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Folder ID: 1773732

Series: Itinerary files

Dates: 10/01/1981 - 03/03/1982

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

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-09-3958S

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THE WORLD BANK

Washington, D.C.

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The World Bank

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Washington DC 20433

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PRESIDENT CLAUSEN
ITINERARY FILES

TANZANIA

1981



The World Bank Group
Archives
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President A. W. Clausen Itinerary / Briefing files: Tanzania, November 1981
- Correspondence 01

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The Resident Representative
of
The International Bank for Reconstruction and
Development

and Mrs. Robert Nooter

request the pleasure of the company of
Mr and Mrs. A. Clausen

at Dinner

on Tuesday Nov. 24 at 7.30 pm o'clock

R. S. V. P. (Regrets only)

Tel. 23439

Casual



IN HONOUR OF THE WORLD BANK PRESIDENT

MR. A. W. CLAUSEN AND MRS M. CLAUSEN
The Minister of Planning and

Economic Affairs

and Mrs. K. A. MALIMA

request/s the pleasure of the company of

HON. CLAUSEN

Mr./Mrs./~~Miss~~
~~XXXX~~

at RECEPTION

to be held at KILIMANJARO HOTEL (TANZANIA ROOM)

on 23RD NOVEMBER, 1981 at 7.00 - 9.30 P.M.

R.S.V.P.
Devplan
Box 9242
Dar es Salaam

Telephone: 21779



*Waziri wa Mipango na Uchumi
na Bibi
wanafuraha kukualika*

Bwana/Bibi/Bi

kwenye

itakayofanyika huko

siku ya tarehe

saa mchana/usiku

Jibu:

Devplan, S.L.P. 9242,

Dar es Salaam

Simu: 21779

MRS. M. CLAUSEN

*With the Compliments of the
Minister of State for Planning
and Economic Affairs*

DEVPLAN,
P.O. Box 9242,
DAR ES SALAAM,
TANZANIA

Telephone: 21779

MR. A.W. CLAUSEN'S VISIT TO TANZANIA

(NOV. 23 - 25)

SCHEDULE OF APPOINTMENTS

Sunday

Nov. 22	1100	Arrival at Kidatu Hydro-Electric Project.	Host - Minister Kassum (Energy and Water) Mr. Mosha, General Manager, TANESCO.
	1100-1430	Briefing and Lunch	
	1430-1600	Project Site Visit	
	1600-1700	Drive to Mikumi Wildlife Lodge. (Alternate - fly to Morogoro & Drive from Airport to Mikumi.	
	1900	Dinner and Night at Wildlife Lodge	Hostess - Nd. Anna Abdulai (Regional Commissioner, Morogoro Region) Mr. F. Kazaura, PS, Treasury Dr. F. Mujuni, PS, Industries

Monday

Nov. 23	0830-1000	Drive to Morogoro Industrial Complex	
	1000-1130	Visit Industrial Complex	Host - Minister Mramba (Industries) Dr. F. Mujuni Mr. Ng'amilo, General Manager, TIAI.
	1130-1430	Briefing and Lunch Faculty of Agricult- ure, Univ. of DSM	- same as above - Prof. Lwoga, Dean
	1445-1545	Fly from Morogoro to Dar es Salaam.	
	1545	Arrival at Dar. Int'l Airport	Minister Jamal/Malima (Protocol Officer, Min. of Foreign Affairs).
	1615-1640	Drive to Kilimanjaro Hotel.	
	1900	Government Reception	Host - Minister Malima (Development Planning)

Tuesday

Nov. 24	1000	Meeting, Min.Dev. Plan	Mr. Malima, Minister Mr. Mbaga, PS
	1100	Meeting, Min. Finance	Mr. Jamal, Minister Mr. Kazaura, PS
	1230	Working Lunch Simba Grill, Kilimanjaro Hotel	Host - Minister Jamal
	1500	Meeting, Prime Minister's	Mr. Msuya, Prime Minister Mr. Tunginie, PS Mr. Kipokola, PA to Prime Minister.
	1700	Meeting	President Nyerere Prof. Mbilinyi, PA to President (Economic Affairs).
	1900	Dinner	ResRep's House - Casual

Wednesday

Nov. 25	0935	Departure for Malawi	Minister Jamal/Malima
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PROBLEMS OF PRODUCTIONS
MACRO ECONOMIC POLICIES
QUALITY

TANA 3 LEATHER 1
INDUSTRIAL ASSOCIATION
TLIA
TL ASSOCIATION INDUSTRIES

MALINDIN
ITALY

9000 ARTISANS
1000 INDUSTRIAL
EXPORT ORIENTATION
FOREIGN EXCHANGE
* INCENTIVES - LACK OF
CURRENCY VALUATION

WHY HAS
CISAL PRODUCTION
DETERRIORATED?

Mozambique
Small Industrial Developments

- Leather Goods
- Liquor Bottling
- Carvings
- Ceramics
- Tableware
- Textile Mill

\$6.00 Sell Electric Market
77 Exch 4090
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Telephone: 44205

File

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

A. W. CLAUSEN
President

February 23, 1982

Dear Mr. Ambrosini:

How thoughtful of you to send the photographs taken during our visit to the Morogoro Shoe Company factory in Tanzania. They are excellent, indeed, and will be fine mementos of an interesting and worthwhile tour.

It was most satisfying to see firsthand one of the projects funded by IDA and IBRD and I appreciate your giving us your time to accompany us.

Every good wish to you for continued success.

Sincerely,



Mr. Felice L. Ambrosini
Vice President
Italmacchine Plants S.p.A.
Via Lanzone 31
20123 Milan
Italy

HH:tk

pics to J. Dunn for identification 2/24

Italmacchine Plants S.p.A.

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Leather Technology Group

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Telefono (02) 865221 865285 866557

il Consigliere Delegato

Milan, 15th January 1982
FA/mgc

Mr. A. W. Clausen
President
The World Bank
1818, H. Street, N.W.
WASHINGTON, D.C. 20433 - U.S.A.

Dear Mr. Clausen:

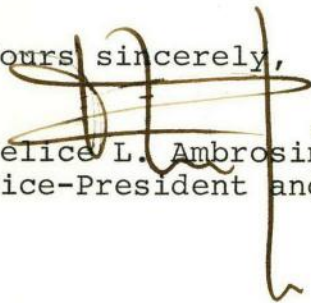
I refer to your recent visit in Tanzania, during which you had the opportunity to pay a visit to the Morogoro Shoe Company, a factory set up with funds provided by I.D.A. and I.B.R.D..

This unit, already on stream, was created, as you are likely aware, with our consultancy and at present is under our management.

I did appreciate your interest in the job performed by us during your visit around the factory; I take this opportunity to attach herewith some pictures showing you and Mrs. Clausen during that visit in the factory premises.

Let me express to Mrs. Clausen and you, my best regards and greetings for the 1982.

Yours sincerely,


Felice L. Ambrosini
Vice-President and Managing Director

Encl.: a.a.

December 21, 1981

Dear Mr. Minister:

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

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

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

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

Sincerely,



(Signed) A. W. Clausen

*Batik Cloth
Ivory Cane
2 Wood Sculptures
Zebra-skin Purse*

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

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

DADunn/--;et

December 21, 1981

Dear Mr. Prime Minister:

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

Sincerely,


(Signed) A. W. Clausen

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

cc: Messrs. Stern (SVPOP); Lafourcade (EXC) (2);
Abdulai (EDS); Wapenhans (EANVP); Kraske (EA1DR);
Adler (EAPDR); Dunn, Gore (EA1DA); Nooter (Res. Rep.)

DADunn/--;ct

2
gifts
not ack.

December 21, 1981

Dear Mr. Minister:

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

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

Sincerely,



A.W. Clausen *awc*

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

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

DADunn/AWC:bli

December 21, 1981

Dear Mr. Kazaura:

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

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

Sincerely,



A.W. Clausen

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

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

DADunn/-:bli

December 21, 1981

Dear Mr. Minister:

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

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

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

Sincerely,



A.W. Clausen

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

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

DADunn/-:bli



R1
THE TREASURY,
P.O. Box 9111,
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA
THE MINISTER FOR FINANCE

4th January, 1982

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

Dear Mr. Clausen,

Many thanks for your kind letter of December 21, 1981. We very much appreciated - and enjoyed - having Mrs. Clausen and you with us in Tanzania so early after you assumed leadership of the World Bank.

We do want to move forward without losing time, and it is my sincere hope that with your help we will be able to resume the momentum we lost in recent years, for reasons which we have endeavoured to analyse together with the Bank.

With all good wishes for the New Year,

Yours,

A. H. JAMAL
MINISTER FOR FINANCE

OFFICE OF THE PRESIDENT
1985 JAN 12 PM 15:32
RECEIVED

Copies already sent
to Russis Stern and
Wapenhans -

OL
1/15

RECEIVED
1982 JAN 15 PM 12:35
OFFICE OF THE PRESIDENT

Handwritten notes:
...
...
...

MINISTER FOR FINANCE

A. H. J. ...

Signature
A. H. J. ...

With all good wishes for the New Year,

We have endeavored to establish relations with the Bank
because the momentum we lost in recent years, for reasons which
it is my sincere hope that with your help we will be able to
we do want to move forward without losing time, and

development of the world bank
and you wish us to continue so early after you assumed
the very much appreciated - and enjoyed - meeting Mr. Stassen
many thanks for your kind letter of December 21, 1981.

Best Mr. Stassen,

P.O.
Washington D.C. 20533
World Bank
President
Mr. A. H. J. Stassen

Handwritten mark: 6

1982 January 15



THE MINISTER FOR FINANCE
THE UNITED REPUBLIC OF TANZANIA

THE TREASURY
P.O. Box 1111
Dar es Salaam

December 21, 1981

Dear Mr. Minister:

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

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

Sincerely,



(Signed) A. W. Clausen

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

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

DADunn/-:bli

December ²⁴~~22~~, 1981

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

Dear Mr. President:

I am writing to thank you and your Government officials for making my visit to your country in November so enjoyable and educational. I would particularly like to thank Ministers Kassam, Mramba, Malina, Jamal, and Prime Minister Msuya, and their staffs, for their excellent briefings and discussions.

I would also like to record my understanding of some points which you made during your meeting with me, and some of my own comments. I was interested to hear your views on the present economic problems of Tanzania, on the status of the policy dialogue with the IMF and the Bank Group, and the development of an economic adjustment program which would justify continued high levels of Bank Group lending. In particular, I remember your eloquent statement that it was your view that the first thing to be done was to provide the country with foreign exchange, and that only if that were done could the imports be provided which could underlie structural adjustment policies. In other words, you said, the flow of funds must precede the changes in economic policy. On this point, I remarked that the provision of short-term balance of payment support was the function of the IMF, and that The World Bank's comparative advantage was in longer term assistance. In these circumstances, the first agreement to be reached had to be with the IMF. I hoped that the Bank Group could assist after that, including convening a meeting of other donors on the basis of an adjustment program which your Government would propose with the help of the Advisory Group.

With respect to some of the detailed issues involved in your discussions with the IMF, I was pleased to note your statement that your Government is not rigidly opposed to devaluation in principle, and that the argument was properly about the appropriate magnitude of a devaluation. You expressed a similar point of view about producer prices, indicating that the question was not so much whether they should be increased, but rather by how much.

His Excellency
Julius Nyerere

-2-

December ²⁴~~22~~, 1981

With respect to other development policies, I was glad that you, and many of your Ministers, talked in terms of an investment program concentrating on consolidation, and rehabilitation and utilization of existing capacity. You will recall that I remarked that this fitted with one keen perception which I had derived from my admittedly rather quick acquaintance with Tanzania: that your country had perhaps tried to implement too many, too large investments, with too few resources.

In response to my statement that agriculture and rural development seemed to be the highest priority for investment, you reminded me that in my speech to The World Bank's Annual Meeting I had said that my priorities were for agriculture, energy and Sub-Saharan Africa. You remarked that all three of these priorities would be served by the Stiegler's Gorge Project, which you asked the Bank Group to consider. I replied that while Ministers Kassam and Jamal had been eloquent in their presentations of this project, I did not think that in the present circumstances there was any realistic chance to raise the approximately US\$1 billion which would be required in addition to securing resources for other priority needs. This, I said, was an example of the need to concentrate for the time being on consolidation and rehabilitation of existing investments and not to embark on very large new investments. However, I did agree that we would look into the justification and particularly the timing for the project in the context of our appraisal of the next phase of the expansion of generating capacity. Let me reiterate also that an undertaking such as Stiegler's Gorge would require a secure market for power beyond that provided by the economy of Tanzania alone.

To conclude, I would like to repeat what I said at the end of our meeting. I thank you for the very frank and open discussions which we had. Our job is to try to understand Tanzania's problems and to help you solve them. I hope Tanzania will continue to find the Bank Group to be an objective and constructive partner in development. We look forward to the early completion of the formulation of a medium-term recovery program with the help of the Advisory Group. Such a program should strengthen the basis on which we can continue our long and fruitful relationship that has existed between Tanzania and the Bank Group. Please accept my sincere thanks for the excellent arrangements made and for the kind hospitality extended to us during my first visit to your beautiful country.

With kind regards.

