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McNamara Papers

Travel
Jan.

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TANZANIA

Brief for Mr. McNamara's Visit - January 1970

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* Under Preparation

December 23, 1969

Approved by Mr. McNamara
December 17, 1969

Itinerary January 6 - 19, 1970

Mr. McNamara's visit to East Africa

TANZANIA : January 7 - 11
UGANDA : January 11 - 15
KENYA : January 15 - 18

Tuesday, January 6

GMT

14.30		Leave Washington (National) AA464
15.29		Arrive New York (La Guardia)
17.00	22.00	Leave New York (JFK) TWA 882

Wednesday, January 7

09.20	07.20	Arrive Athens
10.20	08.20	Leave Athens
16.40	13.40	Arrive Entebbe
17.20	14.20	Leave Entebbe
18.20	15.20	Arrive Nairobi
20.30 *	17.30	
22.15	19.15	Leave Nairobi EC 852 307*
23.25	20.25	
23.30	20.30	Arrive Dar es Salaam, Tanzania
Overnight		Kilimanjaro Hotel

* Agreed with Mr. Christofferson

Thursday, January 8

10.00	Briefing session (Bank staff only)
10.45	Meeting with Minister Jamal <i>Bomani</i>
11.25	Drive to Planning Ministry
11.30	Meeting with Minister Bomani <i>Jamal</i>
12.05	Drive to University College (a representative of the University College will accompany Mr. McNamara)
12.30	Visit University College, meet Principal and a few senior faculty members
13.20	Drive to Kibaha (Director of the Nordic Center will accompany Party - driving time approximately 45 minutes)
14.15	Small luncheon with Project officials
15.15	Visit Nordic Center at Kibaha (The Center, sponsored by the Nordic countries, comprises a secondary school with an agricultural bias, a health training center and a farmers' training institute.)
17.30	Drive to Dar es Salaam (about 50 minutes)
	Evening free
Overnight	Kilimanjaro Hotel.

*visit
Soga
village*

EAC R/R
 Self-help
 Agomas + rural/purban pub.

Friday, January 9

Our priorities:
 Agri: health
 thur
 educ

09.10

09.30

11.00-12.30

Wed. 11.30

14.30-16.00

16:30 UNDP?

19.00-20.30

Overnight

thumb 3 ✓
 24-28 3 ✓
 69-73 153 can
 69 41

3 percent
 change most
 but substance
 2/3 of work
 done will last
 for 3 yrs more but
 but price -

Departure for State House [accompanied
 by Minister Jamal]

4/2/69
 Mrs. Thelma

Meeting with President Nyerere followed,
 possibly, by a special meeting of the
 Economic Committee of the Cabinet

need profit
 ideas will
 some way
 against us
 unless
 translate
 into program

Meeting with representatives of:
 National Development Corporation
 National Bank of Commerce
 Tanzania Tourist Corporation

Lunch (free)

next part
 seem not
 in it or
 second party
 front of
 matter

Meeting with representatives of
 organizations responsible for agricultural
 development:
 National Agriculture and Food Corporation
 National Development Credit Agency
 Sisal Board
 Lint Marketing Board
 (The Minister for Agriculture may be present)

Reception by the Government

Kilimanjaro Hotel

Handwritten notes at bottom of page, including:
 Small hidden room - small furniture
 very small furniture with sofa
 Kenya small furniture with sofa
 small hidden room - small furniture
 very small furniture with sofa
 Kenya small furniture with sofa
 small hidden room - small furniture
 very small furniture with sofa
 Kenya small furniture with sofa

Saturday, January 10

Stan Leopold
epanor river Falls
Frazier Darling (UK)
Max Nicholson
Stewart Udall

"as good as
anyone you
could get"

07.00

Leave Dar es Salaam for Ngorongoro Crater by chartered plane (about 2-1/2 hours). Mr. ~~David~~ Owen, Director of Tanzania National Parks will accompany Party

09.30-12.00

Visit Crater

12.15

Fly to Lake Manyara

12.45

Private lunch at Lake Manyara Hotel

14.15

Drive to Arusha via Upper Kitete Village (about 3-1/2 hours). Upper Kitete is a Ujamaa village based on the concepts of extended family and communality of effort which the Government is emphasizing as part of its strategy for rural development (a representative of the Ministry concerned will accompany Party)

19.30

Working dinner with three Ministers of the East African Community:

Mr. Malacela - Communications

Mr. Mjingo - Common Market

Mr. Ouko - Finance

(Mrs. McNamara will be entertained separately)

Overnight

New Arusha Hotel

PROGRAMME OF MR. ROBERT MCNAMARA
PRESIDENT OF THE INTERNATIONAL
BANK FOR RECONSTRUCTION AND
DEVELOPMENT

Jugosa

10TH TO 11TH JANUARY, 1970

SATURDAY, JANUARY 10TH

- Evening : Mr. McNamara and his party arrive at the New Arusha Hotel where he will be met by the E.African Ministers and the Secretary General.
- 7.30 p.m. : Working dinner with the three East African Ministers at the Hotel Tanzanite Usa:-
Mr. J. S. Malecela
Dr. I. K. Majugo
Mr. R. J. Ouko
- Overnight : New Arusha Hotel

SUNDAY, JANUARY 11TH

- 9.00 - 9.25 a.m. : Meeting with the Secretary General, East African Community Mr. Z.H.K. Bigirwenkya.
- 9.30 - 9.50 a.m. : Meeting with Chairman and Director General, E.A. Harbours Corporation. Messrs. Peter K. Kinyanjui and C. Tamale respectively.
- 9.50 - 10.15 a.m. : Meeting with Chairman and Directors-General, E.A. Railways Corporation, Messrs. J. Okello-Ojok and Dr. E. N. Gakuo respectively.
- 10.20 - 10.40 a.m. : Meeting with Chairman and Director-General, E.A. Posts and Telecommunications Corporation, Messrs. S. O. Josiah and J. Keto respectively.
- 10.40 - 10.50 a.m. : Meeting with Chairman and Director General, E.A. Development Bank Mr. I. Simba.
- 10.50 - 11.00 a.m. : Meeting with the Chairman of the E.A. Airways Corporation, Mr. A. S. Fundikira.
- 11.30 a.m. : ^{11.15} Mr. McNamara and his Party will fly to Seronera National Park, and thereafter to Entebbe.
Dep - for airport

- - - - -

ITINERARY FOR MR. McNAMARA

Wednesday, January 7

23.30 GMT 20.30 Arrive Dar es Salaam
Overnight Kilimanjaro Hotel

Thursday, January 8

10.00 Briefing session (Bank staff only)
10.45 Meeting with Minister Bomani
11.25 Drive to Finance Ministry
11.30 Meeting with Minister Jamal
12.05 Drive to University College
(a representative of the Treasury
will accompany Mr. McNamara)
12.30 Visit University College, meet
Principal and a few senior faculty
members
13.20 Drive to Kibaha (Director of the
Nord-Center will accompany Party
driving time approximately 45 minutes)
14.15 Small luncheon with Project officials
15.15 Visit Nordic Center at Kibaha
(The Center, sponsored by the
Nordic countries, comprises a
secondary school with an agricultural
bias, a health training center and
a farmer's training institute)
17.30 Drive to Dar es Salaam (about
50 minutes)
Evening Free
Overnight Kilimanjaro Hotel

Friday, January 9

09.20 Departure for State House accompanied
by Minister Jamal
09.30 Meeting with President Nyerere
followed, possibly a special
meeting of the Economic Committee
on the Cabinet
11.00 - 12.30 Meeting with representatives of:
National Development Corporation
National Bank of Commerce
Tanzania Tourist Corporation
Lunch (free)

...../2.....

14.30 - 16.00

Meeting with Minister for Kilimo (BYCEDON)
The following will also send
representatives:-

National Agriculture & Food
Corporation
National Development Credit Agency
Sisal Corporation

19.00 - 20.30

Reception by the Government

Overnight

Kilimanjaro Hotel

Saturday, January 10

07.00

Leave Dares Salaam for
Ngorongoro Crater by chartered
plane (about 2-½ hours).

Mr. David Owen, Director of Tanzania
National Parks will accompany Party
A REPRESENTATIVE OF MINISTRY OF AGRICULTURE
WILL ACCOMPANY PARTY
Visit Crater

09.30 - 12.00

Fly to Lake Manyara

12.15

Private lunch at Lake Manyara Hotel

12.45

14.15

Drive to Arusha via Upper Kitete (?)
Village (about 3-½ hrs). Upper
Kitete is a jamaa Village based
on the concepts of extended family and
and communality of effort which
the Government is emphasizing as
part of its strategy for rural
development (a representative of
the Ministry concerned will
accompany Party)

19.30

Working dinner with three Ministers
of the East African Community:

Mr. Malecela - Communications
Mr. Majugo - Common Market
Mr. Ouko - Finance
(Mrs. McNamara will be entertained
separately)

Overnight

New Arusha Hotel

Sunday, January 11

09.00 - 11.00

Meetings with Secretary General,
East African Community, followed
by Chairman and Directors of Corp.
and East African Development Bank.

(09.00 - 09.25)

Mr. E.H.K. Bigirwenkya, Secretary
General

(09.30 - 10.15)

East African Harbours Corporation

Mr. J. L. M. Shako - Chairman
Mr. C. Tamale - Director General

East African Railways Corporation

Mr. J. Obello-Ojok - Chairman
Mr. B. N. Gakuo - Director General

.../3..

(10.20 - 11.00)

East African Posts & Telecommunications Corporation

Mr. S. O. Josiah - Chairman
Mr. J. Keto - Director General

East African Development Bank

Mr. Iddi Simba - Chairman & Director General (Ex-Executive Director)

East African Airways Corporation

Mr. A. Fundikira - Chairman

1 11.30

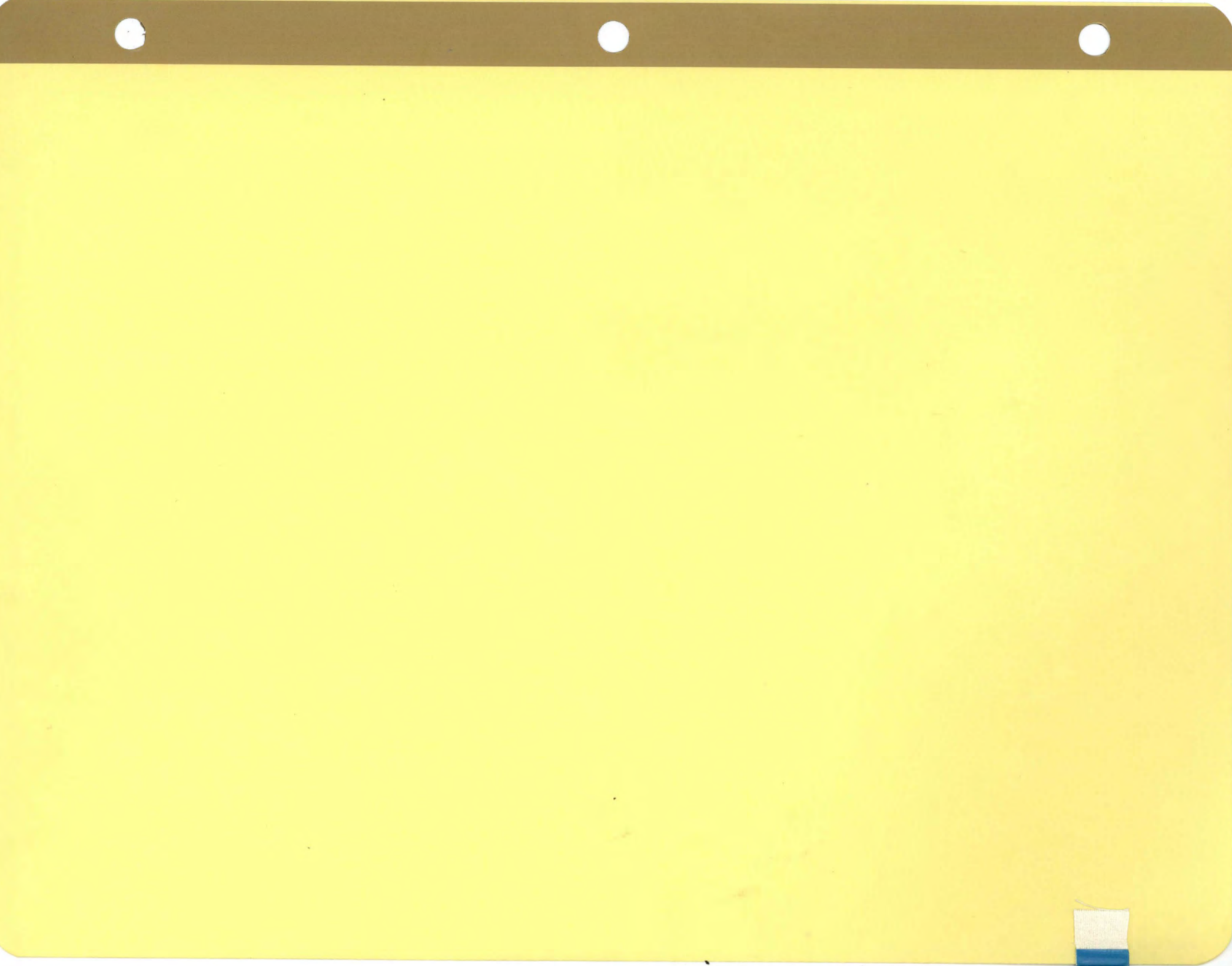
Fly to Seronera by chartered plane to visit the Serengeti National Park, which has one of the greatest animals in the world. Very famous for lions, leopards & cheetahs (Mr. Owen's Tanzanian deputy will accompany Party)

16.45

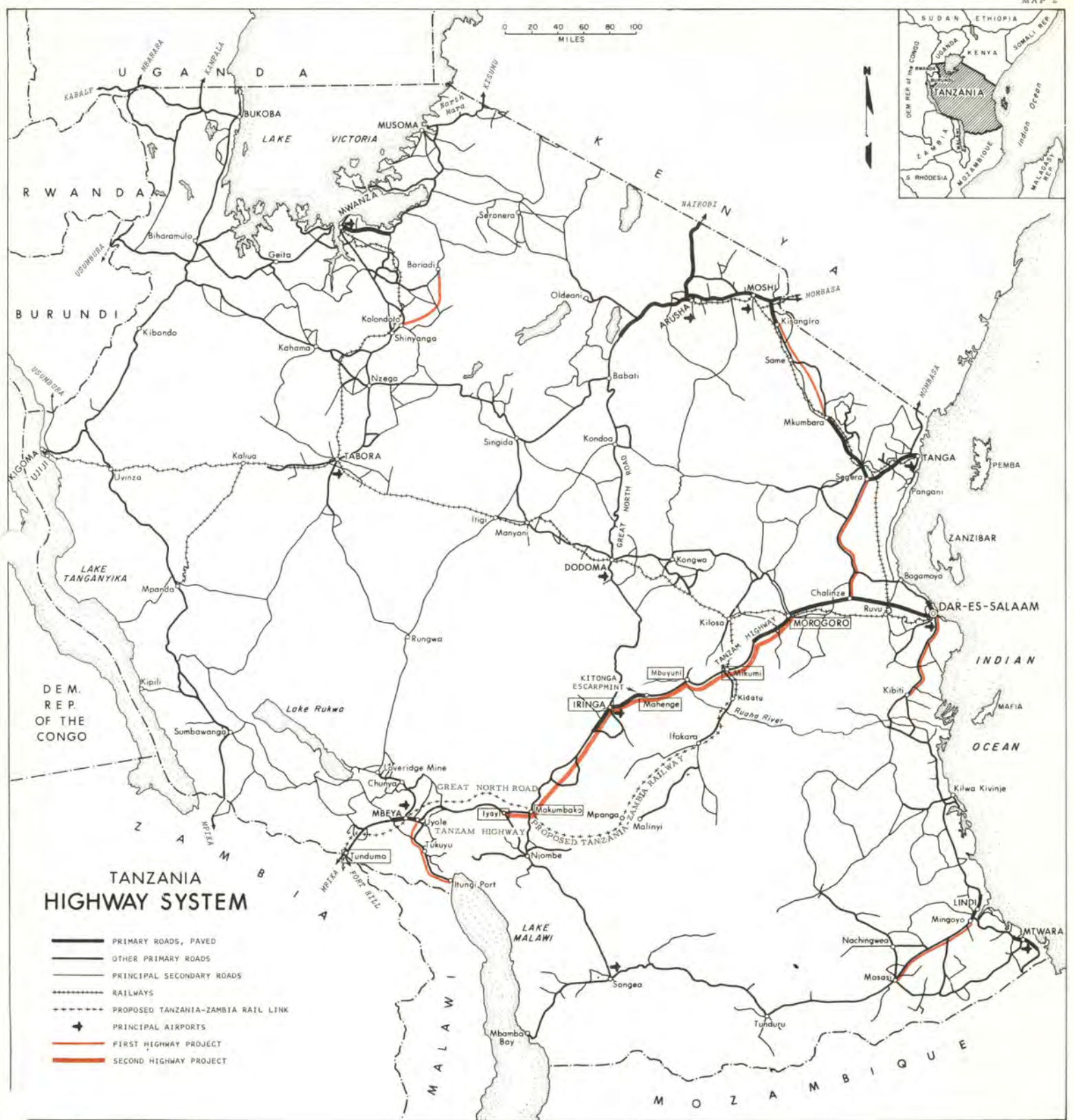
Private lunch at Seronera Lodge

Fly to Entebbe by chartered plane

.....



2



TANZANIA
Past Lending

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (US \$ million)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u> ^{1/}
45 TA	1963	Tanzania	Education		4.6	-
48 TA	1964	Tanzania	Highways		14.0	-
80 TA	1966	Tanzania	Agricultural Credit		5.0	1.5
518 TA	1967	Tanzania Elec- tric Supply Company	Power	5.2		3.0
115 TA	1968	Tanzania	Highways		3.0	2.1
132 TA	1968	Tanzania	Ranch Development		1.3	1.3
142 TA	1969	Tanzania	Highways		15.5	13.3
586 TA	1969	Tanzania	Highway	7.0		7.0
149 TA	1969	Tanzania	Education		5.0	5.0
Total (less cancellations) of which has been sold				12.2		
				<u>.1</u>		
Total now held by Bank and IDA				12.1	48.4	
Total undisbursed				10.0	23.2	33.2

^{1/} As of November 30, 1969.

December 18, 1969

TANZANIA

BASIC DATA

Area: 342,171 square miles

Population (1968) 12.6 million (the last census was held in 1967)

Population Density: 37 per square mile

GNP (1968)

Sh 6,449 million
per capita Sh 511

GDP Growth Rate (1963 -1968)

in current prices 5.3%
in constant prices 4.4%

Fixed Capital Formation

	1964	1965	1966	1967	1968
Sh million	571	765	855	1,003	1,045
% of Monetary GDP	15.0	19.4	19.4	21.7	21.6

Balance of Payments

	(Sh million)		
	1966	1967	1968
Merchandise Exports	1851	1759	1700
Merchandise Imports	1800	1751	1888
Net Invisibles	-63	-22	62
of which net factor income payments	-138	-94	-43
Balance on Current Account	-19	39	-108

Gross Foreign Exchange Reserves:

Dec. 1967	Sh 558	millions
Dec. 1968	Sh 649	millions
June 1969	Sh 760	millions

External Public Debt: (Dec. 31, 1968)

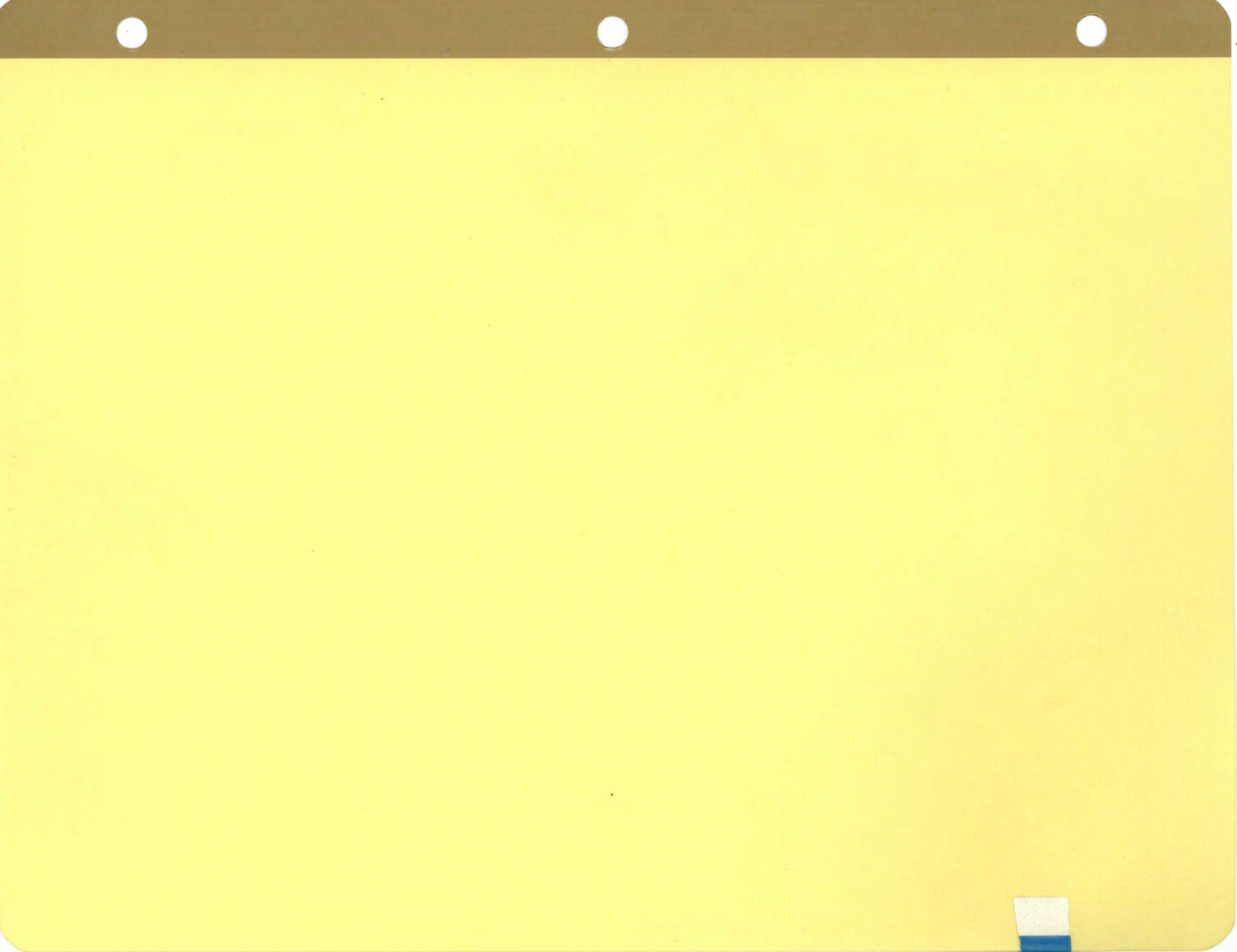
	(\$,000)
Tanzania	131,523
1/3 of EAC	58,706
Total disbursed debt	190,229

Debt Service: (1968) (\$ million)

Tanzania	8,192
1/3 share of EAC	10,935
Total	19,127

Debt Service Ratio (percent)

7.0





UNITED REPUBLIC OF TANZANIA

BACKGROUND NOTES

RESEARCH FILES

Population: 12.2 million (1967 census)
Capital: Dar es Salaam

I.B.R.D.

ARCHIVES DIVISION

The United Republic of Tanzania, formed on April 26, 1964, is comprised of Tanganyika (including the island of Mafia) and Zanzibar (including Pemba and the uninhabited island of Latham).

Tanganyika, now often referred to as mainland Tanzania, is located on the East Coast of Africa and lies between the great lakes of Central Africa—Lake Victoria, Lake Tanganyika, and Lake Nyasa—and the Indian Ocean. Tanganyika has an area of 362,688 square miles and is comparable in size to Florida, Texas, and Louisiana combined. Of its total area, 19,982 square miles consist of inland water, the major part of which is about half the areas of Lake Victoria and Lake Tanganyika.

Mainland Tanzania is bordered on the north by Kenya, Lake Victoria, and Uganda; on the west by Rwanda, Burundi, and the Democratic Republic of the Congo (across Lake Tanganyika); and on the south by Zambia, Malawi, and Mozambique. To the east, some 20 miles opposite its 500-mile-long coastline on the Indian Ocean, lies its union partner, Zanzibar. The principal topographical regions of Tanganyika are the low-lying eastern coastal area, the high west-central plateau, and scattered mountainous zones. The highest point in Tanganyika, as well as in all of Africa, is Mount Kilimanjaro, which rises to 19,340 feet.

Climatically, the country 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 northwest of Tanga. Almost two-thirds of the country has virtually no agriculture owing to 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. This arable land amounts to about 10 percent of the area of the country and in its confines live two-thirds of the nation's 12 million people. A large part of Tanganyika is subject to the influence of the two annual monsoons: the northeast monsoon from about October to February, and the southeast monsoon which prevails for the greater part of the remainder of the year.

Zanzibar, located about 20 miles off the coast of Tanganyika, and with an area of 640 square miles, is the largest island on the East African Coast, being about 53 miles long and 24 miles across at its widest point. Pemba, lying 25 miles to the northwest of Zanzibar island, is 42 by 14 miles and has an area of 380 square miles. Most

of the cloves, for which Zanzibar is famous, are grown on Pemba. The tropical climate of the islands is governed largely by the monsoons and can be divided into four seasons. The northeast monsoon from December to March brings the hottest temperatures of the year. In April and May the winds shift to the south and bring relatively heavy rains. The southwest monsoon extends from June through October, bringing relatively cool weather; and light rains fall in November and December.

Tanzania's flag consists of a diagonal black band, running from lower left to upper right, flanked on each side by a narrower yellow band. The field of the flag is green (upper left) and blue (lower right).

THE PEOPLE

Tanzania's population is estimated at 12.2 million, of whom approximately 350,000 reside on Zanzibar and Pemba.

Mainland Tanzania's population includes approximately 90,000 of Indo-Pakistani origin, 26,000 Arabs, and 20,000 Europeans; the remainder are Africans. The African population consists of about 122 tribes. Only one tribe—the Sukuma—exceeds 1 million members. The majority of the people are classified as Bantu, but ethnic strains range from the Nilotic and Hamitic peoples to groups which trace their origins to the Zulus in South Africa. Most of the indigenous languages are from the Bantu culture; Swahili, however, is understood most widely, and, along with English, is an official language. According to the 1957 census, the last to give a breakdown, the religious composition of the African population was 30.9 percent Muslim and 24.9 percent Christian; the remainder were animist.

In Zanzibar the population is divided approximately as follows: 300,000 Africans, 25,000 Arabs, 10,000 Asians, and about 5,000 Comorans. According to the 1958 census 55 percent of the total resided on Zanzibar and 45 percent on Pemba. About one-quarter of the Africans came comparatively recently from the mainland, the rest having been settled for several generations. Many of the latter own land, while the Africans of mainland extraction constitute the bulk of the labor force. Because of immigration to Zanzibar

throughout the centuries by people of many races and diverse origins, there has been considerable intermixture. One group is comprised of descendants of those who trace their origins to Shiraz in Iran (Persia); they are known as Shirazis. The African population is basically of the Bantu culture; the official language is Swahili, and the overwhelming majority of the population is Muslim.

