you for your letter of July 19 concerning the recent Wall Street Journal editorial about Tanzania.

In the short time that I have been President of the World Bank, I have come across a number of instances of over-simplification in the press regarding the economic problems of the developing countries, and the role of the World Bank itself. For example, the Bank's "structural adjustment" lending, far from providing a soft option, is intended to help developing countries make the difficult economic realignments and institutional reforms necessary to deal with their balance of payments problems. A loan of this type has been made to Tanzania.

I will be glad to have the opportunity of explaining the World Bank's program in Tanzania when I meet senior editorial staff at the Wall Street Journal later this week.

It was thoughtful of you to write to me.

Sincerely,

(Signed) A. W. Clausen

A. W. Clausen

Mr. & Mrs. Walter Zimmerman  
171 Donnerich Drive  
Maitland, Florida 32751

cc: copies for Mr. Clausen's office

JEMerrian/AMorris:rgw  
July 29, 1981

## OFFICE MEMORANDUM

TO: MEMORANDUM FOR THE RECORD

FROM: David A. Dunn *DA Dunn*

SUBJECT: TANZANIA - Mr. Clausen's Meeting with Amir Jamal, Minister of Finance

DATE: September 28, 1981

1. Mr. Clausen met on Friday, September 25, 1981, with Mr. Amir Jamal, the Minister of Finance of Tanzania. Also present were Mr. Kazaura, Finance Secretary, and Ambassador Paul Bomani from Tanzania. For the Bank Group, Messrs. Stern, Wapenhans, Kraske and Dunn also were present.
2. Mr. Jamal opened the meeting by stating that his Government recognized the serious economic difficulties facing Tanzania, and that actions were needed in order to adjust to these conditions.
3. Mr. Clausen welcomed this statement and noted that Tanzania's relations with the IMF were critical to the adjustment process. Agreement with the IMF, in addition to providing the basis of needed adjustments, would also create other options for the country; in particular it would help the Bank Group to be of assistance. The Bank Group was anxious to assist Tanzania in assessing the alternatives that were open to it, and the economic policies necessary to make an adjustment. Mr. Clausen recognized that some of the economic decisions would be difficult from a political point of view, but he suggested that while difficult, they were not impossible.
4. Mr. Jamal observed that his Government was in constant touch with the IMF but that the process of reaching an understanding must be mutual and not one-sided: the IMF needed to consider Tanzania's internal problem as well as its external ones. Mr. Jamal said that the range within which the country could make adjustment was narrow; he hoped the Bank Group would be understanding of his country's position. Such understanding had been manifested in the past and also was apparent in the creation of the new Advisory Group. In brief, Mr. Jamal said, he was asking the Bank Group not to say "reach an agreement with the IMF or else" because that might make the "or else" inevitable.
5. Mr. Stern asked Mr. Jamal in what way the economic policies suggested by the IMF endangered the long-term philosophical commitment of Tanzania. This, he said, seemed to be what Mr. Jamal and his Government feared. In response, Mr. Jamal said that in his view a general understanding between the Bank Group and his Government over a long period of time was what was important, and that this understanding would be particularly important in assisting his Government to get over the immediate crisis. Mr. Wapenhans pointed out that it was difficult to see how without agreement with the IMF the Government could get over the crisis given the extent of her balance of payment deficit.
6. Mr. Clausen noted that the Bank Group might be able to continue its lending for projects, but that non-project assistance would be difficult in the absence of an agreement with the IMF. He noted that the Bank Group's past level



of lending was evidence of a commitment to assist Tanzania, and of an understanding of its approach to development. However, if Mr. Jamal felt that there was a misunderstanding, it would be best to be specific about what the nature of the misunderstanding was. Mr. Jamal responded by saying that when his Government had signed the 1980 agreement with the IMF it had assumed that there would be a contribution in the form of non-project assistance from the Bank Group by September 1980 to assist the Government in making the adjustments necessary under the IMF arrangement. In the event, in the absence of such a contribution, the Government's revenue base had been affected, and production continued to decline for lack of inputs. Mr. Jamal referred to the further constraints that had been placed on the economy by the strife with Uganda and the drought. In the circumstances, the Government found it hard to make an accurate estimate of how long the lag in economic performance would last. The Government was doing its best in this situation but needed the Bank to be understanding of its position.

7. Mr. Clausen reiterated that the Bank Group did understand the difficulties faced by Tanzania, including political considerations and outside events, but that it was still the feeling of the Bank Group that certain policy adjustments were necessary. The Bank Group wanted to help Tanzania and wanted to help the Government find a way to make the necessary adjustments. He hoped with Mr. Jamal that the Advisory Group would be able to assist in attaining this objective.

8. Concluding the meeting, Mr. Jamal said that his Government looked forward to welcoming Mr. Clausen to the country in November; Mr. Clausen replied that he too looked forward with great anticipation to the visit.

Cleared w. and cc: Messrs. Wapenhans  
Kraske

cc: Messrs. Stern  
Gulhati  
Greene  
LaFourcade ✓  
Yenal/Ms. Johnson-Sirleaf

DADunn:ad .

Mr. Dunn  
File

December 21, 1981

Dear Mr. Minister:

Many thanks for your assistance and that of your staff for making my recent visit to Tanzania a successful one. Mrs. Clausen and my colleagues join me in expressing our sincere appreciation for the excellent arrangements which were made. I have written separately to Mr. Kazaura thanking him for hosting a dinner for us at the Mikumi Wildlife Lodge.

I appreciated the opportunity which we had for the full and frank exchange of views about the present economic difficulties faced by your Government, and look forward to continuing our dialogue in the future. I have every expectation that Tanzania and The World Bank will continue to find a basis for cooperating in the future economic development of your country.

It was very kind of you to come to the airport on our departure. We all were pleased to have the chance to see you again and express our gratitude for your hospitality.

Sincerely,



A.W. Clausen

His Excellency  
Amir Jamal  
Minister of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai(ED); Wapenhans (EANVP); Kraske(EALDR);  
Adler (EAPDR); Dunn, Gore(EALDA); Nooter (Res.Rep.)



*Mr. Dunn*

December 21, 1981

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A.W. Clausen

His Excellency  
Amir Jamal  
Minister of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai(ED); Wapenhans (EANVP); Kraske(EALDR);  
Adler (EAPDR); Dunn, Gore(EALDA); Nooter (Res.Rep.)

December 21, 1981

Dear Mr. Prime Minister:

My thanks to you and your staff for receiving me and my colleagues during our recent visit to Tanzania. We enjoyed our discussion of economic problems and other facets of development in your country and look forward to further cooperation between the Bank Group and the Government of Tanzania. Hopefully, it will provide us with an opportunity to meet again.

Sincerely,



(Signed) A. W. Clausen

His Excellency  
Cleopa D. Msuya  
Prime Minister  
P.O. Box 980  
Dodoma, Tanzania

cc: Messrs. Stern (SVPOP); Lafourcade (EXC) (2);  
Abdulai (EDS); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (Res. Rep.)

DADunn/---;ct



December 21, 1981

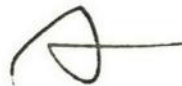
Dear Mr. Minister:

Many thanks for your assistance and that of your staff for making my recent visit to Tanzania a successful one. Mrs. Clausen and my colleagues join me in expressing our sincere appreciation for the excellent arrangements which were made. I have written separately to Mr. Kazaura thanking him for hosting a dinner for us at the Mikumi Wildlife Lodge.

I appreciated the opportunity which we had for the full and frank exchange of views about the present economic difficulties faced by your Government, and look forward to continuing our dialogue in the future. I have every expectation that Tanzania and The World Bank will continue to find a basis for cooperating in the future economic development of your country.

It was very kind of you to come to the airport on our departure. We all were pleased to have the chance to see you again and express our gratitude for your hospitality.

Sincerely,



A.W. Clausen

His Excellency  
Amir Jamal  
Minister of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai(ED); Wapenhans (EANVP); Kraske(EALDR);  
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DADunn/-:bli

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DADunn/—;ct



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I am writing to thank you for the courtesies you extended to me, Mrs. Clausen and my colleagues during our recent visit to Tanzania, including meeting us on our arrival at the Kidatu airstrip.

We thoroughly enjoyed the cultural presentation and the subsequent tour of the project. I congratulate you and your staff for a job well done.

Thank you also for your thorough briefing on the energy sector and our full and frank exchange of views at the guest house over a very nice lunch. Mrs. Clausen and I appreciate your thoughtful mementos of our visit.

We look forward to meeting you again either in Washington or Tanzania.

Sincerely,

  
(Signed) A. W. Clausen

His Excellency  
Al-Noor Kassum  
Minister of Water and Energy  
P.O. Box 9153  
Dar es Salaam  
Tanzania

cc: Messrs. Stern; Lafourcade (2)  
Abdulai (EDS); Wapenhans (EANVP); Kraske (EALDA);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (Res. Rep.)

DADunn/--;ett

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Al-Noor Kassum  
Minister of Water and Energy  
P.O. Box 9153  
Dar es Salaam  
Tanzania

cc: Messrs. Stern; Lafourcade (2)  
Abdulai (EDS); Wapenhans (EANVP); Kraske (EALDA);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (Res. Rep.)

DADunn/--;cc




December 21, 1981

Dear Mr. Kazaura:

Many thanks for the hard work done by you and the staff of the Ministry of Finance in preparing for my recent visit to Tanzania. Mrs. Clausen and my colleagues join me in expressing our appreciation for the many arrangements made. Our entire visit was very successful.

We are especially grateful to you for hosting our delightful dinner at the Mikumi Wildlife Lodge and for the kind remarks you made on that occasion. It was a lovely evening for all of us.

Sincerely,



A.W. Clausen

Mr. Fulgence Kazaura  
Principal Secretary  
Ministry of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai (ED); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (RES.Rep.)

DADunn/-:b11

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A.W. Clausen

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Principal Secretary  
Ministry of Finance  
P.O. Box 9111  
Dar es Salaam, Tanzania

cc: Messrs. Stern; LAFourcade(2)  
Abdulai (ED); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (REs.Rep.)

DADunn/-:bli




December 21, 1981

Dear Mr. Minister:

Thank you for the many courtesies you and your staff extended to me, Mrs. Clausen and my colleagues during our recent visit to Tanzania. Please convey our gratitude also to those responsible for the well conducted tour of the Morogoro Industrial Estate, especially the leather and shoe factories. It was good to have a frank discussion of the problems of the shoe factory, including its very difficult financial position. I wish you and your staff every success in attempting to improve the position in the future.

Every good wish to you for happiness in the New Year.

Sincerely,

  
(Signed) A. W. Clausen

His Excellency  
Basil Mramba  
Minister of Industries  
P.O. Box 9503  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2);  
Abdulai (ED); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (Res.Rep.)

DADunn/-:bli


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cc: Messrs. Stern; Lafourcade(2);  
Abdulai (ED); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter (Res.Rep.)

DADunn/-:bli



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Thank you for the many courtesies extended to Mrs. Clausen and me and my colleagues by you and the staff of your Ministry during our recent visit to Tanzania. It was kind of Mr. Mbaga to greet us on our arrival at the airport in Dar es Salaam, and I hope you will extend my personal thanks to him. The splendid reception you hosted at the Kilimanjaro Hotel was especially enjoyable. It provided us with an excellent opportunity to meet many Government officials and members of the diplomatic community.

The entire visit to your country was extremely interesting and the many discussions held with Government officials contributed greatly to our understanding of the problems now facing Tanzania. The full and frank dialogue between yourself and Mr. Wapenhans concerning the country's economic situation and the pros and cons of devaluation was particularly noteworthy and useful. We look forward to continuing our discussions on these matters with your Government in the future.

Sincerely,



A.W. Clausen

His Excellency  
Koghoma Ali Malima  
Minister of State for  
Planning and Economic Development  
P.O. Box 9120  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai (ED); Wapenhans (EANVP); Kraske (EALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter(ResRep)

DADunn/AWC:bl1



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A.W. Clausen *unc*

His Excellency  
Koghoma Ali Malima  
Minister of State for  
Planning and Economic Development  
P.O. Box 9120  
Dar es Salaam, Tanzania

cc: Messrs. Stern; Lafourcade(2)  
Abdulai (ED); Wapenhans (EANVP); Kraske (HALDR);  
Adler (EAPDR); Dunn, Gore (EALDA); Nooter(ResRep)

DADunn/AWC:bl1



## OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: October 28, 1981

FROM: Heinz Vergin, Director, PAB

SUBJECT: TANZANIA CPP - Country Program Issues

1. Tanzania, a country which compared to many other countries is relatively well-endowed with natural resources and which has been the recipient of relatively high levels of concessional aid, is a case study of poor economic management. Overall, it appears that the progressive deterioration in economic management has now reached the point where effective utilization of external assistance will no longer be feasible without implementation of a rigorous program of policy reforms and structural adjustment. Government has made little, if any, progress in implementing policy reforms and adjustment measures which were already considered urgent at the time of the last Management Review in January 1980; moreover, the Government's relations with the IMF have virtually broken down.

Major Issues

2. Under these circumstances, we suggest that the Management Review address the following questions:

- o Does the Government clearly understand that continued IDA support has become contingent on the adoption of policy reforms which address the requirements which were broadly outlined in connection with IDA's Export Rehabilitation Credit and are reiterated in paragraph 21 of the CPP? Is there any risk that this message is being obscured by IDA's continued processing of projects which have only tenuous links with the required reforms? So far it has not been possible to reach agreement on a set of policy measures and reforms to justify program lending. Instead, a much more restricted Export Rehabilitation Program focussed on Agriculture with sectoral reforms has been approved. Further, only limited progress has been achieved in implementing the modest macro policy reforms (para. 8) agreed to in the Memorandum of Understanding to the Export Rehabilitation Credit. As noted in the CPP, it is therefore necessary that the Bank's assistance strategy take account of the real possibility that the required reforms will not be undertaken.
- o Would a lending program which for FY82 and FY83 is clearly focussed on non-project lending be more suitable to induce Government to move on the required reforms? Provided the basis for policy dialogue can be strengthened, we feel that Bank assistance should be concentrated on helping the Government bring about key adjustments in macro-economic policy and that lending in the early years not directly related to these goals should be deferred. Such an approach would permit a more intensive staff effort at working with

the Government on structural adjustment issues. This would require adjustments in the FY82-82 program to give even greater emphasis to non-project assistance.

- o How exposed is the Bank in the context of Tanzania's growing debt servicing problems? The debt service ratio has risen from 7% in 1979 to 18% in 1981 and is projected to rise to 20% in 1985 even on the basis of the optimistic growth, export and concessional aid projections employed in the CPP. This situation has already given rise to a growing volume of arrears on import payments. With the suspension of Bank lending to Tanzania in FY80, the Bank Group's share of debt service is projected to fall from 25% in 1980 to 17% by 1985, and its share of total debt will decline to just over 7% by 1985. Nevertheless, given the general publicity accorded the Tanzanian "model" of development as well as the prominent role played by the Bank in the coordination of aid to Tanzania, any default by Tanzania on Bank debt could have repercussions for the Bank Group which would be out of proportion to the outstanding amounts.

Recommendations:

3. We recommend:

- o That as proposed by the Region IDA lending to Tanzania be curtailed significantly if agreement with the Government cannot be reached on a suitable program of recovery or if the agreed reform program is not implemented. Consistent with this position, an allocation of IDA \$700 million for FY82-86 was approved at the last Bankwide Lending Program Review conditional on improvement in the Government's economic performance. It was further agreed that, if performance did not improve, the program would be reduced to \$300 million, including \$157 million for FY82-83;
- o That the IDA lending program for FY82-83 be largely confined to non-project lending in support of policy reform and structural adjustment;
- o That the country program be reviewed annually;
- o That to the extent that project lending is undertaken IDA finance up to 75% of total project costs (80% if cofinancing is available).



Annex 1 compares the lending program proposed for Tanzania in this CPP with programs approved earlier.

The Country Program Review Meeting is scheduled for November 4, 1981 at 2:30 p.m. in Room E-1227.

Attendance:

Messrs. Clausen  
Stern  
Qureshi  
Baum  
Chenery  
Wuttke  
Gabriel  
Haq  
Horsley  
Vergin

LaFourcade  
Landell-Mills  
Robless

cc: Messr. Paijmans

Eastern Africa Regional Office

Messrs. Wapenhans, RVP  
Kraske, Director, CPI  
Adler, Director, Projects  
Gulhati, Chief Economist  
Dunn, Div. Chief, CPIA  
Yenal, Sr. Economist  
Calderisi/Gore, Ln. Off./Econ.