Sincerely,

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

DADunn:dsl



OFFICE MEMORANDUM

TO: Files

DATE: December 17, 1981

FROM: David A. Dunn, Chief, EALDA *DA Dunn*SUBJECT: President Clausen's Meeting with President Nyerere
of Tanzania

1. The meeting was attended by Mr. Mbilinyi, Advisor to the President, Mr. Malima, Minister of Planning, Mr. Kazaura, Principal Secretary, Ministry of Finance, Mr. Mbagu, Planning Secretary, and other Tanzanian Government officials. Mr. Clausen was accompanied by Messrs. Wapenhans, Nooter and Dunn. Mr. Abdulai also attended.
2. Mr. Clausen opened the meeting by saying he was pleased that he had been able to visit Tanzania on his first visit to developing countries as President of the World Bank. He was grateful for the very candid discussions he had had with Tanzanian officials about the country's economic problems and especially ways of addressing the balance of payments problem. The relationship between the Bank and Tanzania was a long-standing one and the Bank was happy to have been able to provide nearly US\$1 billion in aid to the country. It has been a pleasure to see some of the projects which had been the fruits of this collaboration and he thanked the President for the excellent presentations by Ministers Kassum and Mramba on his project visits.
3. The President thanked Mr. Clausen for his remarks and asked Mr. Wapenhans, who was an old friend, what he had seen that was new in Tanzania. Mr. Wapenhans said that he hoped he saw some evolution in the Government's thinking about the solutions to its problems. He was particularly grateful that the Advisory Group had been established and was now working. He detected a sharper focus on priorities but noted that the balance of payments gap was still increasing and the internal terms of trade still discriminating against the rural sector. Clearly, it was necessary to improve some policies and this had to be supported by an inflow of foreign exchange.
4. President Nyerere said that he felt that the problems and the solutions were equally obvious. The country needed raw materials and spares in order to keep idle capacity going. If this was not done, there would be no consumer goods and the problem for the farmer would be worse. The first step was to keep the factories going. Only after that was done could the structural program be addressed. He had hoped that the World Bank would be able to keep these problems separate, and to help him keep the export rehabilitation program going. Mr. Clausen said that the Bank thought short-term help of that nature was the function of the IMF. The Bank's advantage was in the longer term. He hoped that, if the Government developed an adjustment program with the help of the Advisory Group, the Bank could step in later, and could also approach bilateral donors for assistance, but that in the first instance, an arrangement should be made with the IMF. President Clausen said that he was pleased to hear Tanzanian officials talk of a focus on exports and rehabilitation.

5. President Nyerere said that he knew he had to reach an agreement with the IMF but that he was getting nowhere. He needed help today, not tomorrow. The Government had been unable to carry through the earlier program agreed with the Fund because that program had been based on receipt of all the money from the Fund, but the Fund had shut off the tap in midyear. The President said he was not anti-Fund and he was not anti-devaluation; although he occasionally ridiculed devaluation he was not religious about it. The question really was one of magnitude. He felt that the Fund was constantly raising the ante. He seriously questioned whether the Fund really wanted to reach an agreement with Tanzania. In the previous arrangement with the Fund, the Government had agreed to raise prices. Now the Fund wanted him to increase them even more. Did the Fund seriously want to reach an agreement? Mr. Wapenhans said that the Fund's main approach was to reduce the budgetary deficits, either by greater revenue earnings or by less spending. He did not think that the Fund was rigid about the specific pricing measures it had suggested.

6. President Nyerere said that he wished someone from "the North" would tell him how he could avoid subsidies, and he would do it. He noted that at the Cancun Conference all of the developed countries defended subsidies. Why was it not possible to proceed gradually on these issues? He would be very happy if the Fund was not rigid about numbers. If it were possible to move gradually, it would be possible to discuss all issues.

7. Mr. Wapenhans agreed that many countries, including for instance the United States, subsidized agricultural production. The problem in Tanzania was that the Government was taxing agriculture. There had been a shift in the real terms of trade against primary producers. The question was how to reverse this shift against agriculture. The question was not one of subsidy but one of proper incentives to increase output and earn more foreign exchange. The Government needed to develop a program to return to the production levels of 1972. In the Bank's view the adverse shift in the price structure was at least partly responsible for the decline in production. President Nyerere replied that price was not the only cause of declining production. For instance, cotton prices had increased but production was down because soil fertility had been reduced. He would be happy if he could increase producer prices by 75 or 80%, but while the people would then have money, they would not have soap to buy.

8. Mr. Clausen said that he understood the problems but that the Government had to find some way to break the cycle. There was no perfect answer to the problem; the Government had to find the least damaging solution to its problems. He said that he believed part of the problem was that the Government had tried to do too much, expanding too rapidly. He had been glad to hear other Government officials talk about consolidation and rehabilitation. He felt that the focus of an adjustment program should be on the agricultural sector and he suggested that it would be appropriate to think of devaluation as re-establishing a fair distribution of income for the rural sector. President Nyerere replied that he could not increase agricultural exports without new investments. He cited coffee, tea, cashew and sisal in particular, and new investments meant foreign exchange. Mr. Wapenhans reminded President Nyerere that in the first export rehabilitation credit the Government had agreed with the Bank that providing inputs and improving prices also would increase production.

9. President Nyerere said that while he knew agriculture was basic to solving Tanzania's problems he needed money now to solve the problem of either agriculture or industry. He wished to turn now to other topics. He inquired whether the Mara Rural Development Project and the Feeder Roads Project could now proceed. He had been glad to hear Mr. Clausen say that the World Bank's priorities were for agriculture, energy and Sub-Saharan Africa. In that case, rural development and energy development in Tanzania were Mr. Clausen's priorities, and he therefore urged the World Bank to support the Stiegler's Gorge Project. Mr. Clausen said that Ministers Kassum and Jamal had been eloquent in making the case for Stiegler's Gorge; however, it was a US\$1 billion project and there was simply no chance to raise that amount of money given Tanzania's current foreign exchange crisis. Alternatives should be considered; assuming an adjustment program, and agreements on the EAC and with the IMF, regional power coordination should be considered. The World Bank dealt with the long-term. If Tanzania needed money now, it had to look to the IMF. Only an agreement with the IMF, and then an understanding with the Bank on longer-term economic programs, could create the conditions in which a Stiegler's Gorge project could be considered in the future. Mr. Wapenhans added that the question was one of appropriate timing of power development, including the regional possibilities mentioned by Mr. Clausen. Mr. Clausen agreed and said that of course the Bank, as requested, would examine the proposal in that context.

10. President Nyerere thanked Mr. Clausen for the chance to meet him, and for listening so patiently. He hoped Mr. Clausen would understand, and help to solve, the Third World's problems. Mr. Clausen said the Bank's job was to help, and be a partner. He thanked the President for the helpful discussions, and looked forward to continuing a fruitful relationship between Tanzania and the Bank.

cc: Messrs. Lafourcade
Abdulai
Wapenhans
Adler
Kraske
Nooter
EAIDA Staff

DADunn:mlh

OFFICE MEMORANDUM

TO: Files

DATE: December 17, 1981

FROM: David A. Dunn, Chief, EALDA *Da Dunn*SUBJECT: President Clausen's Meeting with Mr. Malima, Minister of Planning of Tanzania

1. The meeting was attended by Mr. Mbagu, Planning Secretary, and other Tanzanian Government officials. Mr. Clausen was accompanied by Messrs. Wapenhans, Nooter and Dunn. Mr. Abdulai also attended.

2. Mr. Malima opened the meeting by thanking the World Bank for its support to Tanzania. Mr. Clausen said that he hoped the cooperation would continue but that the Bank's ability to help would depend on Tanzania's economic policies. He noted that export earnings were critical and that agricultural export earnings in particular had declined in recent years. He asked the Minister to describe Tanzania's export development strategy and to say what he thought were the prospects for improvement.

3. Mr. Malima said that the foreign exchange problem had become much more serious in the last one or two years. The factors contributing to diminished agricultural production were different for different crops, but there were two principal problems: inadequate investment funds, both from domestic and foreign sources; and producer prices. On the latter, the Government felt it had done as much as it could. Real prices, not money prices, were important. What mattered was what the farmer could buy. The limiting factor on monetary pricing was the supply of consumer goods like bicycles and textiles. The Minister reviewed some of the problems of individual crops. Cashew production was down largely because the trees were old. Reinvestment was needed. Sisal production also suffered from low investment but other problems had been the level of international prices, incompetent and frequently changed management, and transportation. In cotton, pricing was the problem and the gins were old, but a more important problem was that the use of fertilizer seems to have produced soil salinity in the crop areas. International prices were the principal difficulty with both coffee and tea. Coffee disease was also a factor, and for tea, production had grown faster than processing facilities. Transportation and power were also problems. Pyrethrum's problem was the reverse of the tea sector, i.e., production lagged behind investment in factories. Again, international prices were a difficulty.

3. Mr. Clausen said that in the absence of appropriate incentives, one could not blame the farmers for not responding. He noted that many subsectors described by the Minister had similar problems, such as the lack of funds for investment and the lack of stable prices. Not all of these factors were totally in the control of the Government, yet they had to be dealt with. Mr. Clausen asked what was the country's strategy for handling the situation. Mr. Malima said that the Government needed both

increased access to foreign exchange resources and a better export performance. Mr. Wapenhans noted that the IMF was now the key to foreign exchange resources which would increase the flow of goods. What alternatives did the Government have to reaching agreement with the Fund? Mr. Malima said that the fundamental problem with the Fund was that they insisted that policy measures be taken now and that the foreign exchange would only come later. Referring to a study which showed that 80% of all devaluations were passed on in the form of inflationary price increases, Mr. Malima said that the funds had to be disbursed before, or at least at the same time as, the devaluation, and not later. Mr. Wapenhans said that inflation was indeed a problem which had to be dealt with in an economy such as Tanzania's. This would mean that the urban consumer would have to suffer if rural producers were to benefit. It was up to the Government to design measures to minimize the inflationary effects. Mr. Clausen, agreeing, said that it seemed to him that the Government simply had to choose the lesser evil. Mr. Wapenhans followed up on this point by observing that the Government could influence which prices increased, and therefore who derived the largest benefit from a devaluation. In fact, such a structural change in the economy in favor of the agriculture sector was now necessary.

4. Mr. Clausen thanked Messrs. Malima and Wapenhans for their interesting discussion of the devaluation issue and summarized the Bank's position by saying that a devaluation would be helpful. The World Bank's ability to help Tanzania necessarily depended on the adoption of the appropriate overall economic adjustment strategy, and in order to carry out such a strategy it was obvious that the Government needed the IMF's money. The Minister said he appreciated that the Bank could not move in the absence of Tanzania's agreement with the Fund, but he urged the Bank to understand exactly what the IMF and Tanzania were saying to each other. To convince Tanzania that devaluation was necessary, the Fund would have to build its case on empirical evidence.

5. Returning to the question about strategies for dealing with the current situation, Mr. Clausen asked if rehabilitation of production facilities was a solution. Minister Malima said that the Government's policy was to invest in export promotion and import substitution, including in the agricultural sector. The Government was pushing small scale irrigation and the adoption of drought resistant crops. As a general measure, the development budget would be oriented towards utilization of existing capacity rather than new investments. The Government's strategy favored investment in integrated development, consolidation and de-bottlenecking. Mr. Clausen followed up on this point by saying that it seemed to him that Tanzania was trying to do too much, with inadequate resources. The Minister reiterated that the Government's strategy was now to emphasize foreign exchange earnings or import substitution - each project was now required to have a foreign exchange budget - and the completion or rehabilitation of existing projects.

6. Minister Malima returned to the point that the case for the change of the exchange rate had to be based on empirical evidence. Tanzania's problem is that it is an exporter of primary products. Everything which it now produces is sold, but because of international prices, the country receives less money for more goods. On the other hand, the cost of imports had increased. The Government could not afford to increase the price of imported goods by devaluation as this would affect the flow of supplies to essential sectors such as education and health. A devaluation would increase the domestic cost of production and the question was whether the export pluses would outweigh the import minuses.

7. Mr. Wapenhans agreed with the Minister that Tanzania had suffered from a particularly adverse shift in the terms of trade. However, the Government also had allowed the internal terms of trade to shift in favor of the urban consumer at the expense of the producers of primary products, which were the basis of Tanzania's exports. It was vital to reverse this trend. The decline in farmers' margins had caused disinvestment rather than investment. It was true that devaluation by itself would not solve the problem. The Government must also address the problems of marketing, and prices to producers. The Minister noted that the urban minimum wage earner also had been squeezed. He accepted the statement that agricultural producers must get more. The question was how to do it without creating worse problems. An inflationary devaluation would make it even harder to provide the goods on which farmers could spend their incomes. Mr. Wapenhans said that one way or the other, the only solution was to provide funds for the critical areas of the economy, including agriculture, which needed to increase capacity utilization and that there seemed to be only one way to get the funds. In conclusion, Mr. Clausen thanked the Minister and Mr. Wapenhans again for their fascinating discussion of the pros and cons of devaluation.

cc: Messrs. Lafourcade (EXC); Abdulai (EDS); Wapenhans (EANVP),
Adler (EAPDR), Kraske (EALDR), Nooter (EAFTA)
EALDA Staff

DADunn:dsl

Meeting 11:00 A.M. November 24, 1981

Participants:

Minister of Finance Jamal
P.S. Kazaura
Francis Byabato
Y. Abdulai

A.W. Clausen
W. Wapenhans
D. Dunn
R.H. Nooter

After an exchange of greetings, Mr. Clausen asked if Mr. Jamal could tell him the status of the Memorandum of Understanding, the Advisory Group, and relations with the IMF.