HISTORY

Tanganyika

Tanganyika is a very old land, its deep valleys and gorges revealing the fossils of prehistoric ages. The most dramatic evidence of prehistoric existence in the area was uncovered at Olduvai Gorge in northern Tanganyika in 1959 when an almost complete skull, that of *Australopithecus (Zinjanthropus) boisei*, was uncovered. The *Zinjanthropus* fossil, as it is known, is estimated to go back in time about 1-1/2 or 1-3/4 million years.

The coast of Tanganyika has been known to the outside world for nearly 2,000 years, the interior for little more than a hundred. Voyagers from Arabia, Persia, and India established early contacts with Tanganyika, taking advantage of the monsoon winds to bring their sailing ships to the African coast.

Arab colonization began in the 8th century; when the Portuguese came at the end of the 15th century, they were surprised to find a predominantly Arab-Muslim civilization. The Portuguese were interested in the Arab settlements mainly as stopping places on the voyage to India and the Far East, but for this purpose they forced the Arabs to acknowledge the suzerainty of Portugal. During their 200-year rule the Portuguese made little attempt to colonize or to explore the interior. With the decline of Portuguese influence in the early 18th century, the area once again fell under Arab rule, with Arab slave traders pressing inland. The first Europeans to explore the interior were Sir Richard Burton and John Speke, who set out in 1857 to search for the source of the Nile. The Scottish missionary-explorer, Dr. David Livingstone, established his last mission station at Ujiji on Lake Tanganyika, and it was there that the explorer, Henry M. Stanley, "found" him in their famous meeting.

The modern history of western contact with mainland Tanzania can be traced to its colonization by Germany, which began in 1884 when a German society for colonization entered into agreements with six of Tanganyika's African tribes. In 1887 the German East Africa Company was incorporated by royal charter and in the following year received from the Sultan of Zanzibar a 50-year lease on a portion of the coastline. Two years later a German protectorate was proclaimed over German East Africa (con-

sisting of present-day Tanganyika, Rwanda, and Burundi), and a garrison was established at Dar es Salaam. Following the Anglo-German agreement of 1890, which defined respective spheres of influence in East Africa, the Sultan of Zanzibar ceded the lease of mainland territory to Germany. Early in 1891 the German Government took over the territory from the German East Africa Company and appointed a governor with headquarters at Dar es Salaam.

German hegemony over Tanganyika ended with the conclusion of World War I. Control of most of the territory passed to Great Britain, under a League of Nations mandate, until World War II. Tanganyika became a U.N. trust territory, also administered by Great Britain, after 1946. The remaining portions of the old German East Africa colony became Ruanda-Urundi—a Belgian mandate and subsequently a Belgian-administered U.N. trust territory—until July 1, 1962, when this entity became independent as two nations, the Republic of Rwanda and the Kingdom of Burundi.

In the years following the establishment of the United Nations mandate, 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 elections of September 1958 and February 1959. After these elections Africans for the first time were admitted to the Council of Ministers. In December 1959 British authorities, acting upon the recommendations of a committee established earlier that year, made provision for the establishment of internal self-government following general elections to be held in September 1960. In that election TANU representatives won 70 of the 71 contested seats, of which 50 were reserved for Africans, 11 for Asians, and 10 for Europeans. Julius Nyerere was named Chief Minister of the government formed subsequently.

In May 1961 Tanganyika became autonomous and Julius Nyerere became Prime Minister under a new constitution. Full independence was achieved on December 9, 1961, and Prime Minister Nyerere demonstrated his desire for interracial harmony by appointing to his cabinet two Europeans and an Indian. Barely 6 weeks after independence Prime Minister Nyerere resigned his post to devote his time mainly to the direction of TANU affairs. He named as his successor Rashidi Kawawa, former Minister Without Portfolio and trade unionist, but retained his own seat in Parliament. Mr. Nyerere was elected President when Tanganyika became a Republic within the Commonwealth precisely 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 of the same year.

Zanzibar

The existence of Zanzibar was known to the classical world, but the early history of the islands is obscure. People from the Persian Gulf area, according to tradition, began to settle in the islands many centuries ago. As noted previously, this tradition is kept alive today by the group called the Shirazi. The islands at an early date came under domination of the Arabs, who had also established numerous settlements on the adjacent coast. The Portuguese took the islands in 1503 and retained possession until 1730, at which time the Arabs of Muscat seized the islands after expelling the Portuguese from their settlements north of Mozambique. In 1832 Sultan Seyyid Said transferred his capital from Muscat to Zanzibar. For many years Zanzibar's chief source of income was the slave trade. From Zanzibar Arab raiding parties penetrated deep into the African Continent to acquire slaves for the Asian market. The traffic was outlawed in 1873 under strong British pressure.

Zanzibar's modern colonial history began in 1890 when it became a British protectorate governed for the Sultan by a Resident. Legislative and executive councils were established in 1926, and British Residents governed in accordance with decrees enacted by the Sultan with the advice and consent of the legislative council. Constitutional changes began in 1956 when provision was made for the election of six nongovernment members to the executive council in order to give increased Zanzibari representation to the formation of government policy. Zanzibar political life thereupon began in earnest. Two parties were formed, the Zanzibar Nationalist Party (ZNP), which represented the dominant Arab and Arabized minority under the leadership of Sheikh Ali Mushin, and the Afro-Shirazi Party (ASP), which represented the more numerous Africans under the leadership of Sheikh Adeid Amani Karume. In the first election, in July 1957, five of the six members elected were affiliated with the Afro-Shirazi Party; the sixth was a representative of a minority Muslim Association. The six government seats in the council were filled by the appointment of four Arab and two Asian members. In the aftermath of the election the Afro-Shirazi Party split and another party, the Zanzibar and Pemba Peoples' Party (ZPPP), was formed under Muhammed Shamte Hamadi.

In April 1960 Sir Hillary Blood came to Zanzibar to make recommendations for constitutional advances providing for the election of a majority in the legislature and for the introduction of ministerial government. Among the provisions were an increase of elected members in the legislative council from eight to 22 and an arrangement for five nominated members and three *ex officio* members. The Chief Minister was to be appointed by the Sultan with the advice of the Resident, who was also President of the executive council.

The election of January 1961 was inconclusive, and, as a result, a caretaker government was organized pending the results of new elections, which took place on June 1, 1961. The elections were followed by violence which caused the death of perhaps 70 or more persons. The results of the elections gave the Zanzibar Nationalist Party 10 seats, the Zanzibar and Pemba Peoples' Party three seats, and the Afro-Shirazi Party 10 seats, the number of constituencies having been increased by one. The ZNP and ZPPP formed a coalition, and Sheikh Muhammed Shamte, leader of the ZPPP, was installed as Chief Minister.

In November 1962, as a result of recommendations made by a delimitation commission, the number of seats in the Legislative Council was increased to 31. Agreement was reached in February 1963 between the political parties and British authorities regarding dates for holding elections, initiation of internal self-government, and final preparations for independence. Zanzibar became self-governing on June 24, and a general election was held on July 8, 1963.

In this general election the Zanzibar Nationalist Party and the Zanzibar and Pemba Peoples' Party won 12 and six seats, respectively, while the Afro-Shirazi Party won 13. The latter attracted the largest number of votes with 87,402, while the Zanzibar Nationalist Party polled 47,943 and the Zanzibar and Pemba Peoples' Party 25,610. Again the ZNP and ZPPP formed a coalition, with Sheikh Muhammed Shamte as Prime Minister. Zanzibar became independent on December 10, 1963, as a constitutional monarchy governed by a Sultan, prime minister, and legislature. A month later, on January 12, 1964, the Sultan was overthrown in a revolt which was essentially that of the African majority against the Arab minority. The Shamte government was replaced by a revolutionary government headed by Sheikh Adeid Amani Karume, leader of the ASP.

GOVERNMENT

The present union government of Tanzania is based on a strong executive pattern similar to that adopted in France under DeGaulle. Both the President and the National Assembly members are elected for a period of 5 years. The President may dissolve the National Assembly, but if he does, he must also stand for election. In addition to 107 elected members, the National Assembly may choose 15 members on its own. The President also has the power to appoint 32 members from the Zanzibar Revolutionary Council, 20 other Zanzibaris, 10 other Tanzanian citizens, and the 17 mainland regional commissioners who become *ex officio* members of the National Assembly. With the three regional commissioners from Zanzibar, there are now a total of 204 members in the National Assembly.

To aid him in his executive duties, the President appoints two vice presidents, one to assist him with Zanzibar's affairs and one to assist him

with mainland matters. The various ministers are also appointed by the President from among the elected members of the National Assembly.

The Constitution puts considerable political responsibility upon TANU as the sole political party for the mainland. TANU has the power to nominate the single presidential candidate and also to provide the two candidates for each elected seat to the National Assembly. On the other hand, membership in TANU has been liberalized so that all citizens may join. This includes the lifting of the ban on non-Africans and civil servants.

In Zanzibar the Revolutionary Council continues to be the legislative body controlling internal Zanzibari affairs. The last elections in Zanzibar were in June 1963.

POLITICAL CONDITIONS

Immediately after the adoption of the Constitution in 1965, elections were held for the office of President and for the elective seats in the National Assembly. Incumbent President Nyerere was renominated by TANU's Executive Committee, which also approved the nominations of two candidates in each of 101 of the 107 election districts. Of a registered electorate of 3.4 million, 2.6 million came to the polls. The President was endorsed by about 96 percent of the voters. However, only 21 of the 71 elected incumbents in the previous National Assembly were re-elected. Although some incumbents did not run again, among those defeated were one minister and six junior ministers. Two non-African ministers were reelected, one a European and the other an Asian.

Although the new constitution and the elections brought new energies and ideas into Tanzania's political life, there still remained the major problem of a new approach to economic development. TANU's answer in February 1967 was the Arusha Declaration, which called for government control over the principal means of production and for a code of ethics for the leadership of the country. The declaration pointed out that the only way to assure development was through self-reliance. These proposals were quickly implemented by legislation which nationalized some industries, provided for majority government control in others, and took over completely the country's private banks. In addition, government and party leaders were given 1 year to meet the new ethical standards which included prohibitions against receiving double salaries, profiting from the wage labor of another, renting houses to others, and owning shares in any private enterprise.

Although the legislation which nationalized various enterprises called for "full and fair compensation," it took more than a year to complete negotiations with most of the firms

concerned. In most cases, the Tanzanian Government arranged management contracts with the previous management, which insured a smooth and continued operation. Nevertheless, the Arusha Declaration has had a major impact on Tanzania. Some Members of Parliament resigned rather than give up other jobs. One Cabinet Minister left the country and is now in self-exile in England.

Government and party leaders are telling the people that the real key to economic development is their own hard work and that foreign aid alone will not help them unless they help themselves. Labor unions have been reminded that workers' wages are already much higher than the earnings of most people in the country, and that unions should not press for higher wages.

ECONOMY

The economy of Tanzania is based largely on agriculture. More than 90 percent of the population is engaged in farming, much of it at the subsistence level. Of the total 1967 gross domestic product (GDP) of \$797 million, the agricultural sector contributed 52 percent. Agricultural exports—principally sisal, coffee, and cotton—account for 78 percent of Tanzania's foreign trade. The average annual economic growth between 1960 and 1967 has been 4.3 percent at constant prices.

The mining and manufacturing sectors of the economy have represented an average of 8 percent of gross domestic product although they have been growing at a rate of more than 2 and 10 percent respectively on an annual average since 1960. Diamond production accounts for more than two-thirds of the total mineral output.

Tanzania's first Five-Year Plan for Economic and Social Development covered the period June 1964 to July 1969 and was designed as the first stage in the achievement of long-term targets fixed for 1980. A Three-Year Plan, completed in 1964 and involving \$67 million, was geared toward the development of water resources, modernization of agriculture, improvement of the educational system, and expansion of communications and of secondary manufacturing. The first Five-Year Plan, which was to be the first of three, aimed at the further expansion of industry and the resettlement of farmers on new, irrigated land to ease overcrowding in the fertile areas where land hunger is apparent. It envisaged the total expenditure of \$689 million. Long-range policy for the period of the three Five-Year Plans calls for growth of the agricultural cash economy and the reduction of Tanzania's dependence on imports of manufactured goods. The objectives, to be realized by 1980, are doubling of per capita income to \$126, raising of the present life expectancy from 35/40 years to 50 years, and self-sufficiency in trained manpower.

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Because world market prospects for the principal commodities are at best uncertain, greater emphasis during the second Five-Year Plan period (1969-74) will be placed on variety of products and efficiency of output. Production of tobacco, pyrethrum, and cashew nuts is improving; and prospects are considered good for increases in livestock, fishing, and forest products.

The emphasis on agriculture is consistent with President Nyerere's domestic policy of socialism and self-reliance, as expounded in the Arusha Declaration of February 1967. A fundamental concept of the declaration is that there should be increased investment by the Government in rural areas because the agricultural sector is the principal earner of foreign exchange which provides the capital for the economic development of the country. To this end, in the second Five-Year Plan the Government reportedly intends to earmark \$103.6 million for agricultural development.

Another aspect of the Arusha Declaration expected to have a significant effect on the economy is the nationalization scheme which was enacted into legislation. It provided for complete government control of foreign banks, trading companies, certain milling companies, and, eventually, major sisal estates. The Government also claimed 60 percent control of certain manufacturing companies involved in producing basic items, i.e., beer, cigarettes, shoes, etc. The legislation provided for "satisfactory compensation," which in most cases involved long-term loans to government from headquarters of the firms affected, with management contracts extended to the firm owners. By the first anniversary of the declaration all but two foreign banks had reached a settlement with the Government.

The manufacturing sector has been increasing steadily since independence and by 1967 contributed more than 5.5 percent of the gross domestic product. Concentration has been for the most part on import substitute industries designed to make Tanzania self-sufficient in market consumer goods such as textiles, food products, footwear, and household articles. Tanzania hopes to continue to expand its manufacturing sector with assistance from the East African Development Bank, an entity attached to the newly organized East African Community which came into operation in December 1967. The Community includes Kenya and Uganda and provides for accession by other states, several of which, most notably Zambia, Somalia, and Ethiopia, have recently applied for full or associate membership. It is through the Community's Common Market that the Tanzanians plan to increase their export trade in East Africa.

In its financial activities the Tanzanian Government maintains a cover on its currency of from 84-88 percent. Its debt service ratio is 4.5 percent. Its balance of payments has been consistently favorable; in fiscal year 1967 it was \$14 million. Its balance of trade has also been

favorable, although deteriorating since the onset of the steady decline in the price of sisal, which the Tanzanians produce in greater quantity than any other country.

The total value of Tanzania's external trade in 1967 was \$469 million, of which \$36 million was with the United States. The United States is Tanzania's fifth leading customer for exports and a major coffee purchaser; the U.S. share of imports in 1967 was \$14 million. The United Kingdom remains Tanzania's major trading partner; in 1967 it provided 28 percent of its imports. Other important trading partners outside East Africa are West Germany, Japan, India, and Hong Kong.

Zanzibar

The economy of Zanzibar is primarily agricultural, with cloves, clove oil, and coconut products providing almost all foreign exchange earnings. Cloves, of which Zanzibar is the world's largest producer, account for about 80 percent of the island's exports and one-third of the gross domestic product. Total exports in 1966 amounted to \$14.4 million, while imports totaled \$12.65 million. Zanzibar's principal trading partner is Indonesia. The extensive clove trade stems from the Indonesian habit of inserting the spice into cigarettes before lighting them.

Estimated recurrent expenditures for fiscal year 1967 amounted to \$8,376,200, while development expenditures for the same period totaled \$2,625,280. Most of the development funds for FY 1967 came from Communist China, East Germany, and the Soviet Union. Of the total development inflow, \$561,680 was in the form of grants. A small portion of grant aid came from United Nations agencies. The United States has provided grant assistance for the construction of a technical school.

Much of Zanzibar's food is imported. Under its Three-Year Development Plan, Zanzibar adopted a policy of diversification of agriculture. Specifically, steps were taken to make Zanzibar self-sufficient in the production of rice and pulses, and efforts were begun to grow rice on the island under Chinese Communist tutelage. To promote agriculture and self-reliance, as in mainland Tanzania, Zanzibari authorities have broken up estates formerly owned by Arabs and distributed 3-acre plots to Africans.

THE EAST AFRICAN COMMUNITY

The seeds of economic cooperation in East Africa were planted in 1917 when free trade between Kenya and Uganda began. After World War I Tanganyika was added to the free-trade area in 1923 when Britain became the mandatory power over Tanganyika, formerly held by Germany. Tanganyika maintained its own customs

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department, however, until 1949. Common services developed concurrently with the market, and the two concepts were institutionalized in 1948 with the creation of the East Africa High Commission which was headed by the colonial governors of the three countries. With the advent of Tanganyikan independence in 1961 the High Commission was replaced by the East African Common Services Organization (EACSO) which was headed by the prime ministers of the three countries. In June of 1967 a Treaty for East African Cooperation was signed, creating an East African Community headed by an Authority consisting of the Presidents of the three countries. At the time of the treaty signing, EACSO was operating with an annual budget of \$252 million and had 60,000 employees.

The treaty, which came into effect on December 1, 1967, grew out of a desire by the three countries to compose differences arising among them over allocation of industries. These differences had started a disintegrative process which in 1965 included decisions by member states to impose trade restrictions and establish separate currencies and central banks.

The treaty continues previous common services and stipulates that self-contained services—railways, harbors, airways, posts, and telegraphs—shall be organized as corporations. Whereas headquarters for all the Common Services previously were at Nairobi, now they are to be decentralized. For example, the Secretariat of the Community will be located at Arusha, in northern Tanzania, and the Harbors Corporation in Dar es Salaam. The new East African Development Bank, an institution established under the treaty to help right the industrial imbalance in the region, is to be located at Kampala in Uganda, as is Posts and Telecommunications. Headquarters of the Airways Corporation and Railways Corporation will remain at Nairobi.

FOREIGN RELATIONS

For a number of independent African nations the espousal of African socialism has been a keystone of domestic policy. Similarly, the doctrine of nonalignment has been put forth as the basis of foreign policy, but without much elaboration. President Nyerere, going beyond this, has described Tanzania's nonalignment as a desire for friendship with non-Western as well as with Western nations, and, on the same basis, of mutual noninterference with internal affairs. Since early 1964, in particular, President Nyerere has taken a number of specific steps to carry out this policy.

Tanzania is a member of the United Nations, the Organization of African Unity (OAU), and the East African Community, of which Arusha, in Tanzania, is the headquarters.

In addition to its partners in the East African Community—Kenya and Uganda—Tanzania enjoys particularly close relations with neighboring Zambia. Tanzania insists on majority rule by

the Africans of southern Africa. It therefore rules out relations with South Africa, Portugal (and its territories of Mozambique and Angola), and Southern Rhodesia, because of the lack of participation by the African majorities in the white-minority-controlled governments of these countries.

U. S. POLICY

The United States, while sometimes differing with Tanzania on certain international issues, enjoys mutually beneficial bilateral relations with Tanzania. We are encouraging Tanzania in a program which will help the United Republic meet critical requirements in certain key development areas, particularly agriculture, education, and transportation.

In addition, the United States supports the move by the three East African governments to give increased emphasis to regional economic cooperation. It does this by giving greater priority to U.S. Agency for International Development projects which take advantage of regional opportunities to contribute to the multilateral development of the three countries.

PRINCIPAL GOVERNMENT OFFICIALS

- President of the United Republic of Tanzania—Mwalimu Julius K. Nyerere
- First Vice President—Sheikh Abeid A. Karume
- Second Vice President—R.M. Kawawa
- Minister of State (Central Establishments)—I. M. Bhoke Munanka
- Minister of State (Foreign Affairs)—C.Y. Mgonja
- Minister of Local Government and Community Development—Peter Kisumo
- Minister for Economic Affairs and Development Planning—Paul Bomani
- Minister for Communications, Labor, and Works—J. M. Lusinde
- Minister for Finance—A. H. Jamal
- Minister of Foreign Affairs—The President
- Minister for Lands, Settlement, and Water Development—A. M. Babu
- Minister for Home Affairs—S. A. Maswanya
- Minister for Commerce and Industries—A. M. Maalim
- Minister for Education—S. N. Eliufoo
- Minister for Agriculture, Forests, and Wildlife—D. N. Bryceson
- Minister for Housing and Health—A. K. Shaba
- Minister for Information and Tourism—Hasnu Makame

Tanzania maintains an Embassy in the United States at 2721 Connecticut Ave., N.W., Washington, D.C. 20008. Tanzania's Ambassador to the United States is Mr. Lukumbuzya.

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PRINCIPAL U. S. OFFICIALS

Ambassador—John H. Burns
Deputy Chief of Mission—Thomas R. Pickering
AID Director—Charles J. Nelson
USIA Director—Stephen P. Belcher
Consul, Zanzibar—Jack W. Matlock

The U.S. Embassy is located in the National Bank of Commerce Bldg., City Drive, P.O. Box 9123, Dar es Salaam.

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GOVERNMENT OF TANZANIA *

PRESIDENT: Mwalimu Julius K. Nyerere
Principal Secretary, President's Office: D.A. Nkembo

FIRST VICE-PRESIDENT: Sheikh Abeid A. Karume

SECOND VICE-PRESIDENT: R.M. Kawawa
Principal Secretary: B. Mulokozi

MINISTER OF FINANCE: A.H. Jamal
Principal Secretary: J.D. Namfua
Acting Principal Secretary: I.M. Kaduma

MINISTER OF ECONOMIC AFFAIRS AND DEVELOPMENT PLANNING: P. Bomani
Principal Secretary: C.D. Msuya

MINISTER OF AGRICULTURE, FOOD AND COOPERATIVES: D.N.M. Bryceson
Principal Secretary: E.A. Mulokozi

MINISTER OF COMMUNICATIONS, TRANSPORT AND LABOUR: J.M. Lusinde
Principal Secretary: F.K. Burengelo

MINISTER OF COMMERCE AND INDUSTRIES: A.M. Babu
Principal Secretary: E.P. Mwaluko

MINISTER FOR INFORMATION AND TOURISM: H. Makame
Acting Principal Secretary: D.N.M. Mloka

MINISTRY OF REGIONAL ADMINISTRATION AND RURAL DEVELOPMENT:
MINISTER OF STATE: P.A. Kisumo
Principal Secretary: A. Mushi

* * * *

BANK OF TANZANIA (Central Bank)
GOVERNOR: E.I.M. Mtei

* Persons whom Mr. McNamara is likely to meet.

December 19, 1969

PRESIDENT: MWALIMU JULIUS K. NYERERE

Age about 47. 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, reportedly by his eighteenth wife. 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 Two 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. Within months, the party was banned in Lake Province.

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 (now Minister of Agriculture) as Vice-Chairman, and Mr. Amir Jamal, an Indian (now Minister of Finance), 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. On November 1 of that year Mr. Nyerere was elected as the first President on the basis of adult suffrage.

Two events occurred in January 1964 which profoundly affected Tanganyika's future - the overthrow of the Arab-dominated regime in Zanzibar and a mutiny in Tanganyika's army. The two events were unrelated except that the successful revolution sparked off the mutiny, which had no political aims, being restricted to demands by the non-commissioned officers and privates of the Tanganyika Rifles for higher pay and the replacement of their British officers. President Nyerere called in British troops to put down the mutiny; the army was disbanded; and Nigerian troops assisted during the interregnum after the British had left while Tanganyika's army was being reformed. In April 1964 a union was announced with the Zanzibar People's Republic, with Mr. Nyerere becoming President of the new United Republic of Tanzania.

In September 1965 the first elections were held under a new constitution which established a one-party state in Tanzania. Under the new constitution, the procedure for selecting candidates was reformed to reduce the influence of TANU party officials, and voters in each constituency were able to choose between two candidates. In the event, two members of the Cabinet, six Junior Ministers, and a large number of ordinary members lost their seats. The Parliamentary elections were not held in Zanzibar. The Presidential election, however, was held throughout the Republic. President Nyerere was re-elected with a 98 percent favorable vote. The next elections are due in September 1970, when the President is again expected to be returned with another popular endorsement of his policies.

An avowed Socialist and a dedicated Pan-Africanist, President Nyerere has established a high reputation for himself throughout Africa and elsewhere in the world for his political leadership, intellect, and high standard of personal conduct. His policies have been founded on the twin principles of self-reliance at home and non-alignment abroad. A pragmatist, his beliefs have found expression in extremely striking and practical ways - notably in the Arusha Declaration of January 1967 and its implementation. In late 1966 he announced that middle and high Government salaries including his own would be cut to narrow the gulf between rich and poor. The Arusha Declaration also imposed a stringent code of behavior on Government and TANU officials, who are not permitted to hold directorships or shares in private companies, earn more than one salary or own houses for rent. The President himself lives in a modest beachhouse. He is married to a daughter of an elder in his home district and has eight children.

In October 1969 while President Nyerere was abroad on a visit to Canada, Sweden, Russia, Yugoslavia and the Vatican, the Tanzanian Government arrested two wellknown politicians and four army officers said to have undermined law and order. The two politicians were former Labor Minister Michael Kamaliza and Bibi Titi Mohamed, who at one time was Chairman and General Secretary of TANU Women's section. Kamaliza, a prominent trade unionist, had earlier clashed with President Nyerere over the role of the trade unions in TANU. In 1966 the organization and activities of the National Union of Tanganyika Workers (NATU) of which he was General Secretary, was investigated by a Presidential Commission. Bibi Titi Mohamed was a person of considerable private means; she may have resented the President's emphasis on austerity. The alleged plotters, however, seem to have had little support.

There has also been some controversy over the President's treatment of Mr. Oscar Kambona, formerly a Minister and a very close confidant. Mr. Kambona left Tanzania about two years ago for Europe, ostensibly for some specialized medical treatment. He has not returned to Tanzania since then, and has been living in London. The Government has alleged that Mr. Kambona misappropriated public moneys, and also that he is trying to foment trouble in Tanzania. This has been the basis on which a few former prominent people have been detained. Speculation about Mr. Kambona's political views place him all the way from being to the far right of the President to his far left. The President obviously still regards the Kambona affair as an unresolved matter since, from time to time, he has spoken particularly harshly about him. However, neither Mr. Kambona nor anyone else poses a threat to the stability and order which have characterized Tanzania over the years or to the President's own position.

December 18, 1969

Principal Secretary, President's Office: D.A. Nkembo

Age about 40. Born at Mbeya. Educated at Dodoma and Tabora Secondary Schools and Makerere University College, Uganda. Obtained a B.A. Initially worked in cooperative movement, eventually becoming Assistant Commissioner for Cooperative Development and Assistant Registrar of Cooperative Societies in 1962. Was appointed Commissioner for Industries and Power in 1964, and subsequently became Principal Secretary of Ministry of Economic Affairs and Development Planning. Present duties include Secretary to the Cabinet and Head of the Civil Service.

December 18, 1969

FIRST VICE-PRESIDENT: HON. SHEIK ABEID A. KARUME

Aged about 65. Of Congolese origin. Came to Zanzibar very young and received his little education there. Became a sailor, working on a cargo boat and visiting many parts of the world. Entered politics late in life - through the African Association, a social organization for migrant workers in Zanzibar. When this was merged with another organization to form the Afro-Shirazi Party (ASP) he became President and was elected to the Zanzibar Legislative Assembly in 1957. Appointed Minister of Health in all-party caretaker Government formed after the 1961 elections. Became leader of the Opposition following the 1963 election, when ASP was defeated by the pro-Sultan Zanzibar National Party despite a proportionally majority vote. Became President of the new Republic of Zanzibar after the January 1964 revolution, which was spearheaded by young ASP militants. Although called First Vice-President since the merger with Tanganyika, retains complete autonomy over Zanzibar's domestic and foreign policy. Ruthless and authoritarian. Spends most of his time in Zanzibar. Appears to have little or no say in affairs on the mainland, though the line of demarcation is not completely clear and there is evidence that President Nyerere is not always entirely happy about his influence.