		Actual					Current	Program				Five-Year Totals			
		FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86	FY76-80	FY81-85	FY82-86
Operations Program (No.)															
Approved, January 1980		5	8	7	5	10	8	5	9	5	8	..	35	35	..
Proposed, October 1981		5	8	7	5	7	4	11	9	5	5	2	32	34	32
Lending Program (No.)															
Approved, January 1980		5	8	7	5	7	6	6	5	5	4	..	32	26	..
Std. Table IVi, Feb. 1981		5	8	7	5	7	7	5	6	5	6	..	32	29	..
Proposed, October 1981		5	8	7	5	7	4	7	6	5	5	5	32	27	28
Lending Program (Cur. \$m)															
Approved, January 1980	IBRD	15.0	75.0	40.0	41.0	25.0	-	-	-	-	-	..	196.0	-	..
	IDA	45.0	39.2	100.5	76.5	103.5	128.0	120.5	140.0	125.0	135.0	..	364.7	648.5	..
	Total	60.0	114.2	140.5	117.5	128.5	128.0	120.5	140.0	125.0	135.0	..	560.7	648.5	..
Std. Table IV, Feb. 1981	IBRD	15.0	75.0	40.0	41.0	25.0	-	-	-	-	-	..	196.0	-	..
	IDA	45.0	39.2	100.5	76.5	109.5	146.8	90.0	145.0	105.0	145.0	..	370.7	631.8	..
	Total	60.0	114.2	140.5	117.5	134.5	146.8	90.0	145.0	105.0	145.0	..	566.7	631.8	..
Proposed, October 1981	IBRD	15.0	75.0	40.0	41.0	25.0	-	-	-	-	-	-	196.0	-	-
	IDA	45.0	39.2	100.5	76.5	109.5	92.8	140.0	136.0	150.0	130.0	144.0	370.7	648.8	700.0
	Total	60.0	114.2	140.5	117.5	134.5	92.8	140.0	136.0	150.0	130.0	144.0	566.7	648.8	700.0
Lending Program (Const. FY81 \$m)															
Approved, January 1980	IBRD	24.1	106.2	51.0	47.7	26.9	-	-	-	-	-	..	255.9	-	..
	IDA	72.4	55.5	128.0	89.1	111.3	128.0	112.5	122.7	103.1	105.0	..	456.3	571.3	..
	Total	96.5	161.7	179.0	136.8	138.2	128.0	112.5	122.7	103.1	105.0	..	712.2	571.3	..
Std. Table IV, Feb. 1981	IBRD	24.1	106.2	51.0	47.7	26.9	-	-	-	-	-	..	255.9	-	..
	IDA	72.4	55.5	128.0	89.1	117.7	146.8	84.0	127.1	86.6	112.8	..	462.7	557.3	..
	Total	96.5	161.7	179.0	136.8	144.6	146.8	84.0	127.1	86.6	112.8	..	718.6	557.3	..
Proposed, October 1981	IBRD	24.1	106.2	51.0	47.7	26.9	-	-	-	-	-	-	255.9	-	-
	IDA	72.4	55.5	128.0	89.1	117.7	92.8	130.7	119.2	123.8	101.1	105.7	462.7	567.6	580.5
	Total	96.5	161.7	179.0	136.8	144.6	92.8	130.7	119.2	123.8	101.1	105.7	718.6	567.6	580.5
Commitment Deflator (FY81=100)		62.2	70.6	78.5	85.9	93.0	100.0	107.1	114.1	121.2	128.6	136.3			

Note: September 1981 Review Group Decisions : FY82-86 IDA \$700 million (for FY82-83: \$266 million).



RECEIVED

1981 OCT 29 AM 10:13

OFFICE OF THE PRESIDENT

## OFFICE MEMORANDUM

TO: Mr. A. W. Clausen

DATE: Oct. 27, 1981

FROM: Mahbub ul Haq, Director, PPR *gwh*SUBJECT: TANZANIA CPP - Major Policy Issues

1. Tanzania today is in the throes of a deepening economic crisis. Tanzania now exports in volume terms no more than at the time of independence in 1960 although its population has nearly doubled. Growth in GDP and exports in 1980 have been negative and industrial capacity utilization is less than 30 percent. A turnaround depends on both major policy reforms and sustained donor support, but the Government has been reluctant to recognize the need for such reforms. The Bank has made little headway in its dialogue on the key management issues. Progress now hinges on the ability of an international Advisory Group, established at the Bank's suggestion, to formulate a credible action program which can elicit a determined Government commitment.

2. We are broadly in agreement with the Bank's assistance strategy proposed in the CPP -- namely to use substantial non-project lending as an operational vehicle for introducing major structural reforms. We consider that the proposed economic and sector work program is well-structured to support this objective. Issues that merit discussion at the review meeting include:

- preconditions for continued Bank lending;
- the need to strengthen aid coordination; and
- measures to tackle the population problem.

#### A Strategy to Promote Policy Reform

3. The CPP is well focussed on the key issues that the reform program has to address. The most important and urgent measures should include: higher crop prices to stimulate production and exports; selective allocation of scarce foreign exchange to achieve greater capacity utilization; steps to limit the role of the parastatals and strengthen their management; greater reliance on private truckers and traders; and the concentration of public investment in the immediate future on the rehabilitation of existing investments. Without major systemic policy and institutional reforms, the Bank's project lending will have little impact. At the Lending Allocation Review Meeting in September, a decision was taken to use the leverage of this lending program much more decisively than in the past to encourage the Government to adopt a credible recovery program. We support this strategy, which now needs to be put into effect.

- We recommend that the Government be informed that without major policy and management reforms, Tanzania can expect to receive no more than \$300 million over the next five years, but a further \$400 million might be available to back the implementation of a sound structural adjustment program.



Aid Coordination

4. The Government's proposal to hold a Consultative Group meeting in March/April 1982 should be seen as an opportunity to mobilize major donor support for the Bank's position on policy reform. The Region argues that the Consultative Group meeting should only be arranged if (i) the Government successfully negotiates new arrangements for an IMF drawing and (ii) continued progress is made in the implementation of the FY81 Export Rehabilitation Credit (para. 26). However, in our view, even without such progress, the meeting should still be held to acquaint the Government with a consensus among the broadest possible group of donors as to the tasks ahead. Such a consensus would provide the Government with added incentive to act. In principle, the reform program should be based on the recommendations of the Advisory Group, but we must recognize that the Advisory Group may have differences with the IMF or ourselves on the devaluation and other measures proposed. An intensive series of consultation between the Advisory Group, Government, IMF, major donors and ourselves is likely to be necessary prior to the Consultative Group meeting.

- We recommend that firm preparations be made to hold the Consultative Group Meeting in March/April 1982 and the Advisory Group should be urged to prepare a set of recommendations on the most immediate priorities in time for the meeting. Prior to the meeting the Bank should attempt to build a consensus among the principal donors on major reforms that should be regarded as a precondition for continued external support.

Population

5. The present immediate economic crisis tends to drive longer term issues into the background. Nonetheless, with population growing at 3.4% per annum, it will approximately double in the next 25 years. We must not ignore the gravity of this problem, particularly since the Government has no serious program at present to address this issue.

- We, therefore, recommend that a population study be included in the Region's FY82-86 economic work program, with the long-term objective of formulating a project that may be later added to the lending program.

Attachment

cc: Management Review Group

# COMPARATIVE COUNTRY ANALYSIS

Tanzania's per capita income in recent years has stagnated. Moreover, throughout the past decade, its real exports growth has been negative; declining at a much faster rate even than that of Sudan's exports. This has resulted in a serious resource gap and an erosion of domestic savings that presently stand at a negative 10% of GDP. Despite Tanzania's emphasis on social development, its social indicators are not markedly better than its comparators. Indeed, child mortality is higher than in Kenya and school enrollments lower. The very low secondary school enrollments is likely to give rise to serious skilled manpower shortages in the long term.

	<u>TANZANIA</u>	<u>KENYA</u>	<u>SUDAN</u>	<u>SRI LANKA</u>
<u>Economic Structure a/</u>				
Population 1979 (millions)	17.5	15.3	17.9	14.5
GNP Per Capita 1979 (\$US)	270	380	370	230
% Agriculture in GDP 1979	54	34	38	27
% Industry in GDP 1979	13	21	13	31
Debt Service Ratio 1979 (%)	13.3 <u>h/f/</u>	8.4	33	6.5
p.c. Energy Consumption 1979 <u>e/</u>	65	180	141	140
<u>Economic Performance b/</u>				
	<u>1973-79</u>	<u>1972-81</u>	<u>1970-79</u>	<u>1970-79</u>
Real GDP Growth Rate <u>a/</u>	3.6 <u>f/1/</u>	4.1	4.3	3.8
Real Exports Growth Rate <u>a/</u>	-6.6	2.8	-4.4	-3.0
Real Growth in Agriculture <u>a/</u>	3.4 <u>f/1/</u>	5.4	2.7	2.6
	<u>1980 f/</u>	<u>1977-79</u>	<u>1977-78</u>	<u>1977-79</u>
Gross Domestic Investment/GDP	20.0	25.2	15.5	20.8
Exports & NFS/GDP	12.1	29.1	8.6	34.6
Resource Balance/GDP	-10.4	-5.1	-7.8	-5.5
Gross Domestic Savings/GDP	-9.6	20.1	7.7	15.3
Government Revenue/GDP	18.5 <u>g/</u>	20.6	14.8	23.7
Gross Int'l. Reserves in Months of Import Coverage 1979 <u>a/</u>	1.1 <u>f/</u>	3.7	0.7	4.1
<u>Recent Social Indicators d/</u>				
	<u>1976-79</u>	<u>1976-79</u>	<u>1976-79</u>	<u>1976-79</u>
Population Growth Rate %	3.4	3.9	2.6	1.7
% Change in Crude Birth Rate 1960-79 <u>a/</u>	-0.6	-1.3	0.9	-22.3
% Change in Crude Death Rate 1960-79 <u>a/</u>	-31.5	-42.7	-26.2	-18.7
Child Mortality Rate (per 1,000)	18	15	29	3
Life Expectancy (years)	51	54.7	47.3	65.6
Adj. Enrollment Ratio - Primary	70	99	50	94
- Secondary	4	18	16	52
Adult Literacy Rate	66	45	20	85
<u>Lending Program c/</u>				
	<u>FY76-80 f/</u>	<u>FY81-85 f/</u>	<u>FY76-80</u>	<u>FY81-85</u>
Nominal IDA M\$US	370.7	650	260	520
Nominal IBRD M\$US	237.5	-	586.4	833
p.c.p.a. Lending (\$US)	6.5	7.4	10.6	17.7
p.c.p.a. Grant Equivalent	4.4	6.6	4.9	8.5
p.c.p.a. in Constant 1981 \$	8.2	6.5	13.6	15.3
	<u>FY82-86 f/</u>	<u>FY82-86</u>	<u>FY82-86</u>	<u>FY82-86</u>
FY81 Review Group Decision IBRD(IDA) \$M	(700)	815 (600)	(556)	200 (590)
of which SAL \$M	280	290	-	160

- a/ World Development Report, 1981, unless otherwise indicated.  
b/ IFS, IMF, April 1981, unless otherwise indicated.  
c/ Latest Table IV, PAB, unless otherwise indicated.  
d/ Social indicators data sheets, 1981, unless otherwise indicated.  
e/ In kilograms of coal equivalent.  
f/ Tanzania CPP, Review Draft, October 14, 1981.  
g/ 1979 figure.  
h/ 1980 estimate.  
i/ Adjusted estimates.



THE WORLD BANK

<b>ROUTING SLIP</b>		<b>DATE:</b> Oct. 20, 1981	
<b>NAME</b>		<b>ROOM NO.</b>	
Mr. Clausen		E-1227	
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<b>REMARKS:</b>  <p>The attached Country Program Paper on TANZANIA is scheduled to be discussed at a meeting on Wednesday, November 4, 1981 at 2:30 p.m. in Room E-1227. The meeting will be chaired by Mr. Clausen.</p>			
<b>FROM:</b> C. L. Robless		<b>ROOM NO.:</b> D-1348	<b>EXTENSION:</b> 75533

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## Country Program Paper

TANZANIA

October 14, 1981

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REVIEW DRAFT

COUNTRY PROGRAM PAPERTANZANIA

		<u>FY76-80</u>	<u>FY81-85</u>	<u>FY82-86</u>
1979 Population: 17.5 million <u>a/</u>	IBRD (TW)	196.0(41.5)	0.0	0.0
1979 per capita GNP: \$270 <u>a/</u>	IDA	370.7	650.0	700.0
	Total	<u>566.7</u>	<u>650.0</u> <u>b/</u>	<u>700.0</u>

Current population  
growth rate: 3.4% p.a.

No. of Loans/Credits	31	27	28
No. of Loans/Credits per million pop.	1.77	1.54	1.60

Current Exchange Rate:  
Tanzania Shilling 8.20 = US\$1.00

<u>Average Lending Per Capita Per Annum:</u>	<u>Current \$ (Const. FY81 Commitment \$)</u>		
IBRD/IDA	6.48(8.21)	7.43(6.50)	8.00(6.33)
IDA	4.24(5.29)	7.43(6.50)	8.00(6.33)

a/ World Bank Atlas, 1980.

b/ The FY81-85 lending program proposed in this CPP compares with the program for the same period approved at the last Bankwide lending program review in April 1980 as follows:

	<u>FY81-85 Lending Program</u>		<u>Percentage Change</u>
	<u>Approved</u>	<u>Proposed</u>	<u>Proposed/Approved</u>
No. of loans and credits	29	27	- 6.9%
Current \$ million	600.0	650.0	+ 6.3%
Constant FY81 Commitment \$	524.6	568.80	+ 8.4%
Per capita per annum (Constant FY81 Commitment \$)	6.00	6.50	+ 8.4%

## A. INTRODUCTION

1. The last CPP for Tanzania was reviewed in January 1980. A Country Economic Memorandum (Report No. 3086-TA) was distributed on January 23, 1981, and was intended to update the last Basic Economic Report for Tanzania, which was issued in December 1977. The last CPP pointed out the basic soundness of the country's overall development objectives and the substantial effort which the Government has made toward achieving its main objectives. However, with the deep economic crisis which had already emerged at that time, it was clear that a number of long-term problems facing Tanzania would have to be more effectively addressed if there was to be further progress towards the Government's social and economic goals. In particular, there would have to be a clearer recognition of the limits imposed upon the existing development strategy by insufficient external and local funds, scarce manpower and the already overstretched public sector in the economy. In support of fundamental readjustments in economic policy, it was proposed that a large proportion of the Bank Group lending program should be devoted to non-project lending and that new project investments should be so designed as to complement the restructuring process. This year's CPP stresses the need to continue, and further focus, this lending strategy so that Tanzania may concentrate on rehabilitation and recovery activities essential to surviving the deep economic crisis that the country faces.

## B. COUNTRY OBJECTIVES AND PERFORMANCE

### Recent Political Developments

2. Tanzania's worst economic crisis since Independence now presents a serious challenge to a stable political system which has been a remarkable feature of the country for the last twenty years. This stability has been due in large measure to a humanitarian development strategy which was articulated in the Arusha Declaration only six years after Independence, and effectively communicated and popularized since then through the school system, the mass Party structure and even the Army. This strategy was supported by heavy inflows of concessional assistance from Western governments and the Bank Group. The personality of President Nyerere has also assisted, until recently, in overcoming doubts about the Government's policies, both among his own people and throughout the international community. His anti-elitism, his emphasis on the welfare of the rural population and his continuing campaign against privilege and corruption have endeared him to many. His ability to engage in self-criticism has also been disarming. His February 1977 speech on The Arusha Declaration: Ten Years After, in which he catalogued the Government's mistakes and failures in implementing socialism, was rather severe in its criticisms. However, he has never wavered in his belief that socialist development - meaning ensured and equal access to the benefits of economic growth - is the only acceptable path for his country to follow.