At Mr. Jamal's request, Kazaura said he had just received the Kraske letter of November 11, 1981 and that he was preparing a response to it. He said some things had been accomplished since the Yenal review and he would elaborate on them in the Government's response. For example, the export rebate scheme has now been put into effect. Agricultural prices have been raised, but it was hard to judge how much increase was high enough.

Jamal said while agricultural prices were important, increasing yields were also. On the whole, he thought too much emphasis was being put on prices.

Wapenhans said while prices have been raised in nominal terms, they have declined in real terms. To accomplish the latter, it is necessary for the price increases to exceed the inflation rate.

Jamal said price incentives mean little unless goods are available for farmers to buy.

Wapenhans said that on the whole the progress on the Memo of Understanding was inadequate including retaining access to IMF resources.

Jamal said the Advisory Group now has access to everything it needs, including to the Tanzanian "body politic". Jamal hoped that the Bank will support the work when it is finished. Regarding the IMF, the Fund went back on the agreement to do a "joint study" with Government on the need for devaluation, and instead the final report was two separate studies (one by Government and one by the IMF). It is the Government's intention, however, to negotiate with the Fund and to seek an agreement.

The Advisory Group will have to decide whether to do a single study, or whether to handle individual issues as they proceed, assembling them at the end.

Wapenhans stressed that it was not what the Advisory Group produces, but what the Government accepts as a Structural Adjustment Program that counts.

Jamal said he agreed in principle with that, but we must - all of us - take seriously into account what the Advisory Group recommends. Any program will need substantial and early funding. If the IMF will support the program, that is fine but if not, then Government will have to get help from whenever it can. He realizes that the ball is in the Government's court now in regard to the IMF, but he hopes that the Advisory Group can be brought into the IMF discussions.

Mr. Clausen stressed the importance of having an IMF agreement plus an intermediate term adjustment program as a basis for permitting the Bank to help Tanzania to reverse the economic slide. These pre-conditions will also help to secure support from other donors.

Jamal said some other donors have agreed with Tanzania in the discussions with the Fund, and this has encouraged Tanzania to go on with these talks. Also, he hopes that the Bank will recognize the political realities facing the country when insisting on conditions. He said that in one or two years, he (Jamal) may be in a position to "look into Mr. Clausen's eyes" regarding Sub-Saharan Africa.

Mr. Clausen said that he recognized that readjustment is a difficult, long term problem which needs lots of money, and requires working together in partnership if it is to be accomplished.

Jamal then referred to the need to do more work on manpower needs as suggested in the Memo of Understanding.

Wapenhans agreed, pointing out that there was not enough skilled manpower to meet the needs of 350 parastatals.

Jamal pointed out that all of the functions carried out by the parastatals needed to be performed, however.

Wapenhans said that Tanzania could well do without the Regional Transport parastatals (even though the Bank was giving them support).

Jamal said that the "Arusha Declaration - 10 years Later" was a realistic appraisal of the weaknesses of the Government's programs, but the war with Uganda kept those ideas from being addressed. Improving the crop authorities, for example, is now top priority.

Mr. Clausen said that we agree that agriculture should be Tanzania's top priority, but this sector has not been doing well for a long time. The problems behind the decline must be understood in order to map a strategy for improvement. What caused agriculture's decline? What is needed to expand export earnings? The Bank has great expertise and experience in agriculture which can be used to reverse these trends. Tanzania appears to have tried to do too many large projects (such as the shoe factory) and not concentrated enough on small things. Why did Tanzania invest in a large shoe factory, instead of putting this money into agriculture?

Jamal said that the theory was that the shoe factory would earn foreign exchange.

Mr. Clausen said that this overlooked the need for good management. This factory was too big a jump to make.

Wapenhans said the shoe factory decision was taken before 1977, when foreign exchange shortages were not such a problem. Now this affects everything. Also, local raw materials are very high priced, and it is obvious that something is wrong with the entire cost and pricing structure.

Mr. Clausen said the issue is whether this was the best way to try to earn foreign exchange. It is important, however, that there is understanding on both sides, and we must work together to get a good return on the aid funds which are invested.

Jamal said that the same old issues remain to be dealt with - how to improve or develop transport, fisheries, livestock - all need to be addressed and there were no easy answers.

Mr. Clausen asked if perhaps the country was trying to do too many things at once, rather than concentrating on doing fewer things better?

Jamal said the question of priorities is always there, of course, but there is a minimum number of things which you have to do.

In response to a question from Mr. Clausen, Jamal said that the East Africa Community discussions were on track. He has been working cooperatively with his colleagues and Umbricht, and has been pushing for a settlement. Kenya was not helpful in the early stages, but now things are better. He wants to tie it up soon, but there may be some problems, perhaps with Uganda. Perhaps after this is settled Jamal may want to talk with the Bank about future regional projects.

After a further exchange of courtesies, the meeting was adjourned.

C.c.: Messrs. Lafourcade
Wapenhans
Abdulai
Adler
Kraske
Dunn
EALDA Staff

Meeting - 3:00 P.M. November 24, 1981

Participants:

A.W. Clausen
W. Wapenhans
D. Dunn
R. Nooter

Msuya - Prime Minister
Tunginie - Principal Secretary
Kipokola - Economic Advisor to P.M.
Malima - Minister of Planning
Mbagi - Planning Secretary
Kazaura - Principal Secretary, Min. Finance

Prime Minister greeted Mr. Clausen, mentioning the long history of friendly relations with the Bank, and the spirit of frankness which characterized the relationship. He expressed the hope that we would continue to be open-minded in seeking solutions to Tanzania's problems.

Mr. Clausen agreed on the need for candor, and assured the Prime Minister that he would always be candid. He was pleased to note Tanzania's recent emphasis on exports, but noted the long term decline in agriculture output.

Prime Minister said the problem was how to change a subsistence economy into a monetized one. Also, drought had been severe for the past several years, and fluctuating agricultural prices made exporting difficult. He did recognize the importance of agriculture, however. In industry, Government had promoted agro-processing, and import substitution based on indigenous raw materials. However, it is necessary to rely on many imported items until Tanzanian industry is more fully developed.

Mr. Clausen said he noted some hopeful signs from Tanzania's oil drilling program, and Tanzania was fortunate to have a large hydropower potential. In his view, agriculture and energy are the two most important areas and the Bank is pleased to play a role in their development. He then asked what is the Government's strategy to reverse the present economic decline. He was pleased to hear that Tanzania was reestablishing cooperatives, but what else?

Prime Minister said the Government now conducted annual agriculture price reviews in order to keep agriculture prices at an adequate level. Also, the extension service needs to be strengthened. They were studying the use of farm implements, and also fertilizer.

Wapenhans asked about the status of agricultural research.

Prime Minister said this area was not very well developed. Turning to the Advisory Group, he said they have been given a brief to look into the need for expanded agricultural investment, among other things.

Malima said that the Advisory Group was now under way. They have a work program, although some urgent matters such as the need to review the exchange rate situation, and what level of budget deficit is sustainable, may be given priority.

Wapenhans said his understanding was that the Advisory Group would focus on macro-economic issues, and a separate program to develop agriculture research and extension would be developed with the help of technicians provided under the Technical Assistance credit. He wondered how these several activities would be integrated?

Prime Minister said development of several different crops need not be mutually exclusive - it was necessary to look at cropping systems. In his view, there had not been much shifting from one crop to another as claimed by some. Shortage of food was primarily a result of rapid population growth, and the weather.

Malima said smuggling also affects the food deficit, and others agreed that this was a major problem in the border areas.

Mr. Clausen asked how the Bank could help in Tanzanian development?

Prime Minister replied that the most urgent need was for raw materials to meet the needs of the productive sector.

Mr. Clausen agreed that this was probably the highest priority, but said that this kind of short term help was what the IMF was for.

Prime Minister said he understood that, but he also hoped that the Bank feels some responsibility to keep the damage caused by the deteriorating economy to a minimum.

Mr. Clausen then asked how the Prime Minister could help us to help Tanzania? Given scarce IDA resources, we are under great pressure to use the funds where they will be most effective. What can Tanzania do to assist us in making a case for credits for Tanzania?

Prime Minister said that while he was not certain that he understood the question, he thought that the program which the Advisory Group was working on would be helpful. Also, there were projects in the pipeline which were being developed for Bank financing.

Mr. Clausen said that there were two pre-conditions for expanding the Bank's involvement in Tanzania : (1) working out a program to meet the short term needs through the IMF, and (2) developing a medium term adjustment program. If this program is acceptable to the donor community, then we can see if the Bank could expand its program.

Prime Minister said that Government was talking with the IMF, and while they may differ on the exact prescriptions and the maximum pressures which the public can absorb without ending up with social unrest, he hopes that they can reach an agreement.

After an exchange of pleasantries, the meeting was adjourned.

C.c.: Messrs. Lafourcade
Abdulai
Wapenhans
Adler
Kraske
Dunn
EALDA Staff

Revised
November 10, 1981

TANZANIA

Mr. and Mrs. Clausen's Visit -- November 22-25, 1981

Itinerary

Sunday, November 22

0800 Departure from Nairobi by charter aircraft.

1100 Arrival Kidatu airstrip, met by Minister Kassum of Water and Energy and proceed to Kidatu Guest House.

1200 Briefing on the Kidatu Hydroelectric Project (Phase I and II) and lunch at the Guest House hosted by Minister Kassum. General Manager and other officials of the Power Company (TANESCO) and possibly the Morogoro Regional Commissioner to attend.

1400 Departure for site visit to Power House and Dam financed under Phase I and II of the Kidatu Hydroelectric Project.

1600 Departure for Morogoro by air.

1630 Arrival at Morogoro and departure for Mikumi Wildlife Lodge by road.

1800 Arrival at Mikumi Wildlife Lodge.

1900 Dinner and night at Mikumi Wildlife Lodge with the Bank party.

Monday, November 23

0800 Departure by road for Morogoro Industrial Complex, designed to manufacture shoes for export. The complex consists of an industrial estate and a shoe and leather goods factory (financed by the Bank), a canvass mill (financed by EIB), and a tannery (financed by Bulgaria).

0900 Arrival at the shoe factory and factory visit. To be accompanied by Mr. Ngamilo, the General Manager of the holding company (Tanzania Livestock Associated Industries), the officials of the factory and possibly by Minister Mramba of Industries.

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Monday, November 23
(cont'd)

1100 Briefing by the Minister of Industries on role of industrial sector in Tanzania, its problems and prospects, role of parastatals in the industrial sector and, more generally, Tanzania's economic development. Lunch (details to be arranged later).

1400 Departure for Dar es Salaam by air.

1530 Arrival at Dar es Salaam and check into the Kilimanjaro Hotel.

1900 Reception hosted by Minister Malima of Planning and Economic Affairs for Mr. and Mrs. Clausen and senior government officials and Ministers (attendance 100 persons including spouses, venue to be determined).

Tuesday, November 24
(A separate itinerary for Mrs. Clausen is being prepared.)

1000 Meeting with Minister Malima of Planning and Economic Affairs. Discussions on Tanzania's economic difficulties and the prospects of the Government's economic survival program. Advisory Group and the Government's expectations from it, discussions with the IMF and the prospects for the Bank's non-project assistance and the Consultative Group.

1300 Lunch hosted by Minister Jamal of Finance. Topics for discussions same as with Minister Malima.

1500 Meeting with Minister Msuya. Discussions on the Advisory Group, the Government's strategy for rural development, particularly role of smallholder farmers and central services and measures to improve smallholder productivity, role of industrial development in the economy and strategy.

1700 Meeting with President Nyerere. Discussions on the President's views of Tanzania's economic problems and measures required for economic revival, Tanzania's expectations from the Bank, President's reflections on the Cancun Conference, prospects for cooperation among the EAC members. Ministers Jamal and Malima may attend.

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1900 Dinner with the Resident Representative and
the Bank party.
Night at Kilimanjaro Hotel.

Wednesday, November 25 0955 Departure for Malawi by Air Tanzania,
TC501.

THE communique issued at the close of the Commonwealth leaders meeting in Melbourne, points to a consensus reached on the need for urgent global action against poverty in the developing countries.

Coming as it does from a summit attended by representatives of the rich as well, it gives a ray of hope that the forthcoming Cancun North-South encounter might not be lost after all.

But more importantly, it sets the wheels of the long-stalled North-South dialogue turning again. The dialogue came to a standstill for lack of understanding on the part of the rich of the imminent danger from delayed action against mounting world economic problems.

There seems to be emerging some understanding that most of the problems afflicting the economies of developing countries are not of their own making. They stem from their unfavourable place in the present international economic system.

For example, having historically been turned into primary commodity producers, commodities which have no immediate link within those countries, but have to be exported, they have thus been subjected to the fluctuating movements of the impersonal world market.

