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Fonds: Records of the Office of the President

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McNamara Papers

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Travel briefs, Tanzania

Folder 2 of 6

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TANZANIA





Journal

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FR & suggested BK membership;  
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- b) He will look for a track program,  
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- c) are we tied to systems but we  
need a program that will lead to  
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period of time
- d) I suggested planning to  
looking out over a 1000  
effort



ITINERARY FOR TRIP TO TANZANIAJanuary 19 - 22, 1980

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Jan. 19	0900	0600	Arrive Musoma	Charter plane
Sat.	0930		Meet w/Minister of Finance (in a hotel in Musoma)	
	1030		Depart for Butiama	Car
	1130		Meet w/President Nyerere	
	1300		Official luncheon hosted by President Nyerere	
	1430		Depart for Musoma	Car
	1530		Depart for Tabora	Charter plane
	1730		Arrive Tabora	
	1830		Meet with Regional Commissioner (Mr. F. Rutakyamirwa)	
	1930		Official dinner hosted by Regional Commissioner	
Jan. 20	0700	0400	Visit Tabora Regional Integrated Development Project	Car
Sun.	1300		Light luncheon (in Tabora Hotel)	
	1430		Depart Tabora	Charter plane
	1630		Arrive Arusha--Kilimanjaro Airport	
	1930		Start of Tidewater Conference (a dinner hosted by Minister of Finance)	Arusha Conf. Center
Jan. 21			Tidewater Conference	Arusha Conf. Center
Mon.				
Jan. 22	0730	0430	Depart Arusha--Kilimanjaro Airport	Charter Piper Navajo
Tues.	0815	0515	Arrive Nairobi--Kenyatta International	



VISIT TO TANZANIA BY MR. MCNAMARA AND PARTY

JANUARY 19 - 22, 1980

Names and Designations of the Members

1. Mr. Robert S. McNamara, President, I.B.R.D.
2. Mr. William Clark, Vice President, External Relations
3. Mr. Willi Wapenhans, Vice President, Eastern Africa Region
4. Mr. Caio Koch-Weser, Personal Assistant to Mr. McNamara
5. Mr. Bengt Sandberg, Chief, Country Programs Division, Eastern Africa
6. Mrs. Robert McNamara, Wife of the President
7. Mr. Anil Gore, Acting Resident Representative, Resident Mission in Tanzania.
8. Mr. Jack Frankel, Project Officer (only for Tabora Visit).



VISIT TO TANZANIA BY MR. MCNAMARA AND PARTY

JANUARY 19 - 22, 1980

PROGRAM

JANUARY 19

- 9.00 AM - Mr. McNamara and Party will arrive from Nairobi in Musoma by charter.
- 9.30 AM - Meeting with Honorable Minister Jamal.
- 10.30 AM - Depart for Butiama.
- 11.30 AM - Arrive Butiama and meeting with His Excellency President Nyerere.
- Note: Treasury may arrange a separate program for Mrs. McNamara after arrival in Musoma until the lunch. Mr. Byabato will inform details later.
- 13.00 PM - Lunch hosted by His Excellency President Nyerere.
- 14.30 PM - Depart for Musoma.
- 15.30 PM - Depart for Tabora by charters  
(one 9-seater and one 5-seater)
- 17.30 PM - Arrive Tabora
- 18.00 PM - Check in Tabora Railway Hotel.
- 18.30 PM - Meeting with Honorable Sitta and Rutakyamirwa and others  
(Venue - to be determined)
- 19.30 PM - Dinner hosted by Honorable Rutakyamirwa  
(Venue - to be determined)  
Night at Tabora Railway Hotel.

JANUARY 20

- 6.30 AM - Breakfast
- 7.00 AM - Depart for Field Visit.
- 13.00 PM - Return to Tabora Railway Hotel from field visit and mini-working lunch hosted by the World Bank Acting Resident Representative.
- 14.30 PM - Leave Tabora.
- 15.00 PM - Leave Tabora Airport by charters  
(one 9-seater and one 5-seater)
- 17.00 PM - The 9-seater charter carrying Messrs. McNamara, Wapenhans, Sandberg, Clark and Gore will arrive Kilimanjaro Airport in Arusha.
- 17.30 PM - Check in Mount Meru Hotel except Mr. Wapenhans who will drive directly to Nairobi.



19.30 PM - Dinner for Mr. McNamara with the Conference delegates.  
Dinner for others will be private.  
Night at Mount Meru Hotel.

17.00 PM - The 5-seater charter carrying Mrs. McNamara and Koch-Weser  
will land at Lake Manyara.

Note: Mrs. Lohoy of Tanzania National Park will meet Mrs. McNamara  
at the airstrip at Lake Manyara.

19.30 PM - Dinner and Night at Lake Manyara Lodge.

JANUARY 21

Group 1

Mr. McNamara will attend Conference.  
Mr. Gore to stay in Arusha.

Group 2

Mrs. McNamara and Mr. Koch-Weser:

8.30 AM - Visit to Lake Manyara Park.  
12.00 PM - Lunch at Lake Manyara Lodge.  
13.30 PM - Fly by charter to Olduvai Gorge.  
14.00 PM - Arrive at the Gorge. (Meet with Mrs. Mary Leakey)  
16.00 PM - Depart the Gorge by charter.  
16.30 PM - Arrive at Kilimanjaro Airport (To be met by State Travel Service  
Vehicle)  
17.00 PM - Arrive at Mount Meru Hotel.

Group 3

Mr. Sandberg:

8.00 AM - Visit to EACMI - to be organized by Gore.  
9.30 AM - Visit to SIDO estate - to be organized by Gore.  
11.00 AM - Brunch at Mount Meru Hotel.  
12.00 PM - Visit to a Maize Project Village and NMC Godown - confirmed.  
16.00 PM - Return to Mount Meru.

Note: 19.00 - Treasury will host a reception for the Tide Water Conference  
delegates and the members of Mr. McNamara's Party.

21.00 PM - Dinner and night for all at Mount Meru.

JANUARY 22

6.30 AM - Messrs. McNamara, Clark, Koch-Weser and Mrs. McNamara depart  
by charter to Nairobi for onward journey to Gaborone.

Prepared By: Anil P. Gore  
December 31, 1979 - Dar es Salaam.







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	B
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Mr. McNamara's Arrival Statement

TANZANIA

I am delighted to return to Tanzania and to have the opportunity once again to meet with President Nyerere.

The main resources for development in Tanzania, both human and material, come from your own efforts and commitment. We, at the World Bank, are ready to assist you in helping build strong and sound economic and social foundations for a just society. We support your development strategy and its emphasis on rural development and social programs to help the poor, as enunciated in the Arusha Declaration. I hope during my stay to visit the Tabora Rural Development Project and to witness the progress that is being made in the countryside.

Since 1962, when Tanzania became a member of the World Bank, we have extended \$750 million directly to your country for some 56 development projects. About 60% of this amount has been made available on concessionary terms, for 50 years and interest free, in recognition of your need for such resources. We have supported a wide spectrum of projects to develop agriculture, infrastructure -- ports, transport, hydroelectric power, roads -- industry and human resources.

We know that you have gone through some difficult times that have required sacrifices and which make the course of development uneven. Recent developments in the world economy have brought hardships on several developing countries, yours among them. I am confident that you will work hard to overcome these difficulties. We will continue to assist you in your development efforts and to help you achieve a rapid and equitable economic growth.



C



# TANZANIA REGIONS AND DISTRICTS



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

Inches 1 2 3 4 5 6 7 8

Centimetres 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19

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Blue Cyan Green Yellow Red Magenta White 3/Color Black



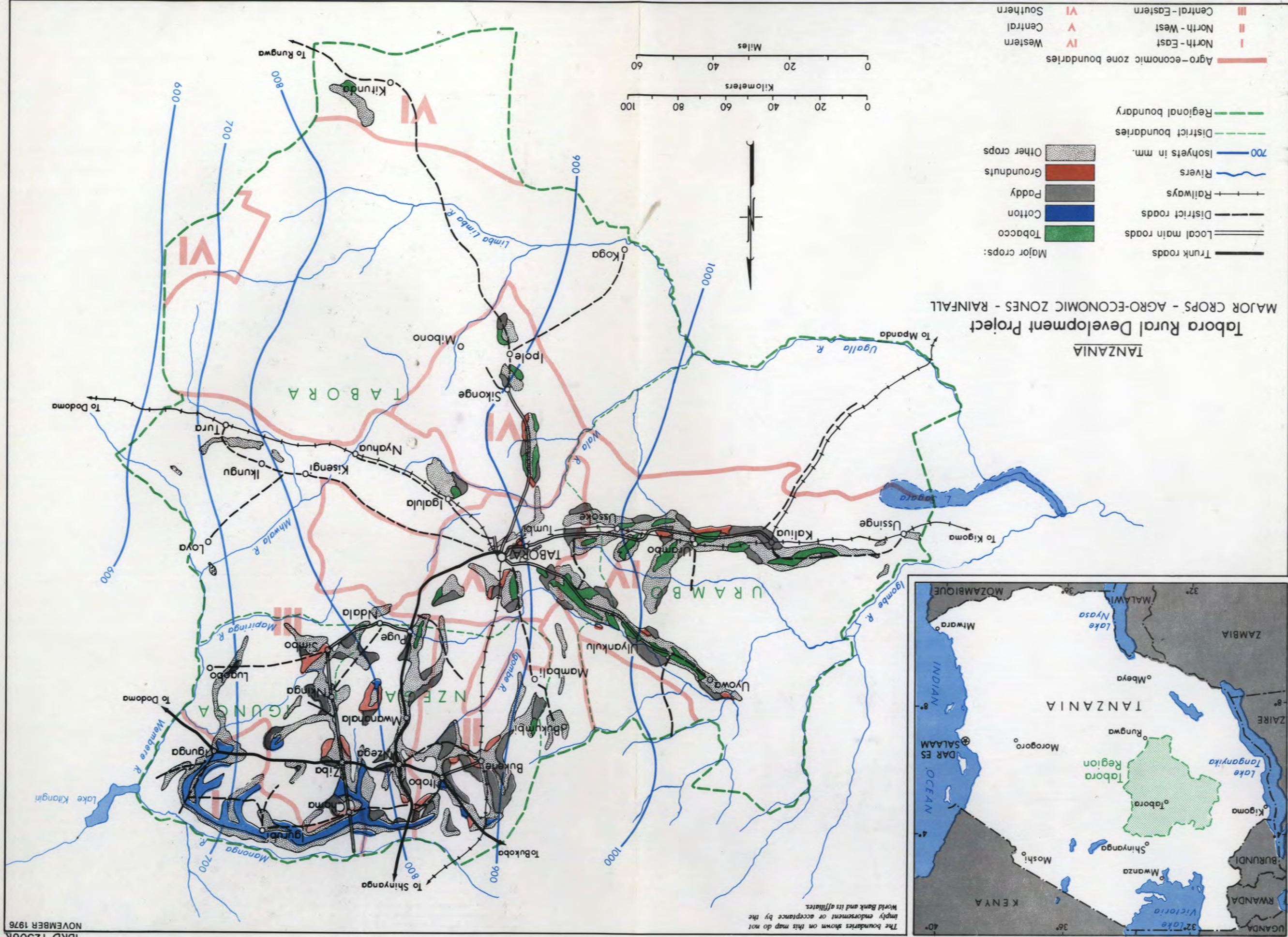




**TIPFEN** Color Control Patches

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NOVEMBER 1976





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## Tanzania

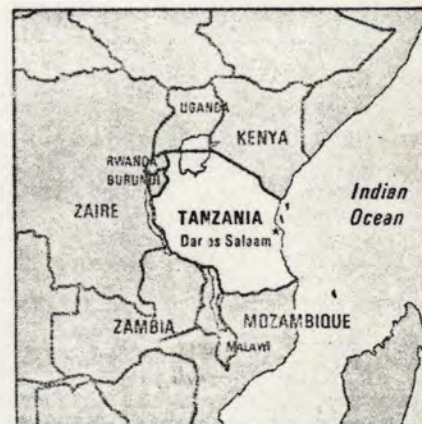
department of state \* january 1979

OFFICIAL NAME: United Republic of Tanzania

### PEOPLE

Population distribution in the United Republic of Tanzania is extremely uneven. Density varies from 1 person per square kilometer (3 per sq. mi.) in arid areas to 51 per square kilometer (133 per sq. mi.) in the well-watered highlands of the mainland and 134 per square kilometer (347 per sq. mi.) on Zanzibar. More than 90 percent of the total population is rural. Dar es Salaam is the capital and largest city. Dodoma, located in the center of Tanzania, has been designated to become the new capital within 10 years.

The African population consists of more than 130 ethnic groups, only one of which (the Sukuma) exceeds 1 million members. The majority of Tanzanians, including such large tribes as the Sukuma and the Nyamwezi, are of Bantu stock. Groups of Nilotic or related origin include the nomadic Masai and the Luo, both of which are found in greater numbers in neighboring Kenya. There are two small groups that speak languages of the Khoisan family peculiar to the Bushmen and Hottentot peoples. There are also a few pockets of Cushitic-speaking peoples originally from the Ethiopian highlands who now reside in Tanzania.



Although much of Zanzibar's African population came from the main-

### PROFILE

#### People

**POPULATION:** Mainland-16 million. Zanzibar-400,000 (1975 est.). **ANNUAL GROWTH RATE:** 2.7%. **ETHNIC GROUPS:** Over 130 groups. **RELIGIONS:** Christian 35%, Muslim 35%, animist 30%. **LANGUAGES:** Swahili, English. **EDUCATION:** Attendance-30%. Literacy-60%. **HEALTH:** Infant mortality rate-160 per 1,000 (US=17/1,000). Life expectancy-45 yrs. **WORK FORCE:** Agriculture-90%. Industry and commerce-10%.

#### Geography

**AREA:** Mainland-942,623 sq. km. (363,950 sq. mi.); slightly smaller than N. Mex. and Tex. combined. Zanzibar-1,658 sq. km. (640 sq. mi.). **CITIES:** Capital-Dar es Salaam (pop. 700,000); Dodoma (future capital-35,000), Zanzibar Town (80,000), Mwanza (35,000). **TERRAIN:** Varied. **CLIMATE:** Tropical to arid to temperate.

#### Government

**TYPE:** Republic. **INDEPENDENCE:**

Tanganyika 1961, Zanzibar 1963, union formed 1964. **CONSTITUTION:** 1965.

**BRANCHES:** Executive-President (Chief of State, Commander in Chief), First Vice President (also Chairman of Zanzibar's Revolutionary Council), Prime Minister. Legislative-unicameral National Assembly. Judicial-mainland-High Court, District Courts, Primary Courts; Zanzibar-People's Courts (no appeal).

**POLITICAL PARTIES:** Mainland-Chama Cha Mapinduzi (CCM-Revolutionary Party). Zanzibar-Afro-Shirazi Party (ASP). **SUFFRAGE:** Universal over 18. **ADMINISTRATIVE SUBDIVISIONS:** 25 Regions (20 on mainland, 5 on Zanzibar). **DEFENSE:** 6% of GDP (1977 est.).

**FLAG:** Diagonal black band edged with yellow, from lower left to upper right; field at upper left is green, at lower right, blue.

#### Economy

**GDP:** \$3 billion (1977 est.). **ANNUAL GROWTH RATE:** 5.9% (constant 1966 prices). **PER CAPITA INCOME:** \$200.

**NATURAL RESOURCES:** Hydroelectric potential, unexploited iron and coal, dwindling gemstone and gold mines, natural gas.

**AGRICULTURE:** Products-sugar, maize, rice, wheat, cotton, coffee, sisal, cashew nuts, tea, tobacco, pyrethrum, cloves. **Percentage of GDP-40.**

**INDUSTRY:** Types-textile, agricultural processing, light manufacturing, oil refining, cement, fertilizer. **Percentage of GDP-10.**

**TRADE (1977):** Exports-\$574 million: coffee, cotton, sisal, diamonds, cloves, cashews. Partners-UK, India, Zambia, China. Imports-\$784 million: manufactured goods, textiles, machinery and transport equipment, foodstuffs. Partners-UK, FRG, China, US.

**OFFICIAL EXCHANGE RATE:** 8.29 Tanzanian shillings=US\$1.

**US ECONOMIC AID RECEIVED:** \$175 million (since 1960).

**MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS:** UN and several specialized agencies, EC, OAU, Commonwealth, Nonaligned Conference.





Note: Dar es Salaam is more than 10,000 kilometers (6,500 miles) from Washington, D.C.

land, one group known as Shirazis traces its origins to the island's early Persian settlers. The non-Africans residing on the mainland and Zanzibar—approximately 1 percent of the total—include an estimated 70,000 Indo-Pakistanis, 70,000 Arabs, and 10,000 Europeans.

All ethnic groups have their own language, but the national language is

Swahili, a Bantu-based tongue with strong Arabic borrowings.

#### GEOGRAPHY

The United Republic of Tanzania is comprised of Tanganyika and the islands of Zanzibar and Pemba. Tanganyika, now often referred to as mainland Tanzania, is located on the

east coast of Africa between the great lakes of the central part of the continent—Lake Victoria, Lake Tanganyika, and Lake Nyasa—and the Indian Ocean. Of its total area, more than 59,547 square kilometers (23,000 sq. mi.) consist of inland water, including nearly half of Lakes Victoria and Tanganyika.

Climatically, the mainland may be



divided into four areas: (1) the hot and humid coastal plains, (2) the hot, arid zone of the central plateau, (3) the high, moist lake regions, and (4) the temperate highland areas. The highest point in Tanzania—as well as in Africa—is Mt. Kilimanjaro, located along the Kenya border, which rises 5,879 meters (19,340 ft.) above sea level. Almost two-thirds of the country has virtually no agriculture because of tsetse fly infestation and lack of water. Most of the arable land is in the northern and southern highlands, along the coast, and in the western lake region.

Zanzibar, located about 32 kilometers (20 miles) off the coast, has an area of 1,656 square kilometers (640 sq. mi.). Pemba, lying 40 kilometers (25 mi.) northeast of Zanzibar, has an area of 983 square kilometers (380 sq. mi.).

The climate of much of Tanganyika and Zanzibar is governed by two monsoons. The northeast monsoon from December to March brings the hottest temperatures of the year; when the winds shift to the south from March through May, they bring heavy intermittent rains. The southwest monsoon extends from June through September, bringing relatively cool weather. Light showers can be expected in November and December.

## HISTORY

### Tanganyika

Northern Tanganyika's famed Olduvai Gorge has provided rich evidence of the area's prehistory, including fossil remains of some of man's earliest ancestors. The discoveries made by Dr. and Mrs. L.S.B. Leakey and others suggest that East Africa rather than Asia may have been the cradle of early man.

Little is as yet known of the history of Tanganyika's interior during the early centuries of the Christian era. The area is believed to have been originally inhabited by ethnic groups using a click-tongue language pattern similar to that of southern Africa's Bushmen and Hottentots. While remnants of these early tribes still exist, most were gradually displaced

by Bantu farmers migrating from the west and south and by Nilotes and related peoples coming from the north. A number of these groups had well-organized societies and controlled extensive areas by the time the Arab slavers and European explorers and missionaries penetrated the interior in the first half of the 19th century.

The coastal area, in contrast, first felt the impact of foreign influence as early as the eighth century, when monsoon winds brought the ships of Arab traders. By the 12th century traders and immigrants came from as far away as Persia (now Iran) and India. They built a series of highly developed city/trading states along the coast, the principal one being Kilwa, a settlement of Persian origin that held ascendancy until it was destroyed by the Portuguese in the early 1500's.

The Portuguese navigator Vasco da Gama touched the East African coast in 1498 on his voyage to India. By 1506 the Portuguese claimed control over the entire coast. This control was nominal, however, for the Portuguese did not attempt to colonize the area or explore the interior. By the early 18th century, Arabs from Oman had assisted the indigenous coastal dwellers in driving out the Portuguese from the area north of the Ruvuma River. They established their own garrisons at Zanzibar, Pemba, and Kilwa and carried on a lucrative trade in slaves and ivory.

European exploration of Tanganyika's interior began in the mid-19th century. Two German missionaries reached Mt. Kilimanjaro in the 1840's. The British explorers, Richard Burton and John Speke, crossed the interior to Lake Tanganyika in 1857. David Livingstone, the Scottish missionary-explorer who crusaded against the slave trade, established his last mission at Ujiji, where he was subsequently "found" by Henry Stanley, an American journalist-explorer, in 1871.

German colonial interests were first advanced in 1884. Karl Peters, who formed the Society for German Colonization, concluded a series of treaties by which tribal chiefs in the interior accepted German protection. Prince Otto von Bismarck's government backed Peters in the subsequent establishment of the German East

## READING LIST

These titles are provided as a general indication of the works published on Tanzania. The Department of State does not endorse unofficial publications.

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Africa Company. In 1886 and 1890, the Anglo-German agreements that delineated the British and German spheres of influence in the interior of East Africa and along the coastal strip previously claimed by the Omani Sultan of Zanzibar were negotiated. In 1891 the German Government took





Oyster Bay Beach

over the direct administration of the territory from the German East Africa Company and appointed a governor with headquarters at Dar es Salaam.

Although the German colonial administration brought cash crops, railroads, and roads to Tanganyika, its harsh actions provoked African resistance, culminating in the Maji Maji rebellion of 1905-07. The rebellion, which temporarily united a number of tribes in the southern part of the country and ended only after an estimated 120,000 Africans had died from fighting or starvation, is considered by Tanzanians today to have been one of the first stirrings of nationalism.

German colonial domination of Tanganyika ended with World War I. Control of most of the territory passed to the United Kingdom, under a League of Nations mandate. After World War II, Tanganyika became a UN trust territory also administered by the United Kingdom. In the following years Tanganyika moved gradually toward self-government and independence. In 1954 Julius K. Nyerere, a schoolteacher who was at the time one of two Tanganyikans to have been educated abroad at the university level, organized a political party, the Tanganyika African National Union (TANU). TANU-supported candidates were victorious in the Legislative Council elections of September 1958 and February 1959.

In December 1959 the United Kingdom agreed to the establishment of internal self-government following general elections to be held in August 1960. Nyerere was named Chief Minister of the government subsequently formed.

In May 1961 Tanganyika became autonomous, and Nyerere became Prime Minister under a new Constitution. Full independence was achieved on December 9, 1961. Mr. Nyerere was elected President when Tanganyika became a republic within the Commonwealth of Nations 1 year after independence.

On April 26, 1964, Tanganyika united with Zanzibar to form the United Republic of Tanganyika and Zanzibar, which was renamed the United Republic of Tanzania on October 29.