SECOND VICE-PRESIDENT: HON. R.M. KAWAWA

Age about 42. Born in Songea district. Son of a gameranger. Educated at Tabora Secondary School. Joined Tanganyika Government Social Development Department as a film assistant; reportedly starred in three locally-made comedy films. Was President of the Tanganyika African Civil Servants Association. Played a major role in building up trade union movement; formed Tanganyika Federation of Labour and was first its General Secretary and later President. Attended a trade union course in London in 1956. Became a member of the Central Committee of TANU. Was a nominated member of the Legislative Assembly in 1957 and elected as member for Nachingwea in 1960; he was returned unopposed in the 1965 elections. Was appointed Minister for Local Government and Housing, and later Minister without Portfolio to assist Mr. Nyerere, in 1961. In 1962 became Prime Minister when Mr. Nyerere stood down suddenly to reorganize TANU. Generally regarded as the President's deputy. Is leader of the National Assembly. Also responsible inter alia for National Youth Service. Of stocky build, is reputed to be able and efficient.

Principal Secretary: B. Mulokuzi

Age about 36. Born at Bukoba. After primary and secondary school attended St. Francis Pugu 1952-54 and Makerere University College, Uganda, where he obtained a B.A. (London). Entered district government as a trainee in 1959; was a District Commissioner by 1961. Then had further rapid advance to Principal Assistant Secretary in 1962, Permanent Secretary for Culture and Youth in 1963, Permanent Secretary 1964, and Principal Secretary, Office of the 2nd Vice President 1965.

December 18, 1969

MINISTRY OF FINANCE

MINISTER: HON. A.H. JAMAL

Age about 47. A Muslim. The only person of Indian descent in the Tanzanian Government. Born in Dar es Salaam. A third generation Tanzanian, whose father was a prominent businessman and the first Asian member of the pre-independence Legislative Council. Educated at Mwanza, Dar es Salaam 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. Quiet but able. Is moderate in his views and is said to be influential within the Government, a fact which has reportedly made him unpopular with some of the more extreme African leaders. There has recently been talk that he may be replaced in the not too distant future, but we ourselves have no knowledge of this.

Principal Secretary: J.D. Namfua

Age about 33. Born near Moshi where he received his primary education. After a three-month post office training course in Nairobi, worked for the postal services for two years. At the age of 21, he resigned this position and became the secretary-general of the Tanganyika African Postal Workers Union. In 1960 became secretary-treasurer of the Tanganyika Federation of Labor and that year took a four-month course at the ICFTU Labor College in Kampala, Uganda. In 1961 was made a nominated member of the National Assembly, and that August he was appointed Parliamentary Secretary to the Treasury. He spent the next year studying in the United States on an Eisenhower Fellowship. In 1963 he was made Acting Secretary to the Ministry of Commerce and Industry, and he resigned his seat in the National Assembly. In 1964, became Acting Permanent Secretary of the Treasury. In character, is a sharp contrast with his Minister. Outspoken and direct, he makes little attempt to conceal his feelings; on occasions has expressed considerable impatience with the Bank's working methods. Still keenly interested in politics, he may seek a seat in the Assembly at the next opportunity, which will presumably be the 1970 elections. Is currently away from Dar on "National Service".

Acting Principal Secretary: I.M. Kaduma

No details available. Age appears to be 35-40. Has visited Bank several times for negotiations and well known to staff. Not especially bright but extremely industrious. As head of development finance division, has done an excellent job with little staff resources at his disposal. Invariably cheerful despite pressures on him. Recently promoted but still running development finance division since no successor yet appointed.

December 18, 1969

MINISTRY OF ECONOMIC AFFAIRS AND DEVELOPMENT PLANNING

MINISTER: HON. PAUL BOMANI

Tanzanian Governor of the Bank. Age about 45. Born in the Musoma district of Lake Province. One of three brothers now prominent in public life in Tanzania. Son of Protestant minister, was educated at Nassa Primary School and Ikizu Teachers Training College. Taught for a time at Williamson Diamond Mining School, but later left the teaching profession to become Assistant Secretary and subsequently Secretary of the Mwanza African Traders Co-operative. It was through his work in the cooperative movement, in the cotton area south of Lake Victoria, that he rose to prominence. Dedicated himself to strengthening the position of the African farmer vis-a-vis the Asian middleman. In early 1950's organized and became first President of the Lake Province Growers Association. In 1953 attended courses in cooperative management at Loughborough College, England, and toured cooperative projects in France, Holland, Germany and Denmark. In 1955 he converted the Lake Province Growers Association into the Lake Victoria Federation of Cooperative Unions, which soon became the biggest cooperative in Tanganyika. Meantime, he had also been active in politics, becoming Provincial Chairman of the Tanganyikan African Association in 1952. He carried his TAA branches over to TANU when the new party was formed by Mr. Nyerere in 1954. With Nyerere's support, was nominated to the Legislative Council by the British Administration in the same year, and for three years was TANU's sole mouthpiece on that body. In 1959 he returned to the Council as an elected TANU member. In 1960 became Minister for Agriculture and Cooperative Development; in 1961 Minister for Agriculture; and in 1962 Minister for Finance. Was one of two senior ministers who lost their National Assembly seats in 1965 elections, apparently over dissatisfaction with the Lake Victoria Federation of Cooperative Unions, with which he was still associated; his brother Emmanuel took over from him as General Manager of the Union in 1960. However, appointed by President Nyerere as Minister of Economic Affairs and Development Planning; is only non-elected member of Government. Reputed to be solid and competent, but possibly now a waning political force.

Principal Secretary: C.D. Msuya

Age about 39. Born at Pare. Educated at Usangi Primary School, Old Moshi Secondary School, Tabora Secondary School, and Makerere University College, Uganda. After graduating in 1955 joined the Tanganyika Government as a community Development Officer. Had rapid promotions in the early 1960's, becoming Acting Deputy Commissioner for Community Development in 1961 and Commissioner for Community Development in 1962, and Principal Secretary of the Ministry of Community Development and National Culture in 1964. He took up his present position in July 1965. Considered by the Bank's economists to be the ablest civil servant in Tanzania.

December 18, 1969

MINISTRY OF AGRICULTURE, FOOD AND COOPERATIVES

MINISTER: HON. D.N.M. BRYCESON

Age about 45. The only remaining person of European descent in the Tanzanian Government. Born in China and educated in England (St. Paul's School, London, and Trinity College, Cambridge). Was a pilot during World War Two in the British Royal Air Force; crippled in a crash in 1943 and now walks with a stick. Emigrated to Kenya to farm in 1947, moving south to Tanganyika in 1951. Became Assistant Minister for Social Services in 1957, and in 1958 was elected a Member of Parliament and Deputy to Nyerere as Leader of the Opposition. He was Minister for Mines and Commerce, 1959-60; Minister for Health and Labour, 1960-62; Minister for Agriculture 1962-63; and Minister for Health, 1964. He again became Minister for Agriculture in 1965. At the General Elections in September 1965 he had a massive majority over his African opponent in his Dar es Salaam constituency. A close personal friend of the President for many years. Charming and pleasant to deal with, but in our experience somewhat ill-organized and unpredictable; tends to be inconsistent and to change his mind.

Principal Secretary: E.A. Mulokozi

No details available. Age appears about 40. Extremely sound. Highly regarded by the Bank, cooperative and apparently well disposed towards us. The ideal counterpart to Mr. Bryceson's somewhat quixotic temperament.

December 18, 1969

MINISTRY OF COMMUNICATIONS, TRANSPORT AND LABOUR

MINISTER: HON. J.M. LUSINDE

Age about 40. Born at Dodoma. Attended Tabora Secondary School and Makerere University College, Uganda, where he obtained a diploma in education in 1953. Taught for five years at Makerere and Dodoma. Then entered local government, serving as Chairman of Dodoma Town Council in 1960. Became Member of Parliament for Dodoma. Was Minister for Local Government in 1961 and Minister for Home Affairs 1962-65. Has been Minister of Communications since 1965. Reportedly is further to the left than the Government as a whole. Somewhat deep and stolid; difficult to fathom. Very political. At center of number of recent storms in Community; e.g. the locomotive dispute.

Principal Secretary: F.K. Burengelo

Age about 45. Born at Bukoba. Like his Minister, attended Tabora Secondary School and Makerere University College. Began his working career in 1949 as a Probation Officer. Was an Assistant District Officer from 1956 to 1960, and a District Officer 1960-61. Became Principal Assistant Secretary of the Ministry of Education in 1961, Deputy Principal Secretary of the Ministry of Local Government the same year, and Principal Secretary of the Ministry of Education in 1964. Firm and constructive, and apparently well regarded in Tanzania. In his present position is also a Director of the East African Railways Corporation. (Was a member of the Tanzanian delegation to the recent East African Railways and Telecommunications loan negotiations, to which he made a useful contribution.)

December 18, 1969

MINISTRY OF COMMERCE AND INDUSTRIES

MINISTER: HON. A.M. BABU

Age about 46. Born in Zanzibar, of mixed Arab-Comorian descent. Went to school on the island, then to Makerere University College, Uganda, and London University to study English literature, philosophy, social psychology and journalism. Worked for six years for Zanzibar Clove Growers Association, another six for a savings bank in the suburbs of London. Returning to Zanzibar in 1957, rapidly became embroiled in politics and emerged as leader of a minority Marxist-inspired faction in the Zanzibar National Party (ZNP). Imprisoned for a year in 1962-63 for a political "offence", he broke away from the basically conservative, pro-Sultan ZNP to found the Umma (Masses) Party before the July 1963 elections, in which his new party took no part. Developed Umma into tightly-knit, powerful organization attracting many varied groups hostile to the Government, which became increasingly authoritarian and apparently set on perpetuating Arab supremacy. After overthrow of Government in January 1964 was appointed Minister of Defence and External Affairs in a revolutionary Government formed from leaders of the Umma and Afro-Shirazi Parties, which soon afterwards merged. Became Minister of State after the link-up between Tanganyika and Zanzibar in April 1964.

Acting Principal Secretary: E.P. Mwaluko

Age about 35. Born in Central Region. Educated at Alliance Secondary School Kikuyu, St. Andres' College Minaki, Makerere University College, Uganda, and St. Peter's College, Oxford. Has a B.A. (Honours) London and a Post Graduate Diploma from Oxford in Politics, Philosophy and Economics. Was Principal Assistant Secretary in Ministry of Finance, and later Counsellor to the Tanzanian Mission to the United Nations in New York. Hobbies said to be African music, poetry and dancing, and sports.

December 18, 1969

MINISTRY FOR INFORMATION AND TOURISM

MINISTER: HON. H. MAKAME

Age about 50. One of the Zanzibars in the Government. Was initially a teacher, then went into government service in 1948 after attending a course in public administration at Exeter University, England. A labor officer from 1957-60, he became a member of Parliament in 1961 and later Treasurer of the Zanzibar Afro-Shirazi Party. After the 1964 revolution, served briefly as Zanzibar's Minister for Finance and Development and subsequently as the revolutionary Government's ambassador to the United Nations and the United States. His first post following the April 1964 union between the mainland and island was Minister of State for External Affairs. Was Minister for Communications and Works for a short period before being appointed Minister for Health in 1965. Is very keen on promoting tourism in Tanzania independently of Kenya and has taken some controversial steps in support of this such as restricting the flow of tourists from Kenya under the auspices of Kenyan tour promoters; this restriction has since been lifted.

December 18, 1969

MINISTRY OF REGIONAL ADMINISTRATION AND RURAL DEVELOPMENT

(The President himself retains the Portfolio of Minister for Regional Administration and Rural Development).

MINISTER OF STATE: HON. P.A. KISUMO

Age about 35. Not a great deal known about his early days but appears to have had limited formal education. An active trade unionist; became Local Secretary, Trade Unions, in 1959 and was General Secretary 1961-63. Was appointed Regional Commissioner, Kilimanjaro Region, in 1963 and Regional Commissioner in 1965.

Principal Secretary: A. Mushi

Age about 35. Attended Tabora Secondary School 1954-55 and Makerere University College, Uganda 1956-61. Has good background in agriculture on both technical and practical side. Attended an F.A.O. course in 1963; obtained a B. Sc. in Agriculture from London University. Was an agricultural officer in the Korogure District, 1962-63. Became Agricultural Officer (Administration) in Dar es Salaam; Senior Agricultural Officer; and then Regional Agricultural Officer in the Tanga Region.

December 18, 1969

BANK OF TANZANIA

GOVERNOR: E.I.M. MTEI

Age about 37. Has had a notable career for one still relatively young. Born near Moshi in the northern highlands and educated at Moshi Secondary School, Tabora Senior Secondary School and Makerere University College, Uganda. Obtained a B.A. with Honours. After two years' management training in the East African Tobacco Company, joined the Government service in 1959; his first important assignment was as Chief Establishment Officer responsible for Africanization and training in the Civil Service. Was seconded to the former East African Common Services Organisation (EACSO). Became Secretary to the Common Services Authority and Personal Assistant to the Secretary General. Later was Secretary (Administration) for the EACSO General Fund Services and, in 1966, Secretary to the EACSO Treasury. Returning to the Tanzanian Government, he was accorded the title of Principal Secretary (Special Duties) in the Treasury while assigned to planning the establishment of the Bank of Tanzania and a separate currency, in preparation for Tanzania's break with the 40-year old East African Currency Board in June 1966 - an operation which was carried out with remarkably little disruption.

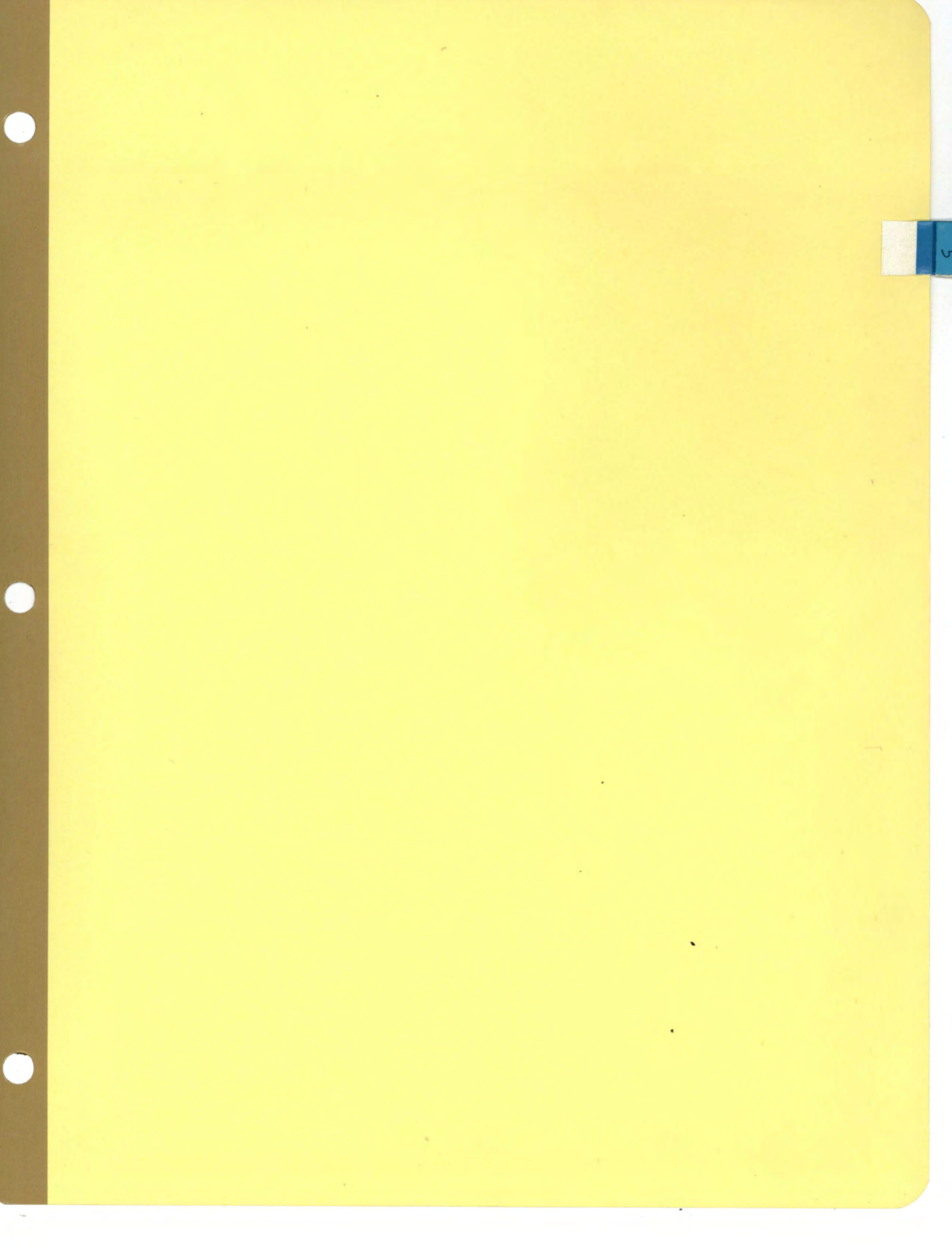
December 18, 1969

MR. JOHN OWEN

Mr. John Owen has been Director of Tanzania National Parks for some years. British, age about 56, he is a leading authority on wildlife and conservation. Under his charge, Tanzania National Parks have been built up into some of the largest and finest wildlife areas in the world. A brilliant promoter, he has managed to obtain strong political and financial backing from the Government, with whom he seems to have maintained excellent relations. He has also been extremely successful in raising funds from private foundations, wildlife organizations and other private sources. A total of around \$5.0 million has been contributed by these various donors to the development of the Tanzania game parks during the past 7-8 years.

In August 1968 Mr. Owen wrote to Mr. Stewart Udall, then U.S. Secretary of the Interior, who is a close friend, about the proposed power development project at Murchison Falls. Mr. Udall passed the letter on to Mr. McNamara. Mr. Owen is also acquainted with the Kennedy family; Robert Kennedy Junior stayed with him during his visit to East Africa in the summer of 1968.

December 31, 1969



ZANZIBAR SITUATION

To many overseas observers, Zanzibar is seen as a bridgehead for Communist penetration into Africa. The island is at present in the grip of a group of extremists who have been carrying out a Stalinist-style purge of their opponents; hundreds of Arabs are reported to have been killed since the Revolution. At the same time, several Communist states, notably China and East Germany, have established a considerable presence in Zanzibar by providing "aid" in various forms. Pemba, Zanzibar's sister island, is now said to be a formidable military arsenal equipped, trained and staffed by the Chinese.

In October 1969, Vice President Karume (see biographical note) announced that four persons had been executed for attempting to overthrow the Zanzibar Government. Fourteen persons, he said, including several former high government officials, had been involved in the plot; nine had been sentenced to ten years in prison and one to three years. Two of the four persons executed, and one of those imprisoned, were arrested on the mainland in August and, with President Nyerere's apparent sanction, flown to Zanzibar. This alleged betrayal by the President of former colleagues, apparently for the sake of preserving the union between the two countries, has been the subject of adverse comment in the Western press (see clippings).

The decision of President Nyerere to enter into the union with Zanzibar in April 1964 is generally explained as a defensive move by the mainland government. The union has given the President the opportunity to influence the erratic course of Zanzibar's politics in the aftermath of the Revolution on the island. The President, it is argued, did not want his own country's steady march to socialism to be jeopardized by a vulnerable neighbor's external involvement and internal upheavals. The union of the two states was established only in principle; the timing and method of implementing the necessary steps to achieve full unification were left in abeyance. The President himself has said that integration must come freely, without any coercion or force. Many services have in fact been integrated during the past few years: these include customs and excise, statistics, currency and the police force, but Zanzibar has not always extended full cooperation to officials in the mainland.

December 18, 1969

October 1969

Zanzibar's integration 'must come freely'

By DEREK COARS

Zanzibar remains something of an enigma to the outside world. It appears to have two presidents, to be an equal partner with Tanganyika in the United Republic of Tanzania, and yet be a law unto itself. Visitors find it difficult to understand what while in Dar-es-Salaam the policy is government by freely held elections, in Zanzibar the Revolutionary Council has stated publicly that there will not be any elections for the next 50 years. Travel between the mainland and the islands is not always easy and the sort of socialism practised in Zanzibar is much further to the left than that directed by President Nyerere in the capital. Seizure of property and businesses in the islands has been commonplace whereas following nationalisation on the mainland full and fair compensation was agreed.

Sharp contrast

The answer to all these apparent anomalies stems from the fact that Tanganyika achieved its independence in 1961 by peaceful means, in sharp contrast to the bloody struggle which toppled the Sultan's regime in 1964. The Zanzibar leaders, headed by Sheikh Abeid Karume, who is President of Zanzibar and first Vice-President of Tanzania while Julius Nyerere is President of the United Republic of Tanzania, literally fought for their freedom. And, fearful of counter-plots, particularly in the early days, they have main-

tained an iron grip on the island's affairs.

It should be understood that once a group of people have been used to holding the reins of power for six difficult years it is not easy for them to relinquish their responsibilities—a move which could result eventually in Zanzibar becoming the 18th region of Tanzania. They state that they are the leaders who freed the people; and that they are the people's government and there is no necessity for elections. They continue to sit in the United Republic Parliament, some 36 representatives for the island's 300,000 population, while 143 members speak for the 12m. mainlanders.

But however imbalanced this may be, the fact remains that under the interim constitution the Zanzibaris are entitled to these privileges and to govern the islands internally as they choose fit. Integration of a number of services has taken place since the Act of Union on April 26, 1964—external affairs, defence, police, citizenship, emergency powers, external trade and borrowing, tax and duties, currency, harbours, civil aviation and posts and telecommunications. Those remaining to be integrated include the judiciary, agriculture, education, home affairs, health and housing.

But there is still a long way to go before the islands and the mainland are really one. Some observers have asked why greater pressure is not brought to bear on the Revolutionary Council to merge their Afro-Shirazi Party and the mainland

Tanganyika African National Union and to integrate all services fully—thus precluding criticisms and the malicious comments by ill-wishers who would prefer to see the Union split.

It is true that often statements and actions by the Zanzibaris cause embarrassment in Dar-es-Salaam. At the same time it should be clearly understood that such irritations are not enough to rend the Union. There may well be disagreements and a wide divergence of policies but basically one fact remains: no one wishes to harm the Union.

President Nyerere has stated often enough that the integration of the two sovereign States of Zanzibar and Tanganyika must come freely, without any coercion or force. Sheikh Karume, over the years, has proclaimed that the Union must grow "strong like a tree."

The future

What then does the future hold? Will the mainland Government swing further left or the island fall into step with its partner's less extreme policies—or will both continue along their respective paths towards the same objective of raising the living standards of their people? Africa is notorious in proving its prophets wrong. But, frankly, it does not matter a great deal so long as peace and stability are maintained and the development targets are achieved.

In its young life Tanzania has survived a number of bumpy periods, pursued a difficult and

often-misunderstood policy of non-alignment. In recent weeks two alleged plots have been uncovered. On the island four plotters have been executed and nine jailed for ten years each; six people, including a former Cabinet Minister and a former national women's leader, await trial on the mainland.

Better days

But these should not be taken as portents of things to come. The chances are that with good will and an increasingly enlightened outlook all Tanzanians can expect better days ahead.

The peasants of Zanzibar now have land formerly owned by the Arabs, and experts, including Chinese, are teaching up-to-date farming methods. Plans are progressing to provide better water supplies, good housing and health services. Small State-owned industries are being established. Tourism, particularly, is likely to be the big money-spinner. And here the Zanzibaris, in common with the Tanganyikans, are fully aware of the potentialities.

A new 200-bed hotel is being built on the island and even girls are training to become taxi drivers to show visitors around their lush island. The narrow streets, palm-fringed beaches and an exotic atmosphere are guaranteed to captivate the tourist. And, with a new-found prosperity, the spice islands and the mainland may be able to grow "strong like a tree" whose roots grow deep in the true soil of unity.

October 1969

*Tanzania*Does it really exist?

Sheikh Abeid Karume, first vice-president of Tanzania and boss of Zanzibar, announced at the end of last month that four people had been executed by firing squad for attempting to overthrow the Zanzibar government. The four were not named but it is assumed that Mr Kassim Hanga, a former vice-president of Zanzibar, and Sheikh Othman Shariff, a former Tanzanian ambassador in Washington, were included. These two



Karume—you send them, he shoots them

THE ECONOMIST NOVEMBER 15, 1969

were arrested in Dar es Salaam in August and, with President Nyerere's sanction, flown to Zanzibar.

Although Zanzibar and Tanganyika have since 1964 formed the united republic of Tanzania (Kassim Hanga was largely responsible for bringing about this union), they share neither political nor judicial institutions. Indeed, Zanzibar remains aggressively distinct from its mainland neighbour: Sheikh Karume, who is still referred to on the island as the president, a law unto himself. Tanganyika is one of the relatively democratic parts of Africa, but Zanzibaris have been promised no elections in the sheikh's lifetime.

This situation has long been a source of embarrassment to President Nyerere. But his sanction of the extradition of Hanga and Shariff to their probable deaths in Zanzibar is regarded as a straightforward betrayal of old friends for the sake of preserving the union between the two countries. The president must have been under great pressure to succumb to this blackmail; it is hard to see why he thought it worth it. It is possible that the "plot" in Zanzibar was linked to the plot in Dar es Salaam of a few weeks earlier. It is also possible that Nyerere is anxious to contain Chinese influence, already strong in Zanzibar, and, with the building of the Tanzam railway, likely to get stronger in Tanganyika. But it has shown that even "Mwalimu"—the teacher—is a politician.

October 1969

Former Ministers thought to have been put to death Nyerere bows to Zanzibar pressure

By ROY LEWIS

President Julius Nyerere of Tanzania is one of those leaders thrown up by the former colonial empire who, as national figures in their own countries, have been able to take a strongly moral line—not only about the proper behaviour of states, but about the proper behaviour of politicians, officials and others.

He broke with Britain because of its "double standards" in respect of Rhodesian independence compared with the independence of other colonies. In his Arusha declaration he laid down extensive standards of public morality. In many of his speeches and lectures to his own people as "Mwalimu" (the teacher) he has emphasized the importance of a just society.

His admirers will be the more anxious for a fuller explanation of the circumstances which have led to the handing over to the Zanzibar revolutionary Government of three former Ministers in its Revolutionary Council—Othman Shariff, Kassim Hanga and Ali Mwange Tambwe. Dr. Nyerere, of course, knows perfectly well that there is no formal system of justice or courts in the Zanzibar regime led by Abeid Karume, First Vice-President of Tanzania. This is underlined by the announcement that when courts are constituted there will be no appeals from them to the Court of Appeal for Eastern Africa.

In these circumstances, all that we know about the results of a recent trial of 14 men for plotting against Mr. Karume is that four were put to death, 11 given 10 years imprisonment, and one acquitted. But I have no doubt that Othman Shariff and Kassim Hanga are among those killed. I am told there is "irrefutable evidence" of their guilt but it is all secret and cannot—as yet—be released to the world.



Left to right: Abeid Karume, Othman Shariff, Kassim Hanga.

Othman Shariff, until a few weeks ago, was in fact living specifically under President Nyerere's protection, though he was worried about the rumours going round about him. Kassim Hanga, formerly vice-president of Zanzibar and then Minister of Union Affairs in Dar es Salaam, was actually in receipt of a pension from the President, which he was given after being released from detention. He returned from Guinea in 1967 (his wife is Guinean) with an understanding that he too had Mr. Nyerere's protection and with a letter from President Sekou Touré. He was detained two days later.