Earnings from such unpredictable markets are meant to satisfy immediate consumer needs, long-term capital needs for development and to pay debts. Statistics, which have since formed mountains, show that those earnings have continuously dwindled, forcing poor countries to buy less and less.

The countries resorted to borrowing and in the case of the poorest to begging, to be able to just survive. When the world was plunged into creeping inflation, making borrowing a costly business, and recession cut back further on their export earnings, the poor called for a restructuring of the international economic order.

The rich who also have just as much stake in making the world a more stable and peaceful place through restructuring the economic system have historically responded by turning a deaf ear to the demands of the poor.

For as President Nyerere has argued, and his views have been echoed by many students of the North-South dialogue, a prosperous South will make the North even more so, on the basis of expanded activity.

The mutuality is well illustrated by this point. Let us hope the enlightened Melbourne discussions on the economic plight of the poor will also guide the Cancun encounter and lead to action on the perilous global economic situation.

But while the developing countries call for a new international economic order, they should not

But while the developing countries call for a new international economic order, they should not forget that forging economic links among themselves is the surest way to overcome their underdevelopment.

The emphasis must always be economic cooperation and unity of action in the spirit of collective self reliance. A stronger South can help restructure the world economic system.

US assistance to Africa (\$ million)

Country	Development assistance			Economic support funds			PL-480 Title I/III			PL-480 Title II*			Total assistance**				
	1980	1981	1982	1980	1981	1982	1980	1981	1982	1980	1981	1982	1980	1981	1982		
Sahel Programme																	
Cape Verde	3.1	3.0	3.5	--	--	--	--	--	--	2.0	0.4	0.2	5.1	3.4	3.7		
Chad	0.2	--	--	--	--	--	--	--	--	1.2	--	--	1.4	--	--		
Gambia	4.7	8.2	5.0	--	--	--	--	--	--	1.6	1.2	1.0	6.3	7.4	6.0		
Mali	15.5	13.0	9.9	--	--	--	--	--	--	0.5	--	--	16.1	13.3	10.0		
Mauritania	2.7	8.0	9.2	--	--	--	--	--	--	7.0	3.3	3.1	9.7	11.3	12.3		
Niger	9.5	13.0	14.2	--	--	--	--	--	--	1.1	1.7	0.5	10.6	14.9	15.1		
Senegal	10.0	13.8	18.0	--	--	--	--	--	7.0	7.0	7.0	8.8	7.3	7.8	26.0	28.8	35.2
Upper Volta	9.2	14.1	18.2	--	--	--	--	--	--	--	--	11.5	17.0	11.0	20.8	31.2	29.3
Sahel regional	21.6	24.6	29.5	--	--	--	--	--	--	--	--	--	21.6	24.6	29.5		
Southern Africa Programme																	
Angola	--	--	--	--	--	--	--	--	--	4.9	1.1	1.1	4.9	1.1	1.1		
Botswana	--	--	--	13.0	10.0	10.0	--	--	--	5.3	4.4	1.8	18.4	14.9	12.4		
Lesotho	9.8	9.3	9.9	--	--	--	--	--	--	7.9	8.7	8.8	17.7	18.0	18.7		
Malawi	4.4	5.0	7.3	--	--	--	--	5.0	5.0	0.7	1.4	0.9	5.1	11.4	13.3		
Mozambique	--	--	--	--	--	--	10.0	5.0	10.0	7.5	3.1	1.5	17.5	8.1	11.5		
Swaziland	7.5	7.5	6.8	--	--	--	--	--	--	0.1	0.4	0.7	7.6	7.9	7.5		
Zambia	--	--	--	24.0	20.0	20.0	12.5	10.0	10.0	6.5	0.1	--	43.0	30.1	30.0		
Zimbabwe	--	--	--	22.9	25.0	75.0	--	--	--	1.8	--	--	24.7	25.0	75.1		
Southern Africa regional	--	--	--	8.1	25.0	30.0	--	--	--	--	--	--	8.1	25.0	30.0		
Other																	
Benin	2.6	4.7	--	--	--	--	--	--	--	0.9	1.3	1.0	3.5	6.0	1.0		
Burundi	4.4	4.0	5.1	--	--	--	--	--	--	2.5	2.9	2.5	6.9	6.9	7.6		
Cameroon	6.3	17.9	21.0	--	--	--	--	--	--	1.8	1.6	1.9	9.1	20.6	24.5		
CAR	--	--	1.0	--	--	--	--	--	--	0.5	0.4	0.1	0.5	0.4	1.1		
Comoros	--	--	--	--	--	--	--	--	--	0.3	0.2	0.1	0.3	0.2	0.1		
Congo	0.2	2.0	2.0	--	--	--	--	--	--	0.7	0.8	0.1	0.9	2.6	2.1		
Djibouti	1.1	2.1	--	--	2.0	2.0	--	--	--	1.9	1.2	2.2	3.0	5.3	5.3		
Equatorial Guinea	--	1.0	1.0	--	--	--	--	--	--	0.5	--	--	0.5	1.0	1.0		
Ethiopia	--	--	--	--	--	--	--	--	--	13.5	5.6	3.4	13.5	5.6	3.4		
Gabon	--	--	--	--	--	--	--	--	--	--	--	--	0.1	2.7	2.7		
Ghana	10.0	4.9	8.0	--	--	--	12.7	12.7	14.0	4.9	7.8	6.6	27.8	25.6	29.0		
Guinea	5.2	2.4	2.5	--	--	--	6.0	7.0	7.0	1.5	3.2	0.2	12.7	12.6	9.7		
Guinea-Bissau	1.7	1.6	1.9	--	--	--	--	--	--	0.4	2.7	0.6	2.1	4.3	2.5		
Ivory Coast	--	--	--	--	--	--	--	--	--	0.007	0.011	--	0.02	0.04	0.04		
Kenya	17.3	21.1	34.5	14.5	5.5	10.0	16.9	11.0	15.0	5.1	7.7	4.4	74.2	51.8	116.2		
Liberia	10.8	11.6	8.0	5.0	7.0	10.0	5.0	5.0	5.0	0.3	0.5	0.2	23.8	29.2	36.1		
Madagascar	--	--	--	--	--	--	--	--	--	0.03	2.0	1.8	0.03	2.0	1.8		
Mauritius	0.3	--	--	--	--	2.0	2.8	3.5	--	0.5	1.4	0.6	3.6	4.9	2.6		
Nigeria	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Rwanda	1.9	2.9	6.7	--	--	--	--	--	--	2.0	3.9	3.2	4.0	8.4	11.5		
Sao Tome & Principe	--	1.6	--	--	--	--	--	--	--	0.06	0.3	--	0.1	1.9	--		
Seychelles	0.6	0.5	--	--	--	2.0	--	--	--	0.2	0.5	0.4	0.8	1.0	2.4		
Sierra Leone	2.0	2.6	2.3	--	--	--	1.2	1.3	--	1.5	2.0	2.1	4.7	5.9	4.4		
Somalia	12.3	12.6	16.2	6.0	--	20.0	17.7	15.0	16.4	27.9	19.6	5.5	82.9	67.5	78.5		
Sudan	30.1	22.9	27.0	40.0	50.0	50.0	25.0	25.0	25.0	1.5	7.0	3.3	122.0	135.6	206.6		
Tanzania	14.9	13.5	15.9	--	--	--	7.5	7.5	7.5	5.8	5.7	1.7	28.2	26.8	25.2		
Togo	1.9	2.2	2.6	--	--	--	--	--	--	2.0	3.4	2.7	3.9	5.7	5.4		
Uganda	--	--	5.0	--	--	--	--	--	--	7.9	2.0	--	7.9	2.1	5.1		
Zaire	6.9	9.4	10.0	--	--	--	15.7	10.0	10.0	0.9	--	--	30.4	26.2	32.1		
Africa regional	39.4†	44.0	88.3	--	--	--	--	--	--	--	--	--	39.4†	44.0	88.3		
Total	268.0	303.0	390.5	133.0	144.0	231.0	140.0	125.0	132.0	153.0	134.0	83.0	771.8	782.9	1,047.0		

* includes UN World Food Programme voluntary agency, and government-to-government programmes but not emergency feeding programmes that may be necessary in financial year 1982

** includes foreign military sales (FMS) and international military and training (IMET)

† does not include \$ 14.2 million for African refugees

Figures represent actual obligations for financial year 1980 and planning levels for financial years 1981 and 1982

Source: US International Communications Agency

(3)

TANZANIA - COUNTRY BRIEF

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Revised
November 10, 1981

TANZANIA

Mr. and Mrs. Clausen's Visit -- November 22-25, 1981

Itinerary

<u>Sunday, November 22</u>	0800	Departure from Nairobi by charter aircraft.
	1100	Arrival Kidatu airstrip, met by Minister Kassum of Water and Energy and proceed to Kidatu Guest House.
	1200	Briefing on the Kidatu Hydroelectric Project (Phase I and II) and lunch at the Guest House hosted by Minister Kassum. General Manager and other officials of the Power Company (TANESCO) and possibly the Morogoro Regional Commissioner to attend.
	1400	Departure for site visit to Power House and Dam financed under Phase I and II of the Kidatu Hydroelectric Project.
	1600	Departure for Morogoro by air.
	1630	Arrival at Morogoro and departure for Mikumi Wildlife Lodge by road.
	1800	Arrival at Mikumi Wildlife Lodge.
	1900	Dinner and night at Mikumi Wildlife Lodge with the Bank party.
<u>Monday, November 23</u>	0800	Departure by road for Morogoro Industrial Complex, designed to manufacture shoes for export. The complex consists of an industrial estate and a shoe and leather goods factory (financed by the Bank), a canvass mill (financed by EIB), and a tannery (financed by Bulgaria).
	0900	Arrival at the shoe factory and factory visit. To be accompanied by Mr. Ngamilo, the General Manager of the holding company (Tanzania Livestock Associated Industries), the officials of the factory and possibly by Minister Mramba of Industries.

NOTE: On Tuesday, November 24, while Mr. Clausen is involved in the meetings, Mrs. Clausen will have a separate schedule including possible visits to health and educational facilities. The Government is preparing a schedule for her.

-2-

Monday, November 23
(cont'd)

- 1100 Briefing by the Minister of Industries on role of industrial sector in Tanzania, its problems and prospects, role of parastatals in the industrial sector and, more generally, Tanzania's economic development. Lunch (details to be arranged later).
- 1400 Departure for Dar es Salaam by air.
- 1530 Arrival at Dar es Salaam and check into the Kilimanjaro Hotel.
- 1900 Reception hosted by Minister Malima of Planning and Economic Affairs for Mr. and Mrs. Clausen and senior government officials and Ministers (attendance 100 persons including spouses, venue to be determined).

Tuesday, November 24

(A separate itinerary for Mrs. Clausen is being prepared.)

- 1000 Meeting with Minister Malima of Planning and Economic Affairs. Discussions on Tanzania's economic difficulties and the prospects of the Government's economic survival program. Advisory Group and the Government's expectations from it, discussions with the IMF and the prospects for the Bank's non-project assistance and the Consultative Group.
- 1300 Lunch hosted by Minister Jamal of Finance. Topics for discussions same as with Minister Malima.
- 1500 Meeting with Minister Msuya. Discussions on the Advisory Group, the Government's strategy for rural development, particularly role of smallholder farmers and central services and measures to improve smallholder productivity, role of industrial development in the economy and strategy.
- 1700 Meeting with President Nyerere. Discussions on the President's views of Tanzania's economic problems and measures required for economic revival, Tanzania's expectations from the Bank, President's reflections on the Cancun Conference, prospects for cooperation among the EAC members. Ministers Jamal and Malima may attend.

1900 Dinner with the Resident Representative and
the Bank party.
Night at Kilimanjaro Hotel.

Wednesday, November 25 0955 Departure for Malawi by Air Tanzania,
TC501.

Arrival Statement in Tanzania by Mr. A.W. Clausen

President of the World Bank

I am very pleased to come to Tanzania on my first visit to Africa as President of the World Bank. I am indebted to President Nyerere for inviting me on behalf of the Tanzanian Government and people.

I know of the immense effort and sacrifice which Tanzanians have devoted to nation building. You have achieved remarkable progress in important areas -- such as education, health, and the improvement of services available to the people in the countryside. These achievements must be protected. The conditions must be created for healthy and sustained development of Tanzania's economy, and the World Bank is ready to provide its support.

Last month, I told the Governors of the World Bank at their Annual Meeting in Washington that Sub-Saharan Africa would receive priority in the Bank's future lending activities because of the magnitude of the economic problems which this Region faces.

I pledged that the Bank will explore every possible avenue for greater cooperation among its donor member nations, and the international and regional development agencies, to assist the countries of Africa. In the Bank's recently-published report on Sub-Saharan Africa, we have urged a doubling of aid for the region during this decade.

For African governments, crucial, and often difficult, decisions will need to be taken to improve economic efficiency and to do the most that can be done with the available financial and technical resources. There is an urgent need to give additional encouragement to food production and agricultural exports, to more rapid development of energy, to more vigorous individual

/...

endeavor, and to more efficient performance of public entities.