3. The Tanzanian political system appears to be under great strain in the present economic crisis as the patience of a general public experiencing severe and prolonged shortages of basic consumer goods wears thin. Nonetheless, the response in some quarters (notably among diehards in the ruling Party) has been to pursue even harder the goals of a socialist transformation of the economy, including coercing farmers into growing certain crops, extending State involvement into new and difficult areas (e.g. petty trade) and in various other ways interfering directly in the conduct of Government business. The increased importance of the Party in national life during the last two years is in fact one of the major developments to be noted since the last CPP. Originally intended as a watchdog on the bureaucracy, it has become in many respects a shadow or rival government, with obvious detriment to the pace of decisionmaking and to the morale of senior managers in the public sector. The influence of the Party has clearly had positive effects in informing and involving Tanzanians in the political process; however, it appears to have now so overlapped with the prerogatives and functions of Government in any normal sense that it threatens to further complicate the already difficult decisionmaking which the Government faces in economic management.

4. It is impossible to predict how the relative balance of Government and Party influence will tip during the next 12-18 months. One testing ground will be the country's relations with the international financial community. While there were fruitful discussions with the Bank Group in connection with an Export Rehabilitation Program during the last year (see paras. 8-9 below), talks have been less productive with the IMF. As a result, pragmatists within the Government have had diminishing returns to show for their continued openness to outside advice. The President himself on two occasions, in October 1979 and July 1981, has taken sharp issue with the right of the IMF to lay down terms which seemed incompatible with Tanzanian socialism. Even the Minister of Finance (Mr. Jamal), who was on the Brandt Commission and chaired last year's Annual Meeting of the Bank and Fund, has spoken recently of the need for developing countries to look to themselves as a group, rather than to outsiders, for solutions in improving their economies.

5. Bank relations with Tanzania have been generally good. Substantial growth in the lending program during the mid-1970s and the posting of a highly experienced senior economist as Resident Representative increased the Bank's influence in the country and led to very fruitful policy discussions. A clear example of this cooperation was the economic recovery program which was prepared in concert with the Bank and was supported in 1974 and 1977 by two program lending operations. While the Bank had reservations about certain aspects of Tanzania's development strategy, several of these (like villagization and decentralized government) had not been extensively tested in Africa and seemed on balance to promise good results. More recently, as the costs of some of these policies have continued to mount and the long-term benefits have yet to emerge to outweigh these, there is increasing scepticism both within Tanzania and abroad about the appropriateness of existing policies. For example, as our knowledge of the agricultural sector has deepened, we have grown increasingly cautious about expanding an already large portfolio in this



sector until appropriate country-wide issues are addressed. The processing of new projects has been suspended in vital areas (e.g. agricultural research, crop rehabilitation) because we have been unable to reach acceptable agreements with the Government on important policy matters. The length of the discussions leading to the recent Export Rehabilitation Program was a vivid illustration of divergent views. Obviously, some of these discussions and decisions have taken their toll on Bank Group relations with Tanzania. The problem of overdue service payments has also added a rather sour note to our day-to-day communications with the Government. However, on balance, there remains a trust based on the size and responsiveness of the Bank Group's lending program that continued cooperation with the Bank offers technical as well as financial support for a development program which is at the very top of the Government's agenda. The willingness of the Government to have an Advisory Group, suggested by the Bank, help it to prepare a comprehensive program of economic rehabilitation and recovery (para. 34), is a positive sign. It is also probable that the Government will introduce further adjustment measures in response to the crisis in advance of the completion of the Advisory Group's work.

#### Recent Economic Developments

6. While Tanzania has always been the least developed of the former partners of the East African Community, with poor internal communications, a widely dispersed population and a small settler community in pre-Independence days, the country has a good long range potential for economic development. It has considerable, unoccupied arable land, a wide range of existing and possible export crops, abundant energy resources (particularly for hydro-electric power) and a long tradition of monetized smallholder agriculture. As in most other African countries, the 1970s were characterized by a series of major economic shocks: particularly a serious drought in 1974-75 and the two rounds of exceptional oil price increases in 1974 and 1979. The effects of these exogenous factors were exacerbated by other "external" events such as the break-up of the East African Community in 1977 and the war in Uganda in 1978-79. More recently, poor weather - while less dramatic than in 1974-75 - has continued to hamper agricultural production, and falling commodity prices have reduced foreign income. Domestically, the major features of the decade have been a continuing decline in export crop production, uneven progress towards self-sufficiency in food supplies and a deterioration of capital facilities in almost all sectors of the economy owing to inadequate provision for operations and maintenance. Despite these factors, the balance of payments problem remained manageable during most of the decade as a result of the high volume of external assistance and favorable international prices for coffee and tea in 1976-77. However, foreign aid - which reached its highest level ever in 1980 - and commercial borrowings have not sufficed in the last two years to meet minimum import needs.

7. Indeed, the economic situation in Tanzania has deteriorated further since the last CPP. The current account deficit rose to 13% of GDP during 1980 and is expected to grow even further to about US\$830 million in 1981 and almost US\$900 million in 1982. Access to commercial lending is now virtually closed, owing to the high level of import arrears (US\$300 million), a stagnation, if not decline, in export earnings expected in 1981 (US\$560 million) and



difficulties in servicing existing debts. Imports have had to be further curtailed and in 1980 were still no higher than in the mid-1970s. Entire industries have been closed down, and those which are still operating are doing so only at 20-30% capacity. According to IMF projections, the Government's budget deficit is expected to reach US\$940 million in 1981/82, up from US\$535 million in 1980/81. These deficits have led to heavy Government borrowings from the banking system, a rapid growth in the money supply and a high inflation rate - up from 9-13% in 1979 to 24-36% in 1980, depending on the index used. Most consumer goods are in fact in short supply and available only in unofficial markets at even higher prices. Even agricultural production (particularly food) is now being marketed largely in unofficial channels rather than through specialized State marketing authorities. Overall, GDP grew by less than 4% in 1979 and actually fell by about 2% in 1980, with agricultural production falling by over 6% and the industrial sector showing no growth at all.

8. In response to these difficulties, the Government has been attempting to increase the amount of foreign assistance available to it in non-project form and to improve incentives and services in the productive sectors (particularly agriculture). After extended discussions of a possible structural adjustment credit for the country, we were able to appraise in October-November 1980 a limited non-project lending operation focussed on agriculture and essential supporting activities. Measures adopted in connection with this Export Rehabilitation Program included substantial increases in producer prices for coffee and sisal (higher cashewnut prices were announced earlier), the establishment of a Special Agricultural Account at the central bank to channel a larger share of foreign exchange earnings back into the agricultural sector, a cash bonus for non-traditional exports and simpler export procedures, improvements in the quality of parastatal accounts, a review of the agricultural price-setting system, and the preparation of an action program to improve essential agricultural services, e.g. research, extension, input delivery and crop collection. Agreement was also reached on a Memorandum of Understanding on Follow-Up Measures. These included more restraint and selectiveness in the public investment program, more emphasis in the recurrent budget on the operations and maintenance needs of the economy, a re-examination of the roles (particularly the purchasing mandates) of the State-owned crop authorities, the introduction of more payments-by-results schemes in industry and a review of subsidy and still limited cost recovery arrangements in the economy.

9. There has been some progress under the Export Rehabilitation Program during the last several months. Cashewnut and coffee marketings are substantially up over 1979/80 levels, and the improved foreign exchange allocation system appears to be operating well. In its most recent agricultural price review, the Government has further increased producer prices for export crops and finally abandoned the principle of uniform national pricing for major crops. (This policy had imposed unsustainable transport costs and storage losses on the marketing parastatals and was an example of divergent views between the Bank Group and the Government on the relative importance of



equity and efficiency in economic policy.) The public investment program has also been reduced for the first time since Independence and there is more emphasis on rehabilitating or improving the use of existing capital facilities than on initiating new projects. However, much more remains to be done in important policy areas referred to in the Memorandum of Understanding.

10. A more discouraging development has been the virtual breakdown again of discussions between the Government and the IMF. Since the last CPP, the Fund and the Government were able to reach agreement on a Stand-by Arrangement for Tanzania, which was to provide up to US\$235 million over the subsequent two years (September 1980). However, owing largely to sharper-than-expected declines in export earnings and continued requirements for military expenditures in Uganda, the Government was unable to meet agreed targets for retiring import arrears, curbing public spending and limiting the expansion of domestic credit. The Government's right to draw on IMF resources was hence suspended in December 1980. Since then, discussions of a possible EFF credit were begun in March 1981 and were meant to be consummated in June 1981, with the completion of a joint IMF-Government study of the exchange rate. Instead, the June mission was unable to reach agreement with the Government on the need for a devaluation or for other measures such as reduced price controls and higher interest rates. The prospects for an early resumption of these discussions grew dim in July, following speeches by President Nyerere in which he denounced the "unrealistic" advice of certain outside institutions and countries. More recently, during the Annual Meetings, the Tanzanian delegation had several discussions with IMF staff on a possible framework for a new round of negotiations. We understand that the Fund has prepared revised proposals for the Government's consideration, and that the delegation agreed to respond to these after consultations in Dar es Salaam.

11. In the absence of an IMF agreement, the prospects for the Tanzanian economy are poor. Even with a much improved export performance, Tanzania will continue to face a very difficult balance of payments situation, especially over the next two to three years. To reduce the foreign exchange gap, without jeopardizing the prospects for economic growth, will require not only substantially higher levels of financing, but also a careful review of import requirements, especially those for relatively low-priority development projects with long gestation periods and a large foreign exchange cost. Policy adjustments in support of increased production, especially in agriculture, will take time, and if the additional imports which are urgently required to break bottlenecks in the economy are to be financed, aid flows will have to be increased sharply over the next one to two years and then sustained in real terms. Without this support from the international community, any efforts by Tanzania to improve the level of capacity utilization and efficiency in the economy are likely to continue to run up against foreign exchange constraints. The country's ability to attract external support will depend in turn on the extent and pace of necessary adjustments in Tanzania's economic policies during the next 6-12 months.



### Development Objectives and Strategy

12. Tanzania has had an impressive continuity of basic development objectives and strategy over the last fifteen years. In the Arusha Declaration of 1967 and subsequent policy statements, the Government's primary objectives of socialism and self-reliance have been elaborated on in considerable detail. In developing his concept of African Socialism, President Nyerere has stressed the themes of equity and participation, urging a broader distribution of property, government services and income, as well as the involvement of all income groups, regions, and both rural and urban areas in the development process. Self-reliance involves developing the domestic capacity to supply the population with its basic needs without undue dependence on foreign capital and manpower. During the first five years after the Arusha Declaration, a series of major policy initiatives were taken to achieve these objectives: the public sector was given a dominant role in the country's economic development process; most large-scale units in manufacturing, finance and wholesale trade, as well as housing for rent were nationalized and placed in the hands of wholly-owned government parastatals; administrative decentralization resulted in a significant portion of planning and expenditure control being delegated to the regional level; and the policies of Ujamaa (communal effort) and villagization were initiated to provide a more effective framework for the development of rural Tanzania. Under the latter policy, some 13 million Tanzanians were re-settled into about 8,000 villages in an effort to improve their access to government services.

13. Over the past decade, Tanzania has made significant progress in improving social services. The enrollment rate in primary schools has increased by more than 80%, life expectancy has risen by four years and access to safer water has improved in both rural and urban areas. However, the productive sectors have grown more slowly and the return on new investment has been poor. Perhaps the principal disappointment has been in agriculture, the dominant sector of the economy, which grew by only 2.8% per annum between 1966 and 1979. <sup>1/</sup> This precluded any narrowing of rural-urban income differentials despite the restrictions on official incomes imposed by the "leadership code" of the Arusha Declaration. Although Tanzania has made rapid progress towards "citizenization" of the economy, particularly at the top levels in parastatals and in administration, large gaps in manpower requirements remain in technical areas and middle management levels. The dependence on foreign aid to finance both domestic investment and the widening balance of payments gap has increased.

14. The structural weaknesses of the economy are closely intertwined with the development philosophy of the Government. The Government has strongly emphasized broad-based development with the state playing a major role to ensure that equity considerations are given a high priority. The country has started from a very low level of development with scarce resources and there has been an understandable impatience by many in the Government for rapid growth along with an increase in income equality. This has led to an

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<sup>1/</sup> After adjusting for over-recording of subsistence production.



over-extension of available financial and manpower resources. While the country began with very little trained personnel, the manpower deficit actually grew throughout the 1960s and 1970s as the development program increased in size and complexity. While the Government expected the short-term costs of its policies to be outweighed by long-term benefits, the Government's actions became increasingly difficult to justify during the latter part of the 1970s. The expansion of public sector activities continued often in areas not critical to the central development problems (e.g. retail trade) or where the private sector was already operating efficiently (e.g. transport). The emphasis in education has been on achieving Universal Primary Education and on increasing adult literacy. These policies, while socially beneficial, have been pursued at the expense of improving access to secondary and higher education. Slow progress in this area, combined with poor anticipation of manpower needs, have led to severe shortages of trained personnel at the middle and technical levels at the same time that government policies has put a premium on such people. Similarly, there has been an over-commitment to development spending. Both the annual and five-year plans have badly overestimated the amount of resources that will be available (especially foreign aid) and thus allowed for over-budgeting of development expenditures. The Finance Ministry has not been able to exercise effective control of the budget, and over-programming has allowed the Government to avoid making the difficult decisions of allocating scarce resources. In particular, large projects with long implementation and gestation periods have tended to squeeze out small, relatively quick yielding projects.

15. In building a socialist system the Government has attempted to correct as many weaknesses as it perceives in the economy and control as many sectors as possible. This approach has greatly over-burdened the Government and the Party with control responsibilities when they lack the human and fiscal resources to meet them satisfactorily. In recent years this has included attempts by the Government to handle completely the distribution of essential consumer goods, to market all food and export crops, to increase its control and participation in the transport sector and even to plan the production of peasant farmers. A pricing commission with 27 professional staff sets and monitors over 2,000 prices. All foreign exchange is controlled and allocated by the Government. More than 300 parastatals have been established and many of them are poorly staffed, lack good managers and greatly add to the cost structure. This is particularly a problem in the agricultural sector in such areas as input supply, credit and crop marketing. At the same time, Government controls and actions have been discouraging the private sector. During the past year the Government has tried to decrease private sector distribution of consumer goods and has instituted a tax on "undistributed dividends" which will raise the corporate tax rate to 80%. This tax increase is to be made retroactive for the past ten years and stockholders are to be individually and jointly responsible for paying it. While private sector industrial firms are often more efficient than public sector firms, investment and import priorities continue to favor the public sector.



16. The lack of incentives goes beyond the discouragement of the private sector and extends to managers and workers in the public sphere. In recent years there has been talk of implementing systems of payment-by-results, bonuses for workers and managers who exceed production targets, and other such schemes which were not even discussed five years ago. Over a year ago the Party issued a paper on wages, productivity and employment which called for the introduction of more incentives, but so far there has been little follow up. Often the price structure administered by the Government does not encourage production. This is especially a problem for cash crops in agriculture and for other exporters. At the present exchange rate, it is impossible for the financially-constrained parastatals to pay remunerative producer prices without further bank borrowing or budget subsidies, both of which aggravate the inflationary pressures. Production of import substitutes, on the other hand, is encouraged, often in areas where Tanzania does not have a comparative advantage, by tight import controls. There is therefore an urgent need to redress the present imbalances in the incentive system: between agriculture and industry and between exportables and import substitutes. And to be effective, these incentives must be accompanied by adequate opportunities to save, invest or consume cash incomes.

17. While the weaknesses in manpower training and allocation have hurt all sectors of the economy, the understaffing of the central economic ministries has been especially acute and has led to major weaknesses in planning, budgeting and project implementation. As a result, in general, expenditures are not controlled, projects are not well selected, and implementation has often been disappointing. While the Government has in recent years been reluctant to use technical assistance in the Finance and Planning Ministries, some UNDP help for planning and IMF aid to improve expenditure control have been accepted. On the whole, however, these ministries still need strengthening. The Bank has been holding project reviews for three years now and in October 1980 had a review of the agricultural sector. We plan to continue such reviews in the future. The Government has supported these and re-established a separate Project Implementation and Monitoring Unit (PIMU) at the Ministry of Planning and Economic Affairs to review progress in this area.

18. Rapid institutional change has also been a frequent characteristic of Tanzania. Impatience with development progress has often resulted in quick, major institutional changes, before all of their implications have been carefully weighed. We were able to report in the last CPP an interruption of this general practice. More recently this trend has continued with the Party contemplating further reorganization of major institutions such as the National Milling Corporation (NMC) and the reinstitution of cooperative unions which were abolished in May 1976. While these changes were well intentioned, and in some cases could have been beneficial if properly executed, the rapidity and manner of their introduction have been disruptive and at times counter-productive.