TANU and the Afro-Shirazi Party of Zanzibar were merged into a single party, Chama Cha Mapinduzi (Revolutionary Party), on February 5, 1977. A new Constitution, reflecting the merger of the two parties, became effective on April 26, 1977.

#### Zanzibar

An early Arab/Persian trading center, Zanzibar fell under Portuguese domination in the 16th and 17th centuries but was retaken by Omani Arabs in the early 18th century. The

height of Arab rule came during the reign of Sultan Seyyid Said (1804-56). He encouraged the development of clove plantations, using the forced labor of the island's African population. Zanzibar also became the base for the Arab slavers whose raids depopulated much of the Tanganyikan interior. By 1840 Said had transferred his capital from Muscat to Zanzibar and firmly established a ruling Arab elite. The island's commerce fell increasingly into the hands of traders from the Indian subcontinent who were encouraged by Said to settle on the island.

Zanzibar's spices attracted ships from as far away as the United States. A U.S. Consulate was established on the island in 1837. The United Kingdom's early interest in Zanzibar was motivated by commerce and British determination to end the slave trade. In 1822 the British signed the first of a series of treaties with Sultan Said to curb this trade, but it was not until 1876 that the sale of slaves was finally fully prohibited.

In carrying out its policies, the United Kingdom gained a supremacy that was formally recognized in the Anglo-German agreement of 1890, which made Zanzibar and Pemba a British protectorate. British rule through the Sultan remained largely unchanged from the late 19th century until after World War II.

Zanzibar's political development began in earnest after 1956, when provision was first made for the election of six nongovernment members to the Legislative Council. Two parties were formed: the Zanzibar Nationalist Party (ZNP), representing the dominant Arab and Arabized minority, and the Afro-Shirazi Party (ASP), led by Shaikh Abeid Karume and representing the Shirazis and the more numerous Africans.

In the first elections (July 1957) the ASP won three of the six elected seats, with the remainder going to independents. The ZNP polled only a small percentage of the total votes. Four Arabs and two Asians were appointed to the government seats on the Legislative Council. Following the election, the ASP split; some of its Shirazi supporters left to form the



Zanzibar and Pemba People's Party (ZPPP). The January 1961 election resulted in a deadlock between the ASP and a ANP/ZPPP coalition.

The elections that followed the granting of self-government in June 1963 produced similar results. Zanzibar received its independence from the United Kingdom on December 19, 1963, as a constitutional monarchy under the Sultan. On January 12, 1964, the African majority revolted against the Sultan, and a new government was formed, with the Afro-Shirazi party leader, Shaikh Karume, as President of Zanzibar and Chairman of the Revolutionary Council. Under the terms of its political union with Tanganyika in April 1964, the Zanzibar Government retained considerable local autonomy.

Shaikh Karume was named First Vice President of the union government, a post he held until his assassination in a coup attempt in April 1972. The coup failed to overthrow the Zanzibar Government. Karume was succeeded by Aboud Jumbe, a fellow member of the Afro-Shirazi Party and the Revolutionary Council.

#### GOVERNMENT

Tanzania is a *de jure* single-party state with a strong central executive. The President is assisted by a Vice President and a Prime Minister. The

Prime Minister carries an administrative portfolio and is the leader of government business in the National Assembly, from among whose Members he must be chosen. The President and the National Assembly are elected concurrently by direct popular vote for 5-year terms. If the President dissolves the Assembly, he too must stand for election. The President must select his Cabinet from among the Members of the National Assembly, but his power to appoint up to 10 Members of that body increases his flexibility.

The unicameral National Assembly has 230 Members, 96 of whom are elected from mainland constituencies and 10 from Zanzibar. Two candidates, both approved by the CCM Party, compete in each district. The remaining Members are *ex officio*, appointed by the President, or elected indirectly by the National Assembly. Thirty additional Members are appointed from Zanzibar's Revolutionary Council. The Assembly is the legislature for Zanzibar only in matters specifically designated as union matters.

Mainland Tanzania has had, since 1964, a three-tiered judiciary which combines the jurisdictions of tribal, Islamic, and British common law. Appeal is from the primary courts through the district courts to the High Court. All magistrates and judges, in-

cluding the Chief Justice and eight puisne judges of the High Court, are appointed by the President. Zanzibar had a similar system until January 1970, when it replaced the primary and district courts with 12 people's courts consisting of a chairman and two members appointed by the President of Zanzibar. The procedures of the people's courts do not provide for defense counsel, juries, or appeal to the High Court.

For administrative purposes, Tanzania is divided into 25 Regions—20 on the mainland and 5 on Zanzibar. The mainland Regions, headed by appointed Regional Commissioners, are further divided into 96 Districts. There are no longer any municipal governments, but most major towns have been designated as Districts. On the mainland Regional Commissioners are also CCM Party Regional Secretaries and *ex officio* Members of the National Assembly. In the Districts, the District CCM Party Secretary is also the Area Commissioner. The Regional and District Commissioners are assisted by appointed Development Directors and other officials, who form a development council charged with administering the Region or District in close collaboration with CCM Party officials. Since 1972 a decentralization program on the mainland has increased the authority of the Regional Commissioners.



Mikumi Game Park



**Principal Government Officials**

President—Julius K. Nyerere  
 Vice President—Aboud Jumbe  
 Prime Minister—Edward M. Sokoine

**Ministers**

Agriculture—John W. S. Malecela  
 Communications and Transport—Amir H. Jamal  
 Defense and National Service—Rashidi M. Kawawa  
 Finance and Planning—Edward Mtei  
 Foreign Affairs—Benjamin Mkapa  
 Health—Dr. Leader Stirling  
 Home Affairs—Hassan Nassor Moyo  
 Industries—Cleopa Msuya  
 Information and Broadcasting—Isaac Sepetu  
 Justice—Julie C. Manning  
 Labor and Social Welfare—Crispin Tungaraza  
 Land, Housing, and Urban Development—Tabitha Siwale  
 Manpower Development—Abel Mwangi  
 National Culture and Youth—Chediel Y. Mgonja  
 National Education—Nicholas Kuhanga  
 Natural Resources and Tourism—Solomon A. Ole Saibull  
 Trade—Alfonse M. Rulegura  
 Water, Energy, and Minerals—Al-Noor Kassum  
 Works—Samuel Sitta  
 Ambassador to the UN—Salim Ahmed Salim

Ambassador to the U.S.—Paul Bomani

Tanzania maintains an Embassy in the United States at 2139 R St. NW., Washington, D.C. 20008 (tel. 202-232-0501).

**POLITICAL CONDITIONS**

The locus of political power in mainland Tanzania lies within the Chama Cha Mapinduzi (CCM) Party, which was granted political supremacy by the 1977 Constitution. Constitutionally recognized as the only political party of the state, it is also the primary instigator of policy in the social, political, and economic fields. CCM functions as the bridge between the government and the people, provides nearly all top government leaders, and plays a leading role in the government scheme of nation-building. President Nyerere is president of CCM, and the party's control structure is closely interwoven with that of the government. Regional and District Commissioners also serve as Regional and District secretaries of the party.

Under President Nyerere's leadership, Tanzania is seeking to achieve political and economic development within an egalitarian framework appropriate to the rural character and African traditions of its people. In 1962 Nyerere used the Swahili word

*ujamaa* ("familyhood") to describe the type of communal cooperation his government seeks to foster.

Tanzanian goals were set forth in more conventional Socialist terms in the TANU constitution and reaffirmed in February 1967 in a party document known as the Arusha Declaration. The latter requested the government to consolidate its control over the means of production, prepare development plans that Tanzania could carry out without being heavily dependent on foreign assistance, and place greater emphasis on improving the living standard of the rural community.

To insure consistency between precept and practice, the declaration prescribed a code of conduct for party and government leaders, which prohibited, among other things, the receipt of more than one salary, holding directorships in private firms, or owning rental properties or shares in any company. Ministerial and civil service salaries had been reduced earlier in a move toward the more equitable distribution of income.

Shortly after the Arusha Declaration, President Nyerere announced the full or partial nationalization (with compensation) of a variety of private interests, including all commercial banks, a number of food-processing, manufacturing, and trading firms, and some of Tanzania's leading sisal estates. On the third anniversary of the declaration, the President nationalized Tanzania's privately owned, English-language newspaper and began transferring the remaining private import-export firms and all wholesale businesses to the public sector. In 1971 the government nationalized all rental property valued at more than \$14,000. On Zanzibar, which moved more rapidly toward public ownership, government control of the commercial sector is virtually complete, while production in agriculture and fishing remain largely in private hands.

CCM has become the principal instrument for the political mobilization of mainland Tanzania's people behind the government's socio-economic objectives. President Nyerere envisions the party as a "two-way street" for the flow of ideas and policy directives between the village



Aerial view of Dar es Salaam



level and the government. Local CCM officials are expected to take the lead in setting up *ujamaa* villages—communal units which the government hopes will eventually become the backbone of Tanzanian agriculture. Cooperatives, which have tripled since independence and now exceed 2,000, are also being given an expanded role in Tanzania's rural development. The country's education system is being revamped to provide the many primary schoolchildren who are unable to go on with their education with the basic agricultural training needed to make them productive citizens.

Public participation in mainland Tanzania's political development has also been encouraged through the electoral process. The last general elections were held in October 1975, and all but 4 of the 96 elective constituencies were contested by two TANU candidates. Twenty-two incumbents, including one Minister, were defeated, and others dropped out during the nomination process. President Nyerere, nominated jointly by the TANU and ASP Parties, was endorsed by 93 percent of the 4.5 million voters who went to the polls.

In 1975 the Constitution was amended to make the TANU Party the supreme policymaking authority for the mainland. In 1977 a new Constitution was promulgated to reflect the establishment of the new CCM Party.

## ECONOMY

Agriculture accounts for nearly 40 percent of the gross domestic product (GDP) and a substantially larger share of total employment. Cash crops which include coffee, cotton, sisal, tea, cloves, cashew nuts, and pyrethrum make up two-thirds or more of total exports. Domestic food production has made a strong recovery since the severe drought and recession years of 1973-75. The declining volume of production of a number of important cash crops has been offset recently by substantial increases in world prices for these commodities.

Tanzania's industrial production has grown at a relatively slow pace since independence and now accounts

for about 10 percent of GDP. Tanzania has attracted relatively little foreign investment, despite its record of political stability. U.S. private investment has been limited primarily to petroleum-marketing facilities, although a U.S. company has entered into minority partnership with the government to manufacture tires in northern Tanzania.

Transportation plays a particularly important role in a country the size of Tanzania, where the population centers lie scattered around its periphery. The country currently has an estimated 33,700 kilometers (21,000 mi.) of roads; about 6,400 kilometers (4,000 mi.) are improved, and the remainder are dirt. There are 2,636 kilometers (1,638 mi.) of railroads, excluding the 1,850-kilometer (1,150 mi.)-long Tazara Railway. Tanzania's ports, roads, and railroads provide services needed by Zambia, Rwanda, Burundi, and parts of Zaire for shipments of imported and exported goods and commodities.

Internal air transportation helps offset the shortage of ground transportation. A number of national carriers provide service to Dar es Salaam. A new international airport has been completed near Arusha to facilitate tourist access to northern Tanzania's famed game parks. This airport also will serve users of the new international conference center created by the Government of Tanzania at Arusha using the former East African Community (EAC) headquarters facilities.

The Tanzanian economy has continued on a path of recovery from the 1973-75 crisis years, when a combination of low export earnings and sharply increased food import requirements caused severe balance-of-payments problems. Programs of assistance from diverse donor sources, including large World Bank and Scandinavian country assistance, have roughly matched the level of domestic resources committed by Tanzania to its development efforts. In the early 1970's the People's Republic of China was the largest single donor of aid to Tanzania. The bulk of P.R.C. aid founded the Chinese-built/equipped Tazara Railroad between Dar es

## TRAVEL NOTES

*Climate and Clothing*—Tropical clothing is worn year round, although in the cooler season (June-September) a light wrap is useful in the evenings. "High fashion" or "trendy" clothing is not favored in Tanzania. Extremely short, low-cut dresses or tight-fitting clothing should also not be worn.

*Customs*—Visas are required, as are immunizations against smallpox and yellow fever.

*Health*—Community sanitation controls are fairly well enforced. Water should be boiled and filtered and fruits and vegetables well prepared.

*Telecommunications*—Radiotelephone and cable services are available to the UK, US, and other parts of the world. Tanzania is 8 standard time zones ahead of the Eastern US.

*Transportation*—Dar es Salaam is served by several international airlines. Taxis are available at certain locations 24 hours a day; fare should be agreed upon in advance. Buses are generally overcrowded. Traffic moves on the left.

Salaam and Zambia's copperbelt (\$400 million loan to Tanzania and Zambia).

Planned development stresses meeting basic human needs for food, shelter, drinking water, education, and health care at the village level. Pursuing a policy of socialism and self-reliance, the government has nonetheless been pragmatic in its recent efforts to encourage small-scale domestic investments and in its willingness to consider joint ventures with foreign investors in areas where private technical and managerial expertise is needed. Increases in government-controlled farm prices have provided incentives to agricultural expansion and have also improved the rural standard of living.

The industrial sector is dominated by corporations which in many cases continue to operate at low levels of efficiency. Shortages of spare parts, equipment, and materials which hindered industrial expansion have been eased somewhat through import liberalizations following the 1977 balance-of-payments improvement.



With the liberalization of imports and the current emphasis on expanding industrial production, improved opportunities for sales of U.S. goods to Tanzania currently exist. At the same time, the liberalization has contributed to a rapid drawdown of foreign-exchange holdings during the first 9 months of 1978, and continuation of current import levels will depend upon the availability of external financing, export commodity prices, climatic conditions affecting agricultural production, and other unpredictable factors.

With the breakup of the East African Community early in 1977, Tanzania has faced the requirement of diverting substantial human and capital resources into institutions and infrastructure to operate and maintain port, rail, and air transportation services previously run as common services by the EAC. The breakup also resulted in the suspension of nearly all trade between Tanzania and Kenya and has closed the border to most tourist travel.

#### Zanzibar

Zanzibar's economy is based primarily on cloves, which are the principal foreign-exchange earner. Production of cloves (90 percent are grown on Pemba) fluctuates, but exports are kept relatively constant by drawing on stocks. However, declining clove production has brought a troubling scarcity of foreign exchange needed to support Zanzibar's development programs.

Zanzibar has set a goal of reducing its dependence on cloves and has sought assistance in diversifying export crops and lessening its reliance on imported food. It still imports much of its staple requirements, as well as petroleum products and manufactured articles. Manufacturing on the island is limited to import substitution, such as cigarettes and shoes, and the processing of agricultural products. All industries are government owned. The government took over the large estates

owned before the revolution by Arabs and distributed the land in small plots to Africans.

#### FOREIGN BUSINESS INFORMATION

For information on foreign economic trends, commercial development, production, trade regulations, and tariff rates, contact the Bureau of Export Development, US Department of Commerce, Washington, DC 20230. This information is also available from any of the Department of Commerce district offices located throughout the US.

#### FOREIGN RELATIONS

Along with many other independent African nations, Tanzania bases its foreign policy on the concept of nonalignment with any major power bloc. President Nyerere is one of Africa's more active nonaligned leaders, particularly as Chairman of the five "Frontline States" concerned with southern Africa. He defines non-alignment as the right of small nations to determine their own policies in their own interests and to have an influence in world affairs which accords with the right of all peoples to live equally. Tanzania firmly supports the principles of majority rule and self-determination for Africans in the southern portions of the continent.

Tanzania enjoys particularly close ties with neighboring Zambia and Mozambique. In 1977, the partnership of Kenya, Tanzania, and Uganda in the East African Community, established 10 years earlier, was dissolved. No successor organization has emerged to replace the common market and common services provided by the East African Community.

#### U.S.-TANZANIA RELATIONS

The United States enjoys friendly bilateral relations with the United Re-

public of Tanzania. The United States also seeks to assist Tanzania's economic and social development through bilateral and regional programs administered by the Agency for International Development (AID). U.S. bilateral assistance, which in the past has involved such areas as education, public administration, and agriculture, is focusing increasingly on the important area of agricultural production through new agricultural credit and livestock and seed multiplication programs. The United States also continues to assist programs in the public health area.

Total U.S. bilateral aid to Tanzania for fiscal year 1978, including loans, grants, and Public Law 480 funds (Food for Peace), amounted to \$29.3 million.

Under a regional program, the United States has helped the Tanzanian Government reconstruct and pave more than 400 kilometers (250 mi.) of the highway that serves southwestern Tanzania and landlocked Zambia. Tanzania was host at one time to one of the earliest Peace Corps programs in Africa.

An estimated 1,450 U.S. citizens, many of whom are missionaries and their families, reside in Tanzania, and increasing numbers of American tourists visit Tanzania's game parks each year.

#### Principal U.S. Officials

**Richard Viets**  
Ambassador—~~XXXXXXXXXX~~  
**David Fischer**  
Deputy Chief of Mission—~~XXXXXXXXXX~~  
~~XXXXXX~~  
Director, U.S. AID Mission—Howard L. Steverson  
Public Affairs Officer (USICA)—Kent Obee  
Consul, Zanzibar—A. Ellen Shippy

The U.S. Embassy in Tanzania is located in the National Bank of Commerce Bldg., City Drive, Dar es Salaam. The Consulate is at 83A Tuzungumzeni Square, Zanzibar.

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D



Mr. Wapenhans

the New Ministry of Planning.

In Washington you asked me to look into the functions of the new Ministry of Planning. I have had a short discussion with the new Principal Secretary, Mr. Mbagha, and with the President's Economic Advisor, Professor Mbilinyi.

The Ministry is only a week or so old and has no very clear perception of its exact future. So far they have concentrated on organizational and staff matters. Since the planning units in the old ministry were well defined there should be few problems in these regards. However, it is expected that over time the organization will involve the creation of additional posts both at Planning and Finance and a strengthening of both ministries.

The background to the change seem to have been a feeling that planning was neglected in Treasury, in large part because of the pressures of day to day problems. As a result important inter project and inter sectoral issues went unnoticed and unattended. In addition to dealing with longterm planning the new ministry will therefore be responsible for the Development Budget and for short term planning in terms of the relationships between projects and enterprises, including their input/output relationships. The stress on these problems probably arises in part from the feeling that insufficient attention was paid in the past to the impact of new projects on imports and on the recurrent budget. Other functions will undoubtedly be added later on and it seems that there is already some competition between the two Ministries, for example with regard to who should be responsible for raising project financing.

With respect to the next five year plan Mr. Mbagha told me that a decision was to be made in the next few days whether its starting date should be July 1981 i.e. when the current Plan expires, or be postponed.

Bengt G. Sandberg



Mr. Wapenhans

Minister of Works Sitta is accompanying Mr. McNamara during his visit to Tabora and on the flight to Arusha in the course of which it is possible that he will want to discuss highway development. As background, I attach four copies of paras 27-33 of the President's Report for the Fifth Highway Project.

This Project which was approved by the Executive Directors on January 18, 1979 and signed March 2, 1979, is still not effective due to delay in appointing three key expatriate advisors.

The highways division has felt that whereas the investment in this road is desirable in long term, the immediate priority needs to be given to rehabilitation of existing trunk road network. A Bank financed consultant recently visited Tanzania to assess these rehabilitation needs and his report is under preparation. This report is expected to form the basis of the Bank's next project in the highways sector. In addition, the next project is also expected to include financing for necessary feasibility/engineering studies concerning the Arusha-Dodoma-Iringa Road.

Bengt G. Sandberg



MINISTERS AND PRINCIPAL SECRETARIES

In February 1977, the Government made a major reshuffle of the Cabinet, Principal Secretaries and other Government and Party positions. Important changes included the movement of the former Prime Minister R. N. Kawawa to Ministry of Defense and his removal (without replacement) as Second Vice President. The former Minister of Defense replaced Kawawa as the new Prime Minister. In November 1979, a small reshuffle after the resignation of Minister Mtei brought Minister Jamal to the Ministry of Finance and Planning for the fourth time. Minister Jamal was Minister for Communication and Transport and his Principal Secretary became the new Minister replacing him. On January 5, 1980, the Government formed a new Ministry of Planning and Economic Affairs which will come under the Office of Vice-President About Jumbe. This ministry will take over the Planning Department which formerly came under the Ministry of Finance. Professor Koghoma Malima, Minister of State in the Vice-President's Office (and previously principal Secretary of the Ministry of Finance and Planning from 1974 to 1977) will be responsible for the new ministry. Also a small reshuffle brought back to the Cabinet Dr. Ibrahim Kaduma (former Vice-chancellor of Dar es Salaam University, and Minister of Foreign Affairs from 1973 to 1977) as Minister for Trade replacing Minister Rulegura who became Minister for Lands, Housing and Urban Development. Mrs. T. Siwale (former Minister for Lands, Housing and Urban Development) replaced Honorable Kuhunga as Minister for National Education and the latter was appointed Vice-chancellor of Dar es Salaam University. A list of the current cabinet ministers and principal secretaries is attached.



GOVERNMENT OF TANZANIA

\* President - Julius Nyerere

Vice President - Sheikh Aboud Jumbe

<u>MINISTRY</u>	<u>MINISTER</u>	<u>PRINCIPAL SECRETARY</u>
Prime Minister's Office	E. Sokoine	Horace Kolimba
Agriculture	J. Malacela	S. A. Madallali
Capital Development	H. Makame	J. Minja
Communications and Transport	A. C. Mwingira	R. S. Juma
Defense	R. Kawawa	A. B. Nyakyi
Education	Mrs. T. Siwale	S. Tunginie
Finance <u>1/</u>	* Amir Jamal	* Ernest Mulokozi
Planning and Economic Affairs	K. Malima	(yet to be appointed)
Foreign Affairs	B. Mkapa	D. Mloka
Health	L. Stirling	Gwasa Sebalili
Home Affairs	H. N. Moyo	J. Makito
Information	I. Sepetu	George Mhina
Industries	C. Msuya	F. P. Mrina
Justice	Ms. J. Manning	J. Warloba
Lands, Housing and Urban Development	R. Rulegura	Bernard Mulokozi
Labor and Social Welfare	C. Tungaraza	R. M. Linjewile
National Culture and Youth	Chidiel Mgonja	G. Tibaweitira
Natural Resources and Tourism	S. Ole-Saibul	J. Sepeku
Trade	I. Kaduma	G. Cheyo
Water, Energy and Minerals	A. N. Kassum	Bakari Mwapachu
Works	* Samuel Sitta <u>2/</u>	O. Ongara

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Bank of Tanzania (The Central Bank) - Governor: Mr. Charles Nyirabu \*

Regional Commissioner - Tabora: Mr. Fredrick Rutakyamirwa \*2/

1/ The Bank's contact ministry.