Othman Shariff, like Mr. Hanga, was a member of the Revolutionary Council which took over Zanzibar from the Sultan in the coup of January 1964. He was Minister of Education, and a frightened one—as I saw when I visited him in his house in those days. He was relieved to become Zanzibar's high commissioner in London when Mr. Sandys recognized the regime, and then, when the two countries united, to be sent as Tanzania's ambassador

to Washington. When Mr. Nyerere broke relations with the United States, he did not wish to return.

President Nyerere persuaded him to do so in 1965, just before leaving on a world tour. While the President was away, Mr. Karume was in charge in Tanzania and had Mr. Shariff taken to Zanzibar, where he was threatened and ill-treated in prison until he signed a "confession" that he had plotted against the Council. When he was told of this, Mr. Nyerere was appalled. He intervened, and had Shariff brought to Dar es Salaam, where he lived for some time in State House under guard.

He was assured of the President's personal protection, and finally went to London to bring his two wives and family home. Even then he hesitated, but got a further guarantee of his safety, and finally settled down as a veterinary office (for some time with a police guard). Everyone who met him (as I did) know how keen he was to keep out of politics—and how he feared that Mr. Karume was after him.

In the past year, however, much has been happening in

Tanzania. A trial of a number of officials, once close to Mr. Nyerere, is in the offing, and perhaps more will emerge then. All that is known is that a few weeks ago, Mr. Karume demanded Othman Shariff, Kassim Hanga and Ali Mwange Tambwe from Mr. Nyerere, who at first refused to hand Shariff over. Finally he promised to do so if Mr. Karume could give him irrefutable evidence of his guilt. In a day Mr. Karume flew to Zanzibar and back and produced what is said to be that proof. The President then signed the order that consigned Shariff to his fate.

His decision to do so may be connected with his own anxieties about the alleged plot against himself. Or Mr. Karume may have some hold over him. This possibility cannot be disregarded. A few months ago three members of the Sultan's government were released from the detention in which they had been held since 1964. They asked for permission to go abroad—probably to Aden. Immediately, Zanzibar asked for them, and got them—on the understanding that they were to live freely there. They were put without delay in Langoni prison, and people talked of the "terrible accident" they had unfortunately met with.

It must be borne in mind that President Nyerere is shackled with the impossible situation in Zanzibar. But the island's association with the mainland, far from restoring Zanzibar to normality, appears to be spreading Zanzibar's arbitrary rule to Tanganyika. The importance of the Chinese in Zanzibar, and now in building the Tanzania-Zambia railway, may afford some explanation. Whatever the wider issues, the story of Othman Shariff is a miserable comment on conditions in island and mainland alike.

RELATIONS WITH BRITAIN

1. Relations between Tanzania and Britain have been strained during the past few years. In December 1965 President Nyerere broke off diplomatic relations with Britain over its handling of the Rhodesian crisis; a substantial volume of British aid already pledged to development projects in Tanzania was frozen as a result. Relations between the two countries worsened further during 1968 owing to a dispute over pension and compensation payments for British Colonial Civil Servants.

Pensions Dispute

2. At the time of independence Tanzania undertook, under the Public Officers' Agreement with the United Kingdom, pension and compensation obligations with respect to British civil servants who were working in Tanzania at that time as well as those who had retired. To help meet these obligations, the United Kingdom made two loans to Tanzania amounting to £9 million for a term of 25 years, including a six-year grace period on principal repayments. Tanzania, however, regarded this arrangement as unsatisfactory and asked the United Kingdom to alter the arrangements so that Tanzania would be responsible for all obligations from July 1, 1961 onwards, and the United Kingdom would assume responsibility for all obligations accruing prior to that date. Tanzania asked the United Kingdom to agree to this arrangement retroactively.

3. In subsequent discussions, although some concessions were made on both sides, no agreement was reached on the basic principle of dividing responsibility between the two Governments for obligations prior to and after July 1, 1961. In view of this impasse, Tanzania limited the provision in its 1968/69 budget to payments which relate to the period after July 1, 1961, and the Minister of Finance announced in his budget speech that Tanzania's obligation with respect to the two United Kingdom loans was reduced from £9 million to £2.2 million. The United Kingdom responded by cancelling all capital assistance and by ceasing any new commitments for technical assistance.

4. The effect on Tanzania has been severe. With very few exceptions, contracts and topping-up arrangements for British Civil Servants, teachers and other personnel working in Tanzania have not been renewed by the British Government when they expired. The result has been a steady outflow of expatriate British experts, creating considerable staffing gaps in the Tanzanian Government and parastatal organizations. Although replacements from Canada, Sweden and other countries have been obtained, these vacancies have been extremely difficult to fill.

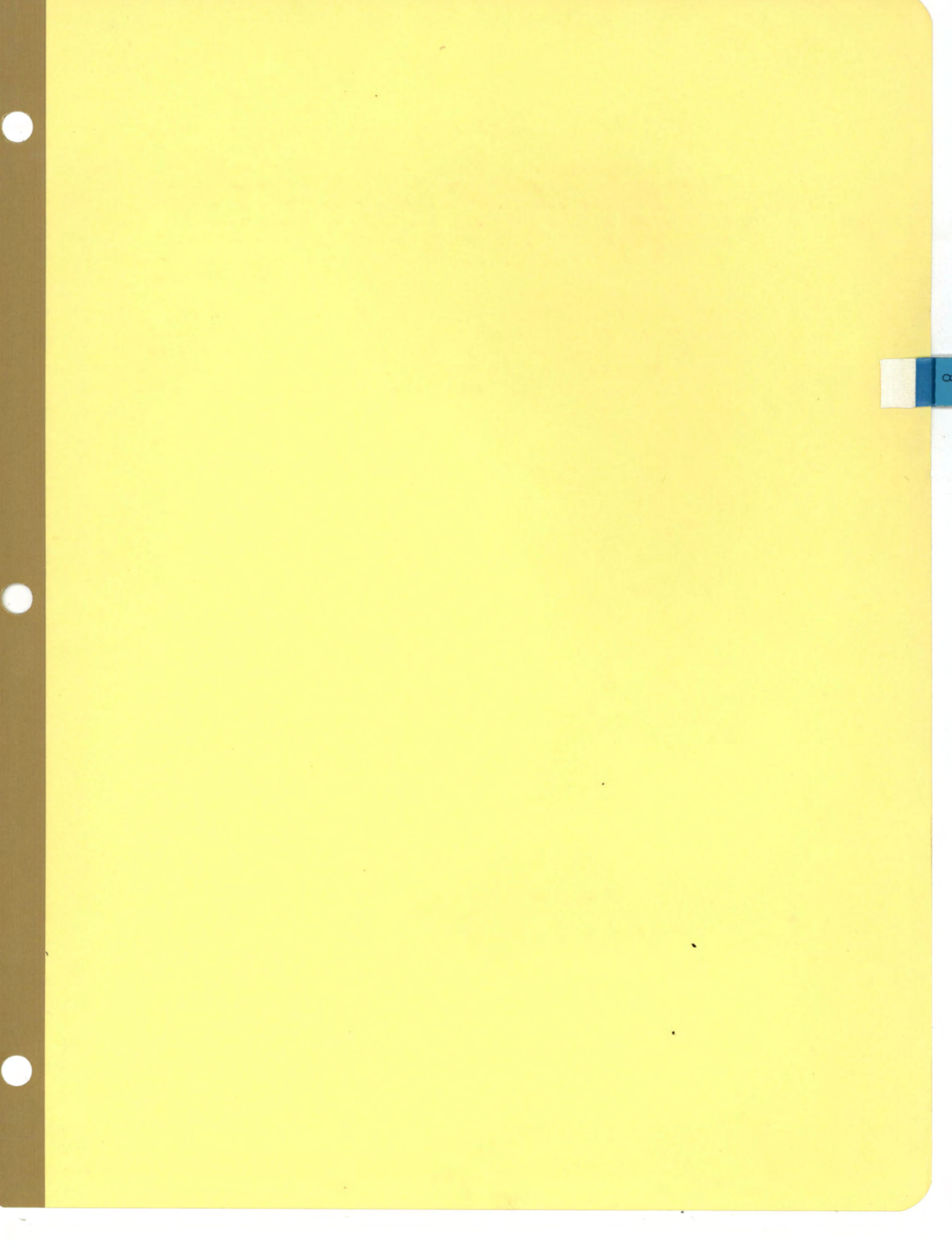
Recent developments

5. In the past year fresh efforts have been made to heal the breach

between the two countries. Diplomatic relations have been resumed and the new British Ambassador in Dar es Salaam has been actively using his good offices to try to achieve a full reconciliation. Mr. Maurice Foley, Parliamentary Under-Secretary in the British Foreign Office, visited Dar in October 1969 to assist this endeavor. After talks with President Nyerere and other Government officials Mr. Foley said he would be happy to see a resumption of British aid to Tanzania. He added that he had not come with any precise proposals on the matter, which he described as "deep and complex".

6. Mrs. Judith Hart, the recently-appointed Minister of Overseas Development in London, said in late November that it was her "personal hope" that Britain could renew aid to Tanzania as soon as the dispute over pensions had been resolved. To this date, the problem remains unresolved, and the rundown in British personnel in Tanzania continues.

December 18, 1969



RELATIONS WITH GERMANY

In addition to the difficulties with Britain, Tanzania has had strained relations with the Federal Republic of Germany during the past few years owing to the Tanzanian Government's recognition of East Germany and its agreement to having an East German Consulate in Dar es Salaam. As a result, substantial West German assistance has been foregone, though some aid has continued to come into Tanzania through the churches. President Nyerere's concern for Tanzania's development is matched by his determination that total political independence be preserved. Diplomatic relations between West Germany and Tanzania have recently been restored, however, and the aid which was frozen when relations were broken off has now been released. Officials in Bonn have informed us that the German Government is now ready to undertake fresh lending to Tanzania. Mr. Jamal, the Tanzanian Minister of Finance, visited Germany in October and discussed projects in phosphate mining, improvements to the tourist road from Dar es Salaam to Bagamoyo (an old German settlement), and water supply and sewerage for Tanga. We have also been informed that the West German Government might consider participation in the financing of the proposed power project at Kidatu (see section on "Power"). Germany has long historical associations with its former colony, and there is a lot of goodwill in Germany towards it.

December 18, 1969

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THE PROPOSED TAN-ZAM RAILWAY

1. Although the possibility of building a railway link between Zambia and the Indian Ocean has been given considerable added momentum by Southern Rhodesia's Unilateral Declaration of Independence in 1965, the idea predates the Rhodesian crisis by many years and has been the subject of several investigations. A study undertaken in 1966 by Maxwell Stamp Associates with financial assistance from the United Kingdom and Canada was reviewed by the Bank in conjunction with the UNDP and the African Development Bank. This review concluded that three technical and one economic supplementary investigation^{1/} were necessary to complete the feasibility analysis of the project. One major technical investigation was undertaken with UNDP financing, but the economic studies have not so far been carried out. Both the Tanzanian and Zambian Governments have expressed themselves against an economy study since, although they do not reject the need for such a study, they feel that the considerations influencing the decision to build the railway are much more fundamental and that the decision itself is irrevocable.

2. After discussions with the U.S., British and other Western governments had been inconclusive, Tanzania and Zambia entered into an agreement with Mainland China by which the latter undertook to carry out detailed engineering of the route of the proposed railway. About 600 Chinese technicians worked steadily and completed the basic work in October, some three months ahead of schedule. Data from the investigations were reputedly sent to China as each section was engineered so that final designs and cost estimates could be completed on those sections even while work was proceeding on others. This was to enable consideration being given to arrangements for financing the railway. China had earlier indicated its willingness to provide the required finance.

3. On November 14, 1969, the Governments of Tanzania, Zambia and the People's Republic of China signed a further agreement in Lusaka, Zambia, which is believed to provide for the Chinese engineering study of the railway to be completed. A further meeting is to be held when this has been done. At this next meeting, which is expected around March/April 1970, the final cost estimates and specifications for the railway are expected to be considered and the final arrangements for the construction of the railway agreed. Officials of the three Governments have emphasized that a decision in principle to build the railway has already been taken.

^{1/} The purpose of this economic study, as envisaged by the Bank, would have been (a) to determine the size of the risks which Zambia wished to insure against by having an additional outlet to the sea; (b) the time period for which the insurance cover was required; and (c) the size of the premium -- that is, the additional total costs involved -- and whether this was considered reasonable. The Bank's review of the Stamp Report did not conclude that the project was unjustified, as has been widely reported, but rather questioned whether the size of the premium given in the Stamp Report was an under-estimation.

4. No details about the proposed railway have yet been published. From press reports, however, the following tentative information about the railway has emerged:

- (i) The railway will be built to a 42-inch gauge, the same as Zambian Railways; the gauge of East African Railways is one metre.
- (ii) It will, therefore, run through to Dar es Salaam and will not link up with East African Railways at Kidatu, as at one time suggested.
- (iii) The total cost of the project will be of the order of \$300-\$400 million.
- (iv) The Chinese loan for the railway will be on soft terms; probably interest free, for 25-30 years with a five-year grace period.
- (v) Finance to meet the local currency costs of the railway will be provided by purchases of Chinese goods by Tanzania and Zambia through their respective state trading corporations. (It is questionable, however, to what extent Tanzania and Zambia will be able to absorb the types of products which China can provide. Because of this problem, it seems likely that the two countries will have to dip into their own resources to some extent to meet the local currency costs of the railway. The local costs of the Tanzanian part of the railway are estimated at Sh 305 million in Tanzania's Second Five-Year Plan.
- (vi) China may provide the locomotives and rolling stock for the railway as well as undertake the construction.
- (vii) If construction begins in the late spring, as envisaged, the project would not be completed until 1975 at the very earliest, though some parts might be in operation sooner.
- (viii) The completion of the railway will substantially increase the flow of traffic through the port at Dar es Salaam. This would necessitate considerable addition to port capacity in Dar. It is not inconceivable that we would be asked to finance additional berths.

5. We presume that the question of providing the additional port facilities at Dar es Salaam which would be required to handle the traffic generated by the railway will be tackled separately by the Tanzanian Government through the East African Harbours Corporation. Estimates of the number of extra berths required at Dar have ranged up to 30. The port presently has six berths, with two more to be constructed under EAHC's 1969-72 development

program (see also brief on the East African Community, tab no. 8). There are physical limitations to the number of additional berths which could be built at reasonable cost and have easy access by rail and road. The possibility of a UNDP/ADB study of the port requirements is under consideration.

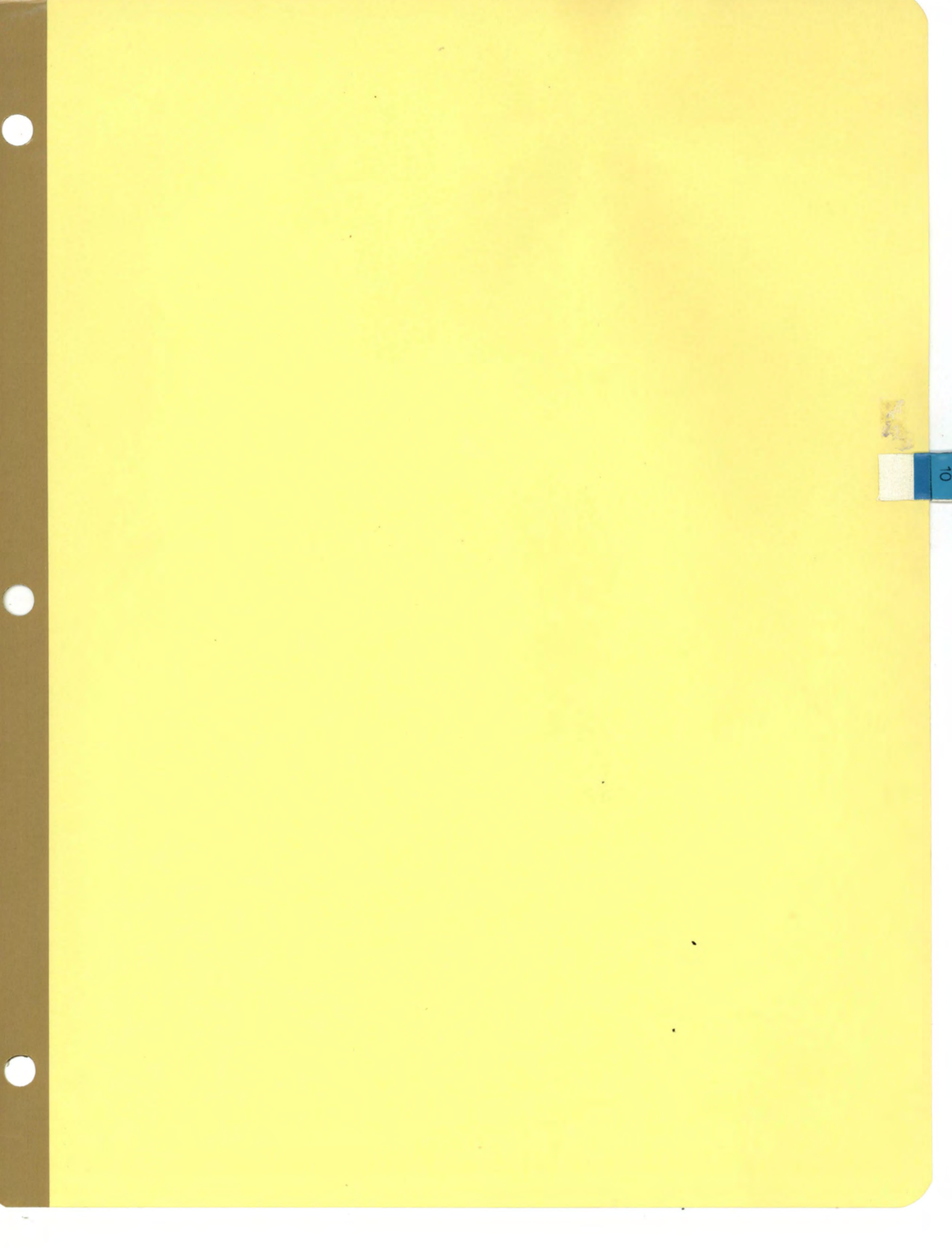
6. Aside from the economic question, the railway could be important in cementing relationships between Zambia and Tanzania and could ease the way for Zambian membership of the East African Community (see also brief on the Community, tab no. 15).

7. Three other proposals for providing an outlet to the sea for Zambian copper have been actively promoted, two involving transshipment through to Atlantic Ocean ports and one to the Indian Ocean. None of these, however, are as attractive politically to Zambia as the Tan-Zam Railway. The Zambian Government has been intensively lobbied by the sponsors of the three schemes, which involve:

- (i) the construction of a new line to link Zambia's rail network at Chingola on the Copperbelt and the Benguela Railway (owned by British-controlled Tanganyika Concessions) in Portugese Angola. 2/
- (ii) the construction of a line in Congo (Kinshasa) to give a through railway route from Zambia to the Atlantic. (The sponsors of this proposal were the London-based Lonrho Group.)
- (iii) the construction of a new railway link, running through Malawi and Mozambique to the Indian Ocean port of Nacala, via the northwest line of Mozambique Railways. (Finance for part of this line is being provided by the South African Government).

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2/ In a meeting with Mr. McNamara last May, Mr. Mark Chona, Special Assistant to President Kaunda, said that at present Zambia could not avail itself of the link with the Benguela Railway, mainly because of the status of Angola as a Portugese territory. In any case, he said, Zambia was going ahead with the Tan-Zam Railway.



RELATIONS WITH CHINA

The influence of Communist China on mainland Tanzania, both directly and through Zanzibar, has been the subject of much discussion in recent years, and in some quarters of apprehension. It is true that, if the construction of the Tan-Zam Railway goes ahead (see previous section), Communist China's presence in Eastern Africa will be substantially increased; for this reason, America and Britain's decision not to become involved with the railway is regarded by some to have been a major diplomatic error. The "Times" of London said in November; "Building the railway will be as politically important as was the building of the Kenya-Uganda railway in 1895-1900 - a project also condemned as uneconomic but nonetheless financed and completed by Britain in the belief that it was essential to African welfare and in the faith that it would therefore eventually justify itself. After discussion spun over five years, the West could not find comparable faith in the Tan-Zam line." "It will not be easy," the "Times" concluded, "for the West and Britain in particular to regain any of the influence that has been forfeited."

The railway would be by far China's largest aid project, comparable in size and possibly in significance to the Russian-built Aswan Dam in the United Arab Republic. A large number of Chinese are already in Tanzania working on the engineering Plan for the railway. A further substantial influx is expected once the construction of the railway gets under way. So far the Chinese working on the railway seem to have kept to themselves, while apparently trying to demonstrate that even a Chinese engineer lives on the same material level as an African. Tanzania under President Nyerere's leadership, however, has already amply demonstrated its intention and determination to retain its independence concerning its economic and political relations with the outside world. Because of Tanzania's past association with the West, President Nyerere has said, the country must strengthen its ties with the East so as to establish a central position. His policy of non-alignment, however, appears to apply with equal force to China and Russia as to the United States and Britain. There are still more Americans and Europeans in Tanzania today than Chinese, a position which is unlikely to be altered even after construction of the railway starts. Moreover, in internal policy matters, President Nyerere has rejected the use of coercive methods and has emphasized that the development effort, particularly in the rural areas, must be spontaneous and based on the free volition of the people.

NATIONALIZATION AND THE ARUSHA DECLARATION

1. Since achieving independence Tanzania has been intent on developing a mixed economy. In part this took the form of stressing the development of African cooperatives for the processing and marketing of agricultural products and, in one case, for the carrying on of wholesale and retail trade. In industry the National Development Corporation (NDC) and its predecessor agency started or participated in a number of enterprises, usually in partnership with private business. In electric power the Government acquired through successive steps complete ownership of TANESCO which has a monopoly on the generation and distribution of electricity. The Government also established the State Trading Corporation and the National Insurance Company (the latter in participation with private insurance) to get some share in the handling of foreign trade and insurance. At the same time, however, the Government not only permitted but actively encouraged private foreign and domestic enterprise. The 1964/69 Five-Year Plan relied primarily on private investment for the accomplishment of industrial targets; and in the years 1964-66 private investment did indeed increase considerably, greatly outpacing public investment in industry.

2. The nationalization measures announced in February 1967, and foreshadowed in the so-called Arusha Declaration in January, marked a substantial shift toward public ownership of business. This Declaration, President Nyerere's most significant policy statement since independence, announced that one of TANU's basic objectives was "to see that the Government exercises effective control over the principal means of production and pursues policies which facilitate the way to collective ownership of the resources of this country" and "to build Socialism" by ensuring "that the major means of production are under the control and ownership of the farmers and workers themselves through their Government and their cooperatives." It defined these "major means of production" as "the lands; forests; mineral resources; transport; banks; insurance; import and export trade; wholesale business; the steel, machine-tool, arms, motor-car, cement and fertiliser factories; the textile industry; and any other big industry upon which a large section of the population depend for their living, or which provides essential components for other industries; large plantations, especially those which produce essential raw materials." This statement of socialist objectives was only a small part of the Declaration which, in line with President Nyerere's fundamental philosophy, called on the Tanzanian people to control their own destiny, to work hard in a spirit of self-reliance and self-sacrifice and to eschew excessive dependence on foreign aid and foreign enterprise. In part it reflected a desire to "Africanize" economic life which it was felt had been excessively dominated by Asian and European interests and values.

3. Pursuant to the Declaration the Government took steps in February 1967 to (1) nationalize completely all the commercial banks, 8 flour and rice mills and 7 export-import firms, (2) acquire complete ownership of the National Insurance Company and give it a monopoly of all new insurance business, and (3) obtain a controlling share, up to 60 percent, in 7 of the

larger manufacturing enterprises including two breweries, British American Tobacco, Bata Shoe Company, Tanganyika Metal Box, Tanganyika Export Company and Tanganyika Portland Cement. Finally, the Government announced its intention to acquire a controlling interest in the sisal industry. Subsequently - although this was not part of the nationalization program - the Government also decided to exercise its option to acquire a 50 percent share interest in the new TIPER refinery at Dar es Salaam which Italian interests had constructed with minority government participation.

4. By comparison with the sweeping nature of the Arusha Declaration, these measures appeared modest in scope except in the field of banking. The nationalized milling enterprises probably accounted for considerably less than 10 percent of the net output of processing and manufacturing industries as a whole; and those in which the Government took a majority interest probably contributed no more than 20 to 25 percent of total net output. The nationalized foreign trade firms had handled about 15 percent and 17-18 percent of the country's export^{and import}/business respectively. However, the Government and cooperatives already controlled a share of industry and trade previously. It was claimed therefore that the nationalization measures had raised to between 45 and 50 percent the proportion of total net output in manufacturing and processing contributed by cooperatives and enterprises in which the Government held a majority interest.

5. The Government sought quickly to assure business that further major nationalization measures were not contemplated. President Nyerere declared that the Government had now fulfilled its obligations under the Arusha Declaration; and he added that "the key positions of the economy have been secured" and "we can now welcome the enterprise of private investors without reservations, because we no longer have any cause to fear the effect of their activities on our social purpose." The Government made clear its determination to operate all the enterprises it owns or controls in accordance with commercial principles. It expressed the desire to retain existing technical and managerial personnel. It kept the management of the milling concerns which were vested in the Agricultural Products Marketing Board and the State Trading Corporation (STC), which took over the foreign trade firms, retained their existing personnel. Management of the STC itself was assured by a Dutch firm. The three principal British commercial banks - Barclay's Standard and National and Grindlay's, who together accounted for the great bulk of the banking business - withdrew their expatriate staff soon after nationalization. However, the National Bank of Commerce, which took over these banks, managed to recruit some new staff abroad. The Government also sought to retain the existing management of those enterprises in which it decided to acquire majority control.

6. The Government promised "full and fair compensation" on the basis of "the full net value of assets less liabilities" in the currency of the former owners and engaged a Danish auditing firm to assist it in

valuing assets and liabilities. In most cases, negotiations for the settlement of compensation claims arising from the nationalization measures proceeded relatively smoothly and rapidly. Similarly, the NDC, acting as agent for the Government, made good progress in negotiating the purchase price of the shares of manufacturing concerns in which the Government had decided to acquire a majority interest. Some difficulties inevitably occurred in these complex negotiations, particularly in the case of the Tanzanian branches of Barclays Bank (DCO) and Standard Bank, where a settlement was not reached until early 1969. With these two exceptions, however, agreement had been reached in regard to the major proportion of the claims by the end of 1968, and payments have been made on schedule. The burden of the compensation payments on the country has been reduced by arranging payments to be spread over a number of years, and by trying to ensure that the enterprises concerned make a substantial contribution to the compensation fund out of their earnings, after adequate provision for reserves and expansion. The total amount of compensation is expected to be about Sh 220 million.

7. The nationalization measures had an immediate depressing effect on business which was aggravated by measures which were taken against local Asian traders by various Tanzanian officials and which took the form of the expulsion of Asian businessmen and denials of trading licenses. However, the recovery of the business community from the initial shock to confidence and energetic government measures to curb unauthorized action against Asian merchants brought about a rather rapid revival of business, and by mid-1967 production and trade were nearly back to normal. Since that time, the Government has adopted a relatively hospitable attitude towards private investment, though in any major new enterprise the Government has normally required that the state participates through the NDC. In the field of tourism, the Government has indicated that it would welcome private enterprise even on an exclusive basis.

8. In October 1969 arrangements were announced for the state to take over all marketing of sisal. A new Tanzania Sisal Board has been established for this purpose. Previously the Tanganyika Sisal Marketing Board marketed 60 percent of the crop, while licensed agents handled the remainder. The agent system has now been abolished. Apart from this takeover, the only further nationalization which is thought to be pending is that of road haulage operators.