19. Finally, ambitious development efforts have led to an imbalance in the allocation of resources between new investments and better maintenance



and utilization of present capacity. As a result, there has been serious deterioration in the capital stock, especially in the transport and agriculture sectors. Part of the difficulty stems from the Government's reliance on foreign assistance for more than half of its development resources; foreign funds have in the past been more readily available for new projects than for balance of payments support or rehabilitation of existing assets.

20. Over the past year, the Government has made a beginning in its efforts to correct some of these problems. Party proposals on the reorganization of NMC and the possible reinstitution of cooperative unions have been referred to separate Task Forces for review and detailed recommendation. The Task Force on NMC, in its recently submitted report to the Government, has made a number of politically-sensitive recommendations: to keep NMC as a national organization (rather than decentralizing it as suggested by the Party), to abolish pan-territorial pricing, and to raise consumer prices by eliminating certain subsidies. The Government's response to the last two of these recommendations will provide a good indication of its commitment to policy change. In the context of the recently approved Export Rehabilitation Credit, the Government is already committed to updating the financial accounts of the parastatals; this is an important prerequisite for evaluating the efficiency of these organizations, and calculating the burden of direct and indirect social subsidies. It has also been agreed that critical manpower shortages in key parastatals and the Government's planning capacity will be corrected, in part with assistance and financing to be provided by the World Bank.

21. However, despite this promising beginning, the major tasks of rehabilitation and recovery still lie ahead. The broad areas of concern for further action include:

- (i) Improved maintenance and utilization of existing capacity. This will require a re-orientation of budget expenditures towards recurrent items (allowing more explicitly for the recurrent impact of new investments), higher priority for spare parts and operating requirements within import allocations, and increased numbers and quality of workshop and maintenance staff.
- (ii) Reduced allocations and clearer priorities for public investment. The present resource constraints, together with the larger requirements for maintenance and operations, will severely restrict the scope for new investments in the near future. The Government will therefore have to use appropriate criteria for selecting new projects, emphasizing rehabilitation, net foreign exchange earnings/savings, and quick-yielding investments. On a sectoral basis, highest priority will have to be given to agriculture, as well as the supporting processing and transport infrastructure.
- (iii) Improvements in incentives. To help direct investment to areas of comparative advantage and encourage improvements



in productivity, the present incentive system needs to be reviewed. This includes adjustments in the present trade and exchange regime, a rational interest rate structure, selected price decontrol, and a productivity-oriented incomes and wages policy.

- (iv) Reduced government participation in and regulation of the economy. Recognizing the present resource and manpower constraints, and the negative impact on private sector initiative, the Government needs to review its extensive involvement in the economy, with the objective of focussing attention on those areas where its parastatal and planning functions are most needed. Particular areas of concern are the numerous parastatal organizations involved in production and transport activities, and the pervasive Government role in retail and import trade.

For some of these concerns (e.g. budgeting allocations and preparation of an agricultural program), specific action programs and implementation timetables have been specified in the Memorandum of Understanding signed in conjunction with the Export Rehabilitation Program (see para. 8 above). These and others central subjects are also to be examined by the recently organized Advisory Group, with the purpose of introducing a more comprehensive program of economic rehabilitation and recovery by mid-1982.

#### C. PROSPECTS AND EXTERNAL ASSISTANCE REQUIREMENTS

22. Tanzania's balance of payments difficulties are not likely to ease in the foreseeable future. Indeed, with the recent sharp decline in coffee prices and the continuing food import requirements resulting from another year of poor rains, the prospects would appear to be rapidly deteriorating. On top of this, Tanzania has largely exhausted its access to exceptional financing. With the precarious foreign exchange position and rising payment arrears, Tanzania is unable to raise major new commercial and trade credits overseas, and most foreign governments are no longer willing to extend export insurance cover. Under these circumstances, it is impossible to project a viable development scenario which does not involve major policy adjustments (see paragraph 21 above) and substantial increases in foreign assistance.

23. Our medium-term projections (see Attachments 3a-3c) are based on a GDP growth rate of 3.6% per annum, implying virtually no increase in per capita terms. This is substantially lower than the Government's own projection of 6% per annum and the estimated historical trend since 1966 of 4% per annum, but is still based on highly favorable assumptions about export levels and the efficiency of new investments. Consistent with the proposed development strategy, the investment rate is cut from its present level of 21% of GDP to 18% from 1981. Export volume growth is projected to recover to



around 5.5% per annum, supported by initial improvements in processing and transporting of existing production and stocks, a general movement within the economy towards the monetary and productive sectors, and over the longer term, the development of nontraditional items. The calculated import elasticity with respect to GDP over the medium term is just over 0.8, implying an import volume growth of 3.0% per annum. The terms of trade (1978 = 100) decline from 88 in 1980 to 75 in 1981 and then stabilize around 73 in subsequent years.

24. Even with this revised set of growth and investment assumptions, the projections generate a current account deficit rising from US\$692 million in 1980 to US\$1,108 million in 1985 and US\$1,568 million in 1990. After allowing for normal aid flows (assuming commitments remain at roughly the 1980 level in real terms) and utilization of higher-level IMF facilities, there remains an uncovered gap averaging US\$190 million per annum over the period 1981-85, and US\$460 million per annum over the subsequent five years. Although it may be possible to finance a small portion of this projected gap through commercial borrowings, the scope for this is limited; in addition to the difficulties of raising commercial credit during a period of balance of payments problems, Tanzania cannot afford the heavy burden of debt service payments. Therefore, if the projected growth rate is to be sustained, the bulk of the financing requirement will have to be met by additional foreign assistance on concessional terms. <sup>1/</sup>

25. Clearly, it will be difficult to raise these levels of concessional financing under the present aid climate, especially since Tanzania already receives a high level of aid per capita (US\$34 in 1980). However, a number of traditional donors have expressed a willingness to increase their support, provided a more comprehensive program of economic rehabilitation and recovery is implemented. The twin assumptions of major policy reform and higher levels of foreign assistance are therefore very closely linked. Also related is the need to move towards increasing the share of assistance provided in the form of non-project support. Non-project support not only offers more immediate foreign exchange relief but also gives Tanzania greater flexibility to import items required for operations and maintenance, and reduces the local budget funds tied up in project implementation. Over the past two years, in response to requests from the Tanzanian Government, a number of donors have moved towards non-project assistance, resulting in disbursements of such aid of more than US\$200 million in 1980. However, there is still significant scope for further reallocations and this will be a major issue to be addressed in future aid coordination efforts.

#### Aid Co-ordination and Co-Financing

26. There has been no meeting of the Consultative Group for Tanzania since May 1977. It has now been agreed with the Government that it would be

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<sup>1/</sup> For this reason, in our projections, the gap is assumed to be financed on IDA terms (but not necessarily by IDA alone). If only financing on IBRD terms were available, the financing requirement would be increased by an additional US\$20 million per annum in 1981-85 and US\$200 million per annum in 1986-90.



appropriate to convene another meeting of the Group in March/April 1982, assuming that discussions with the IMF are resumed very promptly and that it will be possible to advise participants at that time on the Government's detailed plans for recovery, including an actual or imminent agreement under the IMF's Extended Fund Facility. The timing of such a meeting will also depend on the progress of the Advisory Group's work and on the Government's ability to introduce important remedial measures during the next few months.

27. In the interim, we have had to rely on other more continuous channels of co-ordination between ourselves and other donors and lending agencies. Our Resident Mission has been very active in briefing other aid officials on the Bank's lending strategy in the country and our views on the most desirable uses of new commitments to the country. The most recent Country Economic Memorandum has also concentrated attention on the need for non-project assistance, for higher resource allocations to agriculture and for more effective operations and maintenance throughout the economy. The Government in its own rounds of annual consultations with bilateral donors in 1980 and 1981 has emphasized the importance of completing existing activities rather than starting new projects, and requested higher commitments of import support and recurrent cost financing. As a result, there has been a marked increase in non-project assistance and a slowdown in major new commitments which would add substantially to already underused productive capacity in the country. There has also been a remarkable identity of approach to aid programming in Tanzania, except for relatively new donors (e.g. France, India, Japan), even in the absence of a high-level aid meeting. Bank Group documents, including President's Reports, have doubtless contributed to this.

28. Since the last CPP, there has been a levelling-off of co-financing activities in Tanzania. One factor has been the diminishing importance and smaller size of new investments in the Government's austere financial circumstances. Nonetheless, there was a sizeable Danish contribution (US\$20 million) to the recently approved Seventh Education Project and discussions have been underway with the EIB and OPEC Special Fund regarding a second phase offshore oil exploration project. We are also prepared to join with the Netherlands and Denmark in co-financing a sugar rehabilitation program, provided agreements can be reached with the Government in important policy areas (e.g. pricing and other investment plans in the industry). Such cooperation would be particularly suitable as it would tie together follow-up investments in a sector which has suffered in the past from uncoordinated activities by major donors. Overall, we believe that co-financing will need to increase in Tanzania as a result of pressures on IDA resources and our own preference to limit the amount of such resources available for project (as distinct from non-project) lending in the country. Upcoming possibilities for co-financing include a major power generation project and a harbor improvement program.

#### Creditworthiness and Bank Exposure

29. The continued deterioration in the economy, and especially the build-up in import payment arrears, have vindicated the decision to stop IBRD lending to Tanzania. We would hence recommend that all lending to Tanzania for the foreseeable future continue to be on IDA terms.



30. Owing to the very concessional terms on which past aid has been given to Tanzania and the Government's previous reluctance to use higher cost commercial loans and suppliers' credits, the country's overall debt service ratio has historically been less than 10%. However, the debt service burden started to rise in 1980, reaching 13.3% as past loans fell due for repayment and new borrowings, including some on commercial terms, were required to meet the widening balance of payments gap. With continuing increases in financing projected, the debt service ratio is expected to rise above 20% during the mid-1980's, before falling back to 14% by 1990. <sup>1/</sup> While this is still not high compared to the debt service ratios of many other LDCs, it represents a major burden for Tanzania, which will have very limited amounts of free foreign exchange available to cover debt service payments. Difficulties in promptly meeting debt service obligations to the Bank Group during 1981 are a clear sign of this.

31. In 1980, it is estimated that the Bank held 15.2% of Tanzania's external debt outstanding and disbursed (for the Bank Group, it was 29.9%) and received 25.1% of Tanzania's debt service (27.5% for the Bank Group). This relatively high level of Bank exposure reflects in part the recent series of debt write-offs benefiting Tanzania, which totalled US\$277 million in 1978 and 1979. We are projecting the Bank's share in debt service to fall over the coming decade -- owing to the increased IDA component in the lending program and the growing need for Tanzania to borrow funds from other sources -- to 17.0% by 1985 (20.3% for the Bank Group) and 12.9% by 1990 (18.5% for the Bank Group).

#### D. BANK GROUP STRATEGY

32. World Bank assistance to Tanzania in the 1970s primarily supported expansion of the country's productive capacity. The last CPP proposed a major revision in the earlier strategy and recommended that our assistance should support implementation of a comprehensive economic restructuring process. This was considered necessary because, in our opinion, the social and economic gains made by the country since Independence were in danger of being lost, unless the underlying structural and policy issues were more effectively addressed. The CPP identified several areas of reform where strong corrective actions would be necessary. It underscored the need for the Bank to help the Government in preparing an appropriate program of reform actions and stated that our financial assistance would be conditional on preparation and adoption of such a program by the Government. The CPP recognized that the restructuring process would extend over a number of years. It also recognized the need for substantial quick-disbursing resources to complement the restructuring process and allocated 23% of the FY 81-85 lending program to a series of program lending operations. Such operations would directly address the most

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<sup>1/</sup> These ratios are based on the gap to be financed on IDA terms. With financing on IBRD terms, the debt service ratio would continue to rise, reaching 29.2% by 1990.



critical problem in the country's economy (i.e., under-utilization of the existing capital stock) by providing foreign exchange for importing spare parts and raw materials in the short term and, in return, it would seek policies and actions required to rehabilitate the economy over the medium term. The project assistance was to be complementary to the restructuring process.

33. Over the past year, we have had intensive discussions with Tanzanian officials on preparation of an appropriate economic recovery program. However, progress has been slow and difficult. The Tanzanians initially emphasized the importance of temporary external shocks and were not fully convinced that major domestic policy changes were necessary. When the need for policy action was accepted, the proposed solutions were often in the wrong direction, towards more state control and additional new investments. The Tanzanians for their part felt that we had been slow in reacting to their needs, unsympathetic to their administrative limitations and unrealistic in our demands of what should be done and by when. Pending the preparation of a comprehensive reform program, agreement was reached on an Export Rehabilitation Program (see para. 8 above). While this program falls short of what would be required to remedy the economic situation, we believe that it represents an important first step towards formulating a more comprehensive rehabilitation program.

34. Prior to presenting the Export Program to the Executive Directors, Mr. McNamara wrote to President Nyerere about further steps which we felt would be needed. In particular, he suggested that Tanzania consider drawing up a medium-term economic program with the help of an internationally recognized group of development experts. President Nyerere and most of his colleagues in the Government welcomed the idea as a useful means of identifying and seeking assistance for effective remedial measures. Nevertheless, some senior officials and politicians still do not see the need for major policy reforms, while others accept them only reluctantly as a requirement for raising additional foreign assistance. We will be working with the Government to help design appropriate measures, both in the context of our economic and sector work and in our support for the Advisory Group. We will also continue to emphasize the need for policy adjustments through our re-oriented lending program. Progress under this strategy will be reviewed in mid-1982 and if necessary, the lending program will be revised accordingly. No doubt, our dialogue with Tanzania will continue to be difficult, and the risks of further setbacks and failures are real. But we feel that continued support to Tanzania at this time, to help build on the recent beginnings of policy reform, is justified. Without this support, the chances for rehabilitating and eventually reviving the economy, would be substantially reduced.

35. Meanwhile, during the past year, there has been some deterioration in project implementation, as a result of overall economic difficulties facing the country. A review of agricultural projects in Arusha in October 1980 confirmed that shortages of fuel, vehicles, machinery spares, agricultural and processing chemicals, cement and other building materials have slowed the pace of project implementation. Similar difficulties have been reported by recent supervision



missions. Even where projects have been successfully completed, their benefits can often not be fully realized because the required inputs are not available (tobacco and cashewnuts) or because the supporting services have deteriorated (sites and services, textile production and highways). Disbursements of World Bank loans and credits, however, have remained relatively steady: while new commitments averaged over US\$100 million per annum since FY78, disbursements grew from US\$58 million in FY78 to US\$78 million in FY80 and reached US\$81 million in FY81.

36. In view of Tanzania's foreign exchange crisis and the related constraints on implementing new projects in the country, we believe that as much as 50% of the FY82-86 lending program should be allocated to a series of non-project lending operations. Our ability to justify such assistance will clearly depend on the quality and results of the dialogue on economic policy which we will have with the Tanzanians during the next twelve months. For this reason, we recognize that lending to the country may in fact drop sharply during the five-year period - and even in FY82 - if these discussions prove more prolonged and less fruitful than we hope. We believe that this is a necessary and acceptable risk. Under the Export Rehabilitation Program, the Government has initiated policy reforms which need to be complemented by wider and more complex restructuring measures extending over a number of years. Non-project assistance would allow us to address directly some of the country's most critical problems, e.g., under-utilization of existing capital stock. Such assistance would hence be the most effective means of promoting economic rehabilitation and recovery. However, if appropriate remedial measures are not introduced in key sectors, opportunities for defining projects with acceptable rates of return will diminish and there would be no alternative to curtailing the lending program.

37. Provided there is a satisfactory policy dialogue, our strategy would include four major elements. First, the series of non-project lending operations (one in each fiscal year) would support key adjustments in economic policy. The initial credits would be focussed on key sectors of the economy--agriculture, industry and transport--or on important sub-sectors where appropriate management and policy conditions are in place (e.g. individual export industries such as cotton and sisal). The start-up to this series of non-project operations would be conditional upon satisfactory progress under the Memorandum of Understanding (including access to IMF resources) and on the work of the Advisory Group. Our economic and sector work program (paragraph 39) and the work to be performed by the Advisory Group would provide analytical support in this area. We would also continue to work closely with the IMF to ensure that such credits complement any IMF-supported program.