2/ Expected to join Mr. McNamara during the field visit in Tabora.

\* Biographical notes provided.



## BIOGRAPHICAL DATA

NYERERE, Mwalimu Julius K.

### President

Age about 53. Known to his people as "Mwalimu," the Teacher. Born at Butiama near the eastern shore of Lake Victoria. Son of the Chief of the small Zanaki tribe. Named after the spirit rain because it was raining on the day of his birth, the date of which is not known exactly. His education began at a boarding school at Musoma, where the foundations of his profound Roman Catholic faith were laid. Attended Tabora Secondary School and Makerere University College, Uganda, both alma mater of several prominent Tanzanian politicians. Already active in politics at Makerere, where he organized the college branch of the Tanganyika African Association (TAA). Returned to Tabora in 1945 and taught history and biology at St. Mary's Mission School. In 1949 became the first Tanganyikan student to go to a British university, taking an arts degree at Edinburgh. "I evolved the whole of my political philosophy while I was there," he has written. While at Edinburgh he translated Shakespeare's "Julius Caesar" into Swahili.

Although resuming teaching in Dar es Salaam on his return in 1952, he was preoccupied with politics. In 1953, he became President of the TAA, which had been founded in 1929 by a group of British Colonial Officers as a discussion forum for African opinion. With the growth of African political consciousness after World War II, the TAA became gradually involved in political activity and in 1954 it was converted by Mr. Nyerere into the Tanganyika African National Union (TANU). At its inaugural conference TANU was dedicated to working relentlessly for independence and self-government for the people of Tanganyika; to opposing tribalism; removing all forms of racialism and discrimination; achieving African majorities in all local and central government bodies; encouraging trade unionism and cooperatives; and establishing free and compulsory education for the African child. One of TANU's first tasks was to press for democratic elections to the Legislative Council of Tanganyika, then an entirely nominated body.

Taking up the cause of independence full-time, President Nyerere addressed the UN General Assembly in 1955 and the Committee of the UN General Council in 1956. By now, well established throughout the territory as leader of the African people, he was made a nominated member of the Legislative Council by the British Administration in 1957 but resigned four months later because of lack of progress. In 1958, when the first elections were held on a strictly limited franchise, with seats allocated on a racial basis, TANU supported selected European and Asian candidates, all of whom were elected. The 30 newly elected Members of the Legislative Council, ten from each race, then joined together to form a single Tanganyika Elected Members' Organization (TEMO) with Mr. Nyerere as Chairman, Mr. Derek Bryceson, a European as Vice-Chairman, and Mr. Amir Jamal, an Asiah (now Minister of Finance and Planning) as Treasurer. TEMO formed a coordinated opposition to the Government working for self-rule. From this period also, TANU worked in close cooperation with African movements in other East African territories.



After the September 1960 elections, in which TANU-backed candidates won 70 of the 71 seats, Mr. Nyerere became Chief Minister in Tanganyika's first "responsible" legislature, in which the majority of Ministers were chosen from the elected Members. The country was given full self-government on May 1, 1961 and independence as a sovereign state within the British Commonwealth on December 28 the same year. Mr. Nyerere was made Prime Minister.

This rapid move to independence was achieved without violence, in large part owing to TANU's strength and unity, and Mr. Nyerere's leadership. With the attainment of independence, however, there was a danger that the nationalist movement would fail to appreciate its new tasks and would become divorced from the Government. Realizing the great importance of TANU's support for the Government, Mr. Nyerere resigned as Prime Minister within two months of independence and returned to his leadership of TANU, to prepare the party for its post-independence role.

Tanganyika adopted a republican constitution in 1962 and in November of that year, Mr. Nyerere was elected as the country's first President. In 1964 he presided over the formation of a loose federal union with the islands of Zanzibar and Pemba, which became the United Republic of Tanzania. When the ruling parties of the Mainland and Isles decided to merge in 1977, President Nyerere was chosen by acclamation to head up the new party (Chama Cha Mapinduzi or CCM). Despite recent announcements and rumours that he would soon step down as President and concentrate on his work as Party Chairman, Mr. Nyerere is likely to remain in office for some time.



JAMAL, Amir Habib

Minister for Finance

Date of birth: January 1922<sup>57</sup>

Place of birth: Mwanza, Lake Region

Family status: married, 4 children

Mr. Jamal is a third generation Tanzanian of Asian decent whose father was a substantial businessman.

The first Asian member of the pre-independence Legislative Council. Educated at Mwanza, DaresSalaam and Calcutta University, where he obtained a first-class degree in Economics. Joined his family business in 1943. A friend of President Nyerere from his earliest political days, he was one of the few members of the middle-class Asian community to take an active part in public life. First elected to Parliament in 1958. Was Minister for urban Local Government and Works in 1959; Minister for Communications, Power and Works 1960-64; and Minister of State for Development and Planning 1964-65. Became Minister of Finance in 1965; was reappointed Minister of Finance in 1975 and assigned to the Ministry of Communications in February 1977 then reappointed Minister of Finance and Planning in November 1979. On January 5, 1980, the Planning Department was transferred to a newly formed Ministry of Planning and Economic Affairs, and Honorable Jamal is now Minister for Finance. He is also a member of the Brandt Commission.



MULOKOZI, Ernest

Principal Secretary, Ministry of Finance and Planning (from February 1977 to January 4, 1980) Principal Secretary, Ministry of Finance (January 5, 1980 to date).

Mr. Mulokozi was born in Bukobe (West Lake Region) in 1934 and graduated from Makerere University in Kampala in 1959.

He has had project-related contact with Bank staff during the past decade as Principal Secretary in the Agriculture Ministry and Prime Minister's Office. In 1975 he was appointed Chairman of the National Development Corporation and reoriented it from a rapidly growing parastatal many felt was beyond control to a much smaller holding company overseeing and advising its operating companies. He was also involved in Bank economic work during his tenure as Principal Secretary in the Ministry of Development and Planning in the late sixties. He is generally considered to be one of the most able civil servants in Tanzania.

Mr. Mulokozi is representative of the major strengths of the Tanzania civil service -- pragmatic but fully committed to making the "Tanzanian experiment" work. He has always been prepared to discuss policy frankly and address any questions which the Bank raised.



SITTA, Samuel

Minister for Works

Age: about 38

Born in Singida. Graduated in 1970 from the University of Dar es Salaam where he obtained a degree in Law. (His under-graduate study was interrupted for two years when he was expelled from the University as a result of his leading political demonstrations in 1966 protesting against the National Service Act). 1/ After graduation he joined the National Development Corporation as the Secretary of the Corporation. In 1975 he was elected Member Parliament for Singida and appointed as Junior Minister in the Ministry of Works. In February 1977 he was appointed as Minister of Works.

He is dynamic and frequently interferes with operational activities in his ministry.

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1/ A two-year compulsory program of military training and community service for civilians above 18 years old.



NYIRABU, Charles

Governor, Bank of Tanzania (the Central Bank)

Age: About 41

Born in North Mara. He attended Tabora High School, obtained a degree in Economics at Makerere University and in 1966 received a Masters degree from William College in Massachusetts. After his return to Tanzania he worked in Development Planning then moved to the Bank of Tanzania as Deputy Governor. In 1974, he became Governor.

He is reported to be in good standing with the President. In general we have not been impressed with the quality of the economic analysis produced by Bank of Tanzania.



RUTAKYAMIRWA, Fredrick

Regional Commissioner - Tabora Region

Age - about 50

Education: Barrister at Law - London  
Diploma in Engineering

In 1967, he joined the National Service Administration 1/ as a Political Education Officer for two years then became a Regional Commissioner for Morogoro for a brief period before his transfer to the foreign service. From 1969 to 1976 he served as Ambassador to Ethiopia, Ghana and then Canada. After his return from Canada in 1976 he was appointed Chairman of the Tanzania Wood Industry Corporation. In 1978 he was appointed Regional Commissioner-Tabora Region.

He is known to be one of the most active and pragmatic Regional Commissioners.

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1/ A two-year compulsory program of military training and community service for civilians above 18 years old.



## OFFICE MEMORANDUM

TO: Files

DATE: August 5, 1977

FROM: W. A. Wapenhans

SUBJECT: TANZANIA - Meeting with President Nyerere

1. On August 4, at 4:00 pm, Mr. McNamara called on President Nyerere at Blair House on the occasion of the latter's visit to the United States. The discussion centered mainly on aspects of the North/South dialogue and on the importance of leaders such as President Nyerere and Mr. McNamara speaking out on the issues of poverty, development and international trade. Mr. McNamara complimented President Nyerere on the example he is setting not only for his own people but for the developing world generally. He stressed the importance of growth with equity, self-reliance and austerity in Government, which were all embodied in the philosophy President Nyerere had enunciated some ten years ago. President Nyerere responded by stressing that the clear articulation of objectives was important but that progress was nevertheless slow and that Tanzania still had a long way to go. He did feel, however, that the Tanzanian people understood the need for change and austerity since, even with tax levels approaching 50% of wage income, his Government continued to enjoy their support.

2. The discussion then turned to the Brandt Commission. Mr. McNamara stated that the various international conferences, UN special sessions, the UNCTAD conference in Nairobi, and the CIEC meeting in Paris, had not furthered the North/South dialogue sufficiently and that what is needed is a dialogue based on a much broader and longer vision which could engender broad public support. It was, therefore, very important that men of President Nyerere's moral stature gave support to such initiatives as the Brandt Commission and make available for its work such trusted advisers as Minister Jamal. In this context, he thanked President Nyerere for the letter of support he had received only very recently and the message of which he had passed on to Mr. Brandt. He then asked President Nyerere that he instruct his Ambassador to the UN to support this initiative with his colleagues from developing countries at the UN. He thought that this was important in preparation for Mr. Brandt's visit to the UN in the fall. President Nyerere responded by saying that equally important was support from leaders of the developed countries. He encouraged Mr. McNamara to continue to alert the world to the problems of development, as he had done so effectively since he came to the World Bank.

3. President Nyerere thanked Mr. McNamara for the support that the Bank is giving to Tanzania. He felt that there was a frank but constructive discussion between his associates and the Bank staff. While there was no disagreement on the objectives, difference of view as to how to achieve them would continue to require such discussions.

cc: Mr. McNamara's Office ✓  
Mr. Please  
Mr. Clark, W.

WAWapenhans:rs



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## Topics for Discussion

### Economic Crisis and Bank Assistance

1. The discussions with the Finance Minister and the President should concentrate on the current very serious economic situation of Tanzania, the remedies called for by this situation, and the support which can be provided by the Bank.

2. The economic situation is characterized by severe internal and external imbalances. Domestically the budget for FY79 showed a very large deficit (14% of GDP) which was financed through borrowing from the banking system (20% of the budget). The result was an increase of the money supply by one-third and an inflation rate of 20%. On the external side the balance of payments showed a large deficit, net reserves are now negative, the Government is \$200 million in arrears on import payments and import licenses have been drastically cut. While the war with Uganda exacerbated these problems it did not cause them; e.g. the volume of exports had fallen by one-third between 1966 and 1979.

3. The Tanzanian Government's attempts to raise additional, readily usable foreign assistance to deal with the foreign exchange crises have been largely unsuccessful, which has convinced President Nyerere of the lack of understanding for Tanzania's problems and economic strategy by multilateral and bilateral donors alike. A meeting with bilateral donors called by the Government last June, at which it requested help to make up for the sacrifice by Tanzania in the war with Uganda, found little concrete response (Attachment 1: note by Anil Gore and 2: Government paper on need for exceptional assistance).

4. Discussions with the IMF have been going on over an extended period of time. The Government reached agreement on a first credit tranche drawing, a drawing under the Compensatory Financing Facility, and a loan under the Trust Fund last April. However, agreement on drawings against the higher credit tranches and on the Extended Fund Facility have so far not been possible. President Nyerere personally rejected the reform measures proposed by the IMF -- essentially tight budgetary controls, ceilings on Government borrowing, a measure of decontrol of prices, and a further devaluation. The reasons for his rejection of the IMF is clearly, if emotionally, set out in the attached excerpts from a recent speech by President Nyerere, which also shows that he is seriously misinformed of the background to, and the context of, the IMF's concerns. The rejection of the IMF proposals center on both the decontrol of prices and devaluation. The impact on the poor is highlighted as is the apparent ideological difference between Tanzanian socialism and the Fund's neo-classical remedies. The Bank has asked for policy changes essentially identical to those of the IMF. In particular, we have emphasized the need for a medium-term adjustment program based both on a review and possibly revision of the ongoing five-year plan as well as forward budgets and expenditure control measures. While we have noted these concerns, and expressed our willingness to work with the Government in addressing them, there has been only limited response from Government. We have further maintained that our program assistance should be seen as complementary to the IMF assistance and not as a substitute for it (see attached note on your last meeting with Mtei in April 1979). In practice, the Government of Tanzania has interpreted this as meaning that agreement with the IMF would be a precondition for our program assistance.



5. Since our concerns remain very much the same as those of the IMF we should not disassociate ourselves from them but, in view of President Nyerere's attack on the IMF should assure the Finance Minister and the President that we are prepared to process our program assistance without waiting for the IMF. We should also assure him that we are fully sympathetic to the goals, aspirations and efforts of the Government to improve the living conditions of the Tanzanian people and the right of Tanzania to determine its own economic and development goals and policies (the Bank's lending record in the past few years bears this out). However, the Government should clearly understand that the conditions for our program assistance would, in substance, cover the same areas of concerns as those discussed by the IMF, i.e., that our assistance would have to be in support of remedial measures designed to deal with the current problems faced by Tanzania which are in large part the result of the serious overcommitment of human as well as ~~domestic and~~ external financial resources often in respect of lesser economic priorities.

6. Specifically, we should focus on two major issues: the planning/budgetary process and agricultural production. In respect to planning and budgeting three points should be highlighted:

- i) There has to be a sensible program which our assistance could support. The Government's 5-year plan has been overtaken by the economic and financial developments of the last two years and is hence no longer relevant. Although about 80% of the financial targets of the plan have been met during the first three years, physical implementation is significantly less than 80%. An adjustment of the investment program should take account of the constrained resource situation and an appropriate reordering of priorities from the creation of new capacities to the utilization of existing facilities is now extremely important. At the same time, work on the preparation of the next 5-year plan, which could start in 1981, should get under way and trace out the adjustment process over the medium-term future. The Government's economic planning machinery is not adequately staffed to handle these responsibilities and will need to be strengthened by the recruitment of suitably qualified local and expatriate personnel.
- ii) The annual budget of the Government has to be based on a realistic assessment of available resources. It should reflect a more appropriate balance between capital and recurrent expenditures, so as to facilitate the full utilization of existing capacities and a rapid increase in production. The preparation of a realistic budget in itself will remain meaningless without firm commitment to adhere to the necessary budgetary discipline. The various Government departments will have to be held to their respective allocations. This will require establishing more reliable reporting procedures which would enable the Ministry of Finance to exercise the necessary control over the financial behaviour of Government departments and parastatal organizations which is now quite inadequate.



- iii) The Government's present capacity to effectively address these issues is limited. The thin spreading of Tanzanian manpower (reflecting among other things the rapid expansion of the public sector) is reflected in a considerably weakened Ministry of Finance and Planning. The Ministry's capacity for policy analysis, a critical need under the present circumstance, is particularly weak. Day-to-day operational concerns are overwhelming senior ministry officials, one problem underlying their inability to develop a policy package of addressing the present crisis. Therefore, the strengthening of Finance's analytical and policy formulation/implementation capacity will be essential. While the Bank Group's work on program lending could provide major inputs into policy development, a great deal of additional assistance will be required. To address this, there are a variety of potential sources which could readily respond to a request for long term assistance to Treasury by the Government. However, the Government must make a clear decision in this regard. While Tanzania did not hesitate to rely heavily on expatriate assistance in economic management in the past, this has become a sensitive issue and there may be some reluctance to reintroduce expatriates into the planning/budgetary process.

In respect to agricultural production a number of points need to be emphasized. The balance of payments problem is directly related to production performance in the agriculture sector. Given Tanzania's heavy reliance on agricultural exports (they comprise almost 80% of export receipts), reversing declining agricultural export volumes is central to addressing the increasing balance of payments deficit. To accomplish this will require reexamination of the Government's agricultural policies.

- i) Pricing policies is an area of concern where some progress has not been made. Until the early seventies pricing policy was not an important element of the Government's efforts to increase agricultural production. It was only after the drought of 1973/74 (and at least partly in response to a constant Bank Group focus on the critical role of producer prices for food crops) that the Government began to increase producer prices in order to stimulate food crop production. However, the emphasis on food crops resulted in an imbalance in food crop/ export crop prices which became an important variable underlying the decline in export crop production. While recent annual price reviews have made some adjustments in relative producer prices, these inter-relationships must be more closely examined in the formulation of pricing policy and prices themselves kept under continuous review especially in a period of two-digit inflation.
- ii) One of the major objectives of Government policies throughout the last decade has been to increase and improve the level of support services provided by Government to smallholders. The



substantial investments in the administrative decentralization and the rapid expansion of crop and service parastatals (in parallel with the elimination of competition from the private sector) were part of this effort; villagization was seen as the key step in providing a rural organization which would facilitate the delivery of both social and support services. Unfortunately, these organizational changes and investments have not resulted in increase in services: reflecting manpower problems, financial constraints, the constant organizational changes and a variety of other problems, there is significant evidence that the quality of support services has deteriorated over the past decade. The efficiency of the parastatals involved is a particular area of concern. The parastatal organizations have largely failed to provide the necessary support to production in the form of supply of imports, provision of transport, extension services, etc. to stimulate a high level of production. The parastatal organizations have similarly failed to provide the Government with the expected financial returns. Rather than a source of revenue, most of the organizations have become a burden on the exchequer and a steady drain of public funds. It is obvious that reforms in this area will take time and will require careful planning. Specific investigations of the circumstances affecting each of the parastatal organizations will be required. A major beginning has been made in the course of the appraisal of the Grain Storage and Milling Project (see also G-5).

- iii) A third point which must be noted in respect to agricultural production involves Government policy toward the smallholder. While the smallholder is the major source of production in Tanzania and Nyerere's commitment to smallholder development is clear and unequivocal, many in Government see the smallholder (and not the weakness in support services or other policies) as a constraint to increased production. As it is clear to us that focusing on smallholder development is the appropriate strategy for Tanzania, developing an adequate understanding of and support for smallholder production at all levels of Government is another way of addressing the production problem in Tanzania. President Nyerere is aware of our concern regarding the absence of a clear policy and mandate for agricultural extension services. He is also aware of our efforts regarding agricultural research but may not as yet be familiar with attempts to duplicate services by the proposals to create separate national research organizations for plant production and for animal production.

As the analysis required to address these areas will take time, we do not expect to reach agreements on all these specific actions in the framework of the initial program credit. However, what is required is a clear commitment by Government to the completion of detailed analysis of a number of key issues and Government's commitment to review and implement appropriate recommendations.



We are therefore proposing that agreement on studies of the smallholder incentive system, the effectiveness of the delivery system and the impact of research be the initial topics of analysis. In addition, Government support for the ongoing pricing studies conducted by the Marketing Development Bureau should be confirmed.

East African Community

7. The Mediation effort sponsored by the Bank is nearing completion. Dr. Umbricht has indicated that he will have a report ready for presentation to the three Partner States by the end of January 1980. It would be useful if you could encourage President Nyerere and Mr. Jamal to approach the report with an open mind, even if they do not like all its recommendations, and to stress the great importance of an early settlement for all three countries. We do not think that it would be useful for you to get involved in a detailed discussion of the Mediation effort at this time. We should await the detailed recommendations of the Mediator before developing a Bank position. A short note on the current status of the EAC is attached.

EAIDA  
January 7, 1980



J.W. Adams

Anil Gore

✓ TA-PIM  
cc: TA general  
cc: TA cons group  
June 25, 1979.

Exceptional Assistance to Tanzania.

1. Last week, the Treasury Minister Mtei called the ambassadors of 9 major aid giving countries in Dar (US, UK, Canada, Norway, Sweden, Denmark, Netherlands, Japan and Federal Republic of Germany) to his office and requested that these countries consider giving exceptional emergency balance of payments (BOP) assistance to Tanzania in view of the country's current critical economic situation aggravated by the war. Mr. Mtei gave the ambassadors a paper on the economic situation prepared by the Treasury and asked for responses before end June. Mr. Mtei is also understood to have encouraged the 9 ambassadors to consult among each other. Against this background, the nine ambassadors convened a joint meeting under the chairmanship of the Netherlands Ambassador on June 16 to consider the Minister's request and more generally to understand each others' points of view. The agenda for this meeting is attached in Annex I.
2. Mr. Mtei had not invited me and the Resident Representative of the European Economic Community to his office. However, the ambassadors requested our participation in the joint meeting. In order to prepare for this meeting and anticipating that the Bank would be the focus of wide variety of questions (which in fact turned out to be the case), I had prior to the meeting obtained the Treasury paper (Annex 2), and had spoken to you about the status of the Government's discussion with the IMF and the Bank on BOP assistance. Per your suggestion, I am writing this memorandum to summarize the important points discussed during the meeting. You may distribute it as appropriate, in addition to those listed below.
3. The Treasury paper makes a case for emergency exceptional assistance of some Sh.4280m to cover BOP deficit until end 1979, foreign exchange cost of the war and existing payment arrears. Out of this amount, the Treasury has assumed that it would receive about Sh.1280m from the IMF and the Bank's Program Loan. This would leave a foreign exchange gap of about Sh.3000m which the Treasury requested, should be covered by the bilateral assistance. All participants agreed that Tanzanian economy is passing through a very critical phase and Mr. Mtei's efforts to mobilize exceptional assistance needs joint support in order to avoid economic disruptions. The participants stated that the final decision on the Treasury request was awaited from their Governments.



4. Yet, their preliminary judgement was that it would be very difficult, if not impossible, to mobilize additional aid resources of the requested magnitude on emergency basis. (To be sure, one participant felt that some emergency assistance could be justified on political arguments (Tanzania has a stabilizing influence in Southern Africa). General pessimism on mobilization of emergency assistance was due to four reasons: First, the aid giving countries could not accept to use the existing assistance in the pipeline to support BOP because it was already committed to the ongoing projects. Second, their aid program procedures were such that they provided little flexibility to meet vast unplanned emergency financial needs. Third, most participants did not support the Treasury's proposal that the aid giving countries should share interest on Tanzania's potential future commercial borrowing (para 14.2 of the Treasury paper). Some participants stated that their aid agencies were prevented from undertaking this kind of arrangement. Others felt that Tanzania probably could not succeed in borrowing large amounts on commercial terms, given the country's current payment arrears of about Sh.1300m. The potential commercial lenders would probably question the country's debt repayment capacity, although the debt service ratio is relatively small. Even if the lenders agree, their terms are likely to be unacceptably stiff. Fourth, the participants felt that the Treasury paper gave an impression that the aid giving countries were being directly asked to finance the foreign exchange cost of the war (Sh.2700 equivalent). This apparent bias could make the Treasury case very difficult to justify, since most aid agencies would not like to be seen as financing (however justified) war efforts of an aid recipient country.