December 22, 1969

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LIBERATION MOVEMENTS FROM OTHER COUNTRIES

From the time of its independence Tanzania has been emphasizing the need for eliminating all vestiges of colonialism from Africa. It has championed this cause by promoting active deliberations on the subject within the United Nations and, in the case of Southern Rhodesia, by putting direct pressure on Britain. In the face of a total rejection by Portugal of the need even to discuss the case for the independence of its African possessions and of Britain's inability to prevent the unilateral declaration of independence by Rhodesia, Tanzania has extended facilities for liberation movements from these countries and from South Africa to operate within Tanzania. Among these, the most active has been the movement to liberate Mozambique (popularly known as FRELIMO). The main driving force behind FRELIMO was Dr. Eduardo Mondlane, a scholar and ex-professor turned resistance leader, who was assassinated in his Dar es Salaam home early this year. FRELIMO is believed to be running a number of camps for training the Mozambique freedom fighters in guerilla warfare. These camps are in the Southern part of Tanzania close to the border with Mozambique. Guerillas have staged raids across the Mozambique border and, as a result, there have been heavy reprisals from the Portuguese authorities. Tanzania has several thousand refugees from Mozambique. It is reported that Portuguese troops have on occasions intruded into Tanzanian territory in pursuit of freedom fighters, but there have been no clashes between the former and Tanzanian forces.

The South African and Rhodesian freedom movements in Tanzania are relatively less active, and are regarded mainly as liaison organizations.

December 18, 1969

1

T A N Z A N I A
C O U N T R Y S T A T E M E N T

I. THE ECONOMIC SITUATION AND OUTLOOK

Current Economic Position and Prospects

1. Since the early 1960's the economy of Tanzania has grown at an average annual rate of about 5%. This rate of growth was achieved despite adverse weather conditions in some years, and a steep decline in the price of sisal which, until 1965, was Tanzania's leading export. The sectors which have grown rapidly are manufacturing, public utilities, transport and construction. Within the agricultural sector, the existence of a large amount of subsistence farming held down the growth rate of agriculture as a whole, although production for the market by peasant farmers has risen rapidly, averaging about 15% annually since 1960-62.

2. In 1964 Tanzania embarked on a Five-year Development Plan which will end in June 1969. The Plan envisaged an investment of Sh 5,060 million, of which Central Government investment was to be about Sh 1,600 million. Investment in the parastatal sector was expected to be Sh 1,000 million, and the private sector investment target was set at Sh 2,460 million. During the first three years of the Plan total investment amounted to about one-half of the target for the whole Plan period. Investment in the private sector was appreciably higher in relation to the targets than in the other two. The lag in public sector investment is attributable mainly to a shortage of staff to prepare and implement projects, while the parastatal sector also suffered from inadequate financial contributions from the Central Government, difficulties in generating its own resources, and organizational and management problems.

3. As a result of an assessment of Plan performance made in 1966, the Government decided that some of the targets would need to be revised downwards, and that the implementation even of the revised program would require a substantial strengthening of the staff of the agencies concerned. The staffing situation has indeed improved since then and is reflected in the marked increase in the average annual level of capital expenditure undertaken by the Central Government. It is estimated that capital expenditure in the 1964-69 period will amount to 86% of the target; in view of the inevitable increase in costs, the achievement in physical terms will probably be about 70% of the targets.

4. Since the early 1960's Central Government revenues and expenditures have increased steadily. Central Government tax revenue rose from Sh 474 million in 1963/64 to Sh 744 million in 1967/68, an average annual increase of over 16%. In 1967, revenue from taxation amounted to 17.5% of GDP in the monetary sector. In the period 1962/63 to 1967/68 recurrent revenue rose at an average annual rate of 10.3%, while recurrent expenditures increased at the rate of 10.9%. Despite this, surpluses were achieved in the recurrent budget from time to time which, together with local borrowing, have enabled Tanzania to finance a major proportion of its development program.

5. It was originally expected that the contribution of domestic and external sources to the financing of Tanzania's Plan would be 22% and 78% respectively. However, the inflow of foreign aid has been very much less than expected, and hence internal sources have had to fill the gap, raising their contribution to over 60% of total development finance. Although the flow of foreign aid from two important sources stopped abruptly as a

consequence of political factors, this did not cause any serious problems in the first three years of the Plan, since there were problems in utilization of aid which had already been committed. It is only in the last two years that financial constraints developed, particularly in the form of difficulties in meeting local currency costs of projects.

6. Capital formation has risen from Sh 485 million in 1963 to Sh 1,070 million in 1967, representing an average annual growth of about 22%. In 1967, capital formation amounted to about 23% of the output of the monetary economy. The rate of growth of investment has been substantially in excess of the growth of GDP in the monetary sector of the economy.

7. Tanzania's 1964-69 Development Plan will come to an end in June 1969 and a new Plan is scheduled to begin on July 1, 1969. Detailed work in connection with the new Plan has been going on for about 18 months, and the staffing of the Ministry of Planning has been substantially reinforced. It is expected that one of the major themes of the Plan will be coordinated rural development, the objective of which is to enable the rural population to participate more effectively in the development effort and to ensure that they share the fruits of development on a more equitable basis.

Current Problems and Issues

8. Although Tanzania's merchandise exports are relatively diversified, four items - cotton, coffee, sisal and diamonds - account for over 50% of the total export value. The export of sisal - until 1963 the biggest individual item - has decreased steadily since 1963. The unit export price of sisal fell from Sh 2,179 a ton in 1963 to Sh 1,018 in 1967 and export value decreased in consequence from Sh 453 million to Sh 201 million during this period. Although the production and export of diamonds have risen

rapidly during the past five years - diamonds were the third biggest export in 1967 - there is some uncertainty concerning the period over which operations at the present level can be sustained. Since exports of coffee are limited by quota under the International Coffee Agreement, Tanzania needs to develop other exports in addition to those mentioned above. Encouraging progress has been made in the output and export of cashew nuts, tea and tobacco, but they are relatively small items as yet.

9. At the time of its independence in 1961, Tanzania had very few nationals whose training and experience enabled them to assume positions of responsibility. Though the situation has improved steadily since then, Tanzania must rely heavily on expatriates to carry out the constantly growing activities in the economy. However, there is growing difficulty in obtaining expatriates in the numbers required, and this has had some detrimental effect on performance, particularly in the agricultural sector. This is a problem which is engaging the continued attention of the Government.

10. In order to finance a growing capital expenditure program and, at the same time, to meet the attendant increase in recurrent expenditure, Tanzania has had to provide for a steep rise in revenue. However, the imposition of additional taxes may soon begin to have a disincentive effect.

11. During the past three years, Tanzania has been cooperating closely with Zambia in order to enable the latter to develop a dependable outlet to the sea. Since this involves developing land routes through Tanzanian territory, Tanzania has had to incur considerable expenditures both of a capital and recurrent nature. Although the capital expenditure program has been largely supported by external assistance, recurrent expenditures for the purpose of maintaining the road to Zambia (the Tan-Zam Highway) have

strained Tanzanian resources. External finance has been secured recently for the purpose of constructing a bituminized road to the Zambian border, and work is currently under way in some of the sections. Construction will take three to four years and, during this period, Tanzania would be required to divert a not inconsiderable proportion of its limited financial and administrative resources for the project.

12. Tanzania's problems in the fields of finance and staffing have been compounded by its desire to avoid over-dependence on foreign aid. Aid from the United Kingdom and West Germany has remained frozen for about three years. Tanzania's desire to lessen its dependence on the U.K. for expatriate staff has resulted in a decrease in supply from this source, without a comparable increase from other sources.

13. Early in 1967 the Government adopted the Arusha Declaration which emphasized that the major means of production should be under the "control and ownership of the peasants and workers themselves through their Government and Co-operatives." The Government announced at the same time a series of measures aimed at transferring to public ownership in varying degrees a number of enterprises engaged in banking, insurance, commerce and manufacturing. The immediate consequence of these measures was to dampen private investment. However, as a result of Government action in opening prompt negotiations over payments of compensation for nationalized enterprises - a large proportion of the claims have since been settled - there has been some renewal of private investor interest. However, considering the fact that private enterprise had provided the major thrust for economic development in the pre-1967 period, the important contribution which it could have continued to make has undergone a drastic reduction.

Current Assessment

14. The Five-year Outlook memorandum which was prepared in 1968 noted the need for Tanzania to adopt vigorous measures to diversify output, particularly in the agricultural sector, and to strengthen the various supporting services such as the extension services, research and credit. Encouraging progress has been made in the production of tea and tobacco, and projects aimed at further increasing the output of these items are under active preparation for submission to the Bank. An assessment is also being made of the considerable potential that exists for establishing a livestock industry. Steps have been taken to improve the machinery for providing credit to farmers and to improve the cooperative movement which is an important link in the credit program. Consideration is also being given to the establishment of more zonal research stations with a view to facilitating crop patterns which closely reflect the varied ecological conditions in different parts of the country.

15. The 1968 memorandum also noted the need for Tanzania to offer incentives to private investors where appropriate, subject to the considerations outlined in the Arusha Declaration. While there has been no major policy change in this matter, the Government has since stated that, in order to develop the country's tourist potential, it would welcome private enterprise in building and operating hotels, if necessary without even a minority participation by the Government. There is also some evidence that some revival of private enterprise may be under way in other fields, mostly in association with the Government-owned National Development Corporation.

16. With a gradual improvement in the overall staffing situation - mainly through intensified recruitment from abroad, but also by the acquisition of experience by Tanzanians - there has been a significant improvement in the

level of public capital expenditure attained during the past two years. During the first three years of the 1964-69 Development Plan, i.e., 1964/67, Central Government development expenditure amounted to Sh 662 million or an annual average of Sh 221 million. Estimated expenditure in 1967/68 was Sh 367 million and budgeted expenditure for 1968/69 is about Sh 350 million. There is, therefore, a basis for assuming that total development expenditures will be significantly higher in the next Plan period. The proposed lending program reflects this assumption.

17. Development in the years to come would depend very largely on the availability of finance and staffing. Measures aimed at the diversification of output and exports, and also at import substitution would prove helpful. There is also a growing emphasis on self-reliance, particularly at the local level, so as to minimize the burden on the Central Government. With regard to staffing, the development of educational and training facilities is carefully geared to the anticipated requirements of manpower in various fields of activity; self-sufficiency in skilled manpower could be achieved by the early 1980's.

18. In the immediate future, the sectors which should have the highest priority are agriculture, transport and education. Within agriculture, the emphasis should be on those activities which would assist the broadening of the base of production. Developments both in transport and education should primarily be geared to reinforcing the productive sectors.

19. The case for local currency financing in Tanzania rests mainly on the shortage of domestic savings to support a growing investment program. During the first three years of the present Plan, domestic resources financed a considerable proportion of the total investment program. However, investment

during this time was relatively low and, with the improvement in absorptive capacity which has now become evident, Tanzania is likely to have difficulty in meeting the local costs of projects. Moreover, the estimated foreign exchange cost of those projects for which external financing can be expected amounts to only about 40-45% of their total cost. Hence, if external assistance were limited to the foreign exchange cost of projects, Tanzania would be unable to carry out a development program of reasonable size. For these reasons, our lending to Tanzania aims at covering, on an average, about 70-75% of the total cost of projects.

Creditworthiness

Policies

20. a. Since attaining independence in 1961 Tanzania has pursued sound budgetary policies and hence has been able to absorb without difficulty some items of expenditure previously met by the U.K., e.g., defense, which it had to take over on ceasing to be a dependent territory. Since Tanzania embarked on its first major effort at development planning in 1964, recurrent revenue has grown from Sh 718 million in 1963/64 to Sh 1,082 million in 1967/68, while recurrent expenditures in the same period have risen from Sh 695 million to Sh 1,067 million. Throughout this period, its currency has been backed more than 100% by convertible foreign assets. To raise the required revenue, tax rates had to be raised and new taxes imposed. As a consequence tax revenue has risen since 1963/64 at an average annual rate of about 16%. As noted above, budgetary surpluses and domestic borrowing have played a major part in financing a capital expenditure program which has grown at a rate of about 25% annually since 1963/64. The very substantial increase in the volume of governmental financial operations has been achieved without

any marked inflationary pressures. Hence there is every justification for our considering an expansion of our lending operations in Tanzania.

21. b. It is unlikely that Tanzania would depart from the sound budgetary and fiscal policies it has so far pursued. Indeed, the attitude of the Ministry of Finance and its unwillingness to employ any tools of ~~monetary~~ policy might even be called too conservative and has occasionally led to some frustration on the part of planners. Another notable feature is the extreme reluctance of Tanzania to raise external finance on any but the softest terms even though its debt service ratio at about 6% is quite modest.

Debt Problems and Prospects

22. In view of the foregoing it is unlikely that Tanzania would encounter any major debt servicing problems. Although its exports have fluctuated from time to time, this is no more than a reflection of their large primary product content; efforts are being made on a systematic basis to diversify exports. Although imports will continue to rise as a result of a growing capital expenditure program, a satisfactory reserve position has been maintained, and import substitution is proceeding. The policy of self-reliance and austerity is intended to reduce the dependence on external capital; by implication, every effort is likely to be made to limit borrowing to the minimum required. The mobilization of domestic resources has proceeded very satisfactorily, and there might even be a case for leaving more disposable income in the hands of the people so as not to undermine incentives.

23. Tanzania has in the past shown great concern for its public debt situation. For a country with very few short maturities - in fact supplier credits are not negotiated except where unavoidable - Tanzania's pre-occupation with

the terms of external borrowing may seem unnecessarily cautious. It sometimes delays the inflow of capital from external sources.

24. In the past, absorptive capacity rather than finance has been a constraint on Tanzania's development, although the latter may become a critical factor in the years to come. However, the country has a high credit standing and has continued to receive assistance both from the Western countries, the Eastern Bloc and Mainland China. The quality of the country's leadership and the emphasis on austerity and self-reliance have evoked widespread admiration and hence it is unlikely that it would not be able to obtain the amount of foreign aid which it could use effectively.

25. Partly as a result of its conservative policies Tanzania is unlikely to need any debt rescheduling over the next five years. The relatively low debt burden of Tanzania will permit some hardening of the blend of Bank Group lending although in view of its present poverty such a hardening is undesirable in the long run. The lending program is nevertheless based on the assumption that Bank lending to Tanzania will not be restricted for creditworthiness reasons.

II. THE LENDING PROGRAM

26. During the period 1970-74, it is estimated that Bank Group lending for Tanzania would amount to \$248 million, ^{50% per year} excluding amounts proposed for the Common Services which Tanzania shares with Kenya and Uganda. The agricultural sector would account for 25% of our total lending, followed by 23% for transport, 12% for power, 10% for education and 7% for tourism, leaving a balance of 23% for the unallocated category. The allocation for agriculture amounting to about one-fourth of the total reflects the importance of this sector; the proportion may turn out to be higher still, since the

unallocated category includes some potential agricultural projects which are presently in a rudimentary stage of consideration. The allocation for transport includes an amount of \$7.5 million, provision for which is made in a loan/credit for the Tan-Zam Highway project which was recently approved by the Bank. A major proportion of the lending for transport is for ~~feeder roads~~ roads. The allocation for power was anticipated about two years ago when we financed an interim project to meet urgent needs. Tourism represents a new field of lending; it takes into account the vast potential that exists in the country.

27. The objective of the lending program is to enable Tanzania to increase agricultural output with an emphasis on productivity and diversification. The program includes projects which will substantially increase the output of tea, tobacco and livestock. Projects in the field of rural development would assist in broadening the development effort and, at the same time, ensuring a more even spread of the fruits of development. The financing of tourist projects is intended to assist Tanzania in further exploiting its natural attractions, and adding to its foreign exchange earnings.


28. Among the projects which are listed for the period 1972-74, a high proportion represent the expansion or continuation of projects previously financed, particularly those in the fields of agriculture and education. If the Tanzanians undertake a pilot project at Wami to demonstrate the feasibility of irrigation and settlement, it would provide the basis for the irrigation project proposed for 1974. The highway projects listed for 1972 and 1974 have been identified, and would form an integral part of the projected road program in Tanzania. The tourism project proposed for 1973 would form the second phase of the development proposed for 1971. Part of the provision in the unallocated category is based on projects on which some preliminary

information exists, but which require considerable additional work before meriting serious consideration. Of the total lending program amounting to \$248 million, preparatory work has gone on for some time on projects involving loans/credits of about \$100 million. The unallocated category for which a provision of \$57 million has been proposed accounts for less than a quarter of the proposed lending.

29. The rationale for setting out the priorities of the lending program is the development of the country's latent resources on a systematic basis, so as to minimize the impact on the economy of fluctuations in world market prices for its exports. Projects in the transport, power and education sectors are intended to reinforce those in the productive sectors. The substantial allocation for projects in the field of transportation take account of the geographical size of the country, the very small mileage of good all-weather roads, the need to link production centers with markets within and without, and finally, the special situation arising from the need to provide Zambia with a dependable outlet to the sea.

30. Our past lending to Tanzania has been constrained more by absorptive capacity than any other factor. This, in turn, was the result of weaknesses arising from staff shortages in the preparation and execution of projects. Improvements in this regard have opened up possibilities of expanding our lending program in Tanzania. The Government has generally been receptive to the advice of the Bank on matters such as recruitment of expatriate staff to manage projects and the use of consultants to identify and prepare projects.

31. The proposed lending program is a well-knit program; and hence there is considerable merit in supporting it as a whole. Many of the projects are already late in emerging, and there would be serious disadvantages if these have to be postponed for want of the required finances.



32. The lending program is based on the assumption that Tanzania's capacity for the formulation and implementation of projects has improved considerably and that there will be continued progress in this regard. It is also based on the assumption that the Government would continue to employ experienced expatriate personnel when required and attach Tanzanian counterparts to them to ensure continuity when the former leave. In our own previous lending we have included, where possible, a counterpart training element with the object of ensuring that successive phases of a project could be developed when required. Finally, it is assumed that, while donor assistance may extend beyond the foreign exchange cost of projects, Tanzania's own ability to generate additional resources to finance development will increase steadily. According to our present assessment, all these assumptions are fully justified and it is unlikely that they would require a major revision. In the event that staffing bottlenecks develop or serious financial constraints appear, the volume of lending would have to be decreased.

III. OTHER BANK ACTIVITIES AND ISSUES

East Africa Consultative Group

33. Prospects for economic development in Tanzania (also Uganda and Kenya) were reviewed at the first meeting of the Consultative Group held in Paris in April 1968. The next meeting on Tanzania is tentatively planned for March 1970. The basic documentation for the next meeting will be the report of a Bank economic mission which is scheduled to visit Tanzania during August/September 1969.

34. At the last meeting of the Consultative Group, Tanzania gave members the outlines of a program of coordinated rural development which is expected to be one of the main features of its new Plan. The proposed approach evoked considerable interest among donors who have asked to be kept informed of details. A Swedish financed program for developing rural water supplies, which combines central guidance with rural initiative and self-help, was noted as a successful means of fostering an imaginative rural development program.

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Technical Assistance

35. In the years immediately after 1961 when Tanzania attained independence, there was a substantial withdrawal of expatriate civil servants, mainly those of British origin. The administrative performance of Tanzania and, in particular, the execution of its 1961-64 Plan and, initially at least, also of its 1964-69 Plan suffered as a consequence. Tanzania's desire to minimize its dependence for staff from any one quarter resulted in a decreased flow of manpower from the United Kingdom which was not immediately matched by an increased flow from elsewhere. During the past 2-3 years, however, technical assistance has been secured from a variety of sources, particularly the Scandinavian countries, U.S.A., Canada, Eastern Europe and Mainland China. ~~A substantial proportion of the costs of hiring these personnel has so far been met by overseas agencies.~~ It is likely, however, that in the foreseeable future Tanzania's requirements of expatriate personnel will continue to increase, and hence that it will be called upon to assume a growing financial burden, until its own people are able to assume responsibility for manning the various services. Under the most optimistic assumptions, it is unlikely that Tanzania will attain

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SECRET

self-sufficiency in high-level manpower prior to the early 1980's. In the intervening period, when Tanzania's personnel requirements keep growing, it would need all the external assistance for salaries it can mobilize; insofar as the Bank is concerned, consideration should be given to the inclusion of a 'topping up' element for expatriate staff hired for Bank-financed projects. Since virtually every project we have included in the Five-Year Lending Program is likely to require the employment of expatriates, the inclusion of a technical assistance element in our aid would prove very valuable.

Studies Related to Bank Lending

36. When the last loan for East African Railways and Harbors was made in September 1965 (428-EA), the three East African Governments agreed to carry out a study of the existing surface transport systems in East Africa and the needs for future development of these systems. This study has recently been completed by consultants with finance provided by UNDP and the Bank acting as executing agency. The draft report, which is now under review by the Bank and the three East African Governments, focuses on pricing and other policies for surface transportation in East Africa, and is intended to provide a basis for coordinating road and rail transportation. The study should provide the framework within which to conduct our lending operations for the development of transportation facilities in the three countries.

37. Other studies financed by UNDP and bilateral agencies, currently under way, may provide the basis for projects in Tanzania which may be financed by the Bank/IDA in the future. These include a number of possibilities in the transport sector as well as a livestock project.

Joint Financing

38. The Government of Sweden has expressed interest in participating with the Bank in financing a second power project at Kidatu. A feasibility study financed by Sweden is currently under way. This study would provide reliable cost estimate on which to base an application for a loan to finance construction.

EDI Course in Project Preparation

39. The Economic Development Institute has made arrangements to offer a course in Project Preparation and Evaluation for participants - mainly middle and higher level civil servants - drawn from various English-speaking countries of Africa. The course which is to be held in Kenya will commence at the end of June and last about two months, and is expected to make an important contribution towards improving the ability of African countries to formulate and administer development projects.

Eastern Africa Department

March 25, 1969

UPDATING STATEMENT
on
RECENT ECONOMIC DEVELOPMENTS IN TANZANIA
and
THE NEW SECOND FIVE-YEAR PLAN, 1969-74

Growth of the Economy, 1969-74

1. The First Five-year Plan which commenced in July 1964 ended in June 1969. The targeted growth of GDP at constant factor cost during the Plan was 6.7 percent. The actual growth rate during this period was 4.4 percent a year. The shortfall is attributable to deficiencies in the preparation and implementation of projects in the early years, and to adverse weather conditions both in 1967 and 1968. In particular, the growth of agricultural output (other than subsistence output) was lower in 1967-68 than in 1966. In contrast to the relatively poor performance of the primary sector, however, the secondary and tertiary sectors have grown at a high rate; the growth of manufacturing, public utilities, transport, construction and commerce has been particularly impressive.

2. A major revision of Tanzania's national accounts is currently under way. The present series which began a decade ago are believed to underestimate aggregate GDP figures, growth rates and annual changes. The new series which will be retrospectively adjusted to a 1966 base, will be published by the middle of 1970, but will not be available for use in preparing the mission's report.

Capital Formation

3. During the past five years, gross fixed capital formation has grown at an average annual rate of about 15 percent. Capital formation as a proportion of GDP in the monetary economy amounted to about 19 percent in 1965-66 and almost 22 percent in 1967-68. The high ratio of capital formation to monetary GDP is particularly significant, since the Arusha Declaration of 1967 and the subsequent extension of public ownership to various types of enterprises have somewhat narrowed the scope for private investment. Apart from direct investment by the Central Government, responsibility for a major proportion of investment in productive activities has now devolved upon the various parastatal organizations.

Public Finance

4. Recurrent revenue during the Plan period rose at the rate of 12.6 percent a year. As in the past, indirect taxes such as import and excise levies, and direct taxes have been the most important items of revenue. In particular, direct taxation has risen very fast and proceeds from this source more than doubled during the Plan. Recurrent expenditure during the Plan grew at 11.5 percent a year. Over the five-year period

surpluses on the recurrent budget have been achieved on a significant scale, thereby enabling contributions to be made to the development budget.

5. Development expenditure during the Plan remained at a lower than anticipated level during the first two years of the Plan. A rapid increase was achieved, however, during the last three years of the Plan. In comparison with the Plan target of Sh 1,600 million, development expenditure amounted to an estimated Sh 1,320 million or 82 percent of the target. In the light of the shortfalls which occurred in the first two years, the final outcome cannot be considered unsatisfactory. In particular, it is noteworthy that development expenditure in the last year of the Plan was more than twice the level attained in the first year. The financing of the Central Government development expenditure differed very substantially from the pattern originally envisaged. While the Plan envisaged that 78 percent of the expenditure would be financed by external and 22 percent by internal sources, the actual proportions have been 35 and 65 percent respectively. The lower than anticipated contribution from external sources is attributable both to interruption in the flow of aid from two major sources--the United Kingdom and West Germany--and to deficiencies, particularly in the initial years, in the preparation and execution of projects.

The Banking System

6. An important development occurred in the field of commercial banking in Tanzania when all existing banks--three British, two Indian, one Dutch, one Pakistani, one Kenya-based and one Tanzanian--were nationalized in February 1967 as a sequel to the Arusha Declaration, and a single new bank, the National Bank of Commerce (NBC), was established in their place. The new Bank was faced with a number of difficult problems the chief of which was a shortage of personnel caused by the departure of a number of expatriate personnel. While ensuring that the disturbance to normal banking activity was held to the absolute minimum, the NBC had also to negotiate agency/correspondence arrangements abroad, recruit key staff, arrange the expeditious training of nationals and carry on negotiations with nationalized banks concerning the disposal of assets held abroad by the latter and also on matters of compensation for nationalized assets.

7. Despite the highly complex nature of the problems, the NBC has performed an excellent job of maintaining the continuity of banking operations. The administration of the banking system as a whole has been streamlined, unnecessary branches have been closed down and banking has been extended to new centers, particularly in the rural areas where such facilities did not exist before. Advances have risen steadily during the past five years from Sh 514 million in mid-1964 to Sh 924 million in mid-1969. In the meantime, deposits have risen at a faster rate so that the ratio of advances to deposits is lower now than it was a few years ago. The high liquidity of the banking system has enabled it to undertake some term-lending, under which loans are being extended for a period of up to 13 years.

8. Although the expansion of money supply has been more rapid than the rate at which GDP in the monetary sector grew, prices have remained relatively stable on balance. In the period 1967-1969 retail prices advanced only by 6 percent. The very substantial wage increases which characterized the early years of the Plan have not been in evidence during the past 2-3 years. Tanzania now has a well-formulated incomes policy which (a) links wages to productivity, (b) imposes a ceiling of 5 percent on wage increases in any one year and (c) rewards productivity increases beyond 5 percent through the award of shares in the enterprise concerned. A National Productivity Council has been set up with assistance from the United Nations. This body is currently engaged in the task of evolving a satisfactory methods of calculating productivity. The trade unions are closely linked with the ruling political party and strikes are quite exceptional.

Nationalization and Compensation

9. The fear had been entertained in many quarters immediately following the nationalization measures in 1967 that the measures would have a highly adverse effect on economic development. On the contrary, in matters such as the level of investment, foreign collaboration in enterprises, the flow of skills from abroad etc., an extremely favorable situation has emerged. Capital formation has risen from Sh 855 million in 1966 (the last year before nationalization) to Sh 1,045 million in 1968.