38. Second, more restrictive selection and design criteria for new projects would ensure that they support the restructuring process. Such criteria would include rehabilitation of past investments and capacity balancing in the productive and infrastructure sectors, projects which increase exports, projects which improve productivity, particularly in agriculture through more efficient support services, and projects for achieving self-sufficiency in the



energy sector. We have tried to exclude from the lending program large-scale, capital-intensive projects with long gestation periods; projects which would unduly increase the administrative load on the Government; those which would be net users of foreign exchange; and projects which would add new capacity in areas where present investments are not being well maintained or are under-utilized.

39. Third, our economic and sector work would focus mainly on key medium and long-term issues related to economic rehabilitation and recovery. Special emphasis will be put on improving the programming and budgeting capacity of the Government, on improving planning and implementation in the agricultural sector, and on generally increasing capacity utilization and efficiency in all sectors of the economy. The studies and the issues to be covered are described in detail in Attachment 4. In Tanzania, where ideological considerations play a major role in decision making and sensitivities and suspicions persist regarding the role of external capital and technical assistance, the extent to which basic development strategy issues can be readily discussed with the Government is obviously limited. (Opportunities to raise strategy issues with the Party, which plays a dominant role in decision making, are also rare.) Our relationship with the Government has also affected the approach we have adopted to economic and sector work: concentrating on collaborative efforts (usually initiated by us) rather than overt technical assistance in economic planning and policy making. This approach has sometimes led to delays and frustrations. For example, the preparation and appraisal of the Export Rehabilitation Credit required three large missions to Tanzania, as well as substantial work at headquarters, spread out over a period of more than a year. Nevertheless, these efforts seem to have helped the Government focus on the extent of the present economic crisis and the need for domestic policy adjustments. We are hopeful that through our economic and sector work over the coming year, and in particular the support to the proposed Advisory Group, the present momentum in our discussions with the Government can be maintained and eventually lead to the adoption of a broader recovery program.

40. Fourth, our strategy would include a more intensive and sustained effort in aid coordination, including a possible Consultative Group Meeting in March/April 1982. The purpose of such efforts would be to concentrate external resources on key bottlenecks to economic recovery and to provide it in forms, such as non-project assistance and recurrent cost financing, which will allow the Government to use it strategically in its rehabilitation program.

41. We would emphasize again that the proposed lending strategy assumes that we would be able to reach agreement with the Government on the basic reforms required to achieve restructuring of the economy. We think that this is not an unrealistic assumption, given the evidence of a wider political recognition of the need for reforms and the progress made in initiating these reforms during 1980-81. Yet, as reform measures become more comprehensive, we would expect that some members in the Government and the Party will regard Bank Group advice in ideological terms as undue interference in government affairs. We should continue to emphasize, as we have in the past, that unless



the Government is prepared to implement strong actions required to rehabilitate the economy, it will not be able adequately to address Tanzania's needs or attract the necessary levels of international financial support. If the Government is not able to develop and begin to implement a suitable recovery program, we will recommend that the overall lending program be greatly reduced.

#### E. LENDING PROGRAM

42. The overall amount in the lending program (US\$700.0 million) is consistent with our proposals made during the regional review in July 1981. In addition, the following points should be noted: First, as mentioned in paragraph 36, about 50% of the proposed amount would be allocated to program lending operations and related technical assistance. Second, we have carefully reviewed the approved FY81-85 lending program and have retained only those projects in FY82-86 which complement the rehabilitation process. For example, all new rural development projects have now been replaced by agricultural rehabilitation projects (paragraphs 44-47). Criteria for sub-loans under DFC operations are being reviewed in the light of an industrial sector study (paragraphs 48-50). The scope of the harbors, water supply, sewerage, and urban projects has been reduced. Third, although allocations to the agricultural sector appear to be small, the initial program lending operations will focus primarily on this sector. Similarly, allocations to education and technical assistance are also modest but additional provisions would be made for these activities under individual projects. Finally, as in the last CPP, allocations to the transport and energy sector remain high, at 41.8% of project lending operations. This is consistent with our view that rehabilitation (and where appropriate, expansion) of such infrastructure should be a central part of the overall recovery process in Tanzania.

43. The table below compares the program approved in the last two CPPs with that proposed in this CPP. Figures in brackets show sectoral allocations, excluding program lending and technical assistance operations.



(All figures in percentage)					
	Proposed FY82-86		Postscript FY81-85		Postscript FY80-84
Rural Development	1.4 ( 2.8)		5.0 ( 6.7)		7.1 ( 7.1)
Other Agriculture	10.7 (21.4)		8.6 (11.5)		20.6 (20.6)
Industry	8.4 (16.8)		9.2 (12.3)		20.3 (20.3)
Energy	6.9 (13.8)		13.0 (17.3)		12.8 (12.8)
Transport & Communication	14.0 (28.0)		25.0 (33.3)		21.7 (21.7)
Education	5.7 (11.4)		7.5 (10.0)		6.4 ( 6.4)
Water	2.2 ( 4.4)		4.2 ( 5.6)		4.7 ( 4.7)
Urban	0.7 ( 1.4)		2.5 ( 3.3)		6.4 ( 6.4)
Program Lending	48.6		23.4		-
Technical Assistance	1.4		1.6		-
	<u>100.0</u> (100.0)		<u>100.0</u> (100.0)		<u>100.0</u> (100.0)
Total US\$ Millions	700.0 (350.0)		600.0 (450.0)		703.0 (703.0)
Number of Operations	29 (23) <u>1/</u>		29 (25)		30 (30)

1/ Twenty-one, excluding engineering and petroleum exploration credits.

#### Agriculture

44. The Tanzanian economy is heavily dependent on the agricultural sector which accounts for about 50% of GDP, 80% of export earnings and about 83% of the labor force. In the last several years, declining crop exports have led to a severe foreign exchange shortage thereby reducing the availability of imported spare parts and other materials needed to fully utilize existing processing and marketing capacity, leading to further reductions in crop exports. The Bank Group's lending program in the agricultural sector would be designed to break this vicious circle and to address the major underlying causes of the problem.

45. First, through a series of non-project lending operations, we hope to focus on those broad policy issues which affect, but extend beyond the normal scope of, individual projects. Such issues include: the monopoly control of agricultural parastatals over the procurement of crops and the supply of inputs; the distortions in resource allocation arising from present pricing policies; and the sector's relatively small share in the Government's recurrent and capital budgets. The credits would be designed to improve the use of existing crop processing and marketing capacity.

46. Concurrent with non-project lending, we propose to undertake several individual crop rehabilitation projects. The focus would be on major commodities such as coffee, cotton, cashew, tobacco and sisal. These projects would aim to restore the processing and marketing in these industries to more nearly optimal levels. In the context of these projects, detailed training, management, pricing, and technical issues would be addressed.

47. In addition, the agricultural sector would benefit from a general technical assistance credit planned for FY82. Under this credit, key positions in the Ministry of Agriculture and in some operating plants would be filled with expatriates who will train local counterparts. The proposed lending program also includes national research and extension projects. Here the initial focus would be on a small, manageable program in a few regions, directed at the needs of smallholders, using improved traditional practices.

#### Industry

48. The manufacturing sector accounts for only about 9% of GDP. However, it absorbs about 22% of total investment, uses almost 30% of foreign exchange resources available for non-investment purposes, and accounts for about 55% of the supply of manufacturing goods, including 80% of all manufactured consumer goods. Its performance during most of the 1970s has been unsatisfactory. Growth of manufacturing production has been declining, and in recent years output actually fell. Two basic factors account for this: low rates of capacity utilization and poor productivity. Undoubtedly, the principal reason for the current downturn in manufacturing activity is the severe restriction on imports of raw materials and spare parts. However, more fundamental factors affecting the sector's performance include excessive government control, inadequate incentives, and inappropriate investment criteria, including under investment in maintaining and using existing capacity.

49. Our strategy in the industrial sector would involve two elements: first, non-project lending operations to increase the availability of imported raw materials and spare parts, to achieve an immediate improvement in capacity utilization. This would be conditional upon reasonable progress in the preparation of a comprehensive economic rehabilitation program, including specific industrial policy measures, in the areas of price control, import confinement policy, etc. The second element would be continued but limited support for the two principal financial intermediaries, the Tanzania Investment Bank (TIB) and the Tanganyika Development Finance Company Ltd. (TDFL) and to a small scale industries project.

50. TIB and TDFL have accounted for 25% of industrial investment over the past five years, a large portion of which has been financed by the Bank, and they have developed into sound institutions capable of preparing, appraising and supervising projects. The limited lines of credit in the lending program would be primarily for strengthening the industrial rehabilitation effort rather than for expansion of capacity and for preserving the institutional capabilities of these institutions which were built up under previous IBRD projects.

#### Energy

51. Viewed in the context of substitution for imported oil, the exploitation of the country's hydro, hydrocarbon and coal potential has a special significance in the medium term. However, one general area of concern in this



sector is planning. The Tanzania Petroleum Development Corporation (TPDC), its parent Ministry of Water and Energy, the Ministry of Mines and to some extent the Tanzania Electric Supply Company (TANESCO) have demonstrated inadequate planning capacity. As a result, a number of questionable, costly and ambitious (Stiegler's Gorge) projects have been pursued. While we are assisting these agencies in strengthening their planning capacity, current efforts are clearly not commensurate with the importance of the sector. As a starting point, we have strongly recommended preparation of a comprehensive energy master plan. This would identify least cost options for meeting long-range demand and propose appropriate allocations of indigenous and imported energy resources to various sectors and consumers. Such a plan would also make recommendations on energy conservation, substitution of energy imports, an action program for development of energy planning capacity and pricing issues. Meanwhile, we propose to carry out an energy sector survey towards the end of 1981.

52. One major issue which requires attention is the need to develop further power generation capacity. A long-standing CIDA-financed power sector study has been finalized. The study recommends construction of a hydro power plant at Mtera to meet power requirements beyond 1986. A project feasibility report is now complete and an appraisal mission is tentatively scheduled for November 1981. In addition, three Bank financed projects are proposed in this sector: the second phase of the petroleum exploration program (offshore) in Songo Songo, followed by a possible petroleum development operation and an engineering credit for coal development.

#### Transport and Communications

53. Tanzania is a large country with a widely dispersed population and scattered economic activities, calling for movements of people and freight over long distances. Consequently, the transport infrastructure has a vital role in the development of the Tanzanian economy. The Tanzanian transport system also serves as an important corridor for the external trade of neighboring countries, namely, Rwanda, Burundi, Zambia and Zaire.

54. Difficulties in transport and communications have been a critical constraint to Tanzania's economic development, particularly to agricultural production and marketing. Two problems are especially noteworthy: in the last Five-Year Plan (1976/77-1980/81), only about 15% of total investments were targetted on the transport sector. This share appears low when compared to the size of the sector and other countries of the region. Partly as a result, the sector contribution in GDP has been declining, falling to below 6% in 1979. The problem of inadequate resources has been compounded by two factors: dissolution of the multinational transport corporations owned by the East African Community following the Community's breakup in 1977 and the resultant disruptions in the services these corporations provided; and the Government's inability to mobilize adequate external resources to finance transport development. There is also a pervasive shortage of skilled manpower in the sector.



55. In addition to inadequate financial resources and manpower, one major issue has been inadequate planning and coordination of different transport modes, which is at least partly related to inadequate information. The successors to the EAC corporations enjoy a relatively greater autonomy vis a vis their parent Ministries, which in turn have weak planning and coordination capacity. Coordination of investments between various modes and with other economic sectors has hence been largely neglected. To address these problems, we have recently proposed to the Government a three-phase program to improve transport planning capacity. We expect to have a long-term involvement in the implementation of this program.

#### Education

56. The policies that have led to ~~shortages of skilled and higher level manpower in Tanzania~~ have been referred to in paragraph 14. These shortages are a critical constraint in all economic sectors in Tanzania, particularly in agriculture. Earlier deficiencies in manpower planning caused under-investment in secondary education and restricted the pool of potential candidates available for post-secondary and higher education. For example, the Faculty of Agriculture was able to fill less than half the places available and provide only a third of the output needed. Other faculties and post-secondary training programs are experiencing similar conditions. Currently, there are critical shortages of agronomists, accountants, engineers, science teachers and other science-based professionals. At least a doubling of the output from higher education is needed to fill these gaps. Expansion of technical and vocational education also requires attention. The poor quality of primary education needs to be addressed by improvements in teacher training, educational materials and curriculum development. Also, although government expenditures on education are not especially large compared to other African countries (4.6% of GNP in 1978/79), the current financial constraints point to the need to identify more cost-effective strategies in future development of the education sector. These issues were highlighted in a recent UNESCO-led sector study. We have included two projects in the lending program that would be based on these findings. The next project (Eighth Education) would concentrate on the secondary education bottleneck to increase the output of secondary school leavers available for specialized training and higher education. Discussions with the Government are underway to encourage such development through more cost-effective day schools. Subsequently, the focus would be more generally on quality improvement through upgrading of teacher training, educational materials and curriculum development. In the interim, we would rely heavily upon technical assistance and special overseas training financed under other projects.

#### Water Supply and Sewerage

57. The principal issue in the water supply sector is the weakness of the Ministry of Water and Energy. With the recent transfer of the minerals portfolio to a separate ministry, we expect greater managerial resources to be available for the water sector, but staff resources will continue to be weak.



The creation of a National Water Authority for urban areas has been approved by the Parliament. The creation of this Authority is an essential first step in addressing complex institutional problems relating to construction, operation and maintenance of the urban water supply systems. The next project in the water supply and sewerage sector would assist in making the authority operational. In rural areas, the water supply systems are a regional responsibility and a major burden on their resources. While the manpower situation has improved, supply of spare parts and well locations are emerging as serious constraints. There is also a question of standardization of regional water master plans which are funded by different donor agencies. The second, major issue is cost recovery. Urban water tariffs have barely kept pace with the increasing cost of operations and maintenance, and the Government continues to emphasize provision of free water in rural areas. Although the Government has accepted the principle of partial cost recovery in some instances, considerable work remains to be done on appropriate country-wide mechanisms.

58. In the sewerage sector, the major issue is one of investment priorities within the sector as well as in the context of the overall economic situation. The Government has recently completed sewerage plans for five important towns in Tanzania. These plans were initiated following the serious outbreak of cholera in 1978. Our next project in the sewerage sector would focus on Dar es Salaam where population pressure and lack of maintenance have led to a precipitous deterioration of the existing sewerage system. The system in its present state actually poses health hazards. Our project, in addition to careful analysis of rehabilitation priorities and institutional needs, would focus on low cost sanitation technology which promises to have significant potential for offering sanitation services at lower cost. In rural areas where the problems of sanitation are formidable, a modest beginning has been made under a UNDP-financed Bank-executed pilot sanitation project.

#### Urban

59. A major political breakthrough on the issue of cost recovery was achieved in June when the Cabinet approved the introduction of charges in sites and services areas; however, the collection systems still need to be strengthened. In addition, the urban delivery systems which were developed under the earlier sites and services projects have reached a point where additional inputs are necessary to consolidate the progress made so far. We have proposed a modest project (Urban III) in the lending program which would address these needs.

#### Local Cost Financing

60. In Tanzania we have been attempting to finance about 80% of total project costs (inclusive of co-financing). Local cost financing has been approved on country grounds as the Government's development efforts have required substantial domestic funds in excess of local savings and external capital, in spite of Tanzania's good savings performance. Given this background, and in view of our desire to address the budgetary problems facing Government, we are recommending that local cost financing be continued and that a financing of up to 80% of project costs be maintained.



F. CONCLUSIONS AND RECOMMENDATIONS

61. Tanzania is currently facing the worst economic crisis of its history. While the situation has been exacerbated by the impact of external shocks, these are weaknesses of a more long-term nature in the structure and performance of the domestic economy. In addressing these problems, the Government will have to make a frank reassessment of its development strategy, especially in the areas of public investment and expenditure, incentives, trade and exchange policy, and government involvement and regulation of economic activity. Further, the sectoral emphasis of government policies and programs will need to more clearly reflect the importance of agricultural production, especially in the smallholder sector. A limited beginning has now been made in initiating policy reforms. The Export Rehabilitation Program and acceptance by the Government of the need for a high-level advisory group reflect an increasing awareness within Government of the seriousness of the present crisis and a willingness to seek assistance in finding and implementing remedial measures. However, the major tasks of rehabilitation and recovery lie ahead, and the Bank is in a position to play a leading role in assisting Tanzania to formulate appropriate policy packages and to mobilize additional resources. Without this support, the prospects for economic recovery would be greatly reduced.