5. The participants were more optimistic in the longer term about increasing the proportion of the BOP assistance in their total aid package. They stated that such increase could probably be justified on the basis of the need to keep the Tanzania's growing economy from being under utilized. Some stated that modest increase in the existing level of assistance could also be justified in the longer term. The participants stated that they would address the additional BOP financing needs in their next country programming discussions (which normally begin in October each year). However, the participants agreed that causes of the current BOP crisis (excluding effects of war) are deep rooted and structural adjustments in the economy would be necessary. They also hinted that, most aid giving countries would not consider significant increase in BOP assistance to Tanzania without measurable progress on the IMF's extended fund facility and the Bank's program loan (and on the associated remedial packages). In this connection, the participants asked me when the Bank and the IMF assistance could materialize. I stated that the two institutions fully realize the criticality of the current economic situation and that we stand ready to move as soon as the Government is able to agree on the principles underlying their assistance.

6. The participants asked me why the Bank could not hold C.G. meeting in the immediate future where the BOP situation could be discussed and appropriate solutions sought. However, after I explained the status of the Government dialogue with the IMF and the Bank, all seemed to agree that holding C.G. meeting now would not be very constructive.



7. On the paper itself, the participants raised many questions on the facts and figures as presented. Some felt that the export projections in 1979, which show an increase of 17% over 1978, are optimistic considering that all cash crops except cotton are likely to suffer declining marketed production due to the recent heavy rains. If true, the BOP situation would only be worse. Some stated that the estimated cost of the war (especially the cost of destroyed capital and the foreign exchange component) appears high. All participants stated that they would depend on the IMF and the Bank analysis of the BOP situation and of the underlying assumptions behind the facts and figures provided by the Treasury.

cc: Messrs. O'Brien, Sandberg, Ramadan, King.

APG/lp



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WBG ARCHIVES

ANNEX 1

JUN 18 1979

C O N F I D E N T I A L

Ad-hoc meeting Tuesday June 19, 1979, 10.00 a.m., in office of E.E.C. Delegation (Extelcom Building) on "the case for exceptional assistance for Tanzania".

Participants: - Ambassadors of the nine countries to which the case has been submitted (plus one adviser, if desired);  
- Acting Resident Representative of the World Bank;  
- Acting Delegate of the Commission of the European Communities.

Proposed agenda:

1. Opening remarks.
  - This is a joint initiative. The nine recipients of the note have been encouraged by Minister Mtei to consult together. Most of us did indeed feel the need for some joint analysis of the problems on account of their magnitude.
2. Approval of agenda.
3. The case for exceptional assistance for Tanzania (N.B. document in your possession).
  - 3.1. Preliminary remarks (if desired)
  - 3.2. Exchange of information on latest information with regard to I.M.F. and I.B.R.D. activities related to the case (incl. resources in sight - page 6 -).
  - 3.3. Introductory paragraphs (1- terms of trade; 2- other adverse developments; 3- production shortfalls; 4- government policies; 5- the real dilemma: performance; 6- the need of the hour: external assistance).
  - 3.4. The magnitude of the problem.
    - 3.4.1. Balance of payments, excl. cost of war (paras 7-9).
    - 3.4.2. Cost of the war and its foreign exchange component (paras 10-11).
    - 3.4.3. Net position (paras 12-13).
  - 3.5. Tanzania's proposed action; a first sounding of friends on:
    - 3.5.1. Augmentation of assistance (exchange of information as regards reactions given).
    - 3.5.2. Underwriting of interest payments on commercial loans (exchange of information as regards reactions given).
  - 3.6. External public debt load and appropriate measures for adjustments.
4. Rounding up of the debate (conclusions drawn?; political aspects?; necessity of further consultation at our level?).



THE CASE FOR EXCEPTIONAL ASSISTANCE

FOR TANZANIA

A combination of factors has brought about an acute shortage of foreign exchange for Tanzania, a position which compels her to appeal to friendly Governments to come forward for exceptional assistance. Although in recent years official development assistance has increased substantially and the capital account of the balance of payments has been positive, the country's terms of trade have deteriorated. Especially between 1977 and 1978 there was sharp deterioration in the country's terms of trade. The export sector has also been weak and falling export commodity prices have not acted as an incentive on this side. The following table brings out recent trends in Tanzania's terms of trade:

	Export prices	Import prices	Terms of Trade
1966	100	100	100
1973	149.3	144.7	99.4
1974	224.6	215.7	104.1
1975	175.4	239.1	73.2
1976	270.2	247.3	109.2
1977	433.0	276.7	156.5
1978	381.1	310.7	122.6

(The IMF's assessment of outlook for export unit value indicates a 7% decline from 1978 to 1979-80, while the import unit value continues to rise, indicating thereby further deterioration in terms of trade in the near future)

2. This weak balance of payments situation would probably have been corrected by taking stabilization measures under the normal standby arrangements and facilities provided by the International Monetary Fund, possibly bolstered by a World Bank programme loan. Negotiations with these institutions had indeed started in May 1978 towards this end. However, the situation has been made worse by the war which was forced on this country by Idi Amin of Uganda's unprovoked and premeditated invasion of Tanzania and his annexation of a part of its territory in October last year. The Tanzania



Government had not only to drive the enemy from its territory, but in order to assure the security of the country, the enemy had to be pursued until he renounced his claim over our territory or was destroyed. He chose the latter and the consequence has, of course, been the end of the infamously inhuman regime of Amin in Uganda although at a heavy economic price to Tanzania in terms of diversion of financial resources and disruption of normal development and economic activities. The economic effect of the war has been far more pervasive than its direct financial cost. Although difficult to quantify, it has involved postponement of development projects, diversion of transport facilities for war purposes and, ~~in short~~, further weakening of the country's export capability and growth performance. The following example is illustrative.

3. The foreign exchange requirements of six industrial sub-sectors of chemicals, metals, textiles, drinks, paper and leather for the six months period January-June 1979 amounted to shs.551,919,000. However, due to shortage of foreign exchange, only shs.255,045,000 or 46% was allocated for this purpose. This is much less than the amount allocated in the six months period January-June 1978 before the war. The amount allocated then was shs.417,033,533 or 164% of the current allocation. Such a foreign exchange squeeze will lead to a sharp decline in production and if the position is not rescued, could lead to a lay-off of 3,791 employees in the six sub-sectors alone. It would also lead to a shortfall of government revenues estimated at shs.1,007,540,000.

4. Having regard to all these circumstances, the Government has responded to the challenge of the situation through measures to control and minimize expenditures, both recurrent and investment, exercise of restraint on imports and by mobilisation of external assistance through multilateral as well as bilateral sources. Under the present circumstance the emphasis has to be on both demand management (i.e. fiscal control, credit planning etc.) and on specific steps to improve



the supply situation. Thus, side by side with demand management the production base of the economy is sought to be enlarged and the export sector strengthened by providing inputs and technical services as well as incentive prices to producers and increased allocation of investment funds to priority sectors viz. agriculture, exports, transport and communications.

✓ 5. While the impact of some of the steps already taken by the Government can be felt only over a period of time, the real dilemma is that the performance of the agricultural and export sectors cannot be improved in the absence of an adequate investment which in turn calls for a certain level of imports. Certain essential imports are also required to augment domestic production, in order to meet demand for essential items and contain inflationary pressures. Raw material requirements of the growing industrial sector have also to be met. The overall effect is further call on the strained foreign account.

6. Given the critical foreign exchange situation, the continuing pressure on the domestic level of prices and the problems of post-war economic adjustment the need of the hour is the mobilisation of external assistance in order to ensure a reasonable level of imports, both with a view to maintaining a certain tempo of development and also to allow for the flow of essential inputs in already established industries. Indeed since we have continued to import some essential items inspite of the diversion of our foreign exchange reserves towards payment for the war effort, we are already in considerable arrears in payments for items that have already arrived in the country. It is by maintaining imports this way that the economy will not suffer a serious setback. Hence the need to mobilize external resources as a matter of urgency.

7. The magnitude of the problem can be gauged from the following data on the balance of payments and estimates of the financial costs of the war:



Balance of Payments

Shs. million

	1977	1978	1979
Exports	4423	3573	4183
Imports	- 5980	- 8650	- 7820
Balance on Trade	- 1557	- 5077	- 3637
Balance on Services	522	514	523
<u>Balance on Goods</u>			
<u>and Services</u>	- 1035	- 4563	- 3114
Transfers (net)	962	1045	1277
Capital (net) . including errors and omissions	1306	1757	1255
<u>Overall balance</u>			
Surplus (+)	1233	(-) 1761	(-) 582*
Deficit (-)			

( \* 1979 import figures are based on import licensing. The overall deficit is, therefore, without reckoning the effect of the cost of the war and payment arrears)

8. The acuteness of the foreign exchange position can be gathered from the fact that the country witnessed in 1978 an overall deficit of shs.1761 million in its balance of payments position as against an overall surplus of shs.1233 million recorded in 1977. The balance of payments for 1978 turns out to be still worse if the effect of payment arrears is included; adjusted for that, the overall deficit is estimated at shs.2242 million for 1978.

9. The overall deficit estimated for 1979 in the above table is without taking into account the foreign exchange cost of the war and the increase in payment arrears. Thus, it does not reveal the total magnitude of the foreign exchange problem confronting the economy.



10. According to latest estimates, the total cost of the war is estimated at shs.4153 million, made up as follows:

	<u>Shs. million</u>
(i) Total cost of war between October, 1978 and April, 1979	1738
(a) Actually paid	(983)
(b) Outstanding	(755)
(ii) Cost of destroyed capital	902
(iii) Expenditure on war between April and October 1979	1513
(iv) Total	4153

11. Thus, the total cost of the war by the time demobilization is completed, is estimated at shs.4153 million of which the foreign exchange cost is of the order of shs.2700 million. The estimated overall deficit of shs.582 million in the country's balance of payments position as indicated in the earlier table has, therefore, to be adjusted for this foreign exchange cost of the war.

12. Reflecting the deterioration in the country's foreign exchange position, the payment arrears have already mounted to shs.1300 million. These are the consequence of delay in payments by commercial importers because of diversion of foreign exchange towards purchases connected with the war. To the extent payment arrears are connected with war supplies, these are already taken care of in our estimate of the foreign exchange component of the cost of the war. Taking all factors into account, the overall foreign exchange gap facing the economy is a massive figure of shs.4282 million, made up as follows:



	<u>Shs. million</u>
(i) Overall balance of payments deficit as per earlier table on balance of payments	582
(ii) Foreign Exchange cost of war	2700
(iii) Payment arrears, adjusted for (a) element already reflected in (ii) above	1000
<del>(iv)</del> further accumulation in case of shortfall in net capital inflow as per earlier table on balance of payments	
Total	<u>4282</u>

Against this, the resources in sight are:

1. IMF First Credit tranche, compensatory financing and Trust Fund Facility	430
2. Extend Fund Facility and use of supplementary financing facility	450
3. Programme Loan from the World Bank	400
	<u>1280</u>

13. The availability of resources in sight presume successful outcome of negotiations with the IMF. Even on that favourable assumption, the foreign exchange gap calls for additional "exceptional financing" of shs. 3000 million or, say, U.S. dollars 375 millions, negotiations for which are now being initiated.

Proposed Action

14. As it has been indicated above, it is already envisaged and reckoned in our balance of payments forecast for 1979 that Tanzania will continue to benefit from the resources



grants and long-term official development assistance made available by some Governments. But in spite of this, there is still going to be a large gap if we are to sustain reasonable imports to keep the economy moving.

(i) It is recognized that it may be difficult to approach the same governments which have been making available to Tanzania grants or soft loans for various specific projects and a portion of import support, to increase their assistance to the full magnitude ~~of our requirements~~. However, we propose first of all to sound our friends to see if they can appreciate the circumstances which have placed us in this position and simply urge them to augment their assistance to this extent. It is proposed in this exceptional assistance to approach US, UK, Federal Republic of Germany, Canada, Sweden, Netherlands, Norway, Japan and Denmark to contribute the equivalent of US Dollars 375 million by way of grants.

(ii) As it is likely that it may not be possible to obtain the whole amount by way of grants, it is proposed to seek these Governments' early indication as to what portion they can make available so that we can establish the magnitude of the gap. The gap would then be filled by organizing a consortium of banks in the countries mentioned, to make commercial loans to the Bank of Tanzania. It is recognized that the frail economy may not be able to sustain the conditions of a commercial loan of a large magnitude and indeed, response to a conventional approach to such banks may be poor. It is therefore proposed that the Governments mentioned might encourage the banks in the consortium by agreeing to share in the payment of the interest to be charged by the commercial banks. It is felt for instance that it is possible to organize a commercial loan of 10-12 years maturity including two years of grace at an annual interest of 12 percent. The Governments of the countries could each take up say 14 percent of the



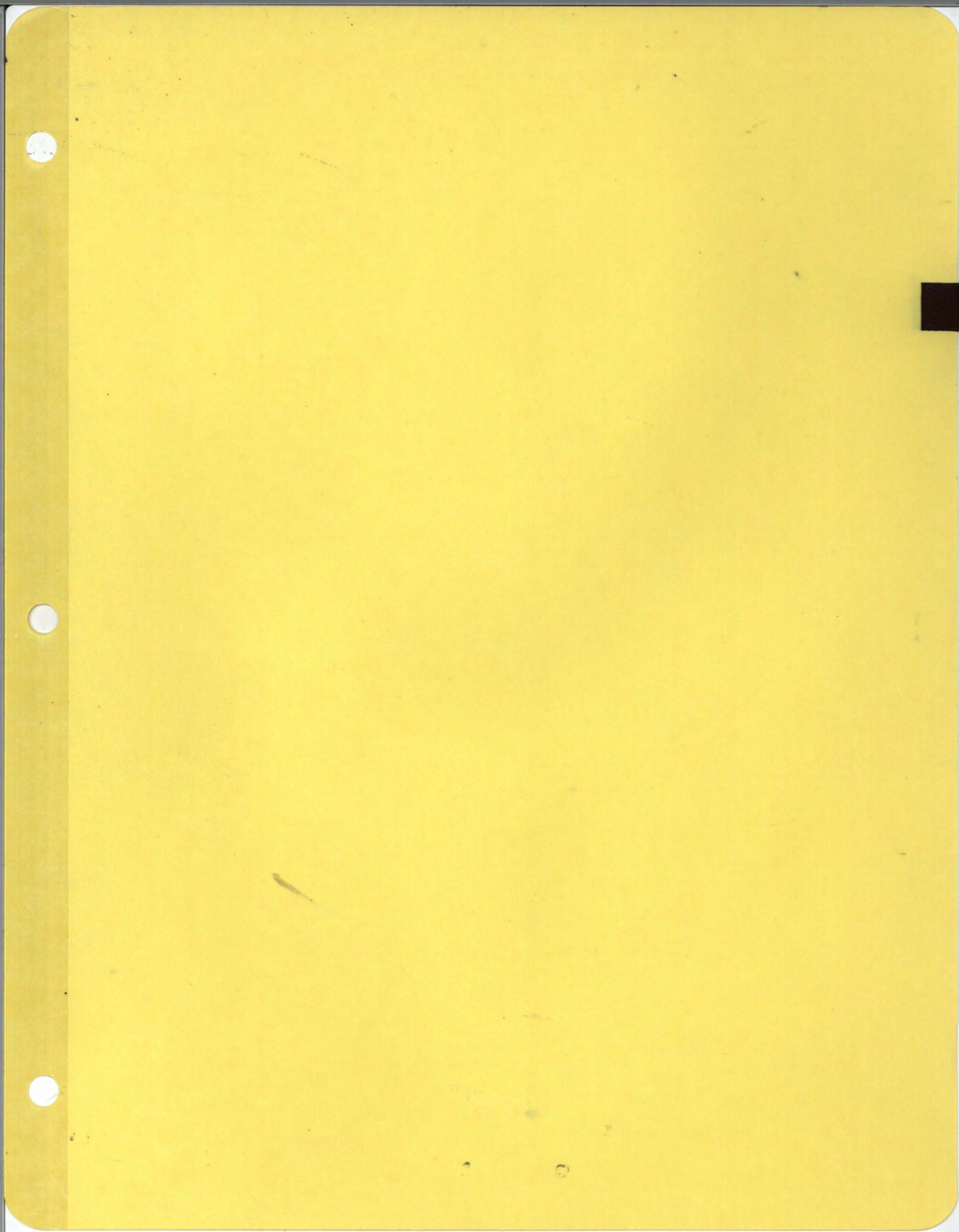
as long as the loan or a part of it was outstanding. This would make the burden of subsidy or grant bearable on the Governments concerned, and Tanzania would be able to shoulder the responsibility of repaying the principal without too much strain. Indeed the backing of the Governments to such a scheme would itself ensure that commercial banks in the consortium would not hesitate to provide the credit.

15. The existing external public debt of Tanzania is not considered high, judged by the debt servicing obligations of other ~~developing countries~~. The external debt servicing (interest plus amortisation) is estimated at shs.204 million for 1979-80 and works out to about 5 percent of the projected level of exports for that year. The foreign debt servicing is estimated to grow to shs.300 million in 1980-81 and further to about shs.400 million in 1981-82. The peak in this regard is projected to reach shs.572 million in 1985-86. Nevertheless, it should not be difficult to manage to repay the proposed commercial loan raised in the market provided concerted measures are taken simultaneously to restructure the economy particularly in the direction of strengthening the agricultural and export sectors. Thus the recommended strategy to mobilise external resources will also necessitate adoption of appropriate measures, aimed at structural adjustments in the economy.

These will include:

- (a) Periodic review and adjustment of producer prices for export crops
- (b) Measures to increase volume of non-traditional exports
- (c) Measures to expand the agricultural and industrial base, through allocation of investment funds, for promoting exports and saving on imports
- (d) Measures to raise parastatal efficiency and to review guiding policies
- (e) Measures to promote public savings through improved tax administration and more effective expenditure controls.







Political Situation

1. President Julius Nyerere continues to dominate political life in Tanzania by his forceful personality, his persuasive mix of pragmatism and idealism and his very longevity as a politician. Except in 1962, when he stepped down as Prime Minister to concentrate on the reorganization of his Party in the rural areas, Nyerere has been head of government for 20 years. He is also one of 8 signatories of the OAU Treaty of 1963, now embracing 50 African states, who are still in office. Despite an announcement two years ago that he would resign in 1980, his early departure from the national scene no longer seems likely. His health, his standing in the Party, his shrewd relations with the military and his popularity in the country, all appear undiminished and his mandate to govern seems secure.
  
2. His long-standing heir apparent, Vice President Aboud Jumbe of Zanzibar, is less well-known and is rumoured to have health problems. While he has held few substantive responsibilities on the mainland, he has just been given charge of the newly-created Ministry of Planning and Economic Affairs (January 1980). However, his primary focus is likely to remain on Zanzibar government business - over which he has virtual control as head of the island's Revolutionary Council. The offshore territory retains its special status and character - including the management of its own foreign exchange reserves, different economic policies (including less pervasive price controls than on the mainland) and very recently the adoption of its own Constitution - which has left Tanzania a much looser federation than was probably Nyerere's objective in 1964.
  
3. While developments within the ruling Party, Chama Cha Mapinduzi (CCM, or the "Revolutionary Party") are largely inscrutable to outsiders, it continues to act as an important counterweight to the civil service and the military. The Party is the supreme national authority under the Constitution and has occasionally "imposed" policy decisions upon the Government (e.g. the early introduction of universal primary education in November 1977). There have been no Parliamentary elections under the new Party - which was established in February 1977 - but these are due to be held in late 1980.
  
4. Relations with neighboring countries have continued to rival - and in 1979 almost displaced - domestic concerns at the top of the leadership's agenda and even recent meetings between Presidents Moi and Nyerere at Arusha (in May 1979 and January 1980) have failed to result in the re-opening of their common border, or in the re-establishment of direct air links between Nairobi and Dar es Salaam. Zambia's dependence on Tanzania for access to the sea (particularly on port facilities at Dar es Salaam) may be reduced as a result of the political settlement in Zimbabwe-Rhodesia.



5. The last 15 months, however, have been dominated by Tanzania's military intervention in Uganda and her assistance to postwar reconstruction there. There has been some speculation that Tanzania will benefit from its new strength in the region and a restored alliance with a former partner in the East African Community; however, our preliminary judgement is that such gains are likely to be minimal. (Indeed, if Uganda seeks Tanzanian cooperation in opening up new routes to ports on the Indian Ocean, the costs of this new alliance may prove as great as those previously incurred in keeping a hostile neighbor at bay.) Furthermore, the costs of the war effort were sustained at the worst possible moment for Tanzania, as they aggravated an already strained external payments position and precipitated the country's first serious arrears since Independence. The war has also exacted an incalculable cost on the country's development effort by diverting manpower, funds and official attention away from pressing domestic purposes - but Bank-supported projects have so far not been badly affected.

6. The Tanzanians expected the international community to extend special financial assistance to them in the immediate aftermath of the war, but balance of payments support has been slow to materialize -- even from traditionally generous bilateral donors -- and substantial relief depended on an agreement with the IMF and the negotiation of a program credit with the Bank Group. These circumstances have deeply disappointed the Tanzanians and have made them more sensitive than ever about outside judgments and advice. In this light, the abrupt conclusion of the last IMF mission and the resignation of the Minister of Finance (Mr. Mtei) in November 1979 were almost inevitable.

7. The main political and analytical challenge ahead -- for Tanzania and for us -- is to separate the economic consequences of the war from the underlying weaknesses in the economy which must be addressed in any national recovery program.