In meeting with your President, whom I have long admired as one of this continent's most dedicated statesmen, and other Government leaders, I hope to exchange ideas on such vital issues. Progress must be made in overcoming the immediate economic problems so that African countries can move towards the larger goal of greater self-sufficiency -- a goal which the World Bank has supported in the past and stands ready to support in the future.

The World Bank's relationship with Tanzania dates back to the early 1960s, soon after your independence. Since 1963, the Bank and its affiliates, the International Development Association and the International Finance Corporation, have provided almost \$1,000 million in loans and investments to Tanzania for about 70 development projects. The Bank and IDA have provided finance and technical assistance for projects in agriculture, transport, energy, education, regional cooperation, housing, telecommunications, industry, as well as other sectors.

I hope that, as a result of my visit, we can continue to strengthen this relationship in these difficult times.

I thank you... for your welcome, and look forward immensely to learning more about your country.

P. Schwartz, IPA
11/13/81

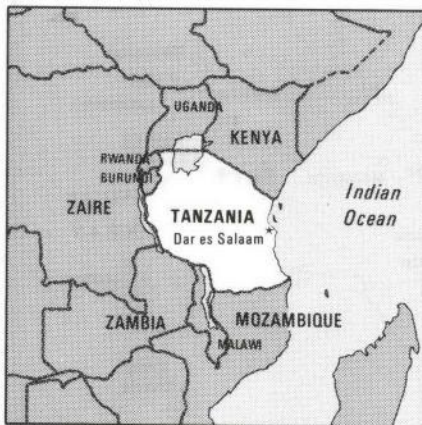
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Tanzania



United States Department of State
Bureau of Public Affairs

September 1981



Official Name:
United Republic of Tanzania

PROFILE

People

TERM FOR CITIZENS: *Noun and adjective*—Tanzanian(s); Zanzibari(s). **POPULATION** (1980 est.): *Mainland*—17.4 million. *Zanzibar*—500,000. **ANNUAL GROWTH RATE:** 2.9%. **ETHNIC GROUPS:** More than 130. **RELIGIONS:** Christian 35%, Muslim 35%, animist 30%. **LANGUAGES:** Swahili, English. **EDUCATION:** *Attendance*—70%. *Literacy*—66%. **HEALTH:** *Infant mortality rate*—125/1,000. *Life expectancy*—50.5 yrs. **WORK FORCE:** *Agriculture*—90%. *Industry and commerce*—10%.

Geography

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

Government

TYPE: Republic. **INDEPENDENCE:** Tanganyika 1961, Zanzibar 1963, union formed 1964. **CONSTITUTION:** 1965. **BRANCHES:** *Executive*—president (chief of state and commander in chief), first vice president (also chairman of Zanzibar's Revolutionary Council), prime minister. *Legislative*—unicameral National Assembly. *Judicial*—*mainland*—High Court, district courts, primary courts. *Zanzibar*—people's courts (no appeal).

POLITICAL PARTY: Chama Cha Mapinduzi (CCM—Revolutionary Party). **SUFFRAGE:** Universal over 18.

ADMINISTRATIVE SUBDIVISIONS: 25 regions (20 on mainland, 5 on Zanzibar).

DEFENSE (1977 est.): 6% of GDP.

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

Economy

GDP (1977 est.): \$3 billion. **ANNUAL GROWTH RATE:** 2.7% (constant 1966 prices). **PER CAPITA INCOME:** \$230.

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

AGRICULTURE (40% of GDP): *Products*—sugar, maize, rice, wheat, cotton, coffee, sisal, cashew nuts, tea, tobacco, pyrethrum, cloves.

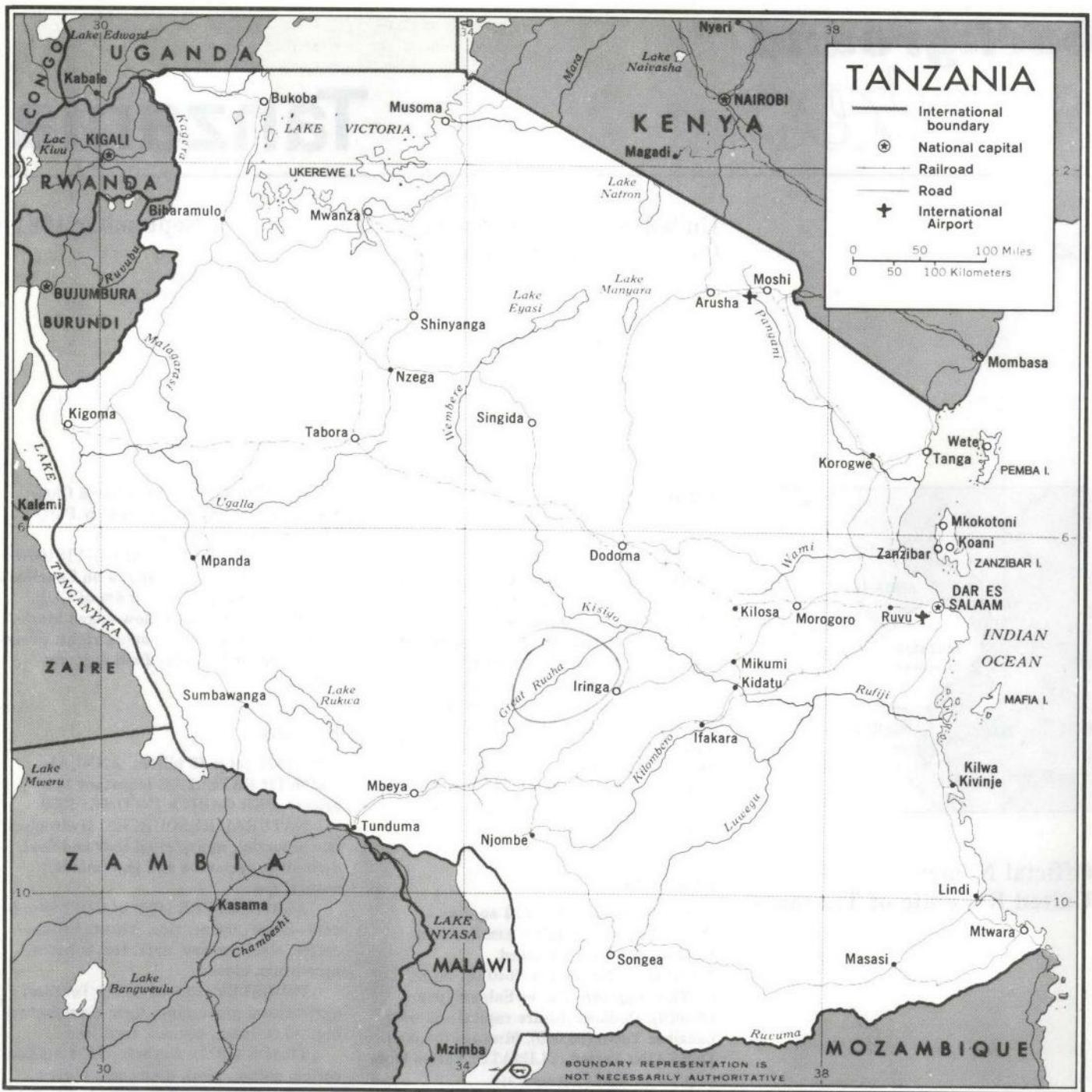
INDUSTRY (10% of GDP): Textiles, agricultural processing, light manufacturing, oil refining, cement, fertilizer.

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

OFFICIAL EXCHANGE RATE: 8.25 Tanzanian shillings = US\$1.

US ECONOMIC AID RECEIVED (1960–80): \$266.5 million.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN and several specialized agencies, Organization of African Unity (OAU), Commonwealth, Nonaligned Conference, INTELSTAT.



GEOGRAPHY

The United Republic of Tanzania comprises Tanganyika and the islands of Zanzibar and Pemba. Tanganyika, now often referred to as mainland Tanzania, is located on the east coast of Africa between the great lakes of the central part of the continent—Lake Victoria, Lake Tanganyika, and Lake Nyasa—and the Indian Ocean. Of its total area, more than 59,547 square kilometers (23,000 sq. mi.) consist of inland water, in-

cluding nearly one-half of Lakes Victoria and Tanganyika.

Climatically, the mainland may be divided into four areas:

- The hot and humid coastal plains;
- The hot, arid zone of the central plateau;
- The high, moist lake regions; and
- The temperate highland areas.

The highest point in Tanzania—as well as in Africa—is Mt. Kilimanjaro,

located in Tanzania near the Kenya border, which rises 5,879 meters (19,340 ft.) above sea level. Almost two-thirds of the country has almost no agriculture because of tsetse fly infestation and lack of water. Most of the arable land is in the northern and southern highlands, along the coast, and in the western lake region.

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

northeast of Zanzibar, has an area of 983 square kilometers (380 sq. mi.).

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

PEOPLE

Population distribution in the United Republic of Tanzania is extremely uneven. Density varies from 1 person per square kilometer (3/sq. mi.) in arid areas to 51 per square kilometer (133/sq. mi.) in the mainland's well-watered highlands and 134 per square kilometer (347/sq. mi.) on Zanzibar. More than 90% of the total population is rural. Dar es Salaam is the capital and largest city; Dodoma, located in the center of Tanzania, has been designated to become the new capital within 8 years.

The African population consists of more than 130 ethnic groups, of which only the Sukuma has more than 1 million members. The majority of Tanzanians, including such large tribes as the

Sukuma and the Nyamwezi, are of Bantu stock. Groups of Nilotic or related origin include the nomadic Masai and the Luo, both of which are found in greater numbers in neighboring Kenya. Two small groups speak languages of the Khoisan family peculiar to the Bushmen and Hottentot peoples. A few pockets of Cushitic-speaking peoples originally from the Ethiopian highlands now reside in Tanzania.

Although much of Zanzibar's African population came from the mainland, one group known as Shirazis traces its origins to the island's early Persian settlers. The non-Africans residing on the mainland and Zanzibar—about 1% of the total—include an estimated 70,000 Indo-Pakistanis, 70,000 Arabs, and 10,000 Europeans.

All ethnic groups have their own language, but the national language is Swahili, a Bantu-based tongue with strong Arabic borrowings.

HISTORY

Tanganyika

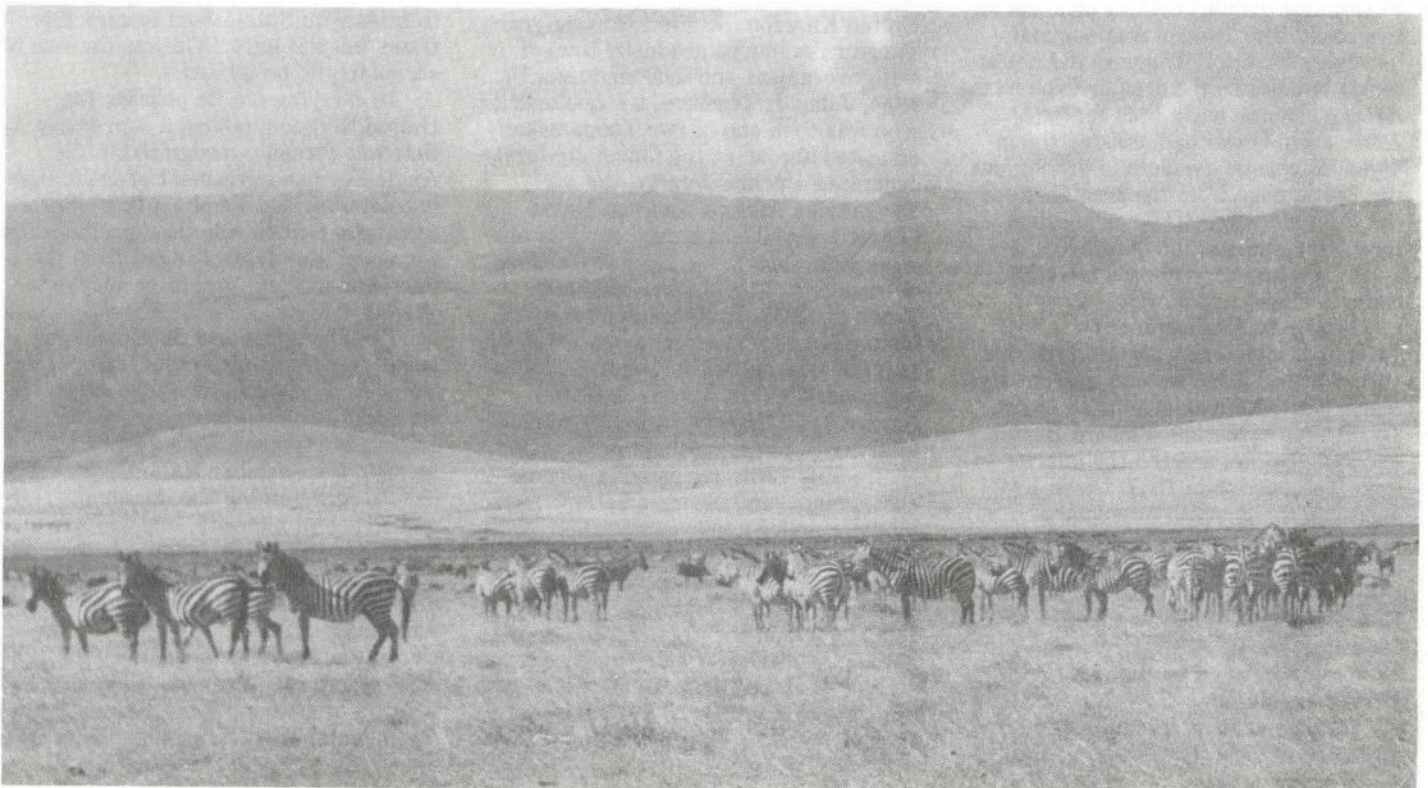
Northern Tanganyika's famed Olduvai Gorge has provided rich evidence of the area's prehistory, including fossil remains of some of humanity's earliest ancestors. The discoveries made by Dr.

and Mrs. L.S.B. Leakey and others suggest that east Africa rather than Asia may have been the cradle of early man.