62. In reviewing the Tanzania lending program, the two major issues are its proper size and composition. There is a need to relate the substantial resource requirements of the country to a realistic assessment of its absorptive capacity. The development program of Tanzania, particularly its broad-based commitment to rural development and poverty eradication, has justified the large lending program in the past. The proposed lending program continues the level of lending which Tanzania has been receiving, on the assumption that a policy dialogue with the Government will be sufficient to justify a major transfer on non-project assistance. Should such a dialogue fail to materialize, or prove to be difficult and lengthy, the level of commitments would be reduced accordingly. The current economic situation and Tanzania's recent record on project implementation argue against an expansion of project lending. New project lending should be concentrated on rehabilitation and maintenance, training and institution building, and on relieving key bottlenecks to current capacity utilization. The focus of our project lending would be on agriculture, infrastructure and education. The agricultural projects will focus on improving existing services and institutions. Substantial investments in the transport sector are planned under agencies which were formerly EAC corporations and have a stronger nucleus of trained staff than most parastatals and ministries.

63. The success of this program is dependent on the Government's ability to develop and implement the needed recovery program. This will require a high level of Bank staff input into supervising and developing the successive non-project operations. We are proposing that the program be reviewed again in mid-1982, by which time we are likely to have evidence of how well the Government is succeeding in its rehabilitation effort.



Population : 17.4 million<sup>1</sup>  
GNP per capita : \$270<sup>1</sup>  
Area : 945,087 km<sup>2</sup>  
Literacy Rate : 66.0% (1979)

TANZANIA: ACTUAL AND PROPOSED PROGRAM OF LENDING OPERATIONS THROUGH FY86  
(\$ Million)

		Through FY75	Actual					Current	Program				Total <sup>2</sup> FY71-75	Total <sup>2</sup> FY76-80	Total FY81-85	Total FY82-86	Reserve Projects	
			FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85	FY86					
Agricultural Credit	IDA	5.0																25.0 (FY83)
Agricultural Services (Research)	IDA																	
Agricultural Services (Extension)	IDA											20.0*						
Cashewnut I	IBRD	21.0			27.5													
Cashewnut II	IDA							6.8										
Coconut Pilot	IDA		10.0															
Dairy Development	IDA			9.0														
Fisheries	IDA						43.0											
Foodgrain Storage and Milling I	IDA			7.0														
Forestry I	IBRD																	
Forestry II	IDA									10.0*								
Geita Cotton	IDA	17.5																10.0 (FY84)
Irrigation Pilot	IDA																	
Livestock I	IDA	1.3																
Livestock II	IDA	18.5																
National Maize	IDA		18.0															
Pyrethrum	IDA						10.0											
Rural Development I (Kigoma)	IDA	10.0																
Rural Development II (Tabora)	IDA			7.23														
Rural Development III (Mwanza/Shinyanga)	IDA				12.0				14.0									
Rural Development IV (Mara)	IDA																	10.0 (FY83)
Rural Development V (West Lake)	IDA																	
Sugar I	IBRD/IDA	9.0/9.0																
Tea	IDA	10.8																
Tea Processing	IDA						14.0											
Tobacco	IDA	9.0																
Tobacco Handling	IDA				14.0													
Tobacco Processing	IDA			8.0														
TRDB I	IDA						10.0											
Crop Rehabilitation I (Sugar)	IDA									10.0								
Crop Rehabilitation II	IDA										10.0*							
Crop Rehabilitation III	IDA											15.0*						
Crop Rehabilitation IV	IDA												10.0*					
Education I	IDA	4.6																
Education II	IDA	5.0																
Education III	IDA	3.3																
Education IV	IDA	10.3																
Education V	IDA		11.0															
Education VI	IDA					12.0												
Education VII	IDA						25.0											
Education VIII	IDA									20.0*								
Education IX	IDA											20.0						
Coal Engineering**	IDA						30.0			5.0**								
Petroleum Exploration I	IDA								13.0									
Petroleum Exploration II	IDA										10.0							
Petroleum Development	IDA																	
Power I	IBRD	5.2																
Power II	IBRD	30.0																
Power II (Supplementary)	IBRD	5.0																
Power III	TW			30.0														
Power IV	IDA										20.0*							
Water Supply I (Morogoro)	IDA			15.0														
Water Supply II (Iringa/Moshi)	IDA										15.0*							15.0 (FY83)
Dar es Salaam Sewerage	IDA																	
Harbours Engineering I**	IDA					2.5**												
Harbours I	IDA										21.0*							
Highway I and Supplementary	IDA	17.0																
Highway II	IBRD/IDA	7.0/8.0																
Highway II Supplementary	IDA	7.5																
Highway III	IDA	6.5																
Highway IV	IDA	10.2																
Highway V	IDA					20.5												
Highway VI	IDA										30.0*							
Railways I	IDA												20.0*					
Trucking Rehabilitation I	IDA				15.0													
Telecommunications I	IDA								27.0									
Small Scale Industry	IDA								10.0									
TDFL I	IBRD					11.0												
TDFL II	IDA								10.0									
TIB I	IDA	6.0																
TIB II	IBRD		15.0															
TIB III	IBRD				15.0													
TIB IV	IBRD						25.04											
TIB V	IDA																	
TIB VI/TDFL III	IDA																	
Industry I (Mwanza Textile)	IBRD	15.0																24.0*
Industry II (Morogoro Industrial Complex)	IBRD/TW				11.5/11.5													
Industry III (Morogoro Textile)	IBRD/IDA					25.0/20.0												
Industry IV (Pulp and Paper)	IBRD/IDA						30.0/30.0											
Urban I	IDA	8.5																
Urban II	IDA				12.0													
Urban III	IDA											5.0*						
Program Loan	IBRD	30.0																
Program Credit I	IDA			15.0														
Export Rehabilitation Credit	IDA							50.0										
Non-Project Assistance I	IDA								56.0									
Non-Project Assistance II	IDA									60.0								
Non-Project Assistance III	IDA										70.0							
Non-Project Assistance IV	IDA											80.0						
Non-Project Assistance V	IDA												70.0					
Technical Assistance I	IDA		6.0															
Technical Assistance II	IDA							11.0										
Technical Assistance III	IDA								10.0									
Tourism I	IDA					14.0												
LENDING PROGRAM	IBRD(TW)	122.2	15.0	75.0	40.0	41.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	110.0	196.0	0.0	0.0	
	IDA	168.0	45.0	(41.5) 39.2	100.5	76.5	109.5	92.8	140.0	136.0	150.0	130.0	144.0	119.6	370.7	650.0	700.0	
	TOTAL	290.2	60.0	114.2	140.5	117.5	134.5	92.8	140.0	136.0	150.0	130.0	144.0	229.6	566.7	650.0	700.0	
	Number	21	5	8	7	5	6**	4	7	6	5	5**	5	17	31	27	28	
	(of which IDA)	(17)	(4)	(4)	(5)	(3)	(5)**	(4)	(7)	(6)	(5)	(5)**	(5)	(11)	(21)	(27)	(28)	
Lending Program in Constant FY81 Commitment \$			96.5	161.8	179.0	136.8	144.6	92.8	130.7	119.2	123.8	101.1	105.6	512.3	718.7	568.8	580.4	
Commitment Deflator (FY81 = 100)			62.2	70.6	78.5	85.9	93.0	100.0	107.1	114.1	121.2	128.6	136.3					
Standby Projects	IBRD								0	0	0	0						
	IDA								61	80	40	54						
	Total								61	80	40	54						

1 World Bank Atlas, 1980  
2 Excludes EAC  
3 Excludes Canadian participation of \$4.8 million  
4 Excludes \$15 million EEC Special Action Credit  
\* Standby Projects  
\*\* Engineering credits not counted in project totals

TANZANIA - SUMMARY OF BANK GROUP AND OTHER OFFICIAL LENDING

	Through FY75	FY76	FY77	FY78	FY79	FY80	Current FY81	FY82	FY83	FY84	FY85	FY86	Total FY71-75	Total FY76-80	Total FY81-85	Total FY82-86
<b>SECTORAL DISTRIBUTION</b>																
<b>BANK GROUP COMMITMENTS (%)</b>																
Agric. and Rural Dev.	38.3	46.7	27.4	38.1	-	57.2	6.6	7.3	6.5	6.5	35.4	6.5	45.7	13.5	11.5	11.2
Energy	-	-	-	-	-	22.3	-	14.6	-	-	2.7	-	-	5.3	3.4	3.2
Industry	7.2	25.0	20.1	42.7	60.4	18.6	-	7.3	9.7	-	-	-	9.1	34.2	3.7	3.5
Power	13.9	-	26.3	-	-	-	-	-	19.4	-	-	19.4	15.2	5.3	4.4	8.4
Pop., Health & Nutrition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	-	-	-	-	-	22.3	-	-	-	-	-	-	-	4.0	-
Transportation	19.4	-	-	10.7	17.4	1.9	-	-	19.3	32.3	-	16.1	7.3	6.7	11.7	14.7
Urban Development	2.9	-	-	8.5	-	-	-	-	-	3.2	-	-	3.7	2.1	0.7	0.7
Water Supply	-	-	13.1	-	-	-	-	12.4	-	-	-	-	-	2.6	2.5	2.4
Other	18.3	28.3	13.1	-	22.1	-	71.1	58.4	45.2	58.1	61.9	58.1	19.0	10.2	58.1	55.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>BANK GROUP DISBURSEMENTS (US\$m)</b>																
IBRD o/s incl. undisbursed	125.1	138.7	215.5	265.3	310.7	336.0	309.4	302.5	293.6	279.5	261.2	241.1	-	-	-	-
excl. undisbursed	83.1	86.9	108.1	138.8	175.2	211.0	204.8	227.8	245.4	247.3	238.0	222.4	-	-	-	-
IBRD Gross Disbursements	77.9	7.5	19.5	20.5	32.3	35.6	28.1	29.9	26.5	16.0	9.0	4.5	74.7	115.4	109.5	85.9
less: amortization	0.8	0.4	0.9	1.6	2.3	3.9	6.0	6.9	8.9	14.1	18.3	20.1	0.8	9.1	54.2	68.3
equals: net disbursements	77.1	7.1	18.6	18.9	30.0	31.7	22.1	23.0	17.6	1.9	-9.3	-15.6	73.9	106.3	55.6	17.6
less: interest & charges	8.0	6.2	7.1	10.1	12.1	13.3	15.9	18.4	19.9	20.7	20.4	19.4	7.9	48.8	95.3	98.8
equals: net transfer	69.1	0.9	11.5	8.8	17.9	18.4	6.2	4.6	-2.3	-18.8	-29.7	-35.0	66.0	57.5	-40.0	-81.2
IBRD/IDA Gross Disbursements	141.5	32.3	48.5	58.5	63.9	68.8	81.3	143.6	185.0	180.6	178.9	162.1	109.3	272.0	769.4	850.2
less: amortization	1.1	0.7	1.2	1.9	2.8	4.4	7.2	7.9	11.0	21.9	27.6	29.9	1.1	11.0	75.6	98.3
equals: net disbursements	140.4	31.6	47.3	56.6	61.1	64.4	74.1	135.7	174.0	158.7	151.3	132.2	108.2	261.0	693.8	751.9
less: interest & charges	10.2	6.7	7.9	11.1	13.2	14.8	17.5	20.8	23.3	25.3	26.2	26.4	9.8	53.7	113.1	122.0
equals: net transfer	130.2	24.9	39.4	45.5	47.9	49.6	56.6	114.9	150.7	133.4	125.1	105.4	98.4	207.3	580.7	629.9
<b>IBRD EXPOSURE (%)</b>																
	CY	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1990			
IBRD Disbursement/Total Gross Disbursements (excl. grants)		20.9	14.3	15.9	18.6	13.3	8.3	7.0	6.2	3.9	2.1	0.9	n.a.			
IBRD DOD/Total DOD		15.4	15.2	15.0	16.7	16.9	14.2	12.8	11.7	10.3	8.8	7.3	2.5			
IBRD Debt Service/Total Debt Service		-24.9	-34.0	-31.3	-40.6	-51.2	-25.1	-20.8	-18.8	-16.8	-17.4	-17.0	-12.9			
<b>COMMITMENTS FROM OFFICIAL SOURCES (US\$m)</b>																
Grants		127.7	119.0	135.0	214.1	321.4	380.0	410.4	443.2	478.7	517.0	558.3	820.4			
Sweden		49.6	45.9	52.0	53.7	69.7	81.7	-	-	-	-	-	-			
Netherlands		1.6	10.7	24.0	29.3	45.9	73.3	-	-	-	-	-	-			
Germany		1.2	2.6	0.9	-	34.4	36.0	-	-	-	-	-	-			
Other		75.3	59.8	58.1	131.1	171.4	189.0	-	-	-	-	-	-			
<b>Concessional Loans</b>																
Total bilateral		93.8	82.7	61.4	75.0	76.1	101.6	227.1	195.8	273.2	361.4	475.0	675.9			
DAI <sup>a/</sup>		72.8	82.7	55.2	69.7	46.1	71.6	195.6	162.7	238.5	324.9	436.7	627.0			
OPEC		15.5	-	-	-	30.0	30.0	31.5	33.1	34.7	36.5	38.3	48.9			
Other		5.5	-	6.2	5.3	-	-	-	-	-	-	-	-			
Total multilateral		23.1	62.8	69.2	101.2	107.9	142.3	227.0	225.1	187.9	190.8	198.8	268.9			
IDA		10.0	52.0	49.2	73.5	76.5	91.5	174.5	170.0	130.0	130.0	135.0	187.5			
Other		13.1	10.8	20.0	27.7	31.4	50.8	52.5	55.1	57.9	60.8	63.8	81.4			
<b>Non-Concessional Loans</b>																
Total bilateral		2.9	-	-	24.6	77.8	-	-	-	-	-	-	-			
Official Export Credits		2.9	-	-	24.6	77.8	-	-	-	-	-	-	-			
Other		-	-	-	-	-	-	-	-	-	-	-	-			
Total multilateral		34.9	43.0	66.5	31.4	78.3	-	-	-	-	-	-	-			
IBRD		30.0	43.0	53.0	25.0	66.0	-	-	-	-	-	-	-			
Other		4.9	-	13.5	6.4	12.3	-	-	-	-	-	-	-			
TOTAL COMMITMENTS		282.4	307.5	332.1	446.3	661.5	623.9	864.5	864.1	939.8	1,069.2	1,232.1	1,765.2			

a/ Includes financing of projected gap on IDA terms.



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## TANZANIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)		TANZANIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) <sup>/a</sup>				
TOTAL	945.1	1960	/b	1970	/b	ESTIMATE	/b	LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
AGRICULTURAL	498.0								
GNP PER CAPITA (US\$)		70.0		130.0		270.0		260.0	868.0
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)		41.0		62.0		65.0		80.0	699.4
POPULATION AND VITAL STATISTICS									
POPULATION, MID-YEAR (MILLIONS)		10.2		13.3		17.4		.	.
URBAN POPULATION (PERCENT OF TOTAL)		4.8		6.9		10.8		17.3	28.9
POPULATION PROJECTIONS									
POPULATION IN YEAR 2000 (MILLIONS)						32.0		.	.
STATIONARY POPULATION (MILLIONS)						92.0		.	.
YEAR STATIONARY POPULATION IS REACHED						2145		.	.
POPULATION DENSITY									
PER SQ. KM.		11.0		14.0		18.0		27.4	61.7
PER SQ. KM. AGRICULTURAL LAND		21.0		26.0		35.0		82.6	126.0
POPULATION AGE STRUCTURE (PERCENT)									
0-14 YRS.		42.7		44.4		45.7		44.9	45.5
15-64 YRS.		54.3		52.5		51.2		52.2	51.6
65 YRS. AND ABOVE		3.0		3.1		3.1		2.8	2.8
POPULATION GROWTH RATE (PERCENT)									
TOTAL		2.2		2.7		3.4		2.7	2.7
URBAN		5.0		6.3		8.9		6.8	4.9
CRUDE BIRTH RATE (PER THOUSAND)		47.0		47.0		48.0		47.4	46.8
CRUDE DEATH RATE (PER THOUSAND)		22.0		19.0		16.0		19.6	16.4
GROSS REPRODUCTION RATE		..		3.2		3.2		3.2	3.2
FAMILY PLANNING									
ACCEPTORS, ANNUAL (THOUSANDS)		..		..		93.6		.	.
USERS (PERCENT OF MARRIED WOMEN)		..		..		..		..	..
FOOD AND NUTRITION									
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)		95.0		104.0		91.0		91.8	94.0
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)		85.0		91.0		86.0		90.2	92.7
PROTEINS (GRAMS PER DAY)		44.0		49.0		47.0		53.0	53.0
OF WHICH ANIMAL AND PULSE		17.0		21.0		20.0		18.4	15.6
CHILD (AGES 1-4) MORTALITY RATE		32.0		25.0		20.0		27.7	21.3
HEALTH									
LIFE EXPECTANCY AT BIRTH (YEARS)		42.0		47.0		51.0		45.3	50.1
INFANT MORTALITY RATE (PER THOUSAND)		..		155.0/c		..		..	..
ACCESS TO SAFE WATER (PERCENT OF POPULATION)									
TOTAL		..		13.0		39.0		23.2	31.0
URBAN		..		61.0		88.0		58.0	66.8
RURAL		..		9.0		36.0		16.8	..
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)									
TOTAL		..		..		17.0		28.9	..
URBAN		..		..		88.0		67.0	..
RURAL		..		..		14.0		..	..
POPULATION PER PHYSICIAN		21020.0/d		24770.0		18160.0		30910.4	14508.2
POPULATION PER NURSING PERSON		10440.0/d,e		3830.0		3080.0		5793.2	3279.5
POPULATION PER HOSPITAL BED									
TOTAL		570.0/d		..		520.0		1198.9	1141.5
URBAN		..		..		..		..	..
RURAL		..		..		..		..	..
ADMISSIONS PER HOSPITAL BED		..		..		..		..	..
HOUSING									
AVERAGE SIZE OF HOUSEHOLD									
TOTAL		..		4.4/c		..		..	..
URBAN		..		3.2/c		..		..	..
RURAL		..		4.5/c		5.3		..	..
AVERAGE NUMBER OF PERSONS PER ROOM									
TOTAL		..		..		..		..	..
URBAN		..		..		..		..	..
RURAL		..		..		..		..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)									
TOTAL		..		..		..		..	..
URBAN		..		..		..		..	..
RURAL		..		..		..		..	..