10. Negotiations on the payment of compensation to owners of enterprises which were transferred to public ownership in 1967 have proceeded smoothly. Following the agreement which was reached with two British banks--both of which had presented substantial claims--the Government now considers that final agreement has been reached on about 97 percent of the total estimated claims of about Sh 220 million. The payment of compensation is to be spread over periods ranging from 7-12 years, and interest at 6 - 7-3/4% is to be paid on outstanding balances. All payments hitherto have been made, when due, from the profits of the enterprises concerned, thereby relieving the Treasury of the need to dip into general reserves. The method by which the compensation payments are being made will ensure that there is no strain on the balance of payments or on the convertible foreign assets of Tanzania. As long as compensation is paid out of profits, the repatriation of these payments will take the place of the investment income payments abroad. For example, payments on international investment decreased from a 1965-66 average of Sh 189 million to an average of Sh 114 million in 1967-68; there would, however, be an offsetting increase in private capital outflows in the form of compensation payments, and would be recorded in the capital account.

Relations with Kenya and Uganda

11. With the coming into force of the Treaty for East African Cooperation on December 1, 1967 there has been a decrease in the use of restrictive devices such as quotas, outright prohibitions etc. which had tended to stifle trade among the three East African countries. The Treaty permits the use of a "transfer tax" under certain conditions, but requires that the Partner States remove all forms of restrictions. Any infringement is referable to the Common Market Council, whose decisions are binding; a number of outstanding disputes were, in fact, referred to the Council recently, and its decisions have resulted in lifting many of the prevailing restrictions. In 1967, the value of Tanzania's imports from Kenya was Sh 231 million, and was substantially lower than the 1965 figure of Sh 285 million, the decrease being a consequence mainly of growing restrictions. In 1968, the first complete year after the Treaty became effective, imports from Kenya rose to Sh 261 million, and present indications are that a further increase will occur in 1969. Although the deficit in Tanzania's trade with Kenya will thereby increase--since no dramatic increase in exports to Kenya is expected--there has not been any indication that Tanzania would invoke restrictive measures. The trade with Uganda is on a much smaller scale than with Kenya, and has always been characterized by a relatively small deficit.

12. Although restrictions on inter-country trade are gradually being eliminated, there is still some cause for concern over "single-channel" marketing, following the increasing use of government-owned institutions in the three countries to handle import-export trade. The monopoly given to these State Trading Corporations to handle certain items of import or export may, on occasions, have contravened the provisions of the Treaty, and hence the Common Market Council would be required to decide on the methods of dealing with such contraventions.

13. Another matter which merits urgent attention is the lack of coordination among the Partner States in matters pertaining to industrial development. Although the establishment of the simpler types of consumer goods industries in the three countries was probably inevitable, all of them are now moving toward the establishment of bigger and more complex industries which require unfettered access to the East African market as a whole. To the extent that many of the industries can support only one plant, any duplication of plant resulting from lack of coordinated action would prove very uneconomic and create serious marketing problems. Although the Treaty provides for a Joint Economic Consultative Council, very little use has been made of it and, at any rate, its recommendations are not mandatory. An Industrial Survey mission which we are proposing to send early in 1970 would help in highlighting the seriousness of some of the problems in this regard, but the solutions are entirely in the hands of the East African Governments.

Conclusion

14. The period of the First Five-Year Plan was one in which economic development was influenced both by weather and some important policy decisions taken by the Government to acquire control over the economy. The overall growth was less than anticipated, but some important structural changes have taken place, particularly the growth of manufacturing, and the rapid build-up of the service sector stimulated, to no small extent, by the need to handle the trade of Zambia. Although the manpower situation at the end of the Plan was better than at the beginning, the recent very rapid loss of experienced, high-level personnel, mainly British, poses some serious problems.

15. On the positive side, the Government has a clear sense of direction in its development effort and has the right priorities. Not only is there a greater degree of dedication to development in Tanzania than its East African neighbors, but there is also a greater consciousness of the magnitude of effort required to achieve development. Resources are used with an eye on economy, and projects designed only to increase the prestige of the country while making no significant contribution to the economy are conspicuously absent. There is continued emphasis on austerity in public life; on two occasions in recent years, the President has set a personal example in austerity by accepting cuts in his salary.

THE SECOND FIVE-YEAR PLAN, 1969-74

16. An economic mission from the Bank visited Tanzania in August-September 1969. Its report is currently under preparation. The following is a broad outline of the Plan and the mission's preliminary assessment of the outlook for the Plan.

General

17. Tanzania's Second Five-Year Plan (1969-74) which had been under preparation for some eighteen months was launched on July 1, 1969. A strong team of advisors--mostly from abroad--had been retained by the Government to undertake the preparation of the Plan. In general, the Plan has been well-prepared, and both aggregate and sectoral targets appear to be more realistically based than those of the previous Plan. Problems are very likely to arise, however, in implementing the Plan, since the staffing situation may deteriorate further before it improves.

Investment Target

18. The Plan envisages that, during the period 1969/70-1973/74, aggregate investment will amount to Sh 8,055 million. Of this amount, Sh 3,055 million will be invested by the Central Government, Sh 2,300 million by the parastatal organizations, Sh 2,150 million by the private sector and Sh 580 million by the East African Community. Of the total Central Government development budget of Sh 3,400 million (including contributions of Sh 650 million to the parastatal organizations, but excluding those for the Tan-Zam railway), external sources are expected to provide Sh 1,400 million or about 41 percent. The parastatal program will also attract external finance directly in the forms of equity participation, loans and supplier credits, amounting in all to about 35-40 percent of total investment. Investment by the East African Community will be financed both from resources generated mainly within its Corporations and the amounts raised externally, and hence do not become a charge on Tanzanian Government resources. Taking the Plan as a whole, approximately one-third of the total investment (excluding the Tan-Zam railway) is to be financed by external sources and the rest from within. In the light of the rapid build-up of recurrent expenditures that are directly attributable to the investment program under the First Plan, the proportion of total investment which is expected to be financed from domestic sources appears somewhat ambitious.

19. Although general targets have been set and priorities established for the entire Plan period, the Plan is intended to be flexible insofar as the list of projects covers only the first two years. Projects for the remainder of the Plan period are to be prepared on a continuing basis, but their implementation would depend on the resources available and on the extent to which projects already under way need to be completed before new projects are undertaken.

Output

20. The Plan target for the growth of GDP is 6.5 percent a year. This rate may be compared with the target under the First Plan of 6.7 percent a year, and the actual growth of about 4.5 percent a year. The relative weight of the agricultural sector (50 percent of GDP in 1968) will continue to be high at the end of the Plan (47 percent of GDP in 1974). Hence an important determinant of the growth rate during the Plan will be the performance of the agricultural sector. Among the crops which are earmarked for a substantial expansion are cotton, tobacco, cashewnuts, coffee, wheat, sugar, tea and rice. Livestock output is expected to grow at 5 percent a year. Of the total increase expected in the marketed output of the agricultural sector, cotton accounts for over one-quarter and tobacco for about one-sixth.

21. Among the other sectors, manufacturing is expected to grow at 13 percent a year, construction at 10 percent, public utilities at 12 percent and transport at 9 percent. Despite the high growth rates, the small base of each of these sectors in the initial period will limit the quantitative significance of their contribution at the end of the Plan. For example, the contribution of manufacturing to GDP will only rise from 6.2 percent in 1968 to about 8.4 percent in 1974. Hence, overall performance during the Plan will depend heavily on the growth of the agricultural sector. The Plan, therefore, places considerable emphasis on the rural sector.

22. In order to ensure the widest participation in the implementation of the Plan, particularly in the rural areas, the planners have emphasized the importance of the Ujamaa villages. The objective is to encourage the rural population to live and work together, and to share the fruits of their labor. From the point of view of the Government, the provision of a variety of supporting services such as extension and the social services would be facilitated if the rural population lived together rather than in isolated hamlets, as many of them now do. This objective was also emphasized during the First Plan, but the method then chosen viz., the establishment of village settlements proved very expensive in terms of capital and had to be abandoned. The Ujamaa concept, on the other hand, emphasizes self-help and voluntary association. Hence, whether successful or not, the Ujamaa villages may at least not preempt scarce capital on a disproportionate basis.

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Preliminary Observations

23. On the basis of the mission's preliminary analysis, it would appear that the investment and output targets are, with some exceptions, fairly well-founded. The mission considers that the emphasis on agricultural development is, in general appropriate, but has some reservations concerning the objective of self-sufficiency, particularly since this might result in the emergence of high-cost production, while excluding relatively lower cost imports from the Partner States. The physical targets for items like cotton and tobacco are feasible, but their realization requires, particularly in the case of cotton, a strong campaign, with an adequate commitment of resources. In the manufacturing sector, the mission considers that both investment and output will be lower than those projected in the Plan, since a rather large investment in a proposed sisal pulp and paper factory may require further technical investigation and hence may not contribute to output during the Plan. In addition, the momentum of import-replacing industries which has been quite strong during the past 2-3 years, may slow down. The services sector, particularly transport is expected to grow more rapidly than the past, on account of the steady increase in the volume of Zambian trade. Tourism holds promise of accelerated growth. The mission considers that overall growth may amount to about 6 percent a year during the Plan.

24. In regard to the resources for financing the investment of the Central Government, the mission estimates that total investment, including transfers to the parastatal organizations may amount to Sh 3,550 million of which domestic sources--mainly long-term borrowing and transfers from the recurrent budget--will provide about Sh 1,820 million or about 52 percent of the total. External resources amounting to about Sh 1,730 million or 48 percent of the total investment will have to be mobilized to carry out an investment program of this magnitude.

25. The Plan shows considerable awareness of the need to hold down the increase in recurrent expenditure. Ceilings have been imposed on the growth of recurrent expenditures in the various Ministries, with an overall estimated increase of 7.5 percent a year, but the Government will be hard put to hold the increase to this level. On the other hand, with revenue already at 21 percent of the monetary gross domestic product, further increases in revenue must depend more on the growth of the economy rather than on new taxes or on higher tax rates, except when very selectively applied.

26. As part of its policy to ensure effective participation by the state in key productive and distributive activities, the Government has set up a number of parastatal organizations. The principal problem facing these organizations is the acute shortage of personnel, particularly at the top level. In some cases, senior civil servants have been posted as heads of these organizations which, while causing disruption of work in the positions they vacated, has not always brought any tangible benefits to those they are asked to head, in view of their lack of business experience. The mission is of the view that there has already been a proliferation of parastatal organizations in Tanzania, and that a careful assessment of their number, structure and organizations is needed. The Planning Ministry is now devoting a lot of attention to this subject.

Population

27. The last census of population was conducted in Tanzania in 1967, and revealed that the country's population was about 1.2 million more than the official estimates which had assumed a growth rate of 2.2 percent a year. The growth rate figure has since been raised to 2.7 percent. Tanzania does not have any strong official position in relation to a population policy. But the President (a Catholic) is believed to evince much interest in this issue and to recognize the need for it. He is, however, reported to be most anxious to ensure that any specific measures in this regard are properly evaluated for their acceptance in an African environment. For example, the case for family planning is to be advanced more in terms of the maternal and child welfare argument and less in terms of the usual socio-economic arguments, although the latter kind of arguments have been used to demonstrate the difficulty of ensuring universal primary education. The Government has quietly encouraged the

Family Planning Association which was established in 1965 and has been running clinics. Starting with one clinic in Dar es Salaam in 1965, the Association now has 7 clinics in Dar es Salaam and 38 in upcountry areas. The Government has circularized the regional medical officials that, if they wanted to open clinics, they could contact the Family Planning Association. Conferences sponsored by the Association have been attended by Ministers and other leading officials.

28. At a recent conference of the ruling political party, the President spoke of the need to face up to the problems stemming from a rapid growth in population. He is reported to have asked the Cabinet and, in particular, the Ministry of Health to devise ways of ensuring that there would be a growing acceptability for the family planning idea. The facilities which already exist and the interest the Government has so far evinced in population planning indicate that the subject is very likely to come up both for more serious discussion and specific policy measures in the future.

Eastern Africa Department
December 30, 1969

AGRICULTURE

AGRICULTURAL CREDIT

Credit No. 80 TA

1. Of \$5 million, signed on January 13, 1966, to provide credit to cooperatives for a range of inputs for farmers, and for processing facilities. The original Closing Date of the credit (December 31, 1969) has recently been postponed to June 30, 1971 to permit disbursement of about \$1.0 million remaining, the bulk of which has been re-allocated for tea planting, one of the more successful subprojects.

Problems

2. As noted, the rate of disbursements has been slower than estimated, due partly, to over-estimation of demand for fertilizers and pesticides, notably for cotton production.

3. The project has also been affected by delays in operations due to a shortage of trained manpower, organizational problems, and a lack of coordination between the National Development Credit Agency (NDCA) and the Ministry of Agriculture. Steps to improve the position in these respects have now been taken. Contracts of four of the six expatriate officers have been renewed and some good local officers have been brought in, though the services of two further expatriates (an agricultural economist and a financial analyst) are needed for one year to help train their counterparts. In addition, a review of NDCA's financial structure is under way; the possibility of allocating additional funds to NDCA from the Budget, and of writing off bad debts inherited from previous organizations, is being considered.

Prospective Lending

4. A Second Agricultural Credit Project for Tanzania had been programmed for fiscal 1971. However, the need for a further project has been preempted for the time being by the preparation of specific projects for tea and tobacco, two of the major users of credit (see Paragraphs 9-13 below). On the other hand, the First Agricultural Credit Project has reached only a fraction of the cotton area in Sukumaland, where a good potential for more intensive cotton production exists. It has therefore been agreed with the Minister of Agriculture that PMEA should assist in trying to identify a separate cotton project for Bank/IDA financing. A proposed second Agricultural Credit Project has been deferred pending the outcome of this investigation.

LIVESTOCK DEVELOPMENT

Credit No. 132 TA

5. Of \$1.3 million, signed on October 31, 1968. Assisted in financing the development of five large ranches encompassing 420,000 acres to increase the output of beef and expand the production of breeding stock. Under the project, finance is to be made available for such investments as on-ranch roads, firebreaks, fencing, water supplies, stock handling and animal health control facilities, ranch buildings, breeding stock, and an initial procurement of feeder steers for fattening. Funds for technical services and a training program for ranch management are included. Total project cost estimated at \$2.0 million. As of November 30, 1969, there were no disbursements.

Problems

6. (a) The ranches included in the project are being developed by the National Agricultural Co. Ltd. (NACO) which at the time that the credit was arranged was a subsidiary of the National Development Corporation (NDC). In April 1969, we were informed that, as part of a re-organization of NDC, NACO would pass into the control of the National Agricultural and Food Corporation (NAFCO), a new entity set up to take over NDC's agricultural interests. Disbursements from the Credit were suspended pending agreement on the new arrangements. This was reached in November.

(b) At the time of signing, three of the five ranches included in the project were already established; at Kitengule (100,000 acres), and at West Kilimanjaro and Mkata (80,000 acres each). Suitable sites for the two other ranches of about 80,000 acres each have to be selected, and detailed plans for development submitted to IDA for its approval, by April 30, 1970. An area of about 158,000 acres which appears suitable has recently been located, but the Association has not yet received NACO's plans for its development.

(c) Registered Certificates of Occupancy for each of the ranches is required prior to disbursement. Those submitted for the Kitengule and Mkata ranches have been found acceptable to the Association. For West Kilimanjaro ranch, the Certificate of Occupancy covers only a portion of the total area and is on a monthly basis only. Withdrawals of the Credit for development of West Kilimanjaro cannot therefore begin until this issue has been settled.

Prospective Lending

7. When Credit No. 132 TA was signed the Tanzanian Government confirmed its intention to undertake the preparation of a wider, more comprehensive livestock project for IDA to finance. This project would

include inter alia the provision of additional disease control measures, stock routes, holding grounds, meat processing plants and other marketing arrangements, as well as further ranch development. A good deal of work has already been done in Tanzania in preparing a broadly-based integrated program of this kind, with help from USAID, the FAO/IBRD Cooperative Program, PMEA and other external agencies. What is required to complete the preparation of the project is to pull this work together and to coordinate the efforts of the various ministries and agencies involved. A Bank livestock supervision mission, scheduled for February, will look into the situation.

8. Although there is mutual agreement on this comprehensive approach to the next stage of livestock development in Tanzania, the Minister of Agriculture, Mr. Bryceson, has urged several times that a livestock project at Kitulo in South-West Tanzania be appraised separately on the grounds that the Kitulo project is now ready for implementation; the Minister was to an extent encouraged in taking this view by one of the FAO/IBRD preparation missions to Tanzania in early 1969. The Bank has major reservations about appraising the Kitulo project until such time as its place in the overall livestock development program is clarified. The project is also small, with a total cost of about \$1.0 million. Our position, as indicated to the Minister, is that we are anxious to move forward with a broad-based national program for livestock development with all possible speed; a piecemeal approach would only defeat this objective.

TOBACCO

9. A mission visited Tanzania last October/November to appraise a flue-cured tobacco project. The mission has in general reported favorably upon the project, and the preparation of the appraisal report is proceeding with a view to negotiations in the first half of next year. The project would be designed to increase tobacco output in the Tabora and Mbeya regions, covering about 15,000 settler families over a five-year period, with each family having a two-acre lot. Credit for farmers' requirements would be channelled through NDCA. The size of the proposed project is tentatively estimated at around \$11 - \$12 million, with a possible credit of about \$7 - \$8 million.

10. Retroactive Financing. The Association has agreed in principle to provide retroactive financing of up to \$300,000 for foreign exchange expenditure on three items. These are:

- (a) aerial photography of certain parts of the project area;
- (b) initial land planning; and
- (c) a study of the proposed introduction of auctions.

11. It seems unlikely that the results of the study will be available much before mid-1970 at the earliest. To avoid delaying the processing of the project, we hope to negotiate the IDA Credit on the assumption that the present marketing system of selling the crop through a foreign sales agent will be continued until satisfactory arrangements for changing over to auctions have been made. Similarly, proceeds of the Credit allocated for construction of the new auction floor, and for additional storage, processing and redrying facilities, would be contingent upon the outcome of the study.

Problems

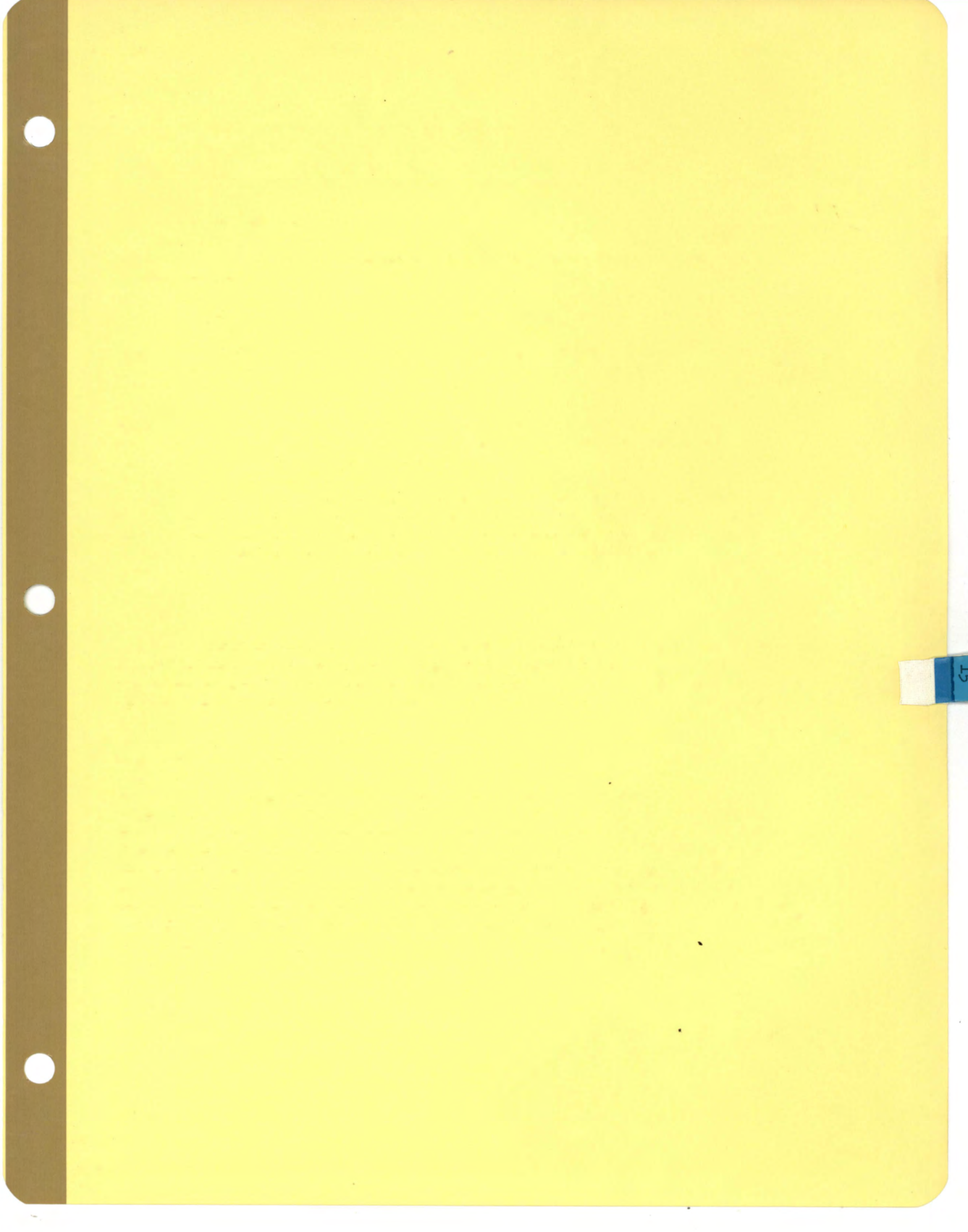
12. Apart from the study, the only major outstanding problem concerns the organizational structure for the project. Our preferred solution would be the establishment of a Tobacco Authority as a separate legal entity. However, we have been told by Mr. Bryceson that this would run counter to the Government's plan to set up a new corporation which in due course would take over the marketing of all agricultural commodities, tobacco included; his proposal was to establish a "shadow" tobacco authority, based in the Ministry of Agriculture and encompassing the Tanzania Tobacco Board and other existing arrangements. An organizational structure for such a "shadow" authority has been proposed to the Minister by IDA; we are awaiting his reaction. An agreement on this organizational question is necessary before timing of negotiations can be planned.

TEA

13. Preparation of a smallholder tea development project in Tanzania is now nearing completion; the project has been prepared by United States consultants (the United Research Company financed by USAID), with assistance from PME.A. According to PME.A, the project as at present constituted seems overambitious; because of political pressure, the acreage included in the program (about 32,000 acres) is more than double the acreage originally suggested by PME.A. As in the case of the proposed tobacco project, credit for farmers' requirements would be channelled through NDCA. The size of the proposed project would need to be carefully reviewed during Bank appraisal, particularly in the light of the administrative capacity of the newly established Tanzania Tea Authority and the world tea market situation. Otherwise, this seems a promising area for development and a credit of \$5.0 million has been included in the lending program for smallholder tea for fiscal 1972. Meanwhile, the reallocation of the uncommitted balance of Credit No. 80 TA to tea planting (see paragraph 1 above) would provide some funds for smallholder tea development until the new project is ready.

AGRICULTURAL EDUCATION

14. Tanzania suffers from an acute shortage of agricultural expertise. The Bank has been assisting the Government to prepare an agricultural education project which will help alleviate this problem. We hope that the project will be ready for appraisal early in 1970. (see also section on "Education").



HIGHWAYS

Past Lending

Credit No. 48 TA

1. Of \$14.0 million, signed on February 5, 1964 to provide foreign exchange cost of a highway project then estimated at a total cost of \$18.8 million. The original project consisted of the design, improvement, construction or reconstruction of eight major roads, with a total length of 730 miles, in the eastern, northern and southern parts of the country.

2. Problems. The project experienced serious delays and substantial cost over-runs, principally because of:

(a) a shortage of personnel in the Roads and Aerodromes Division of the Ministry of Communications, Labour and Works, due to the departure of a number of expatriates shortly after the Credit was signed; and

(b) an underestimate of the amount of work involved in the preliminary engineering and to general increase in the cost of labor, equipment and materials.

3. In March 1966 the Government requested that a supplementary credit be made to cover part of the additional cost of the project. Subsequently, the project was reappraised and a revised project agreed with the Government (see below).

Credit No. 115 TA

4. Of \$3.0 million, signed on March 21, 1968. The revised project which this Credit and Credit No. 48 TA are helping to finance consists of:

(a) the detailed engineering and construction of six of the eight original roads, totalling 533 miles;

(b) the detailed engineering of a 142-mile section of the main road to the Zambia border from Dar es Salaam (the so-called Tan-Zam Highway);

(c) the detailed engineering of feeder roads totalling about 210 miles in the Geita Peninsula area; and

(d) a staffing and training program in the Roads and Aerodromes Division of the Ministry of Communications, Labour and Works.

The estimated total cost of the project being financed by Credits No. 48 TA and 115 TA was \$22.8 million. Credit No. 48 TA has now been fully disbursed. Disbursements from Credit No. 115 TA as at November 30, 1969, was about \$1.0 million.

5. Progress. The construction work on this project is expected to be completed before the end of 1969 except for some bridges which should be completed by mid-1970. Construction has been satisfactory. We understand the President Nyerere officially opened the Uyole-Itungi port road in December.

6. Problems. Major delays have occurred in implementing the staffing and training program of the Roads and Aerodromes Division. The problem initially was dilatory handling by the Government's recruiting agency (Central Establishment) of the recruitment of the foreign experts required for the program. Although the Tanzanians have now stepped up their efforts, difficulties have been experienced in finding appropriate people for these short-term assignments at the salaries offered. The program provides for the recruitment of up to eight foreign experts, composed of a transportation economist and engineers of various specialities including design, construction and maintenance. The program was originally expected to be implemented by the end of 1968, but is still not off the ground. The Tanzanian Government hopes that a number of posts will be filled as a result of a recent recruitment mission to India. We have consistently expressed our concern about this matter to the Tanzanians and have indicated that further lending for highway development will be contingent upon the implementation of the program.

7. According to a recent survey by U.S. Consultants, "shortages of trained highway personnel exist at all levels in Tanzania. Twenty-six of the required 57 professional positions are now vacant and 13 of the remaining positions are filled with recent engineering graduates. Nine of the 18 experienced staff members are expected to leave Tanzania within one year. Recruitment of expatriate staff has lagged behind departures for some time and the number of vacancies is growing rapidly. The effect of shortages, inexperienced personnel, and the lack of continuity will be felt for several years."

Credit No. 142 TA and Bank Loan No. 586 TA

8. Originally of \$8.0 million and \$7.0 million respectively. Signed on February 24, 1969 to help finance the Morogoro-Iyayi section (310 miles) of the Tanzania-Zambia Highway. Sweden participated in the project by providing a credit of \$15.0 million, half of which was permanent financing and half interim financing pending the replenishment of IDA's resources. This interim financing was replaced by an addition of \$7.5 million to Credit No. 142 TA on November 24, 1969.

9. With this project, which is proceeding well, arrangements have now been made to rebuild most of the 1,000 miles of the Tan-Zam Highway, on which traffic has increased enormously as a result of the diversion of Zambian traffic from Southern Rhodesian to Tanzanian routes following Southern Rhodesia's Unilateral Declaration of Independence. In Tanzania, the United States is assisting the rebuilding of about 150 miles of the Tan-Zam Highway, while in Zambia over 350 miles are being reconstructed with finance from the United Kingdom and two loans from the Bank.

Prospective Lending

10. With Bank/PMEA assistance, the Government has been preparing a further highway project for submission to the Bank for financing. The project would include the construction of feeder roads, a road betterment program, a road maintenance study, feasibility studies and engineering of major road links, and continuation of the staffing and training program.

December 19, 1969

EDUCATION

Past Lending

Credit No. 45 TA

1. Of \$4.6 million, signed on December 20, 1963, to enlarge the country's secondary school system. The project, which was completed in 1967, involved the construction of two new schools and extensions to 53 others, providing about 6,900 additional places for students.