Little is known of the history of Tanganyika's interior during the early centuries of the Christian era. The area is believed to have been originally inhabited by ethnic groups using a click-tongue language similar to that of southern Africa's Bushmen and Hottentots. While remnants of these early tribes still exist, most were gradually displaced by Bantu farmers migrating from the west and south and by Nilotes and related northern peoples. Some of these groups had well-organized societies and controlled extensive areas by the time the Arab slavers and European explorers and missionaries penetrated the interior in the first half of the 19th century.

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

Mikumi National Park, a 4-hour drive from Dar es Salaam.



TRAVEL NOTES

Climate and clothing—Lightweight, tropical clothing is worn year round, although in the cooler season (June–September), a light wrap is useful in the evenings. Dress conservatively—“high fashion” or “trendy” clothing is not favored in Tanzania. Extremely short or low-cut dresses or tight-fitting clothes should not be worn.

Customs—Visas and yellow fever inoculations are required for entry.

Health—Community sanitation controls are fairly well enforced. Tapwater is not potable. Water should be boiled and filtered and fruits and vegetables carefully prepared.

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

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

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

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

German colonial interests were first advanced in 1884. Karl Peters, who

formed the Society for German Colonization, concluded a series of treaties by which tribal chiefs in the interior accepted German protection. Prince Otto von Bismarck's government backed Peters in the subsequent establishment of the German East Africa Company. In 1886 and 1890, Anglo-German agreements were negotiated that delineated the British and German spheres of influence in the interior of east Africa and along the coastal strip previously claimed by the Omani Sultan of Zanzibar. In 1891, the German Government took over direct administration of the territory from the German East Africa Company and appointed a governor with headquarters at Dar es Salaam.

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

German colonial domination of Tanganyika ended with World War I. Control of most of the territory passed to the United Kingdom, under a League of Nations mandate. After World War II, Tanganyika became a U.N. trust territory also administered by the United Kingdom. In the following years, Tanganyika moved gradually toward self-government and independence. In 1954, Julius K. Nyerere, a schoolteacher who was then one of two Tanganyikans educated abroad at the university level, organized a political party, the Tanganyika African National Union (TANU). TANU-supported candidates were victorious in the Legislative Council elections of September 1958 and February 1959. In December 1959, the United Kingdom agreed to the establishment of internal self-government following general elections to be held in August 1960. Nyerere was named chief minister of the subsequent government.

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

On April 26, 1964, Tanganyika united with Zanzibar to form the United Republic of Tanganyika and Zanzibar,

renamed the United Republic of Tanzania on October 29.

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

Zanzibar

An early Arab/Persian trading center, Zanzibar fell under Portuguese domination in the 16th and early 17th centuries but was retaken by Omani Arabs in the early 18th century. The height of Arab rule came during the reign of Sultan Seyyid Said (1804–56). He encouraged the development of clove plantations, using the forced labor of the island's African population. Zanzibar also became the base for the Arab slavers whose raids depopulated much of the Tanganyikan interior. By 1840 Said had transferred his capital from Muscat to Zanzibar and firmly established a ruling Arab elite. The island's commerce fell increasingly into the hands of traders from the Indian subcontinent whom Said encouraged to settle on the island.

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

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

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

In the first elections (July 1957), the ASP won three of the six elected seats, with the remainder going to independents. The ZNP polled only a small

percentage of the total votes. Four Arabs and two Asians were appointed to the government seats on the Legislative Council. Following the election, the ASP split; some of its Shirazi supporters left to form the Zanzibar and Pemba People's Party (ZPPP). The January 1961 election resulted in a deadlock between the ASP and an ANP/ZPPP coalition.

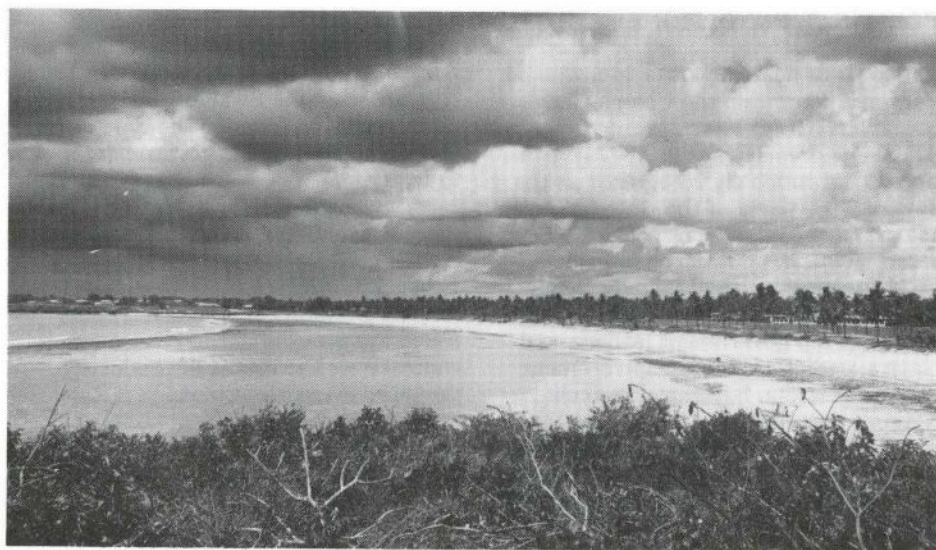
The elections that followed the granting of self-government in June 1963 produced similar results. Zanzibar received its independence from the United Kingdom on December 19, 1963, as a constitutional monarchy under the sultan. On January 12, 1964, the African majority revolted against the sultan, and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

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

GOVERNMENT

Tanzania is a *de jure* single-party state with a strong central executive. The president is assisted by a vice president and a prime minister. The prime minister, who must be chosen from among the members of the National Assembly, carries an administrative portfolio and is the leader of government business in the National Assembly. The president and the National Assembly are elected concurrently by direct popular vote for 5-year terms. If the president dissolves the assembly, he or she must stand for election as well. The president must select the cabinet from among National Assembly members but has the power to appoint up to 10 members of the assembly.

The unicameral National Assembly has 230 members, 96 of whom are elected from mainland constituencies and 10 from Zanzibar. Two candidates, both approved by the CCM Party, compete in each district. The remaining members are *ex officio*, appointed by the president, or elected indirectly by the National Assembly. Thirty additional



Oyster Bay, about 8 km. from downtown Dar es Salaam.

members are appointed from Zanzibar's Revolutionary Council. The assembly is the legislature for Zanzibar only in specifically designated union matters.

Since 1964, mainland Tanzania has had a three-level judiciary combining the jurisdictions of tribal, Islamic, and British common law. Appeal is from the primary courts through the district courts to the High Court. All magistrates and judges, including the chief justice and eight associate judges of the High Court, are appointed by the president. Zanzibar had a similar system until January 1970, when it replaced the primary and district courts with 12 people's courts consisting of a chairman and two members appointed by the president of Zanzibar. The procedures of the people's courts do not provide for defense counsel, juries, or appeal to the High Court.

For administrative purposes, Tanzania is divided into 25 regions—20 on the mainland and 5 on Zanzibar. The mainland regions, headed by appointed regional commissioners, are further divided into 96 districts. Although most major towns no longer have municipal governments, most have been designated as districts. On the mainland, regional commissioners are also CCM party regional secretaries and *ex officio* members of the National Assembly. In the districts, the district CCM party secretary is also the area commissioner. The regional and district commissioners are assisted by appointed development directors and other officials, who form a development council charged with administering the region or district in close collaboration with CCM party officials. Since 1972, a decentralization program

on the mainland has increased the authority of the regional commissioners.

Principal Government Officials

President—Julius K. Nyerere
Vice President—Aboud Jumbe
Prime Minister—Cleopa Msuya

Ministers

Agriculture—Joseph Mungai
Communications and Transport—
Augustine Mwingira
Defense and National Service—Abdallah
Twalipo
Planning—Kighoma Malima
Foreign Affairs—Salim A. Salim
Finance—Amir Jamal
Health—Aaron Chiduo
Home Affairs—Muhiddin Kimario
Industries—Basil Mramba
Information and Culture—Benjamin
Mkapa
Justice—Julie C. Manning
Labor and Social Welfare—Alfred
Tandau
Land, Housing, and Urban Development
—Mustafa Nyang'anyi
Manpower Development—Abel Mwangi
National Education—Tibitha Siwale
Natural Resources and Tourism—Isaac
Sepetu
Trade—Alfonse M. Rulegura
Water and Energy—Al-Noor Kassum
Works—Samuel Sitta

Ambassador to the United States—Paul
Bomani
Ambassador to the United Nations—
Paul Rupia

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

POLITICAL CONDITIONS

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

Under President Nyerere's leadership, Tanzania is seeking to achieve political and economic development

within an egalitarian framework appropriate to the rural character and African traditions of its people. In 1962, Nyerere used the Swahili word *ujamaa* (familyhood) to describe the type of communal cooperation his government seeks to foster.

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

To insure consistency between precept and practice, the declaration prescribed a code of conduct for party and government leaders. Among the code's prohibitions were receipt of more than one salary, directorships in private

firms, or ownership of rental properties or shares in any company. Ministerial and civil service salaries had been reduced earlier in a move toward the more equitable distribution of income.

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

Dar es Salaam.



while production in agriculture and fishing remains largely in private hands.

CCM has become the principal instrument for the political mobilization of mainland Tanzania's people behind the government's socioeconomic objectives. President Nyerere envisions the party as a "two-way street" for the flow of ideas and policy directives between the village level and the government. Local CCM officials are expected to take the lead in setting up *ujamaa* villages—communal units which the government hopes will eventually become the backbone of Tanzanian agriculture. Cooperatives, which have tripled since independence and now exceed 2,000, also are being given an expanded role in Tanzania's rural development. The country's education system is being revamped to provide basic agricultural training for the many primary school-age children who are unable to go on with their education.

Public participation in mainland Tanzania's political development has also been encouraged through the electoral process. In the most recent general elections, held in October 1980, more than 85% of the registered voters went to the polls, and 42 of 111 incumbents were defeated. Another 22 did not stand for reelection. President Nyerere, having announced that this would be his last term, won 93% of the vote.

ECONOMY

Agriculture accounts for nearly 40% of the gross domestic product (GDP) and a substantially larger share of total employment. Cash crops, including coffee, cotton, sisal, tea, cloves, cashews, and pyrethrum, make up two-thirds or more of total exports. Domestic food production recovered after the severe drought and recession years of 1973–75 but has declined again in the 1980–81 drought. The declining volume of production of a number of important cash crops has been partially offset by increases in world prices for some of these commodities.

Tanzania's industrial production has grown relatively slowly since independence and now accounts for about 10% of GDP. Tanzania has not attracted much foreign investment, despite its record of political stability. U.S. private investment has been limited primarily to petroleum-marketing facilities, although one U.S. company has entered into minority partnership with the Tanzanian Government to manufacture tires and another has agreed to the joint development of the gas reserves at Songo Songo.

Transportation is particularly important in Tanzania because the most populated areas are scattered around the periphery. The country has an estimated 33,700 kilometers (21,000 mi.) of roads; about 6,400 kilometers (4,000 mi.) are improved, and the remainder are dirt. Excluding the 1,850-kilometer (1,150 mi.)-long Tazara Railway, Tanzania has 2,636 kilometers (1,638 mi.) of railroads. Tanzania's ports, roads, and railroads provide services for Zambia, Rwanda, Burundi, and parts of Zaire for shipments of imported and exported goods and commodities.

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

Petroleum import costs and a combination of low export earnings and sharply increased food import requirements have caused severe balance-of-payments problems. Assistance programs from foreign donors, including large World Bank and Scandinavian assistance, have roughly matched the level of Tanzania's domestic development resources. In the early 1970s, China was the largest single aid donor to Tanzania. Most of China's aid founded the Chinese-built and equipped Tazara Railroad between Dar es Salaam and Zambia's copper belt (with a \$400 million loan to Tanzania and Zambia).

Development plans stress providing food, shelter, drinking water, education, and health care at the village level. Pursuing a policy of socialism and self-reliance, the government nonetheless has been pragmatic in its recent efforts to encourage small-scale domestic investments and in its willingness to consider joint ventures with foreign investors in areas where private technical and managerial expertise is needed.