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## TANZANIA - SOCIAL INDICATORS DATA SHEET

TANZANIA					REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) <sup>/a</sup>	
	1960 <sup>/b</sup>	1970 <sup>/b</sup>	MOST RECENT ESTIMATE <sup>/b</sup>		LOW INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME AFRICA SOUTH OF SAHARA
<b>EDUCATION</b>						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	25.0	38.0	70.0		57.7	61.7
MALE	33.0	46.0	79.0		74.2	69.2
FEMALE	18.0	30.0	60.0		54.1	51.4
SECONDARY: TOTAL	2.0	3.0	3.0		10.0	20.6
MALE	2.0	4.0	5.0		13.7	29.2
FEMALE	1.0	2.0	2.0		7.1	14.7
VOCATIONAL ENROL. (% OF SECONDARY)	23.0	..	..		6.8	7.0
PUPIL-TEACHER RATIO						
PRIMARY	45.0	46.0	50.0		45.0	36.6
SECONDARY	20.0	19.0	20.0		25.2	24.3
ADULT LITERACY RATE (PERCENT)	9.5 <sup>/d</sup>	28.1 <sup>/c</sup>	66.0		25.5	..
<b>CONSUMPTION</b>						
PASSENGER CARS PER THOUSAND POPULATION	3.0	2.5	2.6		3.6	38.8
RADIO RECEIVERS PER THOUSAND POPULATION	2.0	11.0	19.0		31.5	83.5
TV RECEIVERS PER THOUSAND POPULATION	..	0.3	0.3		1.8	..
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	3.0	5.0	4.5		4.6	24.2
CINEMA ANNUAL ATTENDANCE PER CAPITA	0.5	..	0.2		..	0.7
<b>LABOR FORCE</b>						
TOTAL LABOR FORCE (THOUSANDS)	4734.5	5841.7	7342.8		..	..
FEMALE (PERCENT)	37.1	36.6	34.0		33.5	38.1
AGRICULTURE (PERCENT)	89.3	86.0	83.0		80.7	54.3
INDUSTRY (PERCENT)	3.8	5.0	6.0		8.1	17.8
PARTICIPATION RATE (PERCENT)						
TOTAL	44.7	43.5	42.2		42.2	38.8
MALE	56.9	55.7	54.3		55.1	48.4
FEMALE	32.8	31.5	30.3		29.5	29.4
ECONOMIC DEPENDENCY RATIO	1.0	1.1	1.2		1.2	1.3
<b>INCOME DISTRIBUTION</b>						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	33.5	..		..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	63.3	..		..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	..	2.3	..		..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	..	7.8	..		..	..
<b>POVERTY TARGET GROUPS</b>						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	147.0		138.2	..
RURAL	..	..	109.0		86.1	..
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN	..	..	125.0		107.0	..
RURAL	..	..	74.0		65.0	..
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)						
URBAN	..	..	10.0		..	..
RURAL	..	..	60.0		66.9	..

.. Not available  
 . Not applicable.

## NOTES

<sup>/a</sup> The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

<sup>/b</sup> Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1978.

<sup>/c</sup> 1967; <sup>/d</sup> 1962; <sup>/e</sup> Registered, not all practicing in the country.

Most recent estimate of GNP per capita is for 1979, population and related estimates have also been revised; all other data are as of April, 1980.



## DEFINITIONS OF SOCIAL INDICATORS

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

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when at least half of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

**LAND AREA** (thousand sq.km.)

**Total** - Total surface area comprising land area and inland waters.  
**Agricultural** - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1977 data.

**GNP PER CAPITA (US\$)** - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

**ENERGY CONSUMPTION PER CAPITA** - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1978 data.

**POPULATION AND VITAL STATISTICS**

**Total Population, Mid-Year (millions)** - As of July 1; 1960, 1970, and 1978 data.

**Urban Population (percent of total)** - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.

**Population Projections**

**Population in year 2000** - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

**Stationary population** - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

**Year stationary population is reached** - The year when stationary population size has been reached.

**Population Density**

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

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

**Population Age Structure (percent)** - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.

**Population Growth Rate (percent)** - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.

**Population Growth Rate (percent)** - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.

**Crude Birth Rate (per thousand)** - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.

**Crude Death Rate (per thousand)** - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.

**Gross Reproduction Rate** - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.

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

**Family Planning - Users (percent of married women)** - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

**FOOD AND NUTRITION**

**Index of Food Production per Capita (1969-71=100)** - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1978 data.

**Per capita supply of calories (percent of requirements)** - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

**Per capita supply of protein (grams per day)** - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

**Per capita protein supply from animal and pulse** - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

**Child (ages 1-4) Mortality Rate (per thousand)** - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

**HEALTH**

**Life Expectancy at Birth (years)** - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.

**Infant Mortality Rate (per thousand)** - Annual deaths of infants under one year of age per thousand live births.

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

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

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

**Population per Nursing Person** - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

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

**Admissions per Hospital Bed** - Total number of admissions to or discharges from hospitals divided by the number of beds.

**HOUSING**

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

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

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

**EDUCATION****Adjusted Enrollment Ratios**

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

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

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

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

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

**CONSUMPTION**

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

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

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

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

**Cinema Annual Attendance per Capita per Year** - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

**LABOR FORCE**

**Total Labor Force (thousands)** - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.

**Female (percent)** - Female labor force as percentage of total labor force.

**Agriculture (percent)** - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.

**Industry (percent)** - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.

**Participation Rate (percent)** - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

**Economic Dependency Ratio** - Ratio of population under 15 and 65 and over to the total labor force.

**INCOME DISTRIBUTION**

**Percentage of Private Income (both in cash and kind)** - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

**POVERTY TARGET GROUPS**

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

**Estimated Relative Poverty Income Level (US\$ per capita)** - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

**Estimated Population Below Absolute Poverty Income Level (percent)** - urban and rural - Percent of population (urban and rural) who are "absolute poor".



Population : 17.5 million (mid-1979)  
GNP Per Capita: US\$270 (1979)

Attachment 3a

TANZANIA - ECONOMIC INDICATOR <sup>sb/</sup>

Indicator	Amount (million US\$ at current prices) 1979	Annual Growth Rates (%)									
		Actual					Projected				
		1976	1977	1978	1979	1980 <sup>a/</sup>	1981	1982	1983	1984	1985
NATIONAL ACCOUNTS											
Gross domestic product <sup>d/ e/</sup>	4,564.3	6.7	4.7	5.4	3.9	-1.5	3.7	3.6	3.6	3.6	3.6
Agriculture <sup>e/</sup>	2,210.2	9.8	7.5	7.4	8.0	-6.1	4.2	3.6	3.6	3.6	3.6
Industry	549.0	0.9	3.1	-2.2	3.1	-	3.0	4.0	4.0	4.0	4.0
Services	1,374.8	3.4	5.5	6.5	3.4	4.0	3.4	3.4	3.4	3.4	3.4
Consumption	4,115.8	1.6	12.3	14.6	-3.4	1.7	4.6	1.9	3.2	3.1	3.2
Gross investment	958.6	11.5	2.1	3.8	10.9	-6.2	3.6	3.6	3.6	3.6	3.6
Exports of GNFS	647.9	16.8	-22.8	-2.4	-2.8	-9.6	1.7	7.9	5.2	5.2	5.3
Imports of GNFS	1,158.0	0.5	4.4	34.9	-19.2	1.3	-2.9	-1.7	2.9	2.6	3.0
Gross national savings	468.0	64.5	-6.8	-58.0	99.4	-16.9	-23.9	19.0	8.8	9.7	8.8
PRICES											
GDP deflator (1978 = 100)		77.2	92.4	100.0	108.5	124.8	140.4	154.4	168.3	181.8	194.5
Exchange rate (T.Sh. per US\$)		8.4	8.3	7.7	8.3	8.2	8.2	8.2	8.2	8.2	8.2
Share of GDP at Market Prices (%) (at current prices) <sup>e/</sup>											
		1970	1975	1980	1985	1990	Average Annual Increase (%) (at constant 1978 prices)				
							1970-75	1975-80	1980-85	1985-90	
Gross domestic product <sup>e/</sup>		100.0	100.0	100.0	100.0	100.0	4.9	4.1	3.6	3.6	
Agriculture <sup>e/</sup>		36.9	36.9	47.5	47.8	47.9	2.1	5.8	3.7	3.6	
Industry		15.5	14.5	11.9	12.0	12.3	3.7	0.7	3.9	4.0	
Services		37.2	37.8	31.1	30.8	30.6	6.6	4.6	3.4	3.4	
Consumption		81.9	91.7	90.3	88.2	86.4	5.9	6.0	3.1	3.1	
Gross investment		22.5	21.1	20.0	18.0	18.0	0.2	4.6	2.1	3.6	
Exports GNFS		-24.0	-18.2	-12.1	-13.9	-15.2	-5.3	-6.2	5.3	5.4	
Imports GNFS		28.4	31.0	22.5	20.2	19.7	-3.8	4.2	1.1	3.0	
Gross national savings		18.3	7.8	9.9	11.6	13.5	-2.4	-3.6	5.7	7.0	
As % of GDP											
PUBLIC FINANCE											
		1970	1975	1979							
Current revenues		17.5	20.2	18.5							
Current expenditures		16.2	20.2	23.9							
Surplus (+) or deficit (-)		1.3	-	-5.4							
Capital expenditure		8.3	11.6	12.7							
Foreign financing		2.0	5.4	6.7							
OTHER INDICATORS											
		1970-75	1975-80	1980-85	1985-90						
GNP growth rate (%)		4.7	4.2	3.6	3.6						
GNP per capita growth rate (%)		1.3	0.8	0.2	0.2						
ICOR		5.0	5.5	5.1	5.1						
Marginal savings rate		-0.1	-0.1	0.1	0.2						
Import elasticity		-0.8	1.0	0.3	0.8						

<sup>a/</sup> Estimate

<sup>b/</sup> Apart from trade projections, which include small but offsetting amounts of Zanzibar trade, all data in this table are for Mainland Tanzania only.

<sup>c/</sup> Projected years at constant prices.

<sup>d/</sup> At market prices; components are expressed at factor cost and will not add due to exclusion of net indirect taxes and subsidies.

<sup>e/</sup> Historical trend from 1973 to 1979 is based on official estimates, which include subsistence production growth rate of 8.6% per annum. We estimate that a more realistic growth rate for subsistence production over this period would be nearer 4% per annum, reducing agricultural growth to 3.4% per annum and GDP growth to 3.6% per annum.



Population : 17.5 million (mid-1979)  
GNP Per Capita: US\$270 (1979)

Attachment 3b

TANZANIA - EXTERNAL TRADE<sup>b/</sup>

Indicator	Amount (million US\$ at current prices) 1979	Annual Growth Rates (%) (at constant 1978 prices)									
		Actual					Projected				
		1976	1977	1978	1979	1980 <sup>a/</sup>	1981	1982	1983	1984	1985
<u>EXTERNAL TRADE</u>											
Merchandise exports	543.6	7.8	-19.4	-6.5	6.1	-7.8	2.1	8.5	5.3	5.3	5.3
Major primary products	339.5	9.5	-20.1	-9.7	-0.1	-4.8	3.0	8.8	4.1	4.1	4.1
Others	204.1	3.3	-18.1	2.7	21.5	-14.0	-	8.0	8.0	8.0	8.0
Merchandise imports	1,099.6	-16.4	7.7	36.8	-18.8	1.0	-3.4	-1.5	2.8	2.8	2.9
Foodgrains	19.3	-65.2	23.3	-14.7	-42.4	334.0	-3.0	-47.5	-	-	-
Petroleum	171.7	11.0	-11.5	12.8	-8.9	2.1	-7.9	5.0	3.1	3.3	3.4
Machinery and equipment	515.0	-15.2	25.1	55.1	-10.0	-7.6	-5.4	2.9	2.9	2.9	2.9
Others	393.6	-13.9	0.7	33.9	-28.9	-7.6	0.7	3.0	3.0	3.0	3.0
<u>PRICES</u>											
Export price index		77.4	106.9	100.0	106.9	122.1	116.6	123.8	136.2	149.4	163.4
Import price index		81.1	89.5	100.0	118.2	138.2	155.7	173.3	188.5	204.4	220.9
Terms of trade index		95.4	119.4	100.0	90.4	88.3	74.9	71.4	72.2	73.1	74.0
<div>Composition of Merchandise Trade (%) (at current prices)</div> <div>Average Annual Increase(%) (at constant 1978 prices)</div>											
		1970	1975	1980	1985	1990	1970-75	1975-80	1980-85	1985-90	
Exports		100.0	100.0	100.0	100.0	100.0	-4.5	-5.2	5.6	5.5	
Major primary products		59.2	66.3	69.2	67.6	63.5	0.2	-6.9	5.0	4.1	
Others		40.8	33.7	30.8	32.4	36.5	-12.9	-1.0	6.8	8.0	
Imports		100.0	100.0	100.0	100.0	100.0	1.8	2.6	0.9	3.0	
Foodgrains		2.5	15.3	9.2	4.5	3.9	44.8	-5.8	-14.1	-	
Petroleum		8.5	11.9	12.7	13.1	13.7	4.8	-	2.0	3.9	
Machinery and equipment		35.2	30.8	41.2	38.8	36.9	0.7	11.1	1.7	2.9	
Others		53.8	42.0	36.9	43.6	45.5	-1.7	-3.3	2.7	3.1	
<div>Share of Trade with Industrial Countries (%)</div> <div>Share of Trade with Developing Countries (%)</div> <div>Share of Trade with Capital Surplus Oil Exporters (%)</div>											
		1970	1975	1978	1970	1975	1978	1970	1975	1978	
<u>DIRECTION OF TRADE</u>											
Exports		54.0	48.2	68.0	40.0	43.3	23.2	0.6	0.4	0.7	
Imports		57.9	59.7	74.2	27.3	25.1	17.9	1.2	3.2	0.8	

a/ Estimate

b/ Data are for all Tanzania (Mainland and Zanzibar)