Credit No. 149 TA

2. Of \$5.0 million, signed on May 29, 1969. As negotiated, the project consisted of a 600-student secondary school with boarding accommodations; extensions to 24 existing secondary schools providing another 3,500 places and specialized teaching facilities for agricultural, commercial and technical courses; the expansion of one secondary and two primary teacher training colleges; and provision for new or remodelled staff housing at several of these institutions. The project had originally included the construction of two other new secondary schools; however, since these would have necessitated the provision of Bank finance because of the shortage of IDA resources, the Tanzanian Government sought and obtained a credit for them from Denmark and Norway. The Association has been asked by the Nordic Group to be executing agency for these two schools and for two other secondary schools for which Denmark and Norway are providing finance. The Credit became effective on June 19, 1969, but to date no funds have been disbursed.

Problems

3. (a) Changes have been proposed by the Government to 17 of the 28 items in the Project. These changes involve mainly the inclusion in the Project of extensions to Dar es Salaam Technical College; the deletion of one of the two primary teacher training colleges; and the concentration of additional facilities for sixth-form science at secondary schools where such facilities already exist. The latter proposal is intended to maximize the use of teaching resources, which have been depleted by the recent departure of UK teachers following the dispute over pensions with the British Government. A mission visited Tanzania last September to review these changes and in general found them to be acceptable. Action on the matter will be initiated within the Bank shortly.

(b) We have had some difficulties as Executing Agency for the Nordic Group in reaching agreement on the standard of accommodation for secondary schools to be financed by the Nordic Group consistent with the standard to be applied to the IDA schools. A compromise has been worked out with Tanzania and the Nordic Group, which we hope will not prejudice the position on the IDA schools and the other three Nordic schools.

Prospective Lending

4. An agricultural education project, the preparation of which has been assisted by the Bank and FAO, is expected to be ready for appraisal early in 1970. The main components of the project are as follows:

(a) Agricultural Faculty at Morogoro

(b) Certificate/Diploma Institutes. New Institutes - at Mpwapa and Mtwara - will specialize respectively in animal husbandry and tropical-coastal crops. Two Institutes to be extended - at Ukiruguru and Olmotonyi - specialize respectively in cotton and grain crops and in forestry.

(c) Rural Training Centers. The Government plans to eventually establish a Rural Training Center in each District. Some 40 new RTCs are required to implement Government plans. At the moment, locations have been identified only for 8 new RTCs and for conversions of 5 existing District Training Centers and the indications are that the Government will be satisfied with these 13 centers for the time being.

5. Manpower information shows that the project has a very strong economic justification and a very high priority for Tanzania development. Some minor educational matters (such as preparation of detailed curricula and of the schedule of accommodation) are still unsettled. Nonetheless, both the Bank and the Government hope that they will be solved very soon in order to permit appraisal in early 1970, though past experience indicates some delay can be expected. The total project cost is now estimated at \$9.0 million.

22 August 1969

MEMORANDUM

regarding Nordic-Tanzanian Co-operation at Kibaha

1. The original Government Agreement between Denmark, Finland, Norway and Sweden on the one hand and Tanganyika on the other, signed in December 1962, and covering a five-year period from 1963 through 1967, was prolonged for two years through 1969. The original Agreement provided for the establishment at Kibaha outside Dar es Salaam of a Farmers Training Centre, a Secondary School with six Forms, and a Health Centre with training facilities. The Agreement was signed one year after Tanganyikan political independence in December 1961. The provisions in the Agreement established the project largely as a Nordic grant. The project area and access road to the project were supplied by the Government of Tanganyika, whilst the costs for the capital investment programme as well as the recurrent costs during the initial five-year period were defrayed by the Nordic Governments. Local implementation of the project took place under Nordic management in continuous contact with a Consultative Board established for the purpose and including representatives of the Tanganyikan Ministries concerned, the Kisarawe District, and the United Nations. The Project was established largely according to plan. Thus, activities began at the Farmers Training Centre in the middle of 1964, at the Secondary School early in 1965, and at the Health Centre late in 1965.

2. The Prolongation Agreement provided for the establishment of an Integration Committee with the task of working out a plan during 1968 for the complete integration of the Project into the Tanzanian administration as of 1 January 1970. The Agreement also provided for increasing Tanzanian participation in recurrent costs and for the supply of certain specified Tanzanian staff. In December 1968, a Tanzanian Integration Plan was presented through the Swedish Embassy in Dar es Salaam. The Plan provided for the establishment of a Body Corporate with powers to administer the Kibaha Project as one entity and responsible to the Ministry of Regional Administration and Rural Development. The Plan was submitted to the Board of Nordic Development Projects by the Swedish International Development Authority (responsible on the Nordic side for the administration of the Project). Comments by SIDA to the proposed plan for the establishment of the Body Corporate were transmitted to the Government of Tanzania through the Swedish Embassy. Full administrative and financial responsibility for the Project will be assumed by Tanzania as from 1970.

Through 1969, the Nordic resources utilized at the Kibaha Project will have amounted to approximately 73 million Tanzanian shillings and 2 150 man-months over 7 years.

The terms for continued Nordic Tanzanian Co-operation at Kibaha are expected to be laid down in a Government Agreement to be concluded before the end of 1969 and covering the three year period 1970-72. In this connection, the Nordic Governments envisage the provision, with salaries and related emoluments, of such Nordic staff as the Kibaha Project will continue to require. Nordic contributions other than in personnel would be made as mutually agreed upon from time to time.

3. During the latter half of 1968, an evaluation of the Nordic Tanganyika Project was undertaken by a mission arranged for the purpose by the Secretariat of OECD in Paris. Terms of reference for the Evaluation Mission were approved by the competent authorities in Tanzania. The Evaluation Report was dealt with by the Nordic Board in May 1969, and the Report was handed over to the Embassy of Tanzania in Stockholm in the beginning of June. The Nordic Board thereby expressed the hope that the Report would facilitate Tanzanian deliberations in connection with the Tanzanian assumption of administrative and financial responsibility for the Project and the planning of further developments in the Kibaha area and the Kisarawe District.

As from 1970 the Nordic contributions to the Project at Kibaha will, as already pointed out, be concentrated to staff assistance. Any further contributions will have to be considered and planned for, technically as well as financially, against Tanzanian statements regarding policy and priorities. (The existing Tanzanian Integration Plan and the proposed constitution for a Body Corporate do not purport to deal with the question of future developments at and around Kibaha). The Evaluation Report contains a number of views and suggestions which might be of relevance in this respect. The Nordic Board is mindful of the fact, however, that the members of the Evaluation Mission acted in their personal capacity, and that their views and opinions do not in any way commit the contracting parties.

The following views, expressed by the Nordic Board, on the future Nordic Tanzanian co-operation at Kibaha are, however, based inter alia on the Evaluation Report.

4. As development co-operation has evolved, it is becoming increasingly common to endeavour to make arrangements for continuous and systematic evaluation of projects agreed upon at the outset of their implementation. As has been indicated above and as has been pointed out in the Evaluation Report the circumstances prevailing at the time did not allow for proper built in evaluation procedures. The evaluation of the Kibaha Project cannot, therefore, be considered as conclusive. Basic data were not collected during the preparatory stage of the project which would have made detailed and accurate evaluation statistics possible. In some cases comparable data for other Tanzanian institutions, projects, and project elements cannot be obtained. This refers especially to the Farmers Training Centre and the Health Centre. Work in cost analysis has been carried out by the Project in order to facilitate Tanzanian budget preparations and decisions after takeover.

Although it has been the conscious effort of the Nordic Board and the Project Management, in collaboration with the Tanzanian authorities concerned, to keep recurrent costs as low as possible, it is recognised that the Body Corporate in charge of the administration as from 1970 might wish to look into the possibility of making further reductions in some of the recurrent costs in an effort to bring them into line with Tanzanian norms, without thereby jeopardizing the usefulness of the various institutions or of the Project as a whole.

- 5. The question of cost analyses refers in particular to the various units comprising what is called the Project Centre. This Centre offers a number of services to the three institutions, and it is presumed that the competent Tanzanian authorities will wish to allocate the cost of these services as far as possible and proper to the three main institutions. The Nordic Board therefore supports the request made by the Nordic Project Management in the Integration Committee that sufficient attention be paid to this problem and staff resources be made available for the production of the required information.
- 6. It has been pointed out in the Evaluation Report that the transfer of the Project into Tanzanian hands after a fairly long period of Nordic Management comes rather abruptly. However, the provision in the Prolongation Agreement for transfer at the end of 1969 is looked upon as a manifestation of the mutual desire of the contracting parties to secure that continued planning and decision-making regarding future developments will emanate from within the Tanzanian administration. It is in the interest of the Nordic Board that the Nordic staff be replaced by Tanzanians as soon as possible. At the same time it is considered important that stability be maintained during transfer. It is for this reason that the Nordic Board is prepared to retain, and within limits to supplement, such expatriate staff as is judged by the competent Tanzanian authorities to be indispensable. The Government Agreement to be concluded will contain as an annex a schedule of posts to be filled by the Nordic Governments during the contractual period. This schedule would be revised if necessary through agreements between the Body Corporate and the Nordic Board. It is of urgent interest to the Nordic Board that counterpart Tanzanian staff to replace the Nordic staff be trained as early as possible to take over the duties of the expatriates. It is hoped that agreements to this effect will be reached at the appropriate level.
- 7. In discussing the question of Kibaha as a community the Evaluation Mission expresses the opinion that "the ambitions to make Kibaha a lively, active community and a social centre for the surrounding people has not been realized and is not likely to be" (p.93). In this and other connections the Mission raises the question as to how and to what extent the three main institutions and the various project elements should work together for the benefit of the surrounding area and the district as a whole. It is not for the Nordic Board to express an opinion in this respect. The problem is closely related not only to the Tanzanian political

philosophy and the present plans for economic development but also to the degree to which it may be considered desirable to give the heads of the three main institutions at Kibaha duties extending beyond the specific purpose for which the institutions were created. The assignment of such duties and the definition of the further resources which may be required is a matter for the Tanzanian authorities to consider. Naturally, however, the desired objectives and the existing constraints should be clearly identified before decisions affecting Nordic Tanzanian co-operation are made.

8. The question of determining objectives and analysing constraints may require certain professional services. It is obviously in the interest of Tanzanian authorities to plan further developments with sufficient attention to available and required statistics and professional advice. Any Nordic participation in further capital investments or in expansion of existing activities would have to be preceded by the type of investigations and preparations which are customary procedure in the Nordic development co-operation agencies. In case the Government of Tanzania, in its elaboration of a Tanzanian policy for Kibaha, would wish to have investigations carried out in order to obtain improved back-ground material, the Nordic Board would be prepared to discuss various forms of participation in such investigations.
9. From 1970 the project will be a Tanzanian undertaking with Tanzanian management centrally as well as in the three basic institutions. The Tanzanian authorities are of course free to negotiate with other donors for such additional assistance as may be considered desirable. It seems likely that certain forms of assistance can be obtained more easily outside the Nordic countries whose experience in the tropical area is comparatively limited. This refers perhaps particularly to the field of agriculture. It would also seem worthwhile to examine more closely the possibilities of increased contacts with the University College which is located fairly close to the project area.
10. Regarding the three institutions, the following brief comments are made.

The organization and activities of the Farmers Training Centre have been commented on at considerable length in the evaluation report, and various suggestions and points of criticism have been expressed. It is the impression of the Nordic Board that the Farmers Training Centre has been administered on the basis of the established Tanzanian policy and regulations. Nevertheless the suggestions of the evaluation mission might usefully serve as a basis for further discussions regarding desired changes or extensions. The Nordic Board is mindful of the fact that the whole question of rural development is at present the object of intense discussions in Tanzania and that various plans are in the making. Within this general framework the objectives and functions of the Farmers Training Centres

are also being reconsidered. (As a matter of fact, the Nordic countries are already making preparations to co-operate with the Tanzanian authorities in this area through a joint investigation of existing Farmers Training Centres within the framework of the agricultural project at Mbeya).

From time to time it has seemed as though Tanzanian authorities would want to use the agricultural base at Kibaha for various forms of commercial activities in order to help meet the recurrent costs of the project as a whole. It is the opinion of the Nordic Board that such activities should be clearly distinguished from the regular activities of the project, which are concerned mainly with education and training, and should be conducted on the basis of normal business principles.

As far as the Poultry Station at Kibaha is concerned, it is intended to form a subdivision of the National Hatchery, and its accounts have been specified in the Kibaha Project accounts. From an economic point of view the results so far have not been satisfactory. In fact, this area of activity is easily influenced by the prevalence of disease, the provision of distribution and transport facilities, the availability of suitable feeds etc. Since the Poultry Station was established at Kibaha, various opinions have been expressed regarding objectives, types and sizes of subunits, etc. The Nordic Board would be prepared, should this be in the interest of the competent Tanzanian authorities, to send a short-term expert to Kibaha in order to make a separate evaluation of the Poultry Station and to make recommendations regarding future developments within the general framework of the existing Tanzanian policy.

The evaluation of the Kibaha Secondary School is rather extensive and detailed and is considered to contain sufficient information for the Tanzanian authorities to base conclusions upon regarding the future use of existing facilities. Thus, it is for those authorities to decide whether, as recommended by the mission, to add one more stream at the upper level comprising Forms V and VI.

The Kibaha Health Centre offers good opportunities for various kinds of training and has had a good start. It is the impression of the Nordic Board that the Health Centre is operating satisfactorily within the established Tanzanian policy and regulations with a strong emphasis on preventive medicine and related community development activities. It is hoped that Tanzanian budgetary allocations will be sufficient to safeguard proper standards.

11. The common services offered by the Project Centre are of crucial importance to the Project as a whole. Of particular importance is a well functioning Work Shop and Maintenance Department, and particular attention should be paid to selecting and training the proper staff for these functions as well as for the Project Centre as a whole. A maintenance instruction is being worked out by Nordic technicians.

engaged at the project, and it is believed that this will serve as a valuable instrument for the competent Tanzanian authorities and staff responsible for maintenance after 1969. The Library is well equipped and should offer no operating problems provided good co-operation with the Tanganyika Library Service is maintained.

It is understood that normal maintenance will be available. Regarding the Co-operative Shop the Nordic Board would suggest that attention be paid to the possible need for supervision and guidance by the Co-operative Department, in which Nordic specialist staff is presently serving in advisory capacity. The importance of a well functioning Accounting Department can hardly be overemphasized.

12. The field of Community Development is treated rather extensively by the evaluation mission. This field is complicated and difficult, requiring much patient attention to the problem of motivation. It is believed that the field of Community Development is generally better handled by Tanzanian expertise than by any expatriate assistance which the Nordic Governments would be in a position to offer. (This does not, of course, exclude a sincere appreciation of the work done so far by the Nordic staff at the project).
13. In conclusion it should be mentioned that the views expressed in this memorandum have not been an effort to deal in detail with the views expressed in the evaluation report nor to assess its value. They should rather be looked upon as an endeavour to clarify the position of the Nordic Board before the Tanzanian takeover of administrative and financial responsibility for the project at Kibaha and to express such opinions as may be of some help in connection with Tanzanian preparation for transfer and planning for future development. The Nordic Board is prepared to continue the Nordic-Tanzanian Co-operation at Kibaha on the basis of clear Tanzanian statements of priority and the Nordic technical and financial criteria and resources available.

POWER DEVELOPMENT

Past Lending

Loan No. 518 TA

1. Of \$5.2 million, signed on November 13, 1967. Made to the Tanzania Electric Supply Company (TANESCO) to finance the foreign exchange costs of installing some 21 megawatts of diesel-generating facilities in Dar-es-Salaam and in Mwanza on Lake Victoria, together with related transmission and distribution equipment. The project, which should meet Tanzania's power requirements up to the end of 1971, is proceeding satisfactorily. Amount disbursed at November 30, 1969: \$2.2 million.

Prospective Lending

2. A feasibility study for the 200 MW Kidatu hydroelectric project on the Great Ruaha tributary of the Rufiji River has just been completed by Swedish consultants (SWECO). This project comprises in its first stage the construction of a dam on the Great Ruaha River at Kidatu, together with a power station containing two units of 50 MW each, and 220 kv transmission lines to Dar-es-Salaam to be commissioned by the end of 1974. A second stage includes the construction of a dam at Mtera about 110 miles upstream of Kidatu to provide additional storage and the addition of a third 50 mw unit at Kidatu in 1980. A third and final stage provides for the construction of a fourth 50 mw unit at Kidatu in 1983.

3. The study, which is now being reviewed within the Bank, proposes that in order to meet the growing demand until the first part of the main hydroelectric project can be realized, two diesel units of 7.5 mw each should be added to the existing UBUNGO power station in Dar-es-Salaam in 1971 and 1972, followed by a further two units of the same size to be installed by the end of 1973. Total estimated cost of the first 100 mw stage of hydroelectric development together with 30 mw of diesels and transmission would be about US \$ 50 million of which about US \$ 37 million would be foreign exchange.

4. There are indications that the application for financing of the hydroelectric project may be premature, in which case the splitting of the project into a \$5 million Diesel project followed about two years later by a 100 mw first stage hydroelectric project of about \$45 million might be more economical. A bank loan of \$26 million was originally included in the lending program, for Kidatu but it was reduced to \$15 million on the expectation of joint financing. Sweden and Germany have expressed an interest in participating.

Other Issues

5. The Tanzanian Government has made a formal request to the UNDP (Special fund) for assistance in carrying out a feasibility study of a multipurpose project with the main emphasis on power development at Stiegler's Gorge situated about 100 miles southwest of Dar-es-Salaam.

Enough is known about the Stiegler's Gorge Project to determine its order of size as about 1100 mw; it would be an expensive project and would not seem to be needed before about 1990 at the earliest.

December 19, 1969

TOURISM

Prospective Bank Lending

1. A Bank tourism project identification mission visited Tanzania in late 1968, and a copy of its report was sent to the Government in April 1969. The mission concluded that there were favorable prospects for continued growth of Tanzania's tourist trade; the number of visitors had been growing by 15 percent per annum, a growth rate which could be maintained given the right policies and investments. The mission recommended the preparation of an integrated development program for tourism which would include investment in hotels and lodges, development of wildlife areas and supporting infrastructure, mainly roads and airfields.

68.9 million
74 x 7 " target

2. Apart from a continued expansion of hotel capacity in Dar es Salaam, the Tanzanian authorities' program for tourist development is concentrated on two main areas: the so-called "northern circuit" based on the game parks lying south of the Kenya border and the "eastern circuit" based on beach development near Dar and nearby islands and game areas. The northern circuit is already well established and an expansion of hotel capacity is needed to meet demand. The eastern circuit, on the other hand, is new. No adequate market study of it has been carried out. Judging by experience on the Kenya coast, its success will depend mainly on the development of "package" tourism for which relatively low-cost hotel accommodation is required.

3. The Bank has proposed to the Tanzania Government that, since a satisfactory financial intermediary does not at present exist and may take some time to establish, the first loan for tourism in Tanzania might take the form of a "package" project consisting of 3-4 hotels which the Bank itself would appraise. We have suggested that hotels on the northern circuit and in Dar seem most promising for this purpose, but that we would be pleased to consider others if the necessary feasibility studies are undertaken. The Tanzanian Tourist Corporation (see separate note) had hoped to provide the Bank with feasibility studies of possible hotels by end of November, but we have recently been informed by Mr. Mawalla, the General Manager of TTC, that the studies may not be completed for several months. A Bank loan of about \$5 million has been included in the lending program for fiscal 1971 for a tourism project.

4. With respect to the problem of finding a financial intermediary for future lending in tourism, the Government has proposed that the National Bank of Commerce (NBC), which has recently started providing medium term funds, might provide the appropriate vehicle. It is the intention of the Government that, within the next year or so, a medium term-lending wing of NBC would be hived off as a separate development institution, possibly as a subsidiary of NBC. Such an institution would assist industrial sectors as well as tourism and could eventually serve as a medium for World Bank assistance. While we are considering the proposed "package" project for tourism, it is hoped that the Bank's Development Finance Company Department could consult with NBC with a view to establishing the independent development bank type entity through which our future lending would be channeled.

December 18, 1969

5. A tourism project in Tanzania, sponsored by a company controlled by His Highness the Aga Khan, is presently under consideration by IFC (see separate brief). The tourism potential in Tanzania is such that there should be ample scope in this sector for both public and private enterprise, working jointly or separately. In addition, for tourist projects in the national parks, the state through the Tanzania Tourist Corporation is expected to take a participation of not less than 50 percent. We do not believe, therefore, that the possible IFC venture preempts the need for the possible Bank-financed hotel package, or that there is necessarily any conflict between them, though the matter will be kept under review. We have conveyed this view to the Tanzanian authorities. Later Bank assistance for tourism in Tanzania might be directed, at least in part, towards infrastructure, which would fall outside the ambit of the IFC scheme.

December 23, 1969

TANZANIA TOURIST CORPORATION

1. The Tanzania Tourist Corporation (TTC), a wholly-owned Government entity, was created in 1969 as part of the reorganization of the National Development Corporation (NDC) into three separate corporations (for agriculture, industry and tourism), each under the control and supervision of a different Ministry. The main functions of TTC are:

- (a) to promote the tourist industry in all its aspects
- (b) to conduct or engage in the business of tour operators, travel agents, hotel developers, hotel managers, publicity agents, etc.
- (c) to hold interests in any undertaking associated with the development of the tourist industry.

2. In line with the principles enunciated in the Arusha Declaration of 1967 TTC is expected to take up a participation of not less than 50% in projects situated in the National Parks. For other projects there is no minimum. TTC is intended to be a profit-making Corporation. The management of the Corporation is vested in a Board of Directors headed by a Chairman appointed by the President; at the moment he is the Minister for Information and Tourism, Mr. Makame (see biographical details). The Minister appoints the other directors. The Chief Executive of the Corporation is the General Manager.

3. Brief information on the General Manager of TTC is given below.

General Manager: Mr. G.M.S. Mawalla, a graduate of the Economic Development Institute and a former Deputy Principal Secretary to the Treasury. While Mr. Mawalla performed ably on routine matters in the Treasury, he does not appear to possess the drive, initiative and imagination which are required in his new position. He is, however, enthusiastic and has the assistance of a few experienced officials.

December 18, 1969

KILIMANJARO AIRPORT

A new airport is being built by Italian contractors in Northern Tanzania about 25 miles east of Arusha. The airport, to be known as the Kilimanjaro, will cost about \$10 million and is being financed by suppliers' credits. It will be large enough to take jumbo jets. The project is part of the Tanzanian Government's plans for developing tourism on the northern circuit by enabling parties of tourists on low-priced package tours to fly directly into Northern Tanzania. At the moment, most tourists visiting Tanzania start and end their holidays in Nairobi, Kenya; some only spend a few hours in Tanzania on tours organized by Nairobi operators. The financial yield for Tanzania from such visitors is often minimal. Not unnaturally, Tanzania has resented this state of affairs. Restrictions were at one time proposed on vehicles of Kenya tour operators entering Tanzania, but this plan was dropped. The Tanzanian Government hopes to alter the present pattern of trade once Kilimanjaro Airport is open. Although a new airport was required to serve the needs of the Arusha area, the high standard of the proposed airport is likely to make it an unduly costly proposition.

December 18, 1969

EAST AFRICAN HOTEL CHAIN PROJECT

1. Industrial Promotion Services (SA) Geneva, a company controlled by H. H. the Aga Khan, is promoting a chain of hotels and game lodges in Kenya, Tanzania and Uganda in collaboration with the hotel affiliate of Pan American World Airways, Intercontinental Hotels Corporation (IHC). Based on a Project Feasibility Study prepared by Economic Research Associates (ERA) of California, a project has been worked out with a capital cost of about \$8.8 million on the assumption that about \$1 million infrastructure investment will be provided by the three Governments. The Governments have expressed a willingness to support the proposal and to participate in it.
2. Financing would be raised in three separate companies, one in each of the countries and the total would be about \$3.6 million equity and \$5.2 million loan. Ownership of approximately 51% of the equity would be held by local private interests, 21% by the three East African Governments and 28% would be sought from foreign investors. Foreign investors would include IHC, Olin Mathieson and another international airline. About \$1.5 million in loans are expected from the East African Governments through development finance institutions. IFC is considering a \$3.7 million convertible loan to the three companies which would complete the loan financing.
3. The concept of the project is to offer visitors a complete tour of East Africa while staying in lodges and hotels offering a uniformly good standard of service. In general the present quality of service and food in existing East African hotels and game lodges is not entirely satisfactory. To provide a complete tour of East Africa sites have been carefully selected at the major game parks in the three countries, in two key cities--Nairobi, Kenya and Arusha, Tanzania--and the main coastal resort area near Mombasa. The design of the facilities will emphasize local traditions in architecture which is expected to be cheaper to construct and to be attractive to tourists.
4. The East African Hotel Chain will consist of several separate companies. Three companies have been incorporated, TPS Kenya, TPS Tanzania and TPS Uganda to own and operate the hotels and game lodges in the respective countries and an automobile transportation company providing service for all the game lodges and hotels. TPS Management will provide management for the whole Chain and will be located in Arusha, Tanzania, the headquarters of the East African Community.
5. TPS Kenya would consist of a hotel in Nairobi, a beach hotel near Mombasa and lodges at Mara and Amboseli game parks; TPS Tanzania would consist of lodges at Ngorongoro, Mt. Meru, and Serengeti game parks,

and a hotel in Arusha; TPS Uganda would consist of lodges in Murchison Falls and Queen Elizabeth game parks. TPS Tanzania would include in addition to lodging facilities the Touring Company providing automobile transportation for the whole chain of game lodges and hotels. The Company will own 150 vehicles which will be sufficient to service all the lodging operating at 55% capacity.

6. The \$3.7 million loan for which IFC would be responsible would take the form of a convertible loan with a two-year grace period and repayment over an additional 10 years. IFC would plan to invest about \$1.4 million and place \$2.3 million with institutional investors. The loan would be divided proportionately among the three companies: about \$1.6 million in Kenya, \$1.3 million in Tanzania, and \$0.8 million in Uganda. IFC would invest \$0.6 million in Kenya, \$0.5 million in Tanzania and \$0.3 million in Uganda and the remaining \$1.0 million, \$0.8 million, and \$0.5 million would be available to institutional investors.

December 23, 1969

TANZANIA

I. INVESTMENT FINANCE INSTITUTIONS IN TANZANIA

1. Existing development finance institutions (other than agricultural) in Tanzania are:

National Development Corporation(NDC).

2. NDC is the largest and most important. It was formed in 1964, is wholly owned by the Tanzanian Government and has been the major channel for public investment in the industrial sector as well as an important instrument for achieving the nationalization policy embarked upon following the "Arusha Declaration" of 1967. The value of NDC's assets has risen very steeply since formation, largely due to take-overs of existing companies in the early years. NDC's 1969 investment budget amounted to \$ 10 million equivalent but we have no details of its breakdown. Equity participations have been NDC's main financing method in the past and it has sponsored a number of projects, including a small industry development enterprise which rents out artisan facilities.

3. The Tanzania Finance Company Ltd. (TAFCO) is an investment company subsidiary of NDC. It was established in 1963 to take over some of NDC's better shareholdings and to offer its own shares to certain types of Tanzanian investors. Its initial authorized capital of T£ 100,000 was raised to T£ 200,000 in 1967 or 1968. We have no recent information about this subsidiary.

4. In April 1969, a number of NDC's previous functions were reorganized into separate institutions and it is too early yet to assess the result of this.

5. NDC's General Manager, Mr. George Kahama, is a Tanzanian (and former Minister of Commerce), and the staff numbers over 100.