## East African Community (EAC)

### Mediation

Following the failure of the Partner States in mid-1977 to agree on the EAC General Fund Services (GFS) budget and the withdrawal of Kenya and Uganda from the EAC Headquarters in Arusha, the Bank assisted the three Governments in appointing Dr. Victor Umbricht as the mediator to assist them in reaching an equitable settlement. The Mediator and related services are being financed by UNDP and proceeds from the Third East African Railways Project (674-EA). The Mediation exercise which started in February 1978 is now nearing completion and the Mediator is expected to present his draft proposals for a permanent and equitable division of the assets and liabilities of the EAC Corporations and General Fund Services by the Spring of 1980. The Mediation exercise has experienced difficulties in the fact-finding process because of long delays in submission of required information from the various sources. These delays have also caused an upward revision of the budget for the whole exercise. Although according to the Mediator's latest report, some gaps in the information still exist, especially in respect to the railway sector and the accounts of the GFS, he has indicated that he has adequate information in hand to proceed and to frame equitable and fair mediation proposals. To date, the Mediator has succeeded in obtaining ministerial agreement to proposed amendments of the East African Development Bank (EADB) Charter and the Treaty amending and re-enacting the Charter. It now remains for the Three Governments to, as soon as they are constitutionally ready, sign the documents.

### Debt Service Payments

The Partner States are meeting, with occasional minor delays, their obligations towards the Bank in accordance with the May 1976 agreement (among the Partner States) which established the share of each Partner State of the external debt obligations of three EAC Corporations.

### EAC-Related Projects in Tanzania

Since the de facto breakup of the Community, the Bank has approved the Dar es Salaam Port Engineering Project (IDA US\$ 2.5 million, Credit No. S-24-TA, approved December 27, 1979). This was the first Project designed to provide assistance to a Tanzanian National Corporation established to take the place of one of the former East African Community Corporations. The proceeds of the credit would be onlent to the Tanzanian Harbor Authority. The Bank Group is currently processing a Harbor Project for FY82.





OFFICE OF THE  
MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

CABLE ADDRESS  
INTERFUND

Mr. DeNawana

JAN. 7/80

MEMORANDUM FOR FILES

Subject: Visit of the Ambassador of Tanzania

The Ambassador called on the Managing Director on Friday, January 4, 1980 to voice the concern of the President of Tanzania about the Fund's attitude to his country. The Deputy Managing Director, Mr. Mogae, Mr. Zulu and Mr. Watson were present.

The Ambassador began by questioning why the mission should have sought a meeting with the President at a point when the country's problems were still being explored and irreconcilable issues had not yet been identified. He continued that the demeanour of the Fund mission, when presenting what they had themselves termed a "sermon" to the President, had given offence as both paternalistic and condescending. The mission's attitude had given rise to two unpleasant reflections.

a) It appeared that the Fund had certain false and pre-conceived ideas about the actual and intended policies of the Tanzanian authorities, and assumed that the President himself was either ignorant or ill-advised.

b) It seemed that the Fund did not take into account the serious austerity measures which the Tanzanian authorities had taken since the drought in 1975. Any expansion in Government expenditure had reflected essential development and social needs rather than unjustifiable wastage. The Government had made cuts in expenditure which had entailed the dismissal of over 10,000 of its employees--a very serious step with considerable potential political dangers--and Government salaries had been held static since 1975, notwithstanding a very large rise in prices. At the beginning of 1979, at the height of the military commitment in Uganda, the currency had been devalued by 10 per cent on the advice of the Fund, a measure which had not been obligatory as a condition of Executive Board approval, and which seemed to have been of questionable value. Since 1975 imports had been subject to restrictions, except for one brief period when, also on the advice of the Fund, they had been de-restricted. The mission's "sermon" failed to recognize the effect of these economic measures on the people of Tanzania.

The authorities' suspicions of the Fund's intentions had been increased when a Scandinavian bank, with a mandate to assemble short-term financing for Tanzania, had written to the Government stating that it was not going ahead with this. The bank had cited as a reason remarks by Mr. Karlstroem to the effect that Tanzania's problems



were of a long-term nature, and that the granting of short-term credits should be discouraged until effective longer-term measures had been taken. Mr. Karlstroem had confirmed this. The Tanzanian authorities felt that the material effect of Mr. Karlstroem's conversations, whatever he had divulged and to whichever banks, had been to impose a blockade on incoming commercial loans. The Ambassador enquired whether this action was in line with Fund policy. The authorities were at a loss in seeking any justification for the Fund's discouragement of the banks: it represented interference in the affairs of the state and an infringement of sovereignty which was all the less defensible as Tanzania's debt service ratio was, at 5.7 per cent, one of the lowest. It was clear to the authorities that, whatever correctives of a structural nature were required in the medium- or long-term, large short-term inflows were necessary and should not be discouraged; yet the country was unable to borrow solely on account of hints by the Fund that Tanzania was not creditworthy.

In conclusion, the Ambassador said that, given these events, it would not be far-fetched to imagine that issues of ideology were concerned, and that the Fund had been involved in pulling strings to the detriment of his country on account of the internal policies to which it was committed. To add insult to injury it was understood that the Managing Director had cancelled a visit to Tanzania which had been planned as part of his forthcoming trip to Africa. In the absence of any intervention by the Managing Director it must be concluded that the blessing of the Fund as an institution was given to the regrettable attitude of the mission to Tanzania. In view of the situation he had outlined, including the short-term borrowing position, urgent action to rectify the situation was now required.

The Managing Director thanked the Ambassador for his frankness and said that he intended to reply with equal candor. Firstly, it must be clear that the Fund had in no way pulled strings to damage Tanzania or its economy. The vocation of the Fund was to try to help its member countries; if he as Managing Director were to pull strings in this way he would not be an international civil servant and he would be disregarding his mission at the Fund. In consequence, he must reject totally this allegation. Secondly, there was the question of the attitude of the Fund mission in their meeting with the Tanzanian President. He was not sure whether the timing of their request was in itself objectionable or not. However, if the mission had presented the problems of the economy to the President in a way which was not balanced and which failed to recognize the genuine efforts of the authorities to deal with the country's economic difficulties, or if the demeanour of the staff members had not been fitting in addressing the highest authority in the state, he could express his profound regret. Indeed, the very fact that things had come to a point where the Ambassador felt obliged to inform him that the mission had been perceived as paternalistic and condescending by the Head of State was enough for him to recognize that the mission's task had not been well done. He was ready to restate, in whatever manner seemed appropriate, the true attitude of the Fund to the efforts of the Tanzanian authorities. The Ambassador's third point concerned the possible action of one of the members of the mission to discourage banks from providing short-term funds to Tanzania. Such action was certainly not in accordance with the Fund's practice. It was quite often the case that a mission failed to reach agreement with a country on a stand-by, and the



mission would then be asked questions by private bankers. The correct response was that it had not been possible to reach agreement. The Fund staff would never advise banks against lending to a country; this was a point the banks must decide for themselves. If this principle had been breached, the Managing Director was extremely concerned. Of course, at times banks might be happy to hide behind statements implying that they were withholding the loans because of alleged guidance from the Fund, when in fact they were forming their own commercial judgement. In the present instance he would try urgently to establish whether Mr. Karlstroem's statements had simply amounted to information that no agreement on long-term measures had been reached, or whether he had actually discouraged banks from lending short-term money. This question would be the subject of an enquiry, but it could not be completed until after Mr. Karlstroem's return early in the week beginning January 7.

In more general terms, the Managing Director emphasized to the Ambassador that it would be completely wrong to believe that the Fund or he himself was prejudiced against the Tanzanian Government on ideological grounds. He could say with candor that he was totally untied to any ideology. The Fund could deal entirely satisfactorily with economies which were centrally planned or with capitalist economies. In either case the nature of the required adjustment had to be identified and the possible methods to deal with it were studied and agreed with the authorities.


Finally, the Managing Director told the Ambassador that he had certainly not cancelled a visit to Tanzania. He had examined the possibility of visiting a number of countries in Africa other than those he would in fact be passing through; with great reluctance he had been obliged not to include Tanzania, amongst others, on his schedule, for the purely practical reason that he could be away for about two weeks only. There was no ill-feeling on his part, and there could be no question of "adding insult to injury". Any concern on this score was absolutely unfounded. The urgent question in his mind, by contrast, was how to resume contact with the President and the Tanzanian Authorities. While he himself could not come to Tanzania he could send a personal message to the President, via the Ambassador, as soon as his enquiry was finished. He could then ask Mr. Zulu to follow this up and to prepare for a resumption of discussions on a program.

The Ambassador assured the Managing Director that there was nothing personal in the points he had raised. Indeed, knowing the Managing Director's reputation and attitudes, he was very surprised and confused by the regrettable way events had developed. He agreed that the urgent task was to clear up the present question quickly. To this end he would be happy to carry a personal message from the Managing Director to the President, which might serve to allay feelings in the country that the present difficulties with the Fund were part of a wider political problem.

The Managing Director thanked the Ambassador and noted that he would like to depart for Tanzania on January 14.

cc: The Managing Director  
The Deputy Managing Director  
Mr. Mogae  
Mr. Zulu  
The Secretary

C. M. Watson  
Personal Assistant





## Agriculture Sector Brief.

### Agriculture's Role:

Agriculture's key role in Tanzania's economy is well known. Nearly half its GDP originates in agriculture and as much as 80% of export earnings are derived from agriculture; about 90% of the population is engaged in agricultural or related activities. As smallholder production dominates the sector, smallholder agricultural development is critical to achieving (i) broadbased employment and income generation, (ii) export performance, and (iii) domestic food self-sufficiency.

### Recent Agricultural Performance:

Production and marketings of major staples, i.e. maize, cassava and millets, have increased significantly since the 1973-74 food crisis (data, especially on subsistence crops, are too unreliable to draw any firm conclusions about levels or rates of growth); self-sufficiency is now achieved in maize. However, Tanzania is still dependent on imports of wheat and rice for half of its urban requirements. Over the same period the production and export of most of the major export crops has been either stagnant or declining.

### Agricultural Policy, Planning and Implementation:

Reflecting its commitment to smallholder development, Tanzania has taken a large number of major policy and organizational initiatives in the rural sector during the last decade. These include a nationwide villagization movement, introduction of cooperative and later block farming, decentralization of administration, abolition of service cooperatives and their replacement by semi-autonomous parastatals for provision of agricultural services and marketing of output, and more recently the creation of "village managers", many of whom come from the ranks of the extension service. In addition, the Government has pursued an aggressive producer pricing policy for food crops since the drought of 1973/74 and rural credit is being made available more extensively.

The improved performance of subsistence foodcrop production since 1975-76 is partly a result of some of these policy initiatives, in particular the more attractive producer prices and the greater availability of fertilizer through more liberal credit and input delivery. But subsistence crop production has also been aided by climatic factors (three successive years of above average rainfall since 1975-76) and sociopolitical factors (the settling down of people in villages since the middle of 1975 and the abandonment by the government of the haphazard effort to introduce cooperative cultivation, an effort which received strong resistance from the smallholder.

However, it is now our view that much of the increase in the subsistence foodcrop production is not a result of overall increase in



smallholder productivity, but rather an indication of the diversion of productive resources by smallholders away from the traditional export crops. While the relative decline in export crop prices, vis-a-vis food prices, is one element in the export crop decline, it is also becoming increasingly evident that some of the policy initiatives noted above are not conducive to increasing overall smallholder productivity in the long term. Hasty villagization without survey of resources has led to movement of people away from their existing productive land, and cashew, coconut and fuelwood trees (critical in tea and pyrethrum processing), partly explaining the decline in the production of traditional export crops. The proliferation of public sector parastatals (there are some 70 of these in the agriculture sector alone--a too rapid growth which has resulted in a thin spreading of manpower and financial resources and has produced benefits which are not commensurate with the investments made in them) combined with the discouragement of the private sector (prompted by ideological reasons) and the abolition of service cooperatives (caused by concern for equity) have made input delivery and output purchases highly unreliable and costly, reducing the smallholder's incentive to produce for the market. In addition, abolition of the private trading sector has drastically reduced the availability of consumer goods and services in rural areas, further affecting incentives to increase incomes. Finally the village manager initiative and the decentralization has undermined the effectiveness of the extension system by taking away its control and supervision from technicians in the Ministry of Agriculture.

The emphasis on the fact that our judgment is based on the long term impact of these policies is critical, for in developing and implementing these measures, the Government openly expressed its willingness to accept short term costs in order to provide a framework for long term development.\* If this judgment is correct, it is the inevitable conclusion that some of these policies are going to have to be reconsidered if a proper base is to be established for increasing smallholder agricultural production. Our response to this situation has been threefold: first, in the course of our project work we have been focusing on particular policy or implementation constraints with a view to improving the broader environment; second, we have tried to create capacity within Tanzania to address these issues by training Tanzanians and by supporting work of agencies that have responsibility for policy/planning/implementation advice; and third, we have initiated sector work in critical areas such as production incentives and parastatal efficiency.

We are, however, realizing that this effort is not enough to address the vicious circle created by three fundamental problems.

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\*It should be noted that we would agree that the "long term benefits" argument does apply to some of the policy initiatives. For example, we accept that in the long run the administration decentralization has considerable potential to allow planning and implementation to be more responsive to highly diverse local constraints and needs. However, in the short run, it has exacerbated the problems of coordination and rational allocation of resources by spreading the limited administrative manpower very thinly between regions and central ministries. The consequence has been overambitious plans, poor matching of resources and problems in implementation.



The first problem is the reluctance of the professional cadre in Tanzania to question and analyze some of the policy initiatives; as a result within Tanzania there is not a systemic examination or monitoring of policy initiatives after they are proposed and implemented. Second, there is a related problem in the lack of capacity in the Ministry of Agriculture and the Prime Minister's Office to systemically formulate and implement an effective agricultural production strategy. Both ministries are poorly staffed and the emphasis on operational responsibilities leaves little time for policy/strategy work. As a result a policy vacuum has been created and initiatives by the Party or the President have often been the only force behind policy decisions. Finally, there is the issue of the Government officials' and politicians' responses to the decline in export production in view of the emphasis they feel has been placed on increasing smallholder production over the past decade. Not surprisingly, but somewhat paradoxically, their responses have been: (i) to conclude that smallholders are not responsive to incentives and that therefore there is limited scope for increasing smallholder productivity; (ii) to turn to subtle or overt forms of compulsion in dealing with smallholders--through imposition of strict production or input use targets and husbandry practices; and finally (iii) to view investments in large scale mechanized state farm as the appropriate means of increasing production.

After considering how to approach these problems at length we are now proposing a two-phase approach to begin to address them. First, in order to test our judgments on the various policy initiatives and their long term effectiveness, we would propose that a mission consisting of some of the leading experts in the field of agricultural development be mounted to review the present agricultural strategy of the Government. The aim of the mission would be to critically assess the various policy initiatives, estimating likely long term benefits and ensuring their consistency with an appropriate overall agricultural development strategy. The results of the mission would then be reviewed with policy makers in Tanzania to provide a basis for the Government and ourselves to reappraise and reassess those actions where a consensus is reached on the need for review. Tanzania's reputation would not only make attracting the best manpower for such an effort possible, it makes it critical that such a major initiative be taken to increase effectiveness of our current projects and to expand Tanzania's future absorptive capacity in the field of agriculture.

Second, we would propose the creation of a professional policy making body within the Ministry of Agriculture to improve formulation of overall agricultural strategy. While Tanzanians could be trained to staff this unit eventually, in the immediate future it might have to be staffed partly by expatriates. The aim of this unit would be to ensure that the future policy proposals are properly reviewed before implementation and that policy changes are monitored after implementation.

This strategy has not been discussed with the Government. We are proposing to begin to address these issues within the framework of the program



credit negotiations. However, it must be emphasized that we do not anticipate reviewing or redirecting basic Tanzania objectives (socialism, villagization, etc.), rather we are concerned about the need for improvement in the agricultural policy framework, particularly in respect to the smallholder, in order to achieve these objectives. Unless we are able to achieve a meaningful dialogue on these basic matters, which has so far been resisted by Tanzania--and which we have not pressed because the subject matter is considered politically highly sensitive--the Bank Group will need to reconsider whether it is justified in expanding the very large ongoing lending program in agriculture.



the late sixties, however, expansion of transport infrastructure had been largely directed towards providing neighboring landlocked Zambia access to the Dar es Salaam port. During this period, the Tanzania-Zambia (TANZAM) Highway, the Tanzania-Zambia oil pipeline and TAZARA were completed and Dar es Salaam port underwent a major expansion. With the completion of these Zambia-linked investments, the Government is now focusing on Tanzania's domestic transport problems. Accordingly, it is placing high priority on rehabilitating the road network particularly in rural areas and on improving and rehabilitating the transport systems formerly under EAC control. A major emphasis in the Third Five-Year Plan (FY77-81) is on maintenance and rehabilitation to protect previous investments and to reduce waste and loss of production caused by impassable and rough roads. This is also the focus of the ongoing Highway Maintenance Project (Credit No. 507-TA). Most of the externally financed regional rural development projects and agricultural projects also include relevant road improvement/rehabilitation components. The situation with regard to the national corporations which assumed responsibility for the former EAC Corporations is reviewed above (paras. 22-24). The Government has requested the Bank Group to finance a harbours project to expand and improve the Dar es Salaam port facilities (para. 16), the Canadian Government has agreed to provide substantial financial assistance to the railways system and significant investments are being made in the new national airline.

#### Transport Planning

26. The Ministry of Communications and Transport (MCT) is responsible for planning investments in all transport modes except the highways, which are the responsibility of the Ministry of Works (MOW). Transport investment programs are prepared by MCT, MOW and the Regions (under the guidance of the Prime Minister's Office) and reviewed by the Ministry of Finance. Transport planning capability is weak in both ministries and inadequate data hampers meaningful planning. To address this problem, MCT and MOW's planning units are being expanded and strengthened with bilateral assistance. In addition, with assistance from SIDA, MCT is planning on carrying out a National Transport Study covering all modes of transport.

#### The Highway Subsector

27. The road network in Tanzania totals about 45,000 km. The trunk road system of some 9,300 km links the country's 20 regional capitals and connects Tanzania with neighboring countries. Twenty-nine percent of the trunk roads are bitumen surfaced, mostly in fair condition, with relatively high traffic volumes averaging 350 vehicles per day (vpd) but ranging as high as 1,400 vpd. These roads carry about 75% of the total annual traffic flow on the trunk road system. The rest of the trunk road system consists of gravel or earth roads mostly in poor condition. Traffic volumes on these roads average 55 vpd while the most heavily trafficked 4% carry between 150 to 200 vpd. The secondary road system (7,694 km) links other centers of economic activity with the trunk road network and regional and district roads (27,990 km) form the tertiary system.



28. In 1973, the Government decentralized responsibility for secondary, district and regional roads by making regional authorities responsible for their planning, construction and maintenance, leaving MOW responsible for the planning, construction and maintenance of trunk roads. However, shortages of qualified staff, lack of equipment and workshop facilities and lack of funds have adversely affected both MOW and the regional administrations. As a result, with the exception of the bitumen roads, the road network is in poor condition. A special problem has emerged in regard to the maintenance of the trunk roads. Although MOW has overall responsibility and is allocated funds for this purpose, actual works are carried out by work crews under the regional administrations: this has led to some diversion of MOW equipment to other uses. To overcome this problem MOW has posted its engineers in some regions to oversee trunk road maintenance work; this has been successful in substantially reducing the diversion of equipment. Under the proposed project the Government agreed that by March 31, 1979 it will adopt a management system which would enable MOW to exercise full authority and control over trunk road maintenance programs and equipment and thereafter would develop a program, in consultation with the Association, to implement this management system (Section 3.05 of the draft Development Credit Agreement).

29. Total annual recurrent expenditures on trunk roads have increased significantly in recent years. During the period 1973/74 to 1975/76 trunk road recurrent expenditures stabilized at about TSh35 million per annum which were inadequate to meet maintenance needs. At that time, the Government concentrated its financial resources on the productive sectors (agriculture and industry) because of the drought and shortage of foreign exchange. Since then, however, budgetary allocations and expenditures for roads have increased to reasonable levels. In 1976/77 recurrent expenditures on trunk roads increased to TSh104 million and in 1977/78 reached about TSh112 million. This level of expenditures is expected to be maintained and further augmented as traffic growth from expanded economic development increases the need for maintenance. Government policy is to maintain an adequate level of expenditures for road maintenance and it has been agreed that it will progressively apply and continue to apply its improved road maintenance capacity to its trunk road system in accordance with sound engineering and financial practices (Section 4.05 of the draft Development Credit Agreement). The Association expects to review annually with the Government the sufficiency of the funds allocated for road maintenance.

30. Annual traffic growth in Tanzania during the past five years has been estimated at only 2 to 5%, which is much below the annual rate of 7 to 8% prevailing in other Eastern African countries. This low growth rate is attributed to the villagization program, reduced agricultural production due to the severe droughts in the early seventies, restrictions on vehicle imports to conserve foreign exchange and incomplete traffic counts. However, this situation is changing as the Government has relaxed the restrictions on importation of vehicles and spare parts, and as the Government's policy of increasing agricultural production is now showing some results. Until 1974, MCT undertook regular traffic counts for the entire trunk road system. Due to budgetary limits and administrative constraints, traffic counts are now undertaken only sporadically or on an ad hoc basis. However, in the future, it has been agreed that regular and systematic traffic counts on the trunk road network will be made (Section 4.04 of the draft Development Credit Agreement).



Bank Group Strategy and Experience in the Highway Sector

31. The Bank's strategy in the highway sector is to support Government programs which are designed to lower transport cost by improving road rehabilitation and maintenance. In addition, the Bank supports the Government's long-term objective of developing an organization capable of executing the necessary maintenance operations through on-the-job and formal training of Tanzanian maintenance staff.

32. Four highway projects have been financed by the Bank Group with loans and credits totalling US\$56.2 million. The First Highway Project (Credit No. 48-TA) in 1964 was supplemented by Credit No. 115-TA in 1968. These two credits financed construction of a total of 860 km of roads. The Second Highway Project (Credit No. 142-TA and Loan No. 586-TA) assisted in the construction of the TANZAM Highway and was successfully completed in 1972. A Third Project (Credit No. 265-TA) focuses on road construction in southern Tanzania and betterment of feeder roads and a fourth, the Highway Maintenance Project (Credit No. 507-TA) is aimed at improving road maintenance--both are still in progress. A Trucking Industry Rehabilitation and Improvement Project (Credit No. 743-TA) was approved in October 1977 mainly to assist the Government in the development of five public trucking companies and the associated technical training. In addition, a number of rural development and agricultural projects include road construction components.