**TANZANIA - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT**  
(million US\$ at current prices)

Indicator	Actual						Projected					
	1970	1976	1977	1978	1979	1980 <sup>a/</sup>	1981	1982	1983	1984	1985	1990
<b>BALANCE OF PAYMENTS</b>												
Export of goods and services	350.4	647.2	669.6	631.2	705.6	740.6	741.8	851.1	979.2	1,123.7	1,286.1	2,289.9
of which: Merchandise f.o.b.	259.3	492.4	547.7	479.2	543.5	572.7	558.2	643.2	744.8	860.4	991.8	1,796.3
Imports of goods and services	377.9	729.6	853.4	1,271.1	1,224.3	1,452.7	1,596.5	1,756.3	1,964.2	2,182.8	2,423.7	3,900.7
of which: Merchandise c.i.f.	318.4	630.5	750.3	1,146.5	1,099.6	1,299.1	1,412.9	1,549.1	1,732.6	1,932.3	2,149.2	3,488.1
Net transfers <sup>b/</sup>	5.6	-16.4	11.9	19.2	28.1	20.0	21.6	23.3	25.2	27.2	29.4	43.2
Current account balance	-21.9	-98.8	-171.9	-620.7	-490.6	-692.1	-833.1	-881.9	-959.7	-1,031.9	-1,108.2	-1,567.6
Official grant receipts	6.2	119.0	135.0	214.1	321.4	380.9	410.4	443.2	478.7	517.0	558.3	820.4
M & LT loans (net)	38.1	97.1	162.3	151.1	255.8	329.3	392.7	408.7	451.0	484.9	569.8	772.2
Official <sup>c/</sup>	41.2	107.1	168.0	158.1	162.4	196.1	341.9	377.5	439.8	476.6	577.9	775.9
Private	-3.1	-10.0	-5.7	-7.0	93.4	133.1	50.9	31.2	11.3	8.3	-8.1	-3.6
Other capital	-29.8	-67.7	10.5	-14.6	-4.7	2.9	50.0	50.0	50.0	-	-36.0	-
Change in reserves (--increase)	7.4	-49.6	-135.9	270.1	-81.9	-20.0	-20.0	-20.0	-20.0	-20.0	-20.0	-25.0
International reserves	107.5	164.4	300.3	30.2	112.1	132.1	152.1	172.1	192.1	212.1	232.1	357.1
Reserves as months imports	3.4	2.7	4.2	0.3	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.1
<b>EXTERNAL CAPITAL AND DEBT</b>												
Gross disbursements	60.5	238.2	326.3	382.5	596.9	763.8	883.0	955.1	1,068.0	1,161.0	1,302.0	1,798.6
Official grants	6.2	119.0	135.0	214.1	321.4	380.0	410.4	443.2	478.7	517.0	558.3	820.4
Concessional loans	40.4	93.6	149.5	112.6	103.8	179.7	334.4	380.0	467.8	542.6	656.3	895.6
DAC <sup>c/</sup>	20.1	5800	73.7	64.1	33.2	33.1	157.8	137.4	220.0	313.5	426.1	616.3
OPEC	-	1.0	6.5	1.2	1.2	35.5	16.0	25.7	30.2	33.9	35.6	45.0
IDA	9.4	29.0	39.3	24.4	39.0	49.4	95.5	164.5	175.3	151.0	147.3	166.0
Other	10.9	5.6 <sup>b/</sup>	30.0	22.9	30.4	61.6	65.1	52.4	42.3	44.2	47.2	68.4
Non-concessional loans	13.9	25.6	41.8	63.4	171.7	204.1	138.2	131.9	121.5	101.4	87.4	82.6
Official export credits	-	7.3	-	21.7	32.1	6.8	13.9	14.4	16.1	1.8	-	-
IBRD	4.8	17.1	30.4	31.3	36.6	31.8	32.9	31.6	22.8	13.3	6.9	-
Other multilateral	-	-	3.1	7.6	5.3	14.4	3.9	2.3	1.3	0.6	-	-
Private	9.1	1.2	8.3	2.8	97.7	151.0	87.4	83.6	81.4	85.8	80.5	82.6
External Debt												
Debt outstanding and disbursed	322.7	1,026.3	1,218.6	1,260.1	1,422.0	1,751.3	2,144.0	2,552.7	3,003.7	3,488.6	4,058.4	7,533.8
Official	193.4	965.7	1,158.5	1,201.4	1,266.6	1,462.7	1,804.6	2,182.1	2,621.9	3,098.5	3,676.4	7,177.4
Private	129.3	60.6	60.1	58.7	155.4	288.5	339.4	370.6	381.9	390.2	382.1	356.4
Undisbursed debt	408.4	536.6	560.4	617.5	699.6	679.7	732.2	713.2	658.2	640.6	646.2	823.6
Debt service												
Total service payments	-26.3	-41.7	-51.2	-49.6	-49.7	-98.2	-139.1	-170.6	-213.5	-241.5	-262.0	-321.0
Interest	-10.1	-19.5	-22.3	-24.7	-30.0	-43.7	-59.3	-67.4	-75.2	-82.4	-88.1	-115.0
Payments as % exports	7.5	6.4	7.6	7.9	7.1	13.3	18.8	20.0	21.8	21.5	20.4	14.0
Average interest rate on new loans(%)	1.6	2.6	3.1	2.6	5.5	4.5	2.3	2.5	2.4	2.2	2.0	1.8
Official	1.5	2.3	3.1	2.6	4.0	..	..	..	..	..	..	..
Private	7.0	8.3	9.3	..	8.5	..	..	..	..	..	..	..
Average maturity of new loans (years)	38.8	38.0	34.7	35.4	21.1	27.3	37.0	35.7	36.3	37.9	39.6	40.9
Official	39.7	39.9	34.7	35.4	27.0	..	..	..	..	..	..	..
Private	7.2	5.0	14.8	..	9.7	..	..	..	..	..	..	..
As % of Debt Outstanding at End of Most Recent Year (1979)												
Maturity structure of debt outstanding												
Maturities due within 5 years						28.4						
Maturities due within 10 years						62.7						
Interest structure of debt outstanding												
Interest due within first year						3.0						

a/ Estimate

b/ Excludes official grant receipts.

c/ Includes financing of projected gap on IDA terms.



COUNTRY ECONOMIC AND SECTOR WORK PROGRAM FY82-86

1. In line with our lending program, the World Bank has maintained a relatively large and diversified economic and sector work program in Tanzania. Emphasis has been given to improving the sectoral basis for project selection and appraisal, especially in agriculture, and to maintaining a general policy dialogue with the Government. Although other donors follow the Bank's work with interest (and this interest could intensify if a Consultative Group is held as planned early next year), the major audiences remain the Bank and the Government of Tanzania.

2. Over the past year and a half, since the last CPP, our economic and sector work program has centered on the preparation of a CEM, which was released in grey cover on January 23, 1981. This provided the first comprehensive update of economic trends and policies since the 1977 Basic Economic Report. The remainder of the program was focussed on two of the key sectors in Tanzania's development strategy: agriculture (including studies on rehabilitation and smallholder production and assistance to the Government Task Force on NMC) and education (with participation in the UNESCO Educational Sector Study). Altogether, it is estimated that as many as 170 staffweeks (including 40 from UNESCO)<sup>1</sup> were devoted to economic and sector work on Tanzania during FY81. In addition, another 84 staffweeks were contributed by programs and project economists to the preparation and appraisal of the Export Rehabilitation Credit. This was a critical component of the Bank's work program during FY81, being the major vehicle for policy dialogue with the Government and helping to shape the policy recommendations included in the CEM. It also provided useful insights for re-assessing our lending strategy in Tanzania, leading to the revised program, emphasizing non-project support and rehabilitation, proposed in this CPP.

3. In a country such as Tanzania, where ideological considerations play a major role in decision-making and sensitivities and suspicions persist regarding the role of external capital and technical assistance, the extent to which basic development strategy issues can be readily discussed with the Government is obviously limited. (Opportunities to raise strategy issues with the Party, which plays an increasingly dominant role in decision-making, are almost non-existent.) But, more importantly, the relationship with the Government has affected the approach we have adopted to economic and sector work: concentrating on collaborative efforts (usually initiated by us) rather than an overt technical assistance role in economic planning and policy making. This approach has, not un-

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<sup>1</sup>This large work program was made possible by the switching of manpower from the inactive Uganda program, generous support from the project staff, especially in the agriculture division, and substantial use of consultants and UNESCO personnel. Now that Uganda is becoming more active, additional allocations of manpower will most likely be required in FY82 to sustain the proposed economic and sector work program.



expectedly, led to delays and frustrations. For example, the preparation and appraisal of the Export Rehabilitation Credit required three large missions to Tanzania, as well as substantial work at headquarters, spread out over a period of more than a year. Nevertheless, the efforts of the past year seem to have helped the Government focus on the extent of the present economic crisis and the need for domestic policy adjustments. We are hopeful that through our economic and sector work over the coming year, and in particular the support to the proposed Advisory Group, the present momentum in our discussions with the Government can be maintained and eventually lead to the adoption of a broader structural adjustment package. This general dialogue on policies for rehabilitation and structural change will continue to be the main focus of our work program over the next two to three years. Although agriculture will rightly continue to be at the center of our sector work, we also intend to extend our sectoral coverage to include completion of an updating memorandum on industry, and new memoranda on the transport and energy sectors. Specific problems in education and urban development will also be examined.

4. The total economic and Sector Work Program (excluding direct support for rehabilitation and structural adjustment credits) is projected to require around 180 staffweeks per annum over the next five years. A brief summary of the studies included in the program, together with staff requirements, is provided below and in the attached table.

A. Economic Issues

(i) Programming and Budgeting. Much of the economic work will be done in conjunction with our non-project lending during supervision and appraisal of the rehabilitation and structural adjustment credits. Programming and budgeting will be a major topic in conjunction with those operations, but we are also planning to draw upon this experience to write a report on the whole question of the institutional and methodological arrangements in Tanzania. With the public sector playing such a large role in the country, with a number of ministries and institutions involved in developing the plans, budgets and programs, and with properly trained and experienced manpower being quite limited, it is important that the whole development and implementation of the planning process be rationalized and streamlined. We are planning a study on the recurrent expense implications of the development budget. Following this study, we plan on looking at the role played by each of the agencies involved, how the process could be strengthened and what technical assistance might be necessary to help the process, especially given the manpower limitations of the Government.

(ii) Country Parameters. A study is now going on to calculate the parameters used in the Squire-van der Tak method of project analysis. We will use these for our own project analysis and also hope that the Government will find them useful in their planning exercises.



(iii) CEM. We are planning a Country Economic Memorandum in FY83. It will focus on the Governments next five-year plan which is expected to be ready about the beginning of FY83, and the restructuring of the economy. We are planning another CEM in FY85 dealing with subsequent developments in the economic structure.

(iv) Trade Policy. This study will pull together the lessons learned from structural adjustment and prepare appropriate proposals for a comprehensive trade and exchange regime.

#### B. SECTORS

(i) Agriculture. This has been and will remain the area of major concentration. This is not surprising given the overwhelming importance of agriculture to the economy and the difficulties it has been experiencing in recent years. We have a number of ongoing studies that will be completed during this period (smallholder production, agricultural parastatals, and agricultural rehabilitation) and will also be starting new studies on identifying constraints to increasing production of export crops and a study of the extension service. We are planning a study of a subsector such as livestock or oilseeds that has not been given enough attention in the past. These studies will culminate in a full scale sector study now planned for about FY84. During the latter part of this period we expect our work to be focussed on specific crops needing attention and institutions needing assistance as have been identified during the earlier studies and in our non-project lending. With a number of institutional weaknesses and with the Government considering major changes in the agricultural sector, we feel that our efforts here will be most important.

(ii) Industry. Following up on our review of industrial lending strategy carried out during FY81, we intend to complete our report on the industrial sector's major problems and main constraints as an input in our non-project lending strategy. This will be followed up by a study of the financial sector which will be the basis for our proposed APEX loan planned for FY85. We are also planning an updating memorandum later in the period and studies for some of the important subsectors, including textiles and leather.

(iii) Transport. Here we will finish up our planning assistance to the transport sector and then do a subsector survey of the railways, ports and aviation subsectors, as these were not covered as well as other subsectors in the last sector memorandum. Later in the period we plan a careful look at the problem of feeder roads, as well as a comprehensive updating of the whole sector.

(iv) Education. Currently planned are two studies. The first deals with the question of financing of education and trying to find a more cost-effective methods of increasing the supply of trained manpower. The second study is an evaluation of vocational, technical and agricultural training. These are areas that have created major bottlenecks in the development process.

(v) Energy. The studies of the petroleum and coal subsectors which are to get underway shortly, will be followed up by a mission to help draw up a comprehensive energy development plan.

(vi) Urban. We are planning two studies to draw upon the experience of our first two projects in this sector. These will focus on government housing policy and the role of municipalities.



TANZANIA - ECONOMIC AND SECTOR WORK PROGRAM

Subject	Type of Work	Main Audiences	Responsible Dept.	---Total Man-weeks Required---				
				FY82	FY83	FY84	FY85	FY86
I. <u>Economic-Macro</u>								
1. Country Parameters	Started in FY81; Consultant to develop Squire-van der Tak variables.	Bank, but also hope to interest Govt. in improving their analysis.	EAI	3				
2. Programming & Budgeting	Exercise to pull together ongoing work on investments & recurrent expenditures required for the ERCs.	Govt. & Bank	EAI	20	10			
3. CEM	Will focus on the most recent five-year plan & the ongoing structural adjustment program.	Bank, Govt. & probably a Consultative Group.	EAI		40			
4. Trade Policy Study	To pull together lessons from structural adjustment experience & to develop a more comprehensive view of appropriate trade regimes.	Govt.	EAI			30	10	
5. CEM	Update the economic situation & structural adjustment programs.	Bank, Govt. & a possible Consultative Group.	EAI				20	30
II. <u>Sectors</u>								
1. <u>Agriculture</u>								
a) Smallholder Production	Started in FY79, this study will analyze data collected under rural development programs.	Bank & Govt.	EAPSA	20				
b) Agricultural Parastatals	Began in FY81, the first part of this study dealt with the NMC & the latter part will deal with agricultural service parastatals.	Govt. & Bank.	EAPSA	20	20			
c) Agricultural Rehabilitation	This study was begun in FY81 & will deal with key policy issues including pricing, foreign exchange allocation & infrastructure & energy requirements.	Bank & Govt.	EAPSA	25				
d) Agricultural Subsector	This study will deal with either the livestock or oilseeds subsector.	Bank.	EAPSA		10	10		
e) Extension Services	To assist the Govt. in shaping the future of the extension services.	Bank & Govt.	EAPSA	15	15			
f) Export Crops	How can production & marketing of these crops be increased?	Bank & Govt.	EAPSA	20	10			
g) Sector Survey	A major study to bring together our other studies & plan future work in the sector.	Bank & Govt.	EAPSA			100		
h) Crop Rehabilitation	Specific crops & institutions to be focussed upon will be identified later.	Bank & Govt.	EAPSA				40	40
i) Institutional Improvement			EAPSA				40	40
2. <u>Industry</u>								
a) Sector Report	This report, started in FY81, will focus on the main constraints in the sector.	Bank.	EAPID	3				
b) Financial Sector	This study will serve as a basis for an APEX loan.	Bank.	EAPID		15			
c) Textile	These two major industries in the sector will be examined.	Bank.	IPD		20			
d) Leather			IPD		20			
e) Updating	This memo will examine the success in restructuring the industrial sector.	Bank & Govt.	EAPID			12		
f) Industrial Subsector	The industry to be covered is not yet identified.	Bank.	IPD					30

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				<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>
3. <u>Transport</u>								
a) Planning	This study was begun in FY80 and is to assist the Govt. in improving its planning capacity.	Govt.	EAPHW	3	3			
b) Railways, Ports & Aviation	These subsectors were not covered as well as others in the last sector memorandum.	Bank & Govt.	EAPPR	13	6			
c) Feeder Roads	The most efficient methods for developing & maintaining feeder roads will be examined.	Govt. & Bank.	EAPHW & UNDP			15		
d) Transport Sector Updating	A general review of the whole sector is planned.	Bank & Govt.	EAPHW & EAPPR				20	20
4. <u>Education</u>								
a) Financing Education	What is the most cost efficient way to increase trained manpower?	Bank & Govt.	EAPED			20		
b) Vocation, Technical & Agricultural Training	How can the shortage of skilled manpower, especially in agriculture, be addressed?	Bank & Govt.	EAPED			20	20	
5. <u>Energy</u>								
a) Petroleum Subsector	The first two studies will lay the groundwork for the development of an energy plan.	Govt. & Bank.	EGY	35	9			
b) Coal Subsector								
c) Energy Development Plan								
6. <u>Urban</u>								
a) Subsector Studies	These will focus on housing policy & the role of municipalities.	Bank.	URB				20	20
Total Manweeks Required				<u>177.0</u>	<u>178.0</u>	<u>207.0</u>	<u>170.0</u>	<u>180.0</u>