The industrial sector is dominated by state corporations which operate inefficiently in many cases. Industrial expansion is hampered by shortages of spare parts, equipment, and materials. Although import liberalizations following the 1977 balance-of-payments improvement eased the situation, shortages have reached a level which severely hinders the economy's operation.

With the breakup of the East African Community early in 1977, Tanzania has had to divert substantial

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-

human and capital resources into institutions and facilities to operate and maintain port, rail, and air transportation services previously run as common services by the EAC. The breakup also resulted in suspension of nearly all trade between Tanzania and Kenya, and the border has been closed to most tourist travel.

Zanzibar

Zanzibar's economy is based primarily on cloves (90% grown on Pemba), the principal foreign-exchange earner. Production fluctuates, but exports are kept

relatively constant by drawing on stocks. However, declining clove production has brought a scarcity of foreign exchange needed to support Zanzibar's development programs.

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

FOREIGN RELATIONS

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

Tanzania enjoys particularly close ties with neighboring Zambia and

Mozambique. In 1977, the partnership of Kenya, Tanzania, and Uganda in the East African Community (EAC), established 10 years earlier, was dissolved. No successor organization has emerged to replace the common market and common services provided by the EAC.

U.S.-TANZANIAN RELATIONS

The United States enjoys friendly relations with the United Republic of Tanzania. The United States seeks to assist Tanzania's economic and social development through bilateral and regional programs administered by the Agency for International Development (AID). U.S. bilateral assistance, in the past involving such areas as education, public administration, and agriculture, focuses increasingly on agricultural production through new agricultural credit and livestock and seed multiplication programs. The United States also assists public health programs.

Total U.S. bilateral aid to Tanzania for FY 1980, including loans, grants, and PL 480 (Food for Peace) funds, amounted to \$22.1 million.

The U.S. AID program concentrates on improving rural health and productivity:

- Agricultural activities stress increased productivity;
- The health sector focuses on increasing the well-being of the rural population (a necessary condition for increased productivity); and
- The human resources sector aims to increase the supply of trained

workers at the village and central government levels (a major bottleneck in implementing development).

The Peace Corps program, reintroduced in 1979, provides assistance in the areas of fisheries and forestry.

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

Principal U.S. Officials

Ambassador—To be named.

Deputy Chief of Mission—David Fischer
Director, U.S. AID Program—Arthur Handley

Public Affairs Officer (USICA)—Michael Gould

The U.S. Embassy in Tanzania is located at 36 Laibon Road, Dar es Salaam. The consulate on Zanzibar was closed June 15, 1979. ■

Published by the United States Department of State • Bureau of Public Affairs • Office of Public Communication • Editorial Division • Washington, D.C. • September 1981
Editor: Joanne Reppert Reams

Department of State Publication 8097
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For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 • Subscription price: \$16.00 domestic; \$20.00 for foreign mailing. Single copy price varies.

TANZANIA - COUNTRY BRIEFLIST OF GOVERNMENT OFFICIALS YOU WILL MEET

1. Mwalima Julius Kambarage Nyerere
President
2. Cleopa D. Msuya
Prime Minister
3. Amir Jamal
Minister for Finance
4. Kighoma Ali Malima
Minister of State for Planning and
Economic Development
5. Al-Noor Kassum
Minister for Water and Energy
6. Basil Mramba
Minister for Industries

BIOGRAPHICAL DATA

Biographical data have been included in the briefs for meetings and site visits.

LIST OF OTHER GOVERNMENT OFFICIALS

1. Aboud Jumbe
Vice President
2. About Talib About
Minister of State in the
Vice President's Office
3. Fadhili D. Mbagu
Principal Secretary for Planning
and Economic Development

List of Other Government Officials (Cont'd.)

4. Jackson Makweta
Minister of State for Regional Administration
in the Prime Minister's Office
5. Abel Mwanga
Minister for State for Manpower Development
in the Prime Minister's Office
6. Joseph Mungai
Minister for Agriculture
7. Herman Kyanzi Kiringi
Minister for Animal Husbandry
8. Ali Mchumo
Minister for Commerce
9. Ibrahim Mohamed Kaduma
Minister for Communication and Transport
10. Abdullah Twalip
Minister for Defense and National Service
11. Salim Ahmed Salim
Minister for Foreign Affairs
12. Aaron Daudi
Minister for Health
13. Muhiddin Kimario
Minister for Home Affairs
14. Benjamin Mkapa
Minister for Information and Culture
15. Miss Julie Manning
Minister for Justice
16. Mustafa Nyang'anyi
Minister for Land, Housing and Urban Development
17. Alfred Tandau
Minister for Labour and Social Welfare

List of Other Government Officials (Cont'd.)

18. John Malecela
Minister for Mines
19. Tabitha Siwale
Minister for National Education
20. Isaac Sepeku
Minister for Natural Resources and Tourism
21. S. J. Sitta
Minister for Works
22. Ministers Without Portfolio - Rashid Mfaume Kawawa
Abdullah Saidi Natepe
Daniel Madaha Mchemba

TANZANIAGENERAL BACKGROUNDPolitical

1. Tanzania (formerly Tanganyika) gained Independence from the United Kingdom on December 9, 1961. In 1964 the country formed a federation with Zanzibar, which still enjoys special status, including its own Constitution and control of its foreign exchange reserves. Political life is dominated by President Nyerere, who despite his relatively young age (57) has been head of government on the mainland for almost 22 years. The ruling Party, which he also chairs, acts as an important counterweight to the civil service and the military and is increasingly active in discussing and determining Government policy. Parliamentary and presidential elections are held at the same time every five years, although there is only one political party. The last of these occurred in November 1980, when President Nyerere was re-elected by an overwhelming margin (95%) of the vote and unopposed.

2. With a population of about 17 million and a per capita income of \$270 per annum, Tanzania enjoys a position of political importance in Africa out of all proportion to its economic size. The strength and continuity of its leadership, a well-intentioned and bold development strategy and outspoken views on the need for a "new international economic order" have given the country prominence. It was one of only three sub-Saharan nations represented at Cancun and its Foreign Minister was the candidate of the OAU and the Non-Aligned Nations for the position of Secretary General of the United Nations last month. Tanzania receives more official development assistance than any other country on the continent (except Egypt). In 1980, this aid exceeded Tanzania's own export earnings.

Economic

3. While the country has always been the poorest of the three former East African Community states (Kenya, Tanzania and Uganda), it has a considerable potential for economic development. Tanzania has a relative abundance of arable land and energy resources (particularly for hydroelectricity), a wide range of existing and potential export crops and a long tradition of monetized smallholder agriculture. The major constraints to development include poor internal communications, a widely dispersed population, the small size of its private sector even in pre-Independence days, and in recent years, lack of conducive policies.

4. As in most other African countries, the 1970s were characterized by a series of major economic shocks: particularly a serious drought in 1974-75 and the oil price increases of 1973-74 and 1979. The effects of these exogenous factors were exacerbated by other "external" events such as the break-up of the East African Community in 1977 and the war in Uganda in 1978-79. Recently, poor weather - while less dramatic than in 1974-75 -

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has continued to hamper agricultural production and falling commodity prices have reduced foreign income. Domestically, the major features of the decade have been a continuing decline in export crop production, dependence on food imports in most years and a deterioration of capital stock in almost all sectors of the economy owing to inadequate provisions for operations and maintenance. Despite these factors, the balance of payments problem remained manageable during most of the decade as a result of the high volume of external assistance and favorable international prices for coffee and tea in 1976-77. However, foreign aid and commercial borrowings in the last two years have not been enough to offset the decline in export earnings and the increase in oil prices and simultaneously meet minimum import needs.


5. The economic situation in Tanzania is now critical. The current account deficit rose to 13% of GDP during 1980 and is expected to grow even further to about US\$830 million in 1981 and almost US\$900 million in 1982. Access to commercial lending is now virtually closed as a result of the high level of import arrears (US\$300 million), stagnant export earnings (US\$560 million) and debt service problems. Imports have had to be curtailed even further and in 1980 were no higher than in the mid-1970s. Most industries are operating at only 20-30% capacity. The Government's budget deficit is expected to reach US\$940 million in 1981/82, up from US\$535 million in 1980/81. These deficits have led to heavy Government borrowings from the banking system, rapid growth in the money supply and high inflation (about 30% in 1980). Most consumer goods are in short supply and available only in unofficial markets at even higher prices. Even agricultural production (especially food) is now being marketed largely through unofficial channels rather than through the parastatal crop authorities. Overall, GDP fell by about 2% in 1980 (after increasing by less than 4% in 1979), with agricultural production falling by over 6% and the industrial sector showing no growth at all.

6. While the Government is under considerable pressure to remedy the foreign exchange problem, it has had great difficulty in preparing a recovery program which would attract outside support. Agreement was reached with the Bank Group in March 1981 on a limited program of export rehabilitation measures, supported by an IDA credit of US\$50 million. While there has been reasonable progress under this program, very little action has been taken on follow-up measures which were set out in a Memorandum of Understanding at the time. Discussions with the IMF have also foundered on the Government's reluctance to introduce a substantial devaluation, raise interest rates and relax price controls. On the other hand, the Tanzanians have agreed to the establishment of an Advisory Group, which has begun its work and is expected to make recommendations on a comprehensive recovery program by April 1982. The Government has also requested that the Bank Group organize a Consultative Group meeting for the last week of March 1982.

7. Relations with the Bank. Tanzania joined the Bank, IDA and IFC in 1962 and has received 49 IDA credits and 19 Bank loans, two of these on Third Window terms, amounting to US\$976.3 million. In addition Tanzania

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has been a beneficiary of 10 loans totalling US\$244.8 million which were extended for the development of the common services (railways, ports, telecommunications) and development bank operated by the former East African Community. Bank Group disbursements were US\$35 million. In 1980, the Bank Group, Sweden, the Netherlands, Japan and West Germany accounted for three-quarters of Tanzania's aid receipts (US\$600 million).



TANZANIA - COUNTRY BRIEF

E-2

PAST LOANS AND CREDITS

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount</u> <u>(US\$ Million)</u>
45-TA	1963	Tanzania	Education	4.6
48-TA	1964	Tanzania	Highways	14.0
80-TA	1965	Tanzania	Agricultural Credit	5.0
518-TA	1967	TANESCO	Power	5.2
115-TA	1968	Tanzania	Highways (Suppl.)	3.0
132-TA	1968	Tanzania	Beef Ranching	1.3
142-1-TA	1969	Tanzania	Second Highway	8.0
586-TA	1969	Tanzania	Second Highway	7.0
149-TA	1969	Tanzania	Second Education	5.0
142-2-TA	1969	Tanzania	Second Highway (Suppl.)	7.5
217-TA	1970	Tanzania	Flue-Cured Tobacco	9.0
715-1-TA	1970	TANESCO	Power	30.0
232-TA	1971	Tanzania	Third Education	3.3
265-TA	1971	Tanzania	Third Highway	6.5
287-TA	1972	Tanzania	Smallholder Tea	10.8
371-TA	1973	Tanzania	Fourth Education	10.3
382-TA	1973	Tanzania	Second Livestock	18.5
460-TA	1974	Tanzania	Tanzania Investment Bank	6.0
715-2-TA	1974	TANESCO	Power	5.0
513-TA	1974	Tanzania	Kilombero Sugar	9.0
1041-TA	1974	Tanzania	Kilombero Sugar	9.0
1063-TA	1974	Tanzania	Program Loan	30.0
688-TA	1977	Tanzania	Program Credit	15.0

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THE STATUS OF BANK GROUP OPERATIONS IN TANZANIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS TO TANZANIA
AS OF SEPTEMBER 30, 1981