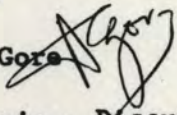
33. Two major difficulties have arisen in previous highway projects. The most critical has been cost overruns: the First Project required a supplemental credit and in the Third Project, African Development Bank agreed to finance part of the original project in order to complete it in its entirety. The other difficulty has been with the availability and effectiveness of the technical assistance provided for under the projects. The Project Audit Report on the First Highway Project highlighted the delay in recruiting technical assistance as a cause of the implementation problems and concluded that the training component intended to improve Tanzania's highway administration was not effectively implemented. These problems as well as a shortage of local staff and a severe shortage of housing for expatriates have been handicapping the implementation of the ongoing Highway Maintenance Project. However, that project, after a slow start, is now improving. With the delivery of most of the equipment and arrival of expatriate technical advisors in 1977, maintenance of the trunk road system in the project area is increasing in quantity and improving in quality. As the proposed project depends heavily on the success of the technical assistance and training, special efforts have been taken to deal with potential problems in these areas (paras. 38, 45, 48 and 49). In addition, the Government has agreed to review MOW's staffing to improve manpower allocation and utilization within MOW. The results and recommendations of this review, including an implementation schedule, shall be furnished to the Association for comments by March 31, 1979 (part D of Schedule 2 to the draft Development Credit Agreement).



## OFFICE MEMORANDUM

TO: Files

DATE: February 15, 1979

FROM: Anil Gore SUBJECT: Tanzania - Discussions With Mr. Sitta, Minister for Works

1. I met Minister Sitta on February 7 at his request, when he gave me his views on future development of roads network in Tanzania and how the Bank could assist this sector.
2. The Minister stated that the Government has launched a nation wide trunk-road-maintenance program under the Bank financed 4th and the 5th Highways Projects. It is however clear that maintenance of the trunk roads alone would not meet the roads network requirement in the country during 1980s. The Ministry of Works (MOW) therefore, has begun to formulate a comprehensive program for trunk road construction/development for implementation during the fourth five-year plan (beginning 1981).
3. With a view to secure financing for major elements of this program, the Government has formally/informally approached: (i) FRG for Dodoma-Tabora-Shinyanga road; (ii) the Sweden for western half of the Lake Circuit road (EEC program for the eastern part of the Lake Circuit road is being implemented; (iii) Canada for Oldiani-Shinyanga road; (iv) the British for Songea-Masasi road (the British have already agreed to finance Makumbako-Songea road) and Japan for coastal road linking Kibiti with Lindi. The Minister then asked whether the Bank would be interested in financing construction of the Arusha-Dodoma-Iringa road. He stated that the Arusha-Dodoma-Iringa road is currently of a gravel standard and is impassable in many places during the rainy season. The Bank assistance would help upgrade the road to an all weather bitumen standard. The link is estimated to be about 500 kms.
4. The Minister argued that although no techno-economic feasibility study has been carried out, the proposed road could be justified on several considerations including, first, it would connect the northern and southern high potential agricultural areas with the low potential central regions of the country; second, it would provide additional all weather link between the northern and southern urban areas and the new capital at Dodoma. Currently, the movement of people and goods between northern, southern and central regions have to be routed via Dar es Salaam, which involves movement over considerably longer distances, at higher cost and through congested facilities in Dar es Salaam (the only effective transshipment point). Finally, the proposed link would form part of the so-called Cairo to Cape Eastern Africa road network in which ECA has expressed some interest.
5. I told the Minister that the Bank has a long standing association with the roads sector (both construction and maintenance) in Tanzania and would continue to do so in future where it could be justified with in the overall investment priorities and more narrowly the transport sector priorities in the country. It is important that Treasury is kept fully informed on MOW plans. I also said that, within this overall framework, the Bank proposes to keenly follow up on the proposed SIDA financed nation-wide transport study, which would hopefully help the Government determine investment priorities and timing of not only major road links but also the entire transport sector. Further, future investment in roads sector would also have to address subsectoral needs including seconding and tertiary road network which appears to seriously affect movement



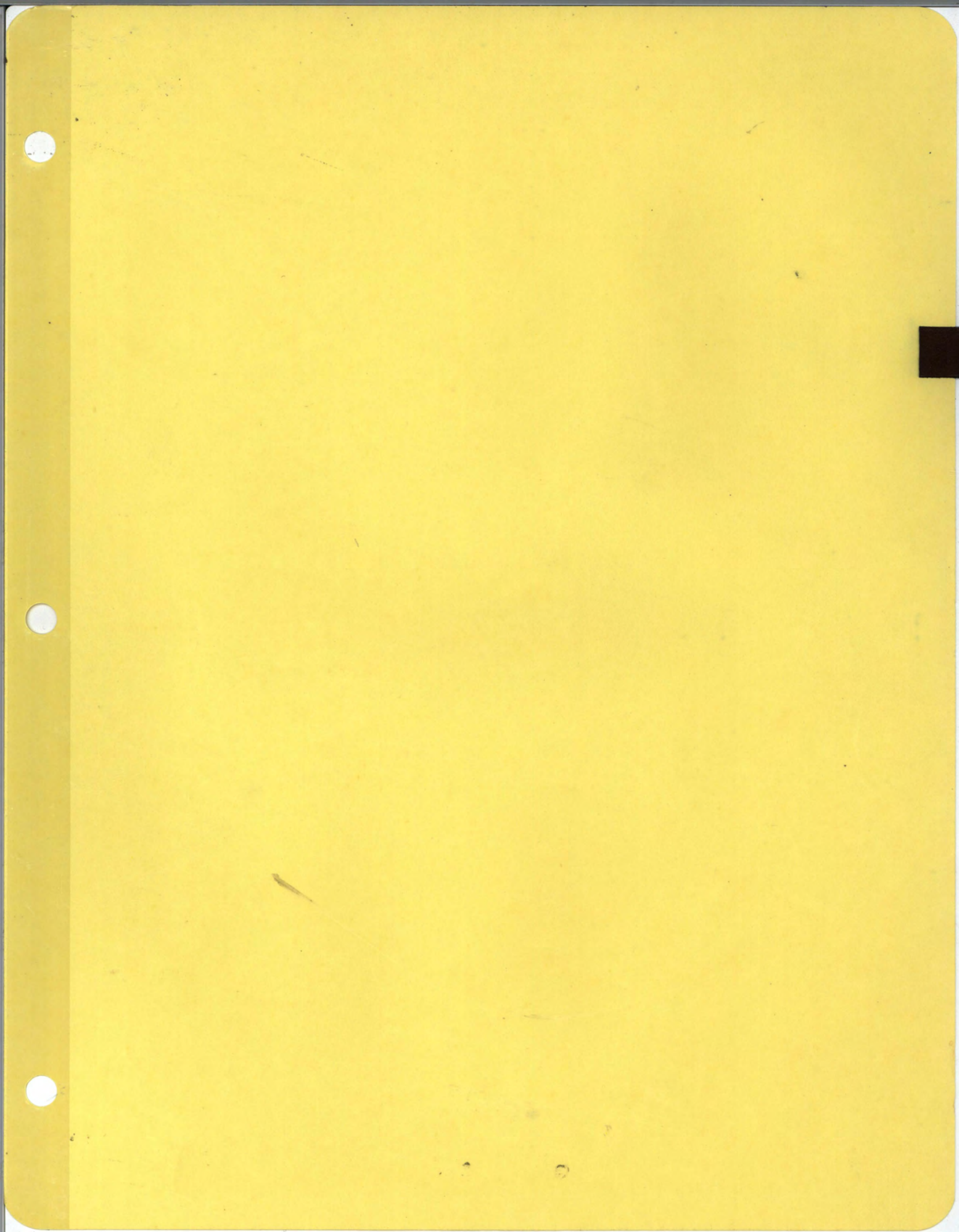
of goods and people in many regions.

6. We agreed to keep each other informed on this subject in future. Meanwhile, I told the Minister that Mr. Carapetis could also follow up on this subject during his February Mission.

CC Messrs. Wiehen, Sandberg, Adams/Ramadan  
Bronfman, Reid, Carapetis  
Eccles, Lele (Ms)

- AG/tds







BANK GROUP OPERATIONS IN TANZANIA

1. Tanzania joined the Bank, IDA and IFC in 1962. Beginning with an IDA credit for education in 1962, 30 IDA credits and 19 Bank loans, of which two on Third Window terms, amounting to US\$749.5 million have so far been approved for Tanzania. In addition, Tanzania has been a beneficiary of 10 loans totaling US\$244.8 million which have been extended for the development of the common services and development bank operated regionally by Tanzania, Kenya and Uganda through their association in the East African Community. IFC investments in Tanzania, totaling US\$4.7 million, were made to the Kilombero Sugar Company in 1960 and 1964. This Company encountered financial difficulties and in 1969 IFC and other investors sold their interest in the Company to the Government. A new IFC investment of US\$1.7 million in soap manufacturing in Mbeya was approved by the Executive Directors on June 8, 1978 and an investment of US\$1.5 million in metal products manufacturing was approved on May 10, 1979.

2. To support Tanzania's overall development strategy Bank Group lending operations are increasingly focusing on the rural sector and directly productive projects. While up to the end of FY1972 Bank Group operations were directed mainly to infrastructure, the overwhelming majority of the operations approved since FY73 have been for directly productive projects. Furthermore, a number of recent Bank Group supported infrastructure projects have been closely linked with specific productive activities. For example, the Urban Water Supply Project (Loan No. 1354-TA) approved in January 1976, will support the Industrial Complex in Morogoro (Loans No. 1385-T-TA and 1386-TA) and the Morogoro Textile Project (Loan No. 1607-TA and Credit No. 833-TA). Directly productive projects recently approved include the Second Cashewnut Development Project (Credit No. 801-TA), the Tobacco Handling Project (Credit No. 802-TA), the Mwanza/Shinyanga Rural Development Project (Credit No. 803-TA), the Mufindi Pulp and Paper Project (Loan No. 1650-TA and Credit No. 875-TA) and the Tanganyika Development Finance Company Limited (TDFL) Project (Loan No. 1745-TA). In addition, a Tourism Rehabilitation Project (Credit No. 860-TA), a Sixth Education Project (Credit No. 861-TA) and a Fifth Highway Project (Credit No. 876-TA) were approved by the Board in FY79. A fourth line of credit to the Tanzania Investment Bank (Loan No. 1750-TA) and the Dar es Salaam Port Engineering Project (Credit No. S-24-TA) were also approved on July 24 and December 27, 1979 respectively. Projects which have been appraised include a Second Urban Water Supply Project, a line of credit to the Tanzania Rural Development Bank (TRDB), a Pyrethrum Project, a Coconut Project, a Tea Processing Project, an Education Project, an Agricultural Services Project and a Foodgrain Storage and Milling Project. A rural development project in Mara, a small-scale industries project, an urban project, a harbours project, a railway project, a second technical assistance project and a petroleum exploration project are also under preparation.



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

4. As the Bank Group's lending program has expanded, increasing attention has been given to measures designed to improve project implementation. A course was conducted in Dar es Salaam in 1973 and again in 1978 on Bank Group procurement with the relevant Government officials. A special project implementation unit was set up in the Ministry of Agriculture and 11 Agricultural Development Services staff have been assigned to Bank Group financed projects in agriculture and rural development. The need to establish a close and continuous working level dialogue between responsible Tanzanian officials and Bank Group staff on implementation problems was one of the prime reasons for the expansion of the Resident Mission to two professionals in October 1976. In February 1977, a regular Government/Bank Group review of project implementation was established. Monthly discussions on Bank Group programs chaired by the Ministry of Finance and attended by Bank Group staff and officials from implementing agencies deal with individual problem projects and problems which are affecting project implementation across a number of sectors. As a result of these efforts, there has been a noticeable improvement in project implementation. Actions agreed to during the reviews have been completed relatively fast and coordination and communication between the Ministry of Finance and the various ministries and agencies responsible for project implementation has improved markedly.



5. The Government has become increasingly conscious of the importance of effective implementation. In addition to fully supporting the project implementation review system, the Ministry of Finance has set up a unit to oversee project performance. Furthermore, there have been more consistent responses to Bank suggestions and a willingness to openly discuss project problems raised by Bank staff. As a consequence, the disbursement records of Bank Group financed projects have improved somewhat over the last two years, and a recent analysis indicated that the Tanzanian disbursement performance is about equal to the Bank-wide average. While there is still a potential for further significant improvements, the Government is implementing its investment program, including Bank Group and other foreign aided projects, more effectively than in the past.



THE STATUS OF BANK GROUP OPERATIONS IN TANZANIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA  
AS OF NOVEMBER 30, 1979

No.	Year	Borrower	Purpose	(US\$ million)			
				Amount less cancellation			
				Bank 1/	TW	IDA 1/	Undisbursed
Five loans and thirteen credits fully disbursed				77.2		90.8	
287-TA	1972	Tanzania	Smallholder Tea			10.8	1.4
371-TA	1973	Tanzania	Fourth Education			10.3	1.8
382-TA	2/ 1973	Tanzania	Livestock			18.5	2.7
454-TA	1974	Tanzania	Cotton			17.5	10.0
460-TA	1974	Tanzania	Tanzania Investment Bank			6.0	0.4
1014-TA	1974	Tanzania	Cashewnut	21.0			3.2
495-TA	1974	Tanzania	Sites and Services			8.5	2.1
507-TA	1974	Tanzania	Highway Maintenance			10.2	3.1
508-TA	1974	Tanzania	Rural Development (Kigoma)			10.0	5.6
1041-TA	1974	Tanzania	Sugar	9.0			0.9
580-TA	1975	Tanzania	Dairy			10.0	6.2
1128-TA	1975	Tanzania	Textile	15.0			2.3
1172-TA	1975	TIB	Tanzania Investment Bank	15.0			1.5
601-TA	1976	Tanzania	Technical Assistance			6.0	3.1
606-TA	1976	Tanzania	National Maize Program			18.0	11.0
607-TA	1976	Tanzania	Fifth Education			11.0	7.3
1306T-TA	1976	Tanzania	Power		30.0		13.0
1307-TA	1976	Tanzania	Forestry	7.0			4.0
652-TA	1976	Tanzania	Fisheries			9.0	7.9
658-TA	1976	Tanzania	Tobacco Processing			8.0	1.5
1354-TA	1977	Tanzania	Urban Water Supply	15.0			11.1
1385T-TA	1977	Tanzania	Morogoro Industrial Complex		11.5		5.5
1386-TA	1977	Tanzania	Morogoro Industrial Complex	11.5			5.4
703-TA	3/ 1977	Tanzania	Rural Development (Tabora)			7.2	5.7
732-TA	1977	Tanzania	Second Sites and Services			12.0	11.6
743-TA	1977	Tanzania	Trucking			15.0	11.1
1498-TA	1977	TIB	Tanzania Investment Bank	15.0			8.9
801-TA	1978	Tanzania	Second Cashewnut			27.5	12.1
802-TA	1978	Tanzania	Tobacco Handling			14.0	13.8
803-TA	1978	Tanzania	Rural Dev. (Mwanza/Shinyanga)			12.0	11.2
1607-TA	1978	Tanzania	Morogoro Textile	25.0			24.9
833-TA	1978	Tanzania	Morogoro Textile			20.0	19.0
860-TA	1979	Tanzania	Tourism Rehabilitation			14.0	14.0
861-TA	1979	Tanzania	Sixth Education			12.0	12.0
875-TA	4/ 1979	Tanzania	Mufindi Pulp and Paper			30.0	30.0
1650-TA	4/ 1979	Tanzania	Mufindi Pulp and Paper	30.0			30.0
876-TA	4/ 1979	Tanzania	Fifth Highway			20.5	20.5
1745-TA	1979	TDFL	Tanganyika Development Finance Co., Ltd.	11.0			11.0
1750-TA	4/ 1979	TIB	Tanzania Investment Bank	25.0 <sup>5/</sup>			25.0
Total				276.7	41.5	428.8	371.8
of which has been repaid				7.7	-	7.6	
Total now outstanding				269.0	41.5	421.2	
Amount sold							0.1
of which has been repaid							0.1
Total now held by Bank and IDA 1/				269.0	41.5	421.2	
Total undisbursed				128.2	18.5	225.1	371.8

1/ Net of exchange adjustments.

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

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

4/ Not yet effective.

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



B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED  
BY KENYA, TANZANIA AND UGANDA AS OF NOVEMBER 30, 1979

Loan No.	Year	Borrower	Purpose	(US\$ million)	
				Amount (less cancellations) Bank 1/	Undisbursed
Five loans fully disbursed				93.4	
638-EA	1969	EAHC	Harbours	35.0	0.5
674-EA	1970	EARC	Railways	42.4	0.4
865-EA	1972	EAHC	Harbours	26.5	0.9
914-EA	1973	EAPTC	Telecommunications	32.5	1.8
1204-EA	1976	EADB	Development Finance	<u>15.0</u>	<u>5.9</u>
Total				244.8	9.5
of which has been repaid				<u>52.9</u>	
Total now outstanding				191.9	
Amount sold			24.4		
of which has been repaid			<u>24.4</u>	<u>0.0</u>	
Total now held by Bank 1/				<u>191.9</u>	
Total undisbursed				<u>9.5</u>	<u>9.5</u>

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1/ Net of exchange adjustments.



D. STATEMENT OF IFC INVESTMENT IN TANZANIA  
AS OF NOVEMBER 30, 1979

<u>Fiscal Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1960 and 1964	Kilombero Sugar Company	Food Processing	3.96	0.70	4.66
1978	Highland Soap and Allied Products Limited	Soap Manufacture	1.37	0.40	1.77
1979	Metal Products Limited	Household Utensils	<u>1.33</u>	<u>0.18</u>	<u>1.51</u>
	Total gross commitments		6.66	1.28	7.94
	Less cancellations, terminations, repayments and sales		<u>3.96</u>	<u>0.70</u>	<u>4.66</u>
	Total commitments now held by IFC		<u>2.70</u>	<u>0.58</u>	<u>3.28</u>
	Total Undisbursed		<u>2.70</u>	<u>0.58</u>	<u>3.28</u>



Past Lending to Tanzania  
(By Fiscal Year and in 5-Year Sub-Periods)

	<u>Project Name</u>	<u>US\$ Million</u>	
		<u>Bank</u>	<u>IDA</u>
<u>FY 1960-65</u>			
Cr. 45	School construction and equipment		4.6
Cr. 48	Highway		14.0
			<u>18.6</u>
<u>FY 1966-70</u>			
Cr. 80	Agricultural Credit		5.0
Ln. 518	Thermal Power	5.2	
Cr. 115	Highway (Supplementary)		2.6
Cr. 132	Beef-Ranching Development		1.3
Ln. 586/Cr. 142-1	Second Highway	7.0	8.0
Cr. 149	Second Education		5.0
Cr. 142-2	Second Highway (Supplementary)		7.5
		<u>12.2</u>	<u>29.4</u>
<u>FY 1971-75</u>			
Cr. 217	Flue-Cured Tobacco		9.0
Ln. 715-1	Kidatu Hydroelectric	30.0	
Cr. 232	Third Education		3.3
Cr. 265	Third Highway		6.5
Cr. 287	Smallholder Tea Development		10.8
Cr. 371	Fourth Education		10.3
Cr. 382	Second Livestock Development		18.5
Cr. 454	Geita Cotton		17.5
Cr. 460	Tanzania Investment Bank I		6.0
Ln. 715-2	Kidatu Hydroelectric (Supplementary)	5.0	
Ln. 1014	Cashewnut Development	21.0	
Cr. 495	National Sites and Services		8.5
Cr. 507	Highway Maintenance		10.2
Cr. 508	Kigoma Rural Development		10.0
Ln. 1063	Program Loan	30.0	
Ln. 1041/Cr. 513	Kilombero Sugar	9.0	9.0
		<u>95.0</u>	<u>119.6</u>
<u>FY 1976-79</u>			
Cr. 580	Dairy Development		10.0
Ln. 1128	Mwanza Textile	15.0	
Ln. 1172	Tanzania Investment Bank II	15.0	
Cr. 601	Technical Assistance		6.0
Cr. 606	National Maize		18.0
Cr. 607	Fifth Education		11.0
Ln. 1306T	Kidatu Hydroelectric II	30.0	
Cr. 652	Fisheries Development		9.0
Ln. 1307	Sao Hill Forestry	7.0	
Cr. 658	Tobacco Processing		8.0
Ln. 1354	Urban Water Supply	15.0	
Cr. 688	Program Credit		15.0
Ln. 1385T	Morogoro Industrial Complex	11.5	
Ln. 1386	Morogoro Industrial Complex	11.5	
Cr. 703	Tabora Rural Development		7.2



		<u>US\$ Million</u>	
		<u>Bank</u>	<u>IDA</u>
	<u>Project Name</u>		
Cr. 732	Second National Sites and Services		12.0
Cr. 743	Trucking Industry Rehabilitation and Improvement		15.0
Ln. 1498	Tanzania Investment Bank III	15.0	
Cr. 801	Second Cashewnut Development		27.5
Cr. 802	Tobacco Handling		14.0
Cr. 803	Mwanza/Shinyanga Rural Development		12.0
Ln. 1607/Cr. 833	Morogoro Textile	25.0	20.0
Cr. 860	Tourism Rehabilitation		14.0
Cr. 861	Sixth Education		12.0
Ln. 1650/Cr. 875	Mufindi Pulp and Paper	30.0	30.0
Cr. 876	Fifth Highway		20.5
Ln. 1745	Tanganyika Development Finance Company, Ltd.	11.0	
		<u>186.0</u>	<u>261.2</u>
	TOTAL	<u>293.2</u>	<u>428.8</u>



TANZANIAPROJECTS IN EXECUTIONAS OF NOVEMBER 30, 1979

There are currently 37 projects under execution in Tanzania. These notes are arranged by sector in the following order:

<u>PROJECTS</u>	<u>PAGE</u>
<u>Agricultural Sector</u>	
Smallholder Tea Project (Credit 287-TA)-----	1
Second Livestock Development Project (Credit 382-TA)-----	1
Geita Cotton Project (Credit 454-TA)-----	2
Cashewnut Development Project (Loan 1014-TA)-----	2
Kigoma Rural Development Project (Credit 508-TA)-----	3
Kilombero Sugar Development Project (Loan 1041-TA/Credit 513-TA)-----	3
Fisheries Development Project (Credit 652-TA)-----	3
National Maize Project (Credit 606-TA)-----	4
Dairy Development Project (Credit 580-TA)-----	4
Sao Hill Forestry Project (Loan 1307-TA)-----	4
Tobacco Processing Project (Credit 658-TA)-----	5
Tabora Rural Development Project (Credit 703-TA/CIDA Credit 703-TA-5)-----	5
Second Cashewnut Development Project (Credit 801-TA)-----	5
Tobacco Handling Project (Credit 802-TA)-----	5
Mwanza/Shinyanga Rural Development Project (Credit 803-TA)-----	6
<u>Education Sector</u>	
Fourth Education Project (Credit 371-TA)-----	6
Fifth Education Project (Credit 607-TA)-----	6
Sixth Education Project (Credit 861-TA)-----	7
<u>Tourism Sector</u>	
Tourism Rehabilitation Project (Credit 806-TA)-----	7
<u>Transportation Sector</u>	
Highway Maintenance Project (Credit 507-TA)-----	7
Trucking Industry Rehabilitation and Improvement Project (Credit 743-TA)-----	7
Fifth Highway Project (Credit 876-TA)-----	8
Dar es Salaam Port Engineering Project (Credit S-24-TA)-----	8
<u>Urban Sector</u>	
National Sites and Services Project (Credit 495-TA)-----	8
Second National Sites and Services Project (Credit 732-TA)-----	8