Tanganyika Development Finance Company Ltd. (TDFL)

6. TDFL, formed in 1962, has an issued share capital of T£ 2 million (\$ 5.7 equivalent), held equally by NDC, the German Development Company (DEG), the Netherlands Overseas Finance Co. and the British Commonwealth Development Corporation. (This ownership is similar to that of DFCK in Kenya.) Each partner appoints two directors (Chairman is Mr. J.S. Kasambala, Tanzanian nominee), and the Manager (Mr. C. Stephenson) is seconded by CDC. TDFL provides long term loans (nearly 90% of total financing) and equity investments (minority holdings only) in a wide range of projects, mainly industrial but also tourism and some agricultural processing. Total commitments (in 23 projects) at the end of 1968 amounted to T£ 1.5 million (\$ 4.1 million); profit for 1968 was T£ 55,000 (\$ 158,000), an increase of about 25% over 1967. TDFL's impact in Tanzania has remained small and, because of its foreign ownership, the Government has never really considered it a "national" development agency. Nevertheless it has made

modest, if slow progress and makes its investments on the basis of normal commercial criteria to a much greater extent than does NDC.

Industrial Promotion Services (Tanzania) Ltd. (IPS-T).

7. IPS-T, sponsored by the Ismaili (Aga Khan) community, is one of three IPS companies in East Africa (see brief for Kenya). NDC has a 25% stake in IPS-T's equity capital (\$ 1.1 million total), the remainder being held by a number of mainly Ismaili individuals and institutions, with the Aga Khan holding the most. IPS-T investments (almost all in equities) have been small (less than \$ 1 million dollars up to 1968) and predominantly in textiles. As with the other IPS companies, management is very much centralized in Nairobi.

II. BANK GROUP RELATIONS WITH TANZANIAN DFC'S

8. The Bank Group has had a number of discussions with the Government of Tanzania about possible assistance to development finance companies.

9. In 1963, Government expressed willingness to transform TDFL into a private enterprise institution to enable IFC to invest in it, but the justification for an expansion of TDFL's resources at that time was not evident. In 1965, IFC was again asked to look into the financial institutional set-up. Staff visited Tanzania in early 1966 and concluded that prospects should be studied generally before the institutions were appraised individually.

10. A Bank mission later that year concluded that both NDC and TDFL could be effective vehicles for investment, if strengthened, but that, for the TDFL, the prospects for new business would be adversely affected by the nationalization policy of the Government. In the case of NDC, the mission had doubts that either its staff capabilities or its financial resources would be able to meet the significantly increased responsibilities which state acquisition of part of the private industrial sector would place upon it.

11. The formation of the East African Development Bank also gave rise to uncertainties as to what role it would be playing in national investment projects and its relationships with existing institutions. In 1967 Tanzania nationalized all banks and the Bank Group had no further discussions about possible assistance to financial intermediaries until 1969 when the matter was raised during consideration of a Bank loan for tourism development.

12. A tourism mission in late 1968 indicated that there was a need for a suitable financial institution through which Bank loans to the tourism sector could be channelled. The Bank suggested to the Minister of Finance (April 1969) that an expansion of TDFL seemed the most appropriate means of developing such an intermediary; but the Government countered that a more suitable alternative would be the National Bank of Commerce (NBC), which is primarily a commercial bank, wholly Government-owned, which took over the major facilities of the former private banks after nationalization. At the request of the Government, NBC recently set up a special term loan department, with resources of T£ 5 million (\$ 14.3 million) intended for loans of

up to 13 years maturity. The Chairman and Managing Director of NBC (Mr. Nsekela), as well as the Government, visualize that this department may in due course form the basis of a separate development finance institution, but they want to gain more experience in long-term lending before deciding on such a step. The Government, and NBC, would like the Bank's advice, in the first instance, on the organization and operations of the new department, and, perhaps later, on the need for a separate institution, with a view to establishing the sort of intermediary through which Bank lending to the industrial and tourism sectors could be channelled. We have agreed to arrange for a staff visit to Tanzania to do the first job sometime later this year.

January 4, 1970

NATIONAL DEVELOPMENT CORPORATION

1. The National Development Corporation (NDC) is a wholly-owned Government entity which has been Tanzania's principal instrument of expansion in the field of productive investment. It came into being in July 1962 under the name of Tanganyika Development Corporation. Two years later it was reconstructed to take in the Tanganyika Agricultural Corporation and was given its present name with effect from January 1, 1965. At that time, NDC's mandate was to promote development in Tanzania in any sphere where development prospects appeared good. By the end of 1968 the Corporation had interests in 75 companies in agriculture, mining, manufacturing, construction, commerce and services.

2. In March 1969, however, a major rationalization of parastatal institutions in Tanzania was announced, the basic effect of which has been to establish separate industrial, agricultural, tourist, distributive, building and construction, transport and financial organizations, each of which is responsible to the appropriate Ministry. While NDC has kept its old name, therefore, its non-industrial and non-mining responsibilities have been transferred to other organizations. The Corporation is responsible to the Ministry of Commerce and Industries.

3. The changes are logical. When NDC was established Tanzania was not committed to the active pursuit of a socialist economy at anything like the speed which has since been decided upon. Following the Arusha Declaration in 1967 the Corporation's responsibilities were suddenly multiplied. The Corporation was the Government's agent for acquiring control over those concerns in which it had decided that the state should have a majority interest. Since that time NDC has had to manage and control a number of previously foreign-owned business. It is now so large and diverse that almost every economic Ministry is involved in its activities.

4. The Corporation has carried out its responsibilities well. With one major exception -- that of Bata Shoe Company -- negotiations with the companies in which NDC was directed to acquire a majority holding proceeded smoothly. NDC also had considerable success in retaining the old management in most of these enterprises.

5. Although now reduced in size and in its area of operations, NDC remains a substantial organization with a central role to play in Tanzania's development. The Corporation's present portfolio consists of a controlling interest in 27 companies with total assets exceeding \$70 million and minority shareholdings in 23 others. Twelve new companies are in the process of development. Although the new industrial policy statement of September 1967 provides for exclusive private enterprise in some fields, this seems likely to be confined to rather small enterprises. For bigger ventures, NDC participation will probably be stipulated. The Corporation is directed to function as a profit-making organization. Its main sources of finance are income from investments; interest from repayments of loans made by NDC to companies in the Group; borrowings from international institutions; Tanzania Treasury grants and inter-governmental credit.

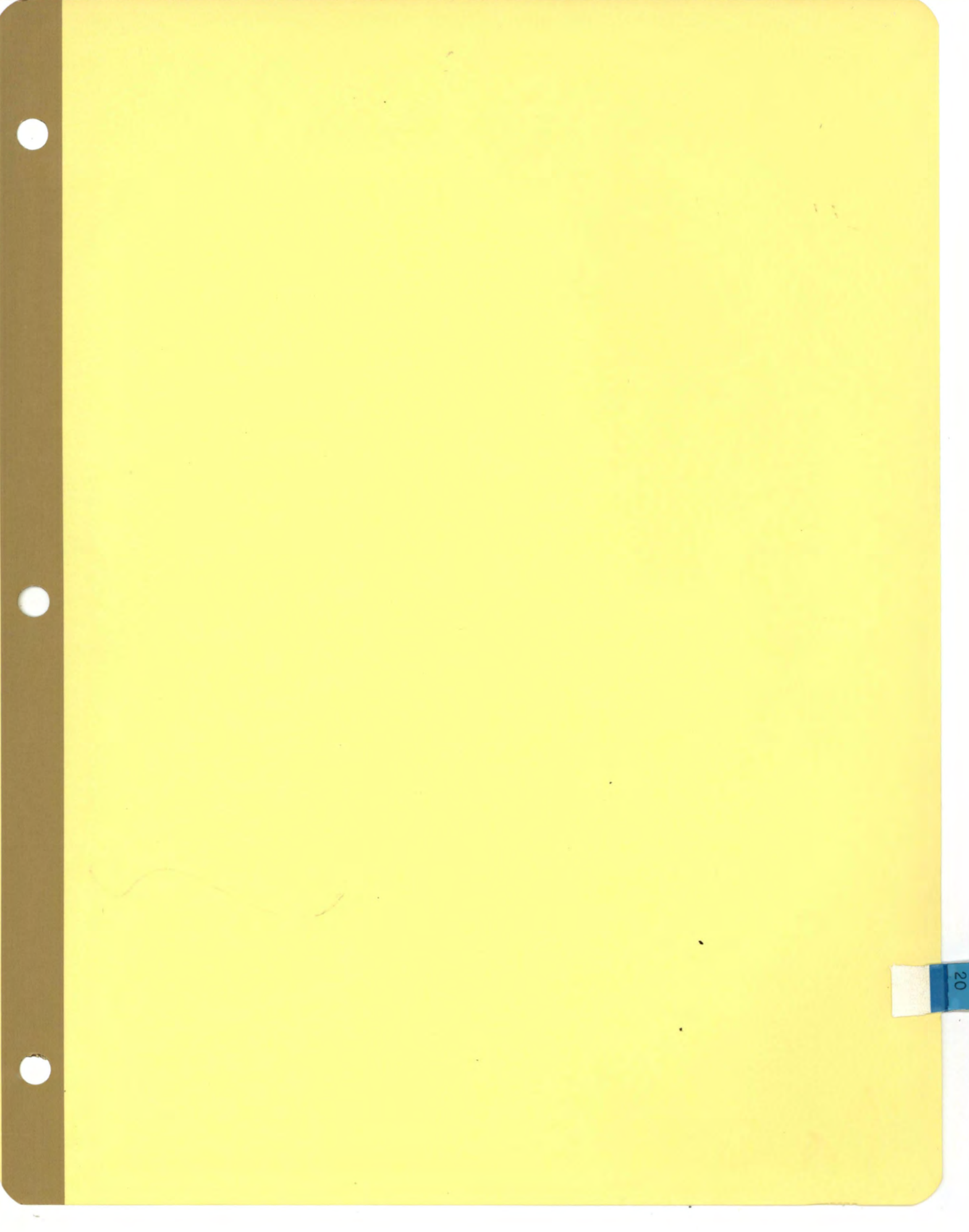
CHAIRMAN: Minister of Commerce and Industries (see biography, Tab No. 4).

GENERAL MANAGER: C. George Kahama

Age about 40. Versatile, able administrator. Has had distinguished, varied career encompassing politics, Government, diplomatic corp, agriculture and business. Educated at Tabora Secondary School. Like Minister Bomani, attended courses in cooperative management at Loughborough College, England. Subsequently was manager for five years (1954-59) of native cooperative union in Bukoba, his hometown. Was a nominated member of the Tanganyika Legislative Council, 1957-58. Became elected member for Bukoba at the 1959 election, after which was made Minister of Cooperatives and Community Development. In 1961 became Minister for Home Affairs and from 1962-64 was Minister for Commerce and Industry. During this period was Chairman of Tanganyika Development Finance Company; also Chairman of Tanganyika St. John's Ambulance Association and Vice-Chairman of Tanganyika Education Trust. Was Tanzania Ambassador to Bonn in 1965. As General Manager of NDC has done an exceptionally good job, particularly in view of the pressures on him after the Arusha Declaration.

Recently visited Germany, after which he announced that Krupp would be sending a team to Tanzania to make a pre-investment survey of the country's iron-ore deposits in the South West, with a view to establishing a steel plant. NDC has been successful in inducing other foreign and local private investors to set up new enterprises in Tanzania. These include fertilizers (German collaboration), sisal pulp and paper (French), cashew nut processing (Japanese), tires and rubber (U.S.), bicycle and hotels (British, French and Israeli), and cement (Danish).

December 22, 1969



NATIONAL AGRICULTURAL AND FOOD CORPORATION (NAFCO)

NAFCO is a new Government organization set up in 1969 as part of the recent reorganization of the parastatal entities (see previous section). It has some dozen subsidiaries under its control, including the National Agricultural Company (NACO), the executing agency for the IDA livestock project (see below). Other subsidiaries are engaged in the production of coffee, tea, cocoa, grains, lime juice and milk and coconut products. Plans are moving forward for expansion into sugar production, fisheries, poultry, cold storage and animal feeds. The Corporation is responsible to the Minister of Agriculture Food and Cooperatives.

Chairman: Minister of Agriculture

General Manager: Mr. G. M. Rugarabamu, at least until recently; we understand that he has been replaced but have heard nothing officially as yet. Age about 48. Considerably experienced in agricultural sector. Educated at St. Mary's School, Tabora and Makerere University College, 1944-49. Obtained Diploma in Agriculture. Has spent whole of working career in agriculture with brief break in 1963 as Deputy Secretary to the Treasury. Appointed Permanent Secretary in Ministry of Agriculture, Forests and Wildlife the same year.

December 22, 1969

NATIONAL AGRICULTURAL COMPANY (NACO)

NACO, which is now a subsidiary of NAFCO (see previous section), was established in May 1968 to incorporate the livestock investments of the National Development Corporation. A self-contained corporate and financial organization, it is responsible for planning, organizing and implementing the ranch development project being financed under Credit No. 132 TA, as well as for the management of the ranches concerned. Details of this project, and of the Bank/IDA's prospective operations in the livestock field, are provided under Tab No. 14. In addition to its activities in beef ranching, NACO has been considering an extensive development program in the dairy sector. During negotiations for Credit No. 132 TA it was agreed that NACO would inform the Association in advance of any proposed investment projects in dairying to enable it to take our comments into account. The Company's dairy plans have recently been received in the Bank and are currently under review.

General Manager: Philip Magani. Age about 33. Attended Makerere University College, Kampala, 1957-62 and obtained a B. Sc. in Agriculture from London University. Began his working career in 1962 as an agricultural officer and has had rapid promotions since. Recently appointed to present position. Relatively inexperienced, he may need some guidance but seems able.

December 22, 1969

THE NATIONAL DEVELOPMENT CREDIT AGENCY

1. NDCA is the Executing Agency for Credit No. 80 TA which is discussed under Tab No.14 .

2. On July 30, 1964, the Tanzania Parliament passed an Act to establish three corporations to be known as the National Cooperative and Development Bank (NCDB) the National Cooperative Bank (NCB) and the National Development Credit Agency (NDCA). Their main features are as follows:

(a) The NCDB is a holding company which has the ownership of its two subsidiaries, NCB and NDCA. Its Chairman is appointed by the Minister of Agriculture, Food and Cooperatives and serves also as Chairman of the two other institutions. The NCDB has to control and coordinate the operations of its two subsidiaries.

(b) The NCB finances exclusively the short-term commodity needs of the cooperatives.

(c) The NDCA is to provide and to facilitate the provision of credit for agriculture, agricultural purposes and enterprises; for the marketing and processing of agricultural products; for the development of storage and transport facilities; for the development and encouragement of small industries and trades; and for the development of cooperative distribution services.

3. The NDCA is managed by a Committee which includes: the Chairman of the NCDB; one representative of the Ministry of Finance; two representatives of the Ministry of Agriculture, Food and Cooperatives (one for the Agriculture Division, another for the Cooperative Division); a representative of the Cooperative Union of Tanganyika; the General Manager of NCB; the Manager of NDCA. The Manager of NDCA is appointed by the Committee. He is responsible for the day-to-day administration of the Agency.

4. As of March 31, 1969, NDCA had an accumulated deficit of Tsh 30,931,000 due to the establishment of provision for bad debts amounting to TSh 33,953,000. Overdues amount to 42% of the total portfolio. This poor financial condition is the result of loans inherited from predecessor institutions and Government lending programs, in particular tractor loans. The Government is considering the write-off of bad debts against Government grants and loans as well as a cash contribution to the National Bank of Commerce to reduce the overdraft owed by NDCA for the financing of tractor loans.

Chairman: Mr. J.A.Mhaviile, who is also General Secretary of the Cooperative Union of Tanganyika

Manager: Mr. V. S. Makame

Continued/

December 23, 1969

ADDENDUM

We understand that consideration is being given by the Tanzanian Government to establishing a new rural development bank. It is envisaged that the new entity would absorb NDCA, which does not provide any form of comprehensive rural credit. The need to establish a broadly-based rural development bank is regarded in Tanzania as of some priority in view of the heavy emphasis placed by President Nyerere on rural development.

December 23, 1969

TANZANIA SISAL BOARD

The Board

1. A new entity, established only in October 1969, the Tanzania Sisal Board was created by the Government to take over all marketing of sisal on behalf of the state. Previously the Tanganyika Sisal Marketing Board marketed 60 percent of the crop, while licensed agents handled the remainder. The agent system has now been abolished.
2. The Board is responsible to the Ministry of Agriculture, Food and Cooperatives. The Minister appoints the General Manager, whose name is not known to us yet.

The Industry

3. Sisal, of which Tanzania is the world's largest producer, has been in decline over the past several years due to competition from synthetics. The commodity was at one time Tanzania's major export crop; it now comes behind cotton and coffee. Employment in the industry has fallen sharply, partly because of lower output, but also because lower prices and higher wages have necessitated increased productivity. The chief uses for sisal are in ropes and agricultural twine.
4. Following the Arusha Declaration in 1967, about 60 percent of the industry in Tanzania was nationalized and vested in the Tanzania Sisal Corporation (TSC). The Tanganyika Sisal Marketing Board has operated an internal quota to control total output and to conform with the quota assigned to Tanzania under an informal "understanding" among producers and consumers sponsored by FAO. It is assumed that the new Sisal Board will take over this function.
5. Production costs in Tanzania have been reduced by (a) replacing expatriate with local staff; (b) rationalizing some estates into larger units; and (c) improving techniques, including the use of more productive hybrids. There are also plans for diversification, particularly into milk and beef production. Various food and cash crops have been tried--maize, soyabean, etc.--but the results are not yet conclusive.

December 23, 1969

LINT AND SEED MARKETING BOARD

1. The Lint and Seed Marketing Board has sole responsibility for the marketing of all Tanzania cotton and cottonseed. The "Mwanzas" cotton from the Lake Regions, and "Coastal" cottons from the Coast, Morogoro, Tanza and Kilimanjaro Regions are offered for sale by the Board at a series of auctions throughout the season to merchants and exporting firms registered in East Africa. The Board has financed the construction of roads in the growing areas to facilitate movement of the crop and provides storage facilities.

2. The Industry

Cotton has been one of Tanzania's most successful agricultural commodities in recent years. It is now the biggest export crop, contributing nearly one-fifth to total overseas earnings. The bulk of the output is top quality "AR" cotton, suited to the production of easy-care, permanent-press fabrics. Principal export markets are Hong Kong and Japan, plus mainland China. The ending in January 1962 of Britain's quota system for cotton textiles imported from the Commonwealth could affect sales to Hong Kong. Nonetheless, the overall export outlook is good, and the country is developing its own textile manufacturing capacity. The cotton-growing industry in Tanzania has the advantage of being tiny in world terms, accounting for less than one percent of total output.

Chairman: Mr. G. B. Rusimbi, Parliamentary Secretary to the Ministry of Agriculture, Food and Cooperatives.

General Secretary: at present Mr. J.F. Robinson, who is leaving shortly.

December 23, 1969

NATIONAL BANK OF COMMERCE

On February 6, 1967 all commercial banks in Tanzania with the exception of the National Cooperative Bank were nationalized as a sequel to the Arusha Declaration. The commercial banking system at this time comprised three British banks, two Indian banks, a Netherlands bank, a Kenya-based bank, a Pakistani bank and a Tanzanian bank. All these banks were amalgamated into the new National Bank of Commerce. Quite apart from the broad motivation of gaining control over the major sources of credit in the economy, there were some very specific objectives behind the nationalization such as controlling the movement of funds in capital and current transactions with the rest of the world, regulating the rate of profit in the banking system, and providing banking facilities in the rural areas.

The new National Bank of Commerce inherited an extremely complex task with staff resources which became substantially depleted on account of the loss of expatriate staff, particularly those in the British banks. The continuity of the banking service had to be maintained, scarce staff effectively deployed and foreign agency arrangements negotiated, while continuing discussions on compensation for nationalized banks. Mr. Amon Nsekela (see biographical note) was put in charge of this highly intricate operation, as Chairman of the new Bank. Assistance with staffing was expeditiously arranged from a number of sources, including the Scandinavian countries, France and India.

During its three-year existence the National Bank of Commerce has performed its varied function in a highly efficient manner. The geographical coverage of banking activity has widened, in part by reducing the number of unnecessary branches in some of the smaller towns. Interest rates on deposits have been slightly increased to attract deposits, without prejudice to profits. A successful beginning has been made with medium-term lending, and consideration is also being given to direct or indirect participation in long-term lending. Deposits have grown steadily from Sh 874 million in January 1967 to Sh 1300 million two years later. Despite a substantial increase in advances, the ratio of advances to deposits has gone down. The staff training program has proceeded smoothly.

Barring one or two small claims, the amounts and terms of compensation to nationalized banks have now been agreed. The profits of the new bank -- while permitting the expansion noted above -- have been adequate to meet the instalments due on compensation payments. (see also reference to NBC in section on Prospective Bank Lending for Tourism, Tab. No. 18)

December 22, 1969

Chairman and Managing Director (National Bank of Commerce): Amon J. Nsekela

Age not known but apparently in his 40's. Extremely able person with distinguished career. Born Lupepo Rungwe. After primary and secondary school, attended Tabora Senior Secondary School and Makerere University College, Uganda. Took up teaching and was a master at schools in Rungwe and Dodoma. In 1959 spent a year at the University of the Pacific, California. Has an M.A. in history as well as Diploma of Education. Has himself written an historical work of some note (on Northern Tanzania) and is writing a second. On returning from California, entered Government service as an Administrative Officer Cadet. In 1961 became Acting Establishment Officer and later Assistant Secretary to the Cabinet in the Prime Minister's office. In 1962 moved to Principal Assistant Secretary and Clerk to the Cabinet in the President's Office. From there became Permanent Secretary to the Ministries of External Affairs and Defence in 1963; Commerce and Industry the same year; and Industries, Mineral Resources and Power in 1964. In 1965 became Principal Secretary to the Treasury, a post he held until he took up his present position in NBC. Is widely regarded as having done an outstanding job in reorganizing the NBC after the nationalization of the banks in February 1967. Is now rumored to be shortly leaving to return to his first love, academic life, as Principal of the University of Dar es Salaam. Has been a member of the University College Council for some years. Was Member/Secretary of the Presidential Commission on the establishment of a Democratic One-Party State in 1964. Extremely erudite, a fact which is quickly apparent from his conversation. NBC would miss his wise counsel if he moved on, though his impact would be felt at the Bank long after he had gone.

December 22, 1969

UNIVERSITY COLLEGE, DAR ES SALAAM

The University College was established in 1963 with a small intake of about 40 students for a degree in law. General arts and science courses followed and the student body steadily increased in size. A Canadian academic, Mr. Pratt served as Principal in the initial years.

Prior to the establishment of the University, Tanzanian students studied mostly overseas or at Makerere University College in Uganda or the University College, Nairobi. The number of Tanzanian graduates was very small. There was an urgent need to step up the output of qualified men and women to meet the requirements of an expanding economy and to speed up the inevitable "Tanzanianization" of the government services and the economy as a whole.

In the initial years, the College placed considerable emphasis on training teachers for secondary schools and producing science-based graduates, who were particularly in short supply. A new curriculum was designed to combine general education with an element of pedagogy. Students under state bursaries were bonded to government service for three years after graduation.

The University has developed into a fine institution and draws its faculty from a variety of sources and countries, both East and West. The campus, which is very attractive, is located about eight miles away from Dar es Salaam and has a commanding view of the city and the Indian Ocean.

In keeping with the spirit of Tanzania, the University faculty and student body have shown considerable interest in politics. The student body has, on occasions, displayed a tendency to get out of hand. On one occasion, some three years ago, students objected to participation in National Service and became somewhat riotous, whereupon the authorities, on the orders of the President, closed the College and all students were expelled. Many students lost an entire academic year and were allowed to come back only on signing a pledge to conform to the regulations of the University.

Two institutions within the University may be of special interest. The first is an Economic Research Bureau, which undertakes research on contemporary problems many of which are of immediate relevance for Government plans and programs. The second is a newly-established unit for Environmental Studies.

The present Principal is Mr. W. Chagula, a Tanzanian (see biographical note).

December 22, 1969

DR. WILBERT CHAGULA

Dr. Chagula is by training a medical doctor. Until the University College was established in Dar es Salaam, Dr. Chagula was on the staff of the Makerere University College, in its Faculty of medicine. Since he was the most senior Tanzanian academic in East Africa, he was considered a logical choice eventually to head the new College in Dar es Salaam. Dr. Chagula first came to the College as Registrar and unofficial counterpart to Mr. Pratt, the first Principal. About three years ago, Dr. Chagula succeeded Mr. Pratt as Principal.

During Dr. Chagula's tenure, the University College has grown steadily. A number of new Departments have been established or are in the process of being established. Among these is a new Faculty of Agriculture which will have a first intake of students in June 1970. We are now processing an integrated agricultural education project in Tanzania, of which the Agricultural Faculty could well be a part.

Although Dr. Chagula has handled the affairs of the College with a fair measure of competence, there appears to be some dissatisfaction with his performance, particularly his handling of the student body. It is rumored that he may be replaced in the near future. (see also note on the Chairman of the National Bank of Commerce)

December 22, 1969

NORDIC CENTER AT KIBAHA

The Nordic Center at Kibaha was established some four years ago by the four Nordic countries. The basic objective of the center is to develop an educational system which is geared to the task of stimulating an interest in, and respect for, agricultural activities. This objective closely reflects the views of President Nyerere who believes that the bulk of the population would inevitably have to find a livelihood in agriculture. The main institution in the Center is a secondary school with a bias in favor of agricultural education. There is also a health training center and a farmers' training institute.

A number of nationals from the Nordic countries help run the center, which is expected to be handed over to the Tanzania Government in the not too distant future. The sponsors have recently pledged further assistance to the Kibaha Center and also to a proposed new center at Mbeya in South-Western Tanzania.

Among the Nordic countries, Sweden has already extended substantial financial and technical assistance to Tanzania, followed by Denmark. There appears to be considerable admiration in the Nordic Countries for President Nyerere personally and for the socio-economic pattern that he has helped to develop.

December 23, 1969

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UJAMAA VILLAGES

Ujamaa, which is a Swahili word, implies group effort and mutual assistance within a rural community, along the same lines as in an extended family system. The significance of this concept was enunciated by President Nyerere some time ago in a paper entitled "Socialism and Rural Development." The thinking which underlies ujamaa can be explained in two ways: In the first place it is believed that the only manner in which social and economic services could economically be provided to the rural population is by getting them to live together in communities rather than in isolated hamlets; and second, that people in these communities must assist one another in times of need, such as in the ploughing and harvesting seasons, rather than pursuing their activities independently of one another.

*how many
how well
the isolated
hamlets
be consolidated*

Although the basic principle of ujamaa appears sound, the concept lacks clear definition, since wide differences in connotation prevail in different parts of the country. For example, while some believe that the emphasis is simply on cooperative effort, others also believe that the fruits of collective endeavour should be shared equitably. The President has clearly stated that ujamaa villages should be established solely on the initiative of the people. There is some danger, however, that officials at the regional level might push the rural population into forming ujamaa villages.

The Government has indicated that ujamaa villages will receive preference in the allocation of resources. While this would no doubt make sense, it is not unlikely that the rural population which would remain outside the ujamaa villages might be denied access to credit and other agricultural services.

The response to the ujamaa village movement has been uneven in different parts of the country. In cases where the rural population accepts the basic principles of ujamaa, it should be possible to assist rural development in the most economical manner. A particularly important feature of ujamaa is that it is intended to be based on self-help rather than on government subsidies, as was the village settlements in the previous plan period.