No.	Year	Borrower	Purpose	(US\$ million)			
				Amount less cancellation			
				Bank ¹	TW	IDA ¹	Undisbursed
Six loans and seventeen credits fully disbursed				86.20		136.24	
454-TA	1974	Tanzania	Cotton			17.50	4.46
1014-TA	1974	Tanzania	Cashewnut	21.00			0.88
495-TA	1974	Tanzania	Sites and Services			8.50	0.01
507-TA	1974	Tanzania	Highway Maintenance			10.20	1.62
508-TA	1974	Tanzania	Rural Development (Kigoma)			10.00	0.87
580-TA	1975	Tanzania	Dairy			10.00	5.27
1128-TA	1975	Tanzania	Textile	15.00			0.75
1172-TA	1975	TIB	Tanzania Investment Bank	15.00			0.72
601-TA	1976	Tanzania	Technical Assistance			6.00	1.47
606-TA	1976	Tanzania	National Maize Program			18.00	7.07
607-TA	1976	Tanzania	Fifth Education			11.00	5.39
1306T-TA	1976	Tanzania	Power		30.00		0.01
1307-TA	1976	Tanzania	Forestry	7.00			1.56
652-TA	1976	Tanzania	Fisheries			9.00	6.25
658-TA	1976	Tanzania	Tobacco Processing			8.00	0.96
1354-TA	1977	Tanzania	Urban Water Supply	15.00			4.85
1385T-TA	1977	Tanzania	Morogoro Industrial Complex		11.50		1.69
1386-TA	1977	Tanzania	Morogoro Industrial Complex	11.50			1.26
703-TA	1977	Tanzania	Rural Development (Tabora)			7.20	4.97
732-TA	1977	Tanzania	Second Sites and Services			12.00	8.54
743-TA	1977	Tanzania	Trucking			15.00	9.72
1498-TA	1977	TIB	Tanzania Investment Bank	15.00			1.79
801-TA	1978	Tanzania	Second Cashewnut			27.50	8.12
802-TA	1978	Tanzania	Tobacco Handling			14.00	11.35
803-TA	1978	Tanzania	Rural Dev. (Mwanza/Shinyanga)			12.00	7.53
1607-TA	1978	Tanzania	Morogoro Textile	25.00			24.60
833-TA	1978	Tanzania	Morogoro Textile			20.00	14.49
860-TA	1979	Tanzania	Tourism Rehabilitation			14.00	12.82
861-TA	1979	Tanzania	Sixth Education			12.00	11.78
875-TA	1979	Tanzania	Mufindi Pulp and Paper			30.00	15.41
1650-TA	1979	Tanzania	Mufindi Pulp and Paper	30.00			29.52
876-TA	1979	Tanzania	Fifth Highway			20.50	20.42
1754-TA	1979	TDFL	Tanganyika Development Finance Co., Ltd.	11.00			5.64
1750-TA	1979	TIB	Tanzania Investment Bank	25.00			18.18
S-24-TA	1979	Tanzania	Dar es Salaam Port Engineering			2.50	1.43
987-TA	1980	Tanzania	Tanzania Rural Dev. Bank			10.00	10.00
1007-TA	1980	Tanzania	Pyrethrum			10.00	9.89
1015-TA	1980	Tanzania	Grain Storage & Milling			43.00	43.00
1037-TA	1980	Tanzania	Smallholder Tea			14.00	13.98
S-27-TA	1980	Tanzania	Songo-Songo Petroleum			30.00	6.33
1056-TA	1981	Tanzania	Seventh Education			25.00	24.99
1060-TA ²	1981	Tanzania	Second Technical Assistance			11.00	10.79
1070-TA ²	1981	Tanzania	Coconut Pilot			6.80	6.65
1133-TA ²	1981	Tanzania	Export Rehabilitation Program			50.00	45.01
Total				276.70	41.50	630.94	
of which has been repaid				17.64	-	9.36	
Total now outstanding				259.06	41.50	621.58	
Amount sold							.09
of which has been repaid							.09
Total now held by Bank and IDA ¹				254.06	41.50	621.58	
Total undisbursed				89.75	1.70	330.59	422.04

¹ Net of exchange adjustments.

² Sixth replenishment; approximate US\$ equivalent of SDR's.

B. SUMMARY STATEMENT OF BANK LOANS FOR COMMON SERVICES GUARANTEED
BY KENYA, TANZANIA AND UGANDA AS OF SEPTEMBER 30, 1981

Loan No.	Year	Borrower	Purpose	(US\$ million)	
				Amount (less cancellations) Bank ¹	Undisbursed
Six loans fully disbursed				135.80	
638-EA	1969	EAHC	Harbours	35.00	0.52
865-EA	1972	EAHC	Harbours	26.50	0.35
914-EA	1973	EAPTC	Telecommunications	32.50	0.28
1204-EA	1976	EADB	Development Finance	15.00	3.27
Total				244.80	4.42
of which has been repaid				68.64	
Total now outstanding				176.16	
Amount sold			24.36		
of which has been repaid			24.36	0.00	
Total now held by Bank ^a				176.16	
Total undisbursed				4.42	4.42

¹Net of exchange adjustments.

C. STATEMENT OF IFC INVESTMENT IN TANZANIA
AS OF SEPTEMBER 30, 1981

<u>Fiscal Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		<u>Total</u>
			<u>Loan</u>	<u>Equity</u>	
1960 & 1964	Kilombero Sugar Company	Food Processing	3.96	0.70	4.66
1978	Highland Soap and Allied Products Limited	Soap Manufacture	1.38	0.36	1.74
1979	Metal Products Limited	Household Utensils	<u>1.33</u>	<u>0.18</u>	<u>1.51</u>
	Total gross commitments		6.67	1.24	7.91
	Less cancellations, terminations, repayments and sales		<u>4.05</u>	<u>0.69</u>	<u>4.74</u>
	Total commitments now held by IFC		<u>2.62</u>	<u>0.55</u>	<u>3.17</u>
	Total undisbursed		<u>0.06</u>	<u>-</u>	<u>0.06</u>

PROJECTS IN EXECUTION¹
(As of September 30, 1981)

There are currently 41 projects under execution in Tanzania.

AGRICULTURE SECTOR

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

Project management has maintained good implementation progress despite the problems caused by shortages of fuel and spare parts which have handicapped the mechanization unit and road equipment operation. Shortage of building materials is also delaying completion of housing and storage facilities. Construction of roads, bridges and culverts are proceeding well while grading and graveling have slowed down due to the fuel problem. Cotton production has increased over the previous season despite the late rain which seriously reduced the maize crop. In spite of these encouraging production results, future cotton production could be seriously affected by marketing problems. The severe shortages of spare parts and fuel has brought transport, ginning and oil crushing operation to a virtual standstill. TCA has requested the Government for TSh 110.5 million to rehabilitate the ginneries, the oil mills and their transportation fleet.

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

Construction of all five factories and ancillary facilities has been completed and processing plan and machinery has been delivered. However, the project continues to experience difficulties in recruitment of staff and face problems arising from a sharp decline in the marketed production of raw nuts. The producer price has been recently increased and the Cashewnut Authority (CATA) is considering the introduction of additional incentive and tree-planting schemes for farmers, but these measures are not likely to have a significant impact for several years. As a result, the completed cashewnut factories are expected to operate well below capacity for a number of years.

¹These notes are designed to inform the Executive Directors regarding the progress of projects in execution and in particular to report any problems which are being encountered and the action being taken to remedy them. They should be read in this context, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit No. 508-TA - Kigoma Rural Development Project: US\$10.0 million Credit of August 21, 1974; Date of Effectiveness - November 20, 1974; Closing Date - December 31, 1983

The project has shown significant improvement in procurement, and maintained a satisfactory execution of physical infrastructure work. Increased coordination between the various project related agencies and parastatals at regional level has improved project management. Staff turnover has decreased and key staff are largely in place. The coffee rehabilitation and expansion program is proceeding well and there has been further increase in the production of beans and cotton. However, official maize production figures have dropped, due mainly to increased importance of parallel markets as well as increased movement into other more remunerative crops such as beans, pigeon peas, etc. Because fertilizer trials on soil failed to produce conclusive results, emphasis is now being shifted to cultivation methods, spacing, seed varieties, etc., from which useful results could be expected in the short term.

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

The Project continues to progress on all fronts at a very slow pace. There has been a delay in the procurement of boats for the Kigoma Commercial Center, a major shortfall in the purchase of boats for the coastal centers and a postponement of procurement of lake transport facilities (pending adequate fish catches on Lake Tanganyika). However, engines for the coastal vessels have been received and are being assembled for installation. Loans to five villages have been approved by TRDB under the Ujamaa Village Program. Agreement has been reached with the Crown Agents of the U.K. for the provision of technical assistance staff.

Credit No. 606-TA - National Maize Project: US\$18.0 million Credit of January 29, 1976; Date of Effectiveness - May 28, 1976; Closing Date - December 31, 1982

The project has been redesigned in order to intensify project activities during a three-year extension period from July 1979 to June 1982; however, this redesign has had little impact on the production of food crops because of drought conditions. Inadequate research, extension and prices have also discouraged proper crop husbandry. Construction of staff houses and village store is delayed due to shortage of building materials.

Credit No. 580-TA - Dairy Development Project: US\$10.0 million Credit of August 15, 1975; Date of Effectiveness - November 13, 1975; Closing Date - March 31, 1983

The project has continued to show overall improvement in its implementation. Milk production, technical parameters and budgeting

control have improved, and production cost has been reduced. The large price increase in July 1980 was responsible in great part for the improved financial position of the dairies. The closing date has been postponed to March 31, 1983 to permit the project to reach its targetted objectives.

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

The Afforestation Program continues to be ahead of schedule although land preparation and planting has been less satisfactory. Construction and maintenance have been well behind schedule mainly due to shortages of cement, vehicle spare parts and other building materials. Training program for junior field staff is underway and will be extended to senior grades.

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

Installation of the new processing line has been completed and is capable of producing good quality tobacco. Construction of roads, fencing, drainage and maintenance workshop has been delayed mainly due to non-availability of construction material. Construction of TTPC office block has been dropped and TTPC head office staff will now move into TAT office building. Similarly, a separate building to accommodate maintenance facilities will not be constructed and one of the godowns at Morogoro will be used to house these facilities. Phase IB construction program at Kurasini has also been scaled down and will now consist of railway siding, drainage, gatehouse, changing room and petrol station. These changes have been introduced in view of the increased costs and in order to provide funds for spare parts and conversion of furnace to coal firing. The project faces a serious problem caused by the continued low tobacco production which might have serious effects on project return and TAT's financial position. In order to encourage tobacco producers, the average tobacco price was again raised last year.

Credit No. 703-TA and Credit No. 703-5-TA - Tabora Rural Development Project: US\$12.0 million Credit² of May 11, 1977; Date of Effectiveness - November 11, 1977; Closing Date - June 30, 1983

Project implementation has slowed down considerably as a result of severe and continuing shortages of construction materials and diesel fuel. These shortages have affected all components, except land-use planning which is proceeding satisfactorily. The roads and water supply programs have been the worst affected and are also suffering from shortages

²Credit No. 703-5-TA (US\$4.8 million) is financed under the special CIDA arrangements; Credit no. 703-TA is an IDA Credit of US\$7.2 million.

of technical staff. The agricultural trials and production program, too, appears to have been disrupted by the recent drought. Project management is attempting to resolve the materials shortages by increasing the use of local substitutes. However, overall progress in institution-building is likely to remain slow.

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

Project implementation is progressing satisfactorily. Factory construction is ahead of schedule despite a shortage of cement. However, the appointment of key staff and the maintenance of up-to-date accounts at existing cashewnut factories continue to pose difficulties. As with the First Project, the prospects for operation of the new facilities at full capacity are rather poor.

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

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

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

Good progress has continued in the technical aspects of shallow well construction, forestry development, pasture trials at Malya Range Management Station, and cassava variety trials at Ukiriguru. However, agricultural extension and training has been poor. This problem has affected the performance of Crop Verification Trials; only 20% of the trial target were laid down and the results were poor. Another reason for the poor results of the trial program has been lack of coordination with Ukiriguru Research Station. The post of Extension and Training Specialist, as well as a number of positions at area supervisor level, remain vacant. Proposals for strengthening the Ukiriguru Research Station as a training center to develop a strong, field-oriented extension service have been prepared, and more emphasis would be placed on the problem of soil erosion and soil conservation.

Credit No. 987-TA - Tanzania Rural Development Bank (TRDB)
Project: US\$10.0 million credit of October 24, 1980; Effective-
ness Date - May 18, 1981; Closing Date - December 31, 1983

This credit became effective on May 18, 1981.

Credit No. 1007-TA - Pyrethrum Project: US\$10.0 million
Credit of October 24, 1980; Date of Effectiveness - April 20,
1981; Closing Date - December 31, 1985

This credit became effective on April 20, 1981 and progress on physical implementation has been satisfactory. However, although the Government has agreed to assume TSh. 18.0 million of TPB's overdraft, poor sales of pyrethrum and high administrative cost continues to weaken the Tanganyika Pyrethrum Board's financial position. The project will continue to be kept under close review.

Credit No. 1037-TA - Smallholder Tea Project: US\$14.0 million
Credit of August 20, 1980; Effectiveness Date - April 27, 1981;
Closing Date - June 30, 1985

This credit became effective on April 27, 1981. The project got off to a slow start due to delays in appointing the General Manager and the Chief Engineer, but is now expected to gain momentum. Some start has been made in the tea nursery and fuelwood planting. The Ukalawa factory site has been selected and tender documents should be issued shortly. Supplier bids for the factory machinery have also been received and evaluated, and orders have been placed.

Credit No. 1970-TA - Coconut Pilot Project: US\$6.8 million
Credit of October 24, 1980; Date of Effectiveness - April 20,
1981; Closing Date - March 31, 1986

This credit became effective on April 20, 1981.

Credit No. 1015-TA - Grain Storage and Milling Project:
US\$43.0 million Credit of April 15, 1981; Closing Date -
June 30, 1987

This credit became effective on July 15, 1981.

EDUCATION SECTOR

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

Overall project completion has reached 56%. Construction of VMT houses and two secondary schools has been delayed due to lack of building materials, means of transport, local funds and incentives on the part of the villagers. While the overall educational objectives of the project will be met by the closing date, the specific objectives of the secondary school facilities' survey will only be partially fulfilled.

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

Design work is near completion and physical project implementation is gaining momentum. Tenders for civil works are either under evaluation or contracts have been awarded. Due to increase in construction cost, the cost of civil works to be financed under the project is expected to be above appraisal estimates. Implementation of educational objectives is reasonably underway and related issues have now been properly identified and will be addressed accordingly.

Credit 1056-TA - Seventh