<u>PROJECTS</u>	<u>PAGE</u>
<u>Water Supply Sector</u>	
Urban Water Supply Project (Loan 1354-TA) -----	9
<u>Power Sector</u>	
Kidatu Hydroelectric Project - Phase II (Loan 1306-TA)-----	9
<u>Industrial Sector</u>	
Tanzania Investment Bank Project (Credit 460-TA) -----	10
Tanzania Investment Bank Project - II (Loan 1172-TA)-----	10
Tanzania Investment Bank Project - III (Loan 1498-TA)-----	10
Tanzania Investment Bank Project - IV (Loan 1750-TA) -----	10
Mwanza Textile Project (Loan 1128-TA)-----	10
Technical Assistance Project I (Credit 601-TA)-----	11
Morogoro Industrial Complex Project (Loans 1385-T-TA/1386-TA)-----	11
Morogoro Textile Project (Loan 1607-TA/Credit 833-TA)-----	11
Mufindi Pulp and Paper Project (Loan 1650/Credit 875-TA)-----	11
Tanganyika Development Finance Company Ltd. Project (Loan 1745-TA)-----	11



PROJECTS IN EXECUTION  
(AS OF NOVEMBER 30, 1979)

AGRICULTURAL SECTOR

Credit No. 287-TA - Smallholder Tea Project: US\$10.8 million  
Credit of March 3, 1972; Date of Effectiveness - July 26,  
1972; Closing Date - December 31, 1979

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

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

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



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

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

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

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

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



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

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

Credit No. 513-TA and Loan No. 1041-TA - Kilombero Sugar Development Project: US\$9.0 million Credit and US\$9.0 million Loan of September 27, 1974; Date of Effectiveness - February 14, 1975; Closing Date - December 31, 1979

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

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

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



**Credit No. 606-TA - National Maize Project: US\$18.0 million**  
**Credit of January 29, 1976; Date of Effectiveness - May 28,**  
**1976; Closing Date - June 30, 1980**

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

#### EDUCATION SECTOR

Credit No. 371-TA - Fourth Education Project: US\$10.3  
million Credit of April 13, 1973; Date of Effectiveness -  
July 2, 1973; Closing Date - December 31, 1979

Physical implementation, particularly the execution of civil works, has improved considerably and overall completion of the project has reached 95%. However, to allow sufficient time for completion, the Closing Date has been postponed by 18 months to December 31, 1979, but would still require an additional 6 months. Total project cost is now estimated at about TSh. 109 million, an increase of approximately 5% over the appraisal estimate of TSh. 104 million. The Government does not foresee any financial problem in providing the required additional funds. Three Community Education Centers out of eight have started operating programs for village development, education and training for youth and adults. The two Vocational Training Centers are in operation at almost full capacity. The technical assistance and fellowship programs are approaching completion and matching funds disbursed. Savings under the technical assistance and fellowship component of the project are estimated at approximately US\$1.3 million.

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

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



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

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

#### TOURISM SECTOR

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

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

#### TRANSPORTATION SECTOR

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

After a slow start, project implementation improved. Seventeen of the 22 local staff positions are filled and virtually all expatriate experts will have local counterparts to train. All equipment procured through ICB have been delivered. Rehabilitation, regravelling and routine maintenance activities have improved in both quality and quantity. However, it is necessary to recast the project by amending its scope to address the problems which have been encountered in implementing the project; these changes will bring the project in line with the Fifth Highway Project. The Closing Date has been postponed to December 31, 1980 to allow for completion of the project and the disbursement. The technical assistance contract with the consulting firm "ORT" has expired and the Government is now recruiting individual experts to complete the project.

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

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



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

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

This Credit is not yet effective. The project is a continuation of the Highway Maintenance Project (Credit No. 507-TA) to maintain the national trunk roads system. It draws on the experience gained during the implementation of the previous project.

Credit No. S-24-TA - Dar es Salaam Port Engineering Project;  
US\$2.5 million; Closing Date - September 30, 1981

This Credit was approved on December 27, 1979 and has not yet been signed. The project would finance preliminary and final engineering designs for the civil work component of the proposed Harbours Project.

#### URBAN SECTOR

Credit No. 495-TA - National Sites and Services Project;  
US\$8.5 million Credit of July 12, 1974; Date of Effectiveness -  
October 3, 1974; Closing Date - December 31, 1979

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

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

Progress on implementation is satisfactory for the residential components although overall implementation progress is slow. Preparation of the small scale industry component is also making satisfactory progress. All project staff have now been appointed. The Consultants' report on the Land Rent and Service Charge Study was approved by the Government in January 1978 and a pilot test of the new Urban Charge System for cost recovery proposed in the study was carried out in Morogoro. However, progress in the implementation of this system in other areas is slow. Disbursements are substantially behind appraisal estimates. These issues will be reviewed during the next supervision mission.



WATER SUPPLY SECTOR

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

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

POWER SECTOR

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

The project is financed by IBRD, SIDA and KfW. All contracts have been awarded. Project construction is on schedule at all sites. TANESCO has obtained approval on its tariff increase. Current estimated project cost is US\$97.8 million compared to appraisal estimate of US\$89 million, a cost overrun of 28%. This is mainly due to underestimation of the project costs by the engineering consultants. KfW has already increased its contribution to the project and SIDA has indicated that it would be prepared to increase its allocation to cover its proportionate share of the cost overruns. Plans to make any additional contribution by the Bank to bridge the gap is being reviewed. It is expected that US\$7.0 million from the EEC Special Action Fund will be allocated to this project.



INDUSTRIAL SECTOR

Credit No. 460-TA - Tanzania Investment Bank Project:  
US\$6.0 million Credit of February 13, 1974; Date of Effective-  
ness - April 18, 1974; Closing Date - December 31, 1979

This Credit has been fully committed. Because of a reallocation of funds from a subproject previously approved to a new one still under implementation, the credit is still not fully disbursed and the closing date has been postponed to December 31, 1979 but may require a further postponement of 6 months.

Loan No. 1172-TA - Tanzania Investment Bank: US\$15.0 million  
Loan of November 12, 1975; Date of Effectiveness - February 20,  
1976; Closing Date - December 31, 1980

This loan is fully committed and disbursements are proceeding satisfactorily.

Loan No. 1498-TA - Tanzania Investment Bank: US\$15.0  
million Loan of December 28, 1977; Date of Effectiveness -  
April 3, 1978; Closing Date - June 30, 1981

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

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

This loan is not yet effective.

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

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

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



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

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

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

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

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

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

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

This loan and this credit are not yet effective.

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

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



## Mufindi Pulp and Paper Project

1. It is possible, but unlikely, that Mr. Jamal will raise with you the recent disagreement between the Government and ourselves over the award of the contract for the paper machine for the Mufindi Pulp and Paper Project. The background is briefly as follows.

2. According to the negotiated agreements, which have been signed but not yet effective, the paper machine was to be financed by KfW but procured in accordance with Bank guidelines. During negotiations another co-financier, SIDA, insisted that Bank procedures be used and KfW agreed. The bidding documents also unequivocally stated that Bank procedures would be used. However, following evaluation of the bids the project agency (National Development Corporation, NDC) recommended that the contract be awarded to the second lowest bidder, a German firm rather than the lowest bidder a Japanese firm. After careful review of all the factors used in the evaluation, the Bank concluded that it could not accept this recommendation. However, KfW for its part refused to concur with the Bank's judgement and agreed with NDC's recommendation. After close to two months of arguments between the Bank and KfW we have now decided to abrogate the agreement between KfW and ourselves and we understand that NDC, with the agreement of KfW, has awarded the contract to the German firm. We are in the process of revising the Memorandum of Understanding which governs the relations between the Bank and the co-financiers. We should expect strong protestations from both the Japanese and the U.S. government. While we concur in their dismay there remained no leverage under the legal agreements to cause either the KfW or the NDC to reverse its decision. While the price difference in relation to the specific contract in question was appreciable in the context of the project both sets of prices were below appraisal estimates and the difference very small in relation to total project costs.

EALDA  
January 7, 1980



Summary Descriptions  
Proposed Bank Group Lending to Tanzania  
During Fiscal Years 1980 and 1981 1/

	<u>Project</u>	<u>Page</u>
<u>FY80</u>	Grain Storage and Milling Project	1
	Pyrethrum Project	1
	Tanzania Rural Development Bank	1
	Smallholder Tea Consolidation Project	2
	Seventh Education Project	3
<u>FY81S</u>	Technical Assistance II	4
	Oil Exploration Project	4
	Program Credit II	4
<u>FY81</u>	Coconut Pilot Project	2
	Agricultural Services Project (Research)	3
	Urban Water Supply II Project	3

1/ TIB IV Project (Ln. 1750-TA, \$25.0 million and EEC Special Action Credit No. 27-TA \$15.0 million) and the DaresSalaam Port Engineering Project (Cr. No. S-24-TA, \$2.5 million) were approved on July 24 and December 27, 1979 respectively.



I. Agricultural Sector

1. Grain Storage and Milling Project (IDA US\$42.0 million, FY80)

The project would primarily aim to improve the management practice and strengthen the institutional capacity of the National Milling Corporation (NMC) to procure, transport, store and mill foodcrops. Specifically, the project includes the rehabilitation of 40% of existing godowns and all existing silos; the construction of 40-50,000 metric tons of storage capacity in DaresSalaam, Mtwara and Dodoma Regions; the financing of needed uncontrolled open storage facilities (tarpaulins and polythene sheets); the implementation of a pilot program for controlled open storage and dryers; to evaluate improved technologies (construction, equipping and operating of new facilities); the expansion of maize milling capacity by extension of the mill in DaresSalaam by 70 tons/day and construction of a new mill at Dodoma with a capacity of 120 tons/day; the rehabilitation of existing mills; a central laboratory and satellites for grain and flour analysis; needed transport for NMC; training for NMC staff at all levels; and technical assistance, incremental staff, and consultants' services to NMC.

The project would also provide financing for the Marketing Development Bureau (MDB) and the Project Preparation and Monitoring Bureau (PPMB) in the Ministry of Agriculture (MOA) in order to ensure their continued involvement in policy analysis in the agriculture sector in Tanzania; this work will include but not be limited to policy issues involving NMC.

2. Pyrethrum Project (IDA US\$8.0 million, FY80)

The proposed project aims at increasing the production of pyrethrum in the highlands of the Mbeya and Iringa Regions of Southern Tanzania and raising farm cash incomes for about 37,000 pyrethrum producing families (about 200,000 individuals) of whom 75% with incomes below the absolute poverty level. At full development by 1989/90 annual incremental production is expected to yield US\$3.5 million (in 1980 prices) in foreign exchange. The project would finance a program to increase smallholder pyrethrum production through distribution of unimproved (short-term program) and improved (long-term program) planting materials and provision of improved pest and disease control, flour drying techniques and additional extension staff and transport facilities. The project would also provide for strengthening pyrethrum research and improving district and feeder roads in the project area.

3. Tanzania Rural Development Bank (IDA US\$10.0 million, FY80)

The principal purpose of the project is to strengthen TRDB as an institution and to help develop its capabilities over a period of three years to provide needed credit for economically viable rural sector projects in an efficient manner bearing in mind that the basic thrust of TRDB's future lending activities will be to the villages. The project includes the following:

- (a) Improved training of new and existing TRDB staff and the establishment of six mobile units for the training of village administrators.



- (b) Strengthening TRDB's organizational structure by:
- (i) establishing a Management Information Center with a small computer suitable for TRDB's operations, and the employment of consultants to implement the computer system;
  - (ii) establishing an Organization and Methods Division and the employment of consultants to develop work routines, controls, and a procedures manual; and
  - (iii) enlarging the Research Division to cover monitoring and evaluation of TRDB's activities.
- (c) Strengthening TRDB's infrastructure by improving office accommodation and transport facilities.
- (d) Employment of consultants to assist Government in resolving the input distribution problem.
- (e) Credit to assist in financing TRDB's lending program.

4. Smallholder Tea Consolidation Project (IDA US\$16.0 million, FY80)

The proposed project would, over a five-year period (1980-1984), have the primary objective of providing additional processing facilities to cater for the expected green leaf production from smallholder tea plantings established under the first phase project (IDA Credit 287-TA). The project activities would aim to: (i) strengthen TTA's capacity to handle the increasing amount of green leaf produced; (ii) maximize the production benefits of smallholders in those areas where there are no equally rewarding farming activities available; (iii) put TTA in a financially viable position during the project period; (iv) increase Government's export earnings from the tea industry. The project would finance only a marginal tea planting program of about 200 ha of new plantings to ensure full utilization of the factories. It would concentrate on consolidation of ongoing TTA operations by financing tea factories and infrastructures.

5. Coconut Pilot Project (IDA US\$8.0 million, FY81)

Coconut production in Tanzania has been declining recently because of old age of the palms, poor management of holdings, disease and effects of villagization. In view of the lack of reliable technical information and local expertise on coconut cultivation and management, the proposed pilot project would prepare the base for launching a full-scale phase to rehabilitate the Tanzanian coconut industry. The proposed project would provide for testing hybrid variety under Tanzanian conditions, evaluation of the local variety under improved conditions and practices, disease resistance trials, training of local staff and strengthening of institutional setup. This project would complement an ongoing project (financed by Germany) which focuses on disease and pest control studies; breeding and seed production; training; and extension.



6. Agricultural Services (Research) Project (IDA US\$25.0 million, FY81)

The project would support agriculture and livestock research over a five-year period (1980/81-1984/85) as part of a ten-year national program for strengthening research activities. The project aims at improving the welfare of the Tanzania rural population by generating research information and increasing the flow of farm innovations. It would finance establishment of a research parastatal, development of well-trained scientific manpower and the strengthening of multicrop and multidisciplinary farming systems, of ongoing national commodity research and Central Veterinary Laboratory.

II. Education Sector

7. Seventh Education Project (IDA US\$25.0 million, FY80)

The major overall objectives of the proposed project are: (a) to improve the quality and efficiency of both primary and upper secondary education, particularly in order to alleviate critical manpower bottlenecks in science-based fields; (b) to provide the means to poorer districts to universalize access to primary schooling so that they can participate in development along with the rest of the country; and (c) to enhance the capacity of key Governmental and parastatal agencies to efficiently manage resource flows in the sector. To accomplish these objectives the project includes the following items: (a) construction, furnishing and equipping of about 400 new classrooms in the least-developed districts; (b) establishing new and re-equipping existing science streams in upper-secondary schools; and (c) teacher training. The total costs of the proposed project are estimated at US\$55 million equivalent. IDA would finance 45%, DANIDA is expected to contribute 41% and the Government's contribution would be 14% of total project costs.

III. Water Supply Sector

8. Urban Water Supply Project II (IDA US\$10.0 million, FY81)

The proposed project would be implemented in Iringa and Moshi towns with a total population of 73,000 inhabitants and expected to reach 340,000 by 1990. It would: (i) rectify the present water shortage which causes hardships and health hazards, particularly for urban poor, and curtails the growth of industry in Iringa; (ii) provide an adequate and safe water supply to all additional population (about 270,000 persons) and growing industry in the two towns up to about 1990; (iii) strengthen the operation and maintenance capabilities of the urban water supply units in the two towns; (iv) contribute to the Ministry of Water, Energy and Minerals' (MWEM) training efforts; and (v) support MWEM in forming the national urban water supply parastatal and in developing an adequate tariff policy.



#### IV. Energy Sector

##### 9. Oil Exploration Project (IDA US\$15.0 million, FY81S)

Tanzania's serious efforts to explore availability of oil and gas within its boundaries started in 1976. The Government has since then spent US\$32 million in conducting surveys and drilling of three active gas wells. The seismic surveys have revealed the presence of geological structures which would normally carry crude oil. The purpose of the proposed project is to confirm availability of crude oil in the potential areas and to estimate the likely field reserves for oil and gas. The project would also include extensive technical assistance to strengthen the Tanzania Petroleum Development Corporation and help it to implement the project.

##### V. Technical Assistance Project II (IDA US\$10.0 million, FY81S)

10. The proposed project would continue the Bank Group support to Tanzania to finance the high priority studies aimed at assisting the Government in implementing its program of economic development. It would include financing of consultants to prepare pre-investment studies and feasibility studies for high priority productive investments in the various sectors and for conduct of special studies. It would also finance overseas training for Tanzanians to improve the shortage of experienced manpower.

##### VI. Program Credit II (IDA US\$60.0 million, FY81S)

11. This would be the first in a series of program credits that we are proposing to help implement a restructuring of the Tanzanian economy. This credit would be contingent on the Government's agreement to produce a realistic FY81 budget, to begin a set of studies on major issues in the agricultural sector, and to obtain technical assistance to strengthen the Treasury. We see these as first steps in facing the major problem of over-commitment of resources.



Tanzania - Proposed Lending Program 1/  
(FY 80 - 84)

<u>FY</u>	<u>Project</u>	<u>US\$ Million</u>		<u>Total</u>
		<u>Bank</u>	<u>IDA</u>	
80	Tanzania Investment Bank (TIB) IV (approved)	25.0	2/	
	** DaresSalaam Port Engineering Project (approved)		2.5	
	Tanzania Rural Development Bank		10.0	
	Grain Storage and Milling Project		42.0	
	Pyrethrum Project		8.0	
	Education VII		25.0	
	Smallholder Tea Consolidation Project		16.0	
		<u>25.0</u>	<u>103.5</u>	(128.5)
81	* Program Credit II		60.0	
	Coconut Pilot Project		8.0	
	* Oil Exploration Project		15.0	
	Agricultural Services Project (research)		25.0	
	Urban Water Supply II (Iringa and Moshi)		10.0	
	* Technical Assistance II		10.0	
		<u>    </u>	<u>128.0</u>	(128.0)
82	* Rural Development IV (Mara Region)		10.0	
	* Small-Scale Industry		7.0	
	* Sites and Services III		15.0	
	* Telecommunications I		20.0	
	** Coal Engineering		3.5	
	Highway VI		30.0	
	Harbours I		35.0	
		<u>    </u>	<u>120.5</u>	(120.5)
83	* Tanzania Investment Bank V		25.0	
	* Rural Development V (West Lake Region)		10.0	
	* DaresSalaam Sewerage		15.0	
	* Sugar Rehabilitation		20.0	
	Program Credit III		70.0	
		<u>    </u>	<u>140.0</u>	(140.0)
84	* Tanganyika Development Finance Company II		20.0	
	* Education VIII		25.0	
	* Railway I		35.0	
	Agricultural Services (extension)		25.0	
	Power Project (unidentified)		20.0	
		<u>    </u>	<u>125.0</u>	(125.0)
	Total - 28 Projects	25.0	617.0	(642.0)

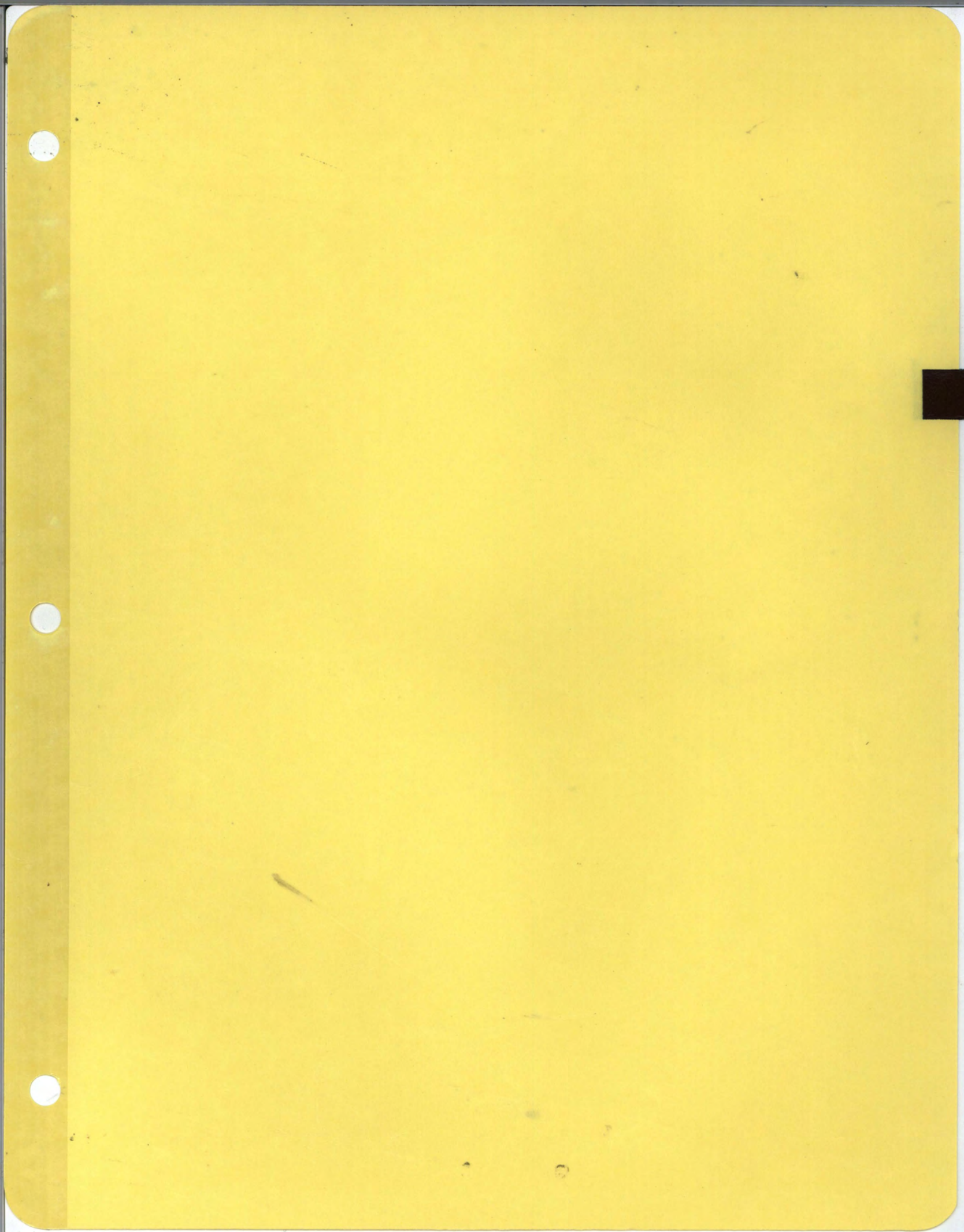
1/ An EEC Special Action Credit is proposed to supplement the Kidatu Hydroelectric Power Project approved in 1976.

2/ An EEC Special Action Credit of \$15.0 million has also been approved for this project.

\* = Standby Projects

\*\* = Engineering credits not counted in project totals.







1. The main policy areas that need to be tackled if Tanzania is to overcome its present economic problems can be grouped in three areas, adjustment of expenditures to available resources, growth of agriculture production, particularly export crops and human resource constraints.

Adjustment of Expenditures to Available Resources

2. Overall expenditures are too large in relation to available resources resulting in large budget deficits (estimated at TSh 4.6 billion in 1978/79 and estimated by IMF at TSh 5.1 billion in 1979/80, equal to 12.8% and 12% of GDP), heavy borrowing from the banking system (TSh 2.8 billion in 1978/79) and inflationary pressures (prices rose by 17% in 1978 and the rate of inflation probably accelerated in 1979).

3. A subsidiary problem has been the growing imbalance between development and recent expenditure. Insufficient funds for operation and maintenance is resulting in low capacity utilization, ineffective delivery of services and deterioration of existing assets because of inadequate maintenance. In addition, insufficient attention to non-personnel expenditure has led to poor utilization of existing staff, i.e., because of lack of funds for training.

4. Any adjustment of budgeting expenditures to available resources will thus have to take into account not only the priorities within the development budget but also the need to provide sufficient funds for recurrent, and in particular non-personnel, expenditures. In the case of the development budget this is likely to imply postponing projects and restructuring and rephasing some investment programs. For the recurrent



budget it might mean a slower growth of government personnel. We believe that this can be done without slowing down or diverting Tanzania's development efforts; in fact through increased capacity utilization, improving the effectiveness in providing services, better maintenance and thereby increased life of existing assets, as well as more effective project implementation, it may even accelerate the speed with which these goals are attained.

#### Growth of Agriculture Production

5. The volume of exports declined by about one-third from 1972 to 1979. The decline affected about all agriculture export crops but occurred at the same time as a substantial increase in the output of food crops, particularly maize. Therefore, part of the explanation for this development was a shift in production from export to food crops.

6. The problem of improved export growth crop is therefore largely a problem of increasing the overall growth rate of agricultural production. While it is important to provide sufficient production incentives for export crops this must not be simply at the expense of the output of food crops. Also, price incentives are not enough; the effectiveness of services provided to producers also need to be improved, particularly with regard to transportation and marketing (including storage), input delivery, extension services and research. The inefficiencies of many parastatals that cater to the farmers, due to financial problems and lack of adequate trained manpower, are a particularly serious problem.

7. An adjustment of the exchange rate is one possible measure to provide sufficient price incentives. However, the implications of a devaluation are complex and difficult to predict in a tightly regulative economy such as Tanzania's. We are not, therefore, in a position at present to make a specific recommendation on whether and if so by how much the shilling should be devalued. However, in considering this question we would focus on the impact of devaluation on farmer



incentives, involving the issue of the financial position of various parastatals and their ability to provide sufficient price incentives for producers, as well as on the impact on government revenues and expenditures, domestic prices and the allocation of scarce foreign exchange resources.

#### Human Resource Constraints

8. The overcommitment of financial resources is accompanied by a serious overcommitment of human resources. There are clear signs of a thinly stretched bureaucracy, i.e. frequent staff job changes by available staff, inexperienced and insufficiently trained staff in high level positions and innumerable vacancies at all levels. Particularly disturbing is the weakness of the key ministries, Finance and Planning and Agriculture. This has severely reduced the government capacity to provide proper financial control and policy guidance. To deal with this problem requires a reordering of priorities in the allocation of manpower resources (including technical assistance manpower), increased emphasis on training, better utilization of existing staff and an increase in technical assistance from abroad.



9. The measures listed above will take considerable time both to develop and implement and even longer to produce results. In the meantime Tanzania's financial needs are immediate and urgent. In order for the Bank to proceed with a program credit to meet these urgent needs certain minimum conditions need to be met:

- (a) There must be agreement on the need to adjust expenditures to available resources in the form of an acceptable budget for 1980/81;
- (b) There must be a start on the preparation of a forward budget for the subsequent two budget years (i.e., 1981/82 and 1982/83). This could take the form of agreement on the basic criteria and priorities to be used in the preparation of the forward budget and its resource framework;
- (c) There must be agreement on the need to focus on a number of key issues in respect to agricultural production. This could involve agreement on a program of studies to form the basis for the necessary policy development;
- (d) There must be agreement on the need to strengthen the Ministries of Finance, Planning and Agriculture. This could take the form of agreement regarding the staffing of the Ministries, terms of reference for development of planning, budgeting and control systems as well as training programs and requests for specific technical assistance from UNDP, the Bank and bilateral donors.



10. In order to facilitate and expedite this work the Bank should be prepared to make a major effort, and allocate the necessary manpower, to assist the Government in its task. In doing so we believe that these problems can be handled without doing violence to the basic principles underlying in Tanzania's development, on the contrary as noted above help or expedite the achievement of these goals. We believe also that rather than being detrimental to the poor, measures to solve this problem can be devised which actually would benefit them through the allocation of operational resources for expansion and improvement of programs that provide employment or services to them, increased agricultural production incentives (including higher agricultural producer prices) and reduced inflation.







TANZANIA - UNDP's Second Country Programme

1. The IPF in UNDP's Country Program for the period 1978-1981 is US\$32.2 million, its annual distribution by sectors is as follows:

<u>Sector</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>Total</u>	<u>%</u>
	(in US\$ 000)					
Development Planning	185	520	610	605	1,920	7.1
Rural Development and Agriculture	1,953	1,917	2,698	3,203	9,771	36.2
Human Resources	1,676	1,062	806	602	4,146	15.4
Industry and Mining	1,245	1,868	2,039	2,663	7,815	29.5
Transport and Communication	139	280	280	280	979	3.6
New Capital Development	592	943	678	-	2,213	8.2
<b>TOTAL</b>	<b>5,790</b>	<b>6,590</b>	<b>7,111</b>	<b>7,353</b>	<b>26,844</b>	<b>100</b>
					Actual Expenditure in 1977	3,576
					Programme Reserve	<u>1,731</u>
					<b>GRAND TOTAL</b>	<u><u>32,152</u></u>

2. UNDP has tried to align its technical assistance with the sectoral priorities of Tanzania's current Development Plan. Accordingly, there has been a shift towards more directly productive projects in agriculture and the industrial sector, mining included. Substantial support is also foreseen for the Government's plan to relocate the national capital from Dar es Salaam to Dodoma. (We have questioned the priority of this in view of the constraints presently facing Tanzania.) Technical education, vocational and industrial manpower training also command a high priority. The UNDP Country Programme concentrates on fewer and larger projects, as compared to past activities. Geographical coverage is to be expanded to the island of Zanzibar which has received relatively small technical assistance from international and bilateral sources.

3. In the FY79/80, the Association is not executing agency for any UNDP financed projects. However, one of its projects is executed by FAO and supplemented with some funds from Bank projects (on an interim basis under the National Maize Project whereas long-term financing will be proposed under the Grain Storage and Milling Project). The project involved is the "Strengthening of the Marketing Development Bureau (MDB)" as an integral unit of the Ministry of Agriculture, furnishing regular market services and price reviews. This should have a critical impact in the future pricing analysis. In addition, since UNDP's cost crisis, we have financed a number of UNDP experts under our projects.



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## Media Background

### Press

The only major English daily newspaper published in Tanzania is The Daily News, formerly The Tanganyika Standard (circulation 40,000 Editor, Ulli Mwambulukutu). The Sunday paper is called Sunday News (circulation 50,000).

The other major newspapers appear in Swahili: Uhuru (daily circulation 80,000 Editor, W.M. Bhukoli), is an organ of the Chama Cha Mapindazi (CCM), the national political party headed by President Nyerere. Mzalendo (circulation 100,000 is CCM's Sunday paper); Ngurumo (circulation 10,000) and Kipanga. Uhuru is the most widely read paper in the various parts of the country.

The press in Tanzania is government-controlled. The Newspaper Ordinance of 1968 gives the President power to ban any newspaper if he considers such action to be in the national interest. The Ministry of Information and Broadcasting distributes press releases, periodic bulletins, and photographs which are widely used by the news media.

The Daily News gives good coverage to the World Bank and news of economic development topics (see sample clippings). The paper has occasionally taken a critical view of the Bank, possibly reflecting some of the officials' attitude at those times. Feature articles of a general economic and social nature, on such topics as ecology, health, rural development, cooperatives, self-help schemes, energy, for example, appear regularly in the paper; sometimes these are written by experts in other countries. The newspaper reveals a definite educational, socialistic, and egalitarian bias.

One of the reporters of the Daily News participated in the First Pan African Seminar held in Nairobi in late 1977, sponsored by the International Press Institute with support from the World Bank; and a former editor of the Daily News attended a press seminar at the Bank's headquarters in Washington.

### News Agencies

Shihata is the domestic news agency, established about three years ago. It has about 90 + staff reporters posted in most of the twenty-five regions on the mainland and in Zanzibar. The news that the Shihata staff collect from the various regions of the country is regularly used by the press to report on progress and problems, particularly in the rural areas of the country. Shihata, because of its newness is still trying to build a better communications network with its reporters especially in regions far removed from Dar es Salaam or Arusha.

Several foreign news agencies maintain offices in Dar es Salaam: AFP, Reuters, Hsinhua, Tass, Novosti, Ceteka, and Prensa Latina, as well as Radio Berlin and Radio Moscow.



Radio and TV

The two government-owned radio stations are Radio Tanzania, which broadcasts in Swahili, and English, (for external programs only), and Radio Tanzania-Zanzibar, which broadcasts only in Swahili. During the school year, programs for primary and secondary schools and teacher-training colleges are aired for about 30 hours each week.

There is no television service on the mainland. A government-operated non-commercial service was started in Zanzibar early in 1974.

As of 1976 approximately 300,000 radio and 4,200 TV receivers were in use in Tanzania.

Attachment



This news item appeared on page \_\_\_\_\_ of the **20 DEC, 1977** issue of:

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| <input type="checkbox"/> THE NEW YORK TIMES      | <input type="checkbox"/> THE TIMES                              |
| <input type="checkbox"/> THE WASHINGTON POST     | <input type="checkbox"/> THE FINANCIAL TIMES                    |
| <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE GUARDIAN                           |
| <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input checked="" type="checkbox"/> <b>DAILY NEWS, TANZANIA</b> |

# Tabora Rural Development Project

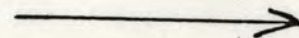
By Staff Writer  
**CHARLES RAJABU**  
just back from Tabora

THE WORLD BANK, through its agencies, has always been issuing loans and credits to help finance various development projects in our country.

The objective of the World Bank's lending operations in Tanzania is to support the Government's overall development programme aimed at accelerating economic growth and channel more of the benefits of that growth toward meeting the needs of the absolute poor. This programme is based on the twin goal of self-reliance and the creation of an egalitarian society.

The Arusha Declaration has identified the ujamaa village as a means towards this self-reliance as well as the development of a sense of community among widely-dispersed rural population. Only through villages could essential economic and social services be widely delivered — from water supply, to health, to basic agricultural technology and extension.

In supporting this development strategy, the World Bank operations have increasingly been focussing on the rural sector and on directly productive projects. An example of the World Bank support for Tanzania's development is a nine-month-old...





# FOCUS ON TABORA (1)

THE Tabora Rural Development Project to cost about 190 million shillings, arose from a request by the Tanzania Government, following preparation of a similar project in Kigoma and was prepared by the Government with the assistance of the World Bank's resident mission in East Africa.

The project, which was officially launched on November 11 this year, will initiate a five-year region-wide rural development programme of high priority activities.

It will supplement and complement on-going developments in the region and develop the region's capacity to handle further developments. The project comprises the following components:

- Pilot approaches to intensified crop and livestock production in about 42 newly formed villages not already included in other programmes, principally in Nzega and Igunga districts;
- Provision of capacity to carry out an immediate low-cost water supply programme region-wide and funding for a water master plan;
- A pilot reforestation programme based on villages in the old established tobacco areas, primarily in Tabora and Urambo districts;
- Production of a land use/capability map which with the water master plan, a tsetse survey and strengthening of the village planning team, would provide a frame work for further investments in the region; and
- Provision of specialist personnel and equipment to strengthen the capacity of the region to implement the project monitor progress and evaluate impact and assist in the formulation and planning of further developments in the region.

According to regional authorities in Tabora, the crop development programme — covering about 30 selected villages in Nzega and Igunga districts — is intended to establish means of increasing production (principally from higher yields) of cotton, paddy, sorghum and ground-nuts by the provision of inputs and improving agricultural extension and related services.

The food programme is also designed to carry out crop demonstrations under farmers' field conditions, using improved — largely extensive — practices derived from other agro-economic zones to provide a basis for extending the programme to other villages in the region.

Under the livestock development programme of the TRDP, an attempt would be made to introduce sedentary and commercial production practices in about six villages in the tsetse-free Nzega and Igunga districts as well as six more villages, probably among those included in the crop development programme.

A pilot stall fattening enterprise will also be introduced under the TRDP. In about six additional villages, in the Miombo forest areas with light tsetse infestation, the project will introduce

livestock production with appropriate protection.

It will provide appropriate transport facilities, veterinary centres, cattle dips and other capital investments including weigh bridges. It will also make provision for livestock development planning and a limited tsetse survey and control programme.

The water supply programme will be undertaken by consultants and will benefit about 160,000 people in about 100 villages.

The reforestation programme has been envisaged in the project mainly to establish and manage plantations under the supervision of the Forest Division of the regional natural resources office. It will also supply fuel wood for tobacco curing and domestic use. Except for ujamaa villages, individual families will cultivate their own areas in these plantations.

The TRDP will provide for both improved routine road maintenance of the region's network (or main) roads and reconstruction of the network and village access roads. For the network roads, priority will be given to maintenance.

The project also includes provision for preparation of a land use and land capability master plan for the whole region.

Implementation of the TRDP will be through the regional administration with the Regional Development Director having overall responsibility for the project.

There is also a project coordinator appointed from the regional planning office who will co-ordinate the activities of functioning managers in the regional and district organisations involved in the project.

The Tabora project is the second comprehensive rural development project assisted by the World Bank in Tanzania. The first, in Kigoma, was approved in November 1974.

It consisted of investments in social infrastructure such as water supply, education and health facilities as well as credit and technical support services for agricultural development.

**NEXT: Going commercial with honey and beeswax.**



- THE NEW YORK TIMES     THE WALL STREET JOURNAL     THE CHRISTIAN SCIENCE MONITOR  
 THE WASHINGTON POST     THE JOURNAL OF COMMERCE     The Daily News (Tanzania)

# Better oil prospects for the poor

By Staff Reporter

A WORLD bank report has revealed that some 38 developing countries have prospects of finding petroleum in their countries, with 23 of them locating very high quantities. The remaining 15 would find fair amounts of the crude.

The annual report of the bank released in Washington, headquarters of the bank yesterday, revealed that a survey commissioned by the bank on the oil and gas situation in 70 developing countries has come out with encouraging reports.

The countries were not disclosed in the report, but Tanzania has already located 30 billion litres of the natural gas at the Songo Songo

islands and traces of oil in the same area. Prospecting is still going on.

The report classifies potential resources into categories on the basis of estimated recoverable quantities and signifies the presence of over 1.5 billion barrels — high-between 750 and 1.5 billion barrels and fair-between 100 and 750 million barrels.

The amounts are significant, considering that most African countries for example consume less than five million barrels a year, the report said.

The encouraging news come in the wake of a bleak energy future for the non-oil producing developing countries, whose symptoms have been widely felt as exemplified by rationing and stam-

peding for stocks.

But the report said, developing countries dependent on imported oil face big new trade deficits this year and as a result huge problems in their fight against poverty.

The bank said it expected the total balance of payments deficit suffered by Third World countries with no oil of their own to increase by 10 billion dollars and to keep on rising if petroleum prices continued to climb. This would mean big obstacles to economic expansion.

The bank said in its annual report that the average economic growth of developing countries in general last year was higher than that of industrialised states — 5.2 per cent as against 3.6.

But it said this was more a reflection of economic sluggishness in the richer countries than any real advance in the Third World.

Moreover, growth among developing countries was very unevenly divided, the bank said.

The report notes further that the gap between the rich and the poor has been growing.

"Even if the existing growth rate of the poor countries were to double while the industrialised world did no better than at present, it would take almost a century to close the absolute income gap between them," the annual report calculated.

A bleak future awaits the developing countries expansion efforts in the next 25 years.

"And just to maintain, not even surpass, current growth rates, developing countries will need greater inflows of foreign capital while undertaking vigorous efforts to withstand protectionist pressures and to stimulate agricultural productivity," the report concluded.

The bank, which lent more than five billion shillings to some 35 projects in East Africa, centred mainly in agriculture, livestock development and small industrial projects, also attributed rise in food production in Tanzania to increased price incentives.



# Poor appeal for more aid from the rich

MORE AID

Valletta, Thursday. THIRD World countries today appealed for more aid from richer nations to help their balance of payments at a Commonwealth finance Ministers' conference here.

They won support from the New Zealand Premier and Finance Minister Rob Muldoon who told delegates he was concerned about the rising debt and interest rate burden of developing countries.

Mr Muldoon, who will chair next week's International Monetary Fund (IMF) and World Bank conferences in Belgra-

de, said he favoured easing IMF loan conditions for deficit countries.

But Canadian Finance Minister John Crosbie said: "The key role of the IMF is to provide temporary assistance to countries when they run into sudden and emergency payments problems. It is not to finance current account deficits which are the normal accompaniment of the development process and which can usually be covered by private capital flows and aid resources".

The IMF should make better use of the funds it has,

rather than embark on extra financing facilities, he said.

Mr Muldoon, who welcomed the cancellation by some wealth nations of loans to the poorest states, also said he would favour a greater international disciplinary role for the IMF on the richer countries to make them fulfil their international obligations on trade and tariffs.

Earlier Commonwealth Secretary-General Shridath Ramphal had warned of the heavy balance of payments deficit facing non-oil developing countries this year and appealed for more aid from the industrial world.

Mr Ramphal, in his opening speech, said that recent reports by the IMF and the World Bank gave a pessimistic picture for the world economy, with no certainty of sustained recovery in the future.

Not only was the gap between rich and poor nations not being narrowed, but there were risks of increasing poverty between now and the end of this century, he said.

If, as seemed probable, developing countries failed to sustain the five per cent growth rate of the last few years, more than 700 million people could be living in absolute poverty at the end of this century, Mr Ramphal warned.

He called on the wealthier nations to recognise the interdependence of rich and poor in the world economy, and to raise their economic assistance to the developing world.

The capital of the World Bank must be increased, and the resources of its sister loan agency, the International Development Association (IDA) replenished the Commonwealth Secretary-General said.

Mr Ramphal also called for more funds for the Commonwealth Fund, for Technical Cooperation (CFTC), which is financed by both developed and developing members of the Commonwealth and which is running short of money.

Delegates from other deve-

loping nations also stressed the hardship caused by higher oil prices and fears of recession.

"The turbulence that is shaking the international economy, the twin spectres of recession and inflation, have hit most severely those countries which do not have natural resources of their own" Malta's Deputy Premier and Minister of Finance, Joseph Cassar, told the conference.

Sri Lanka's Finance Minister, Ronnie de Meil said before the meeting started that his country wanted a new oil facility within the IMF to provide loans for countries badly hit by the rise in oil prices.

The industrial countries should agree to provide more aid for the developing nations out of self-interest because world economic growth was in the interests of both sides, he said.

DAILY NEWS (Tanzania),

September 28, 1979 - page 2



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Editorial translated from

UHURU (FREEDOM), November 6, 1979

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OUR OPINION

(TUESDAY, November 6, 1979)

Transportation problems in our country are not matters to hide. It is quite true that lack of adequate transportation is one of the main barriers to our development plans.

There are times when farmers miss farm implements and other spare parts not because the implements are missing but simply because there are no vehicles to move them to the farmers. It is not an entirely new thing to hear that farmers at one place or another did not get the fertilizers they needed because there are no vehicles to move the fertilizers.

When at last people get the implements and the spares they need, some other areas are faced with the problem of transporting their crops to regional and district silos. This anomaly is usually the result of insufficient amount of vehicles to move the crops.

A good example for this problem was printed not so long ago in our newspaper -- about the piling up of 6,500 tonnes of various types of crops in Sumbawanga District. It was said that up to 50 trucks were required to move those crops before the rainy season began.

Thus faced with this problem, news, that money has at least been found that will be used for revitalizing three existing transport companies in the regions and at the same time establishing two new ones, is indeed very welcome. The Chairman and Managing Director of the National Transport Corporation Mr. M. Sanare said in Dar es Salaam that the World Bank has extended a loan to

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the country totalling 125 million shillings to be utilized for revitalizing transport companies in Dodoma, Ruvuma, and Mtwara regions and also for starting up new ones in Tabora and Mwanza regions.

There is no doubt that if these companies perform their duties properly they will have done a great deal in alleviating the problems confronting concerned areas and as such assist in the general development of the people's and nation's welfare.

It is important however to note that the efficient running of these companies will depend largely upon people who will be responsible for their management with the other workers' assistance. However large the investments in those companies might be, if there is inefficiency in their operations, then these companies will not have achieved what they were set up to do.

One encouraging thing though is that the new efforts to set up new regional companies as well as revitalizing others that are already in existence, come at a time when a number of lessons have already been learned from previous mistakes.

Among some such mistakes are -- lack of investments, lack of spares and garages for maintenance of the vehicles, absence of systematic policies especially designed for efficient running of the companies, and shortage of skilled manpower.

It is heartening that the National Transport Corporation in implementing its plan of setting up regional companies, has tried to solve these problems. However many other problems remain such as loafing, arrogance, and absolute laziness. These problems can be very dangerous if they are not properly addressed.

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It is our sincere hope that those entrusted with the responsibilities of leading these companies as well as those still to be entrusted with some such responsibilities will fully realize the weight of those responsibilities and therefore do all they can to ensure that the companies succeed and new ones are set up. We at the same time take this opportunity to express our gratitude to the World Bank for its very vital assistance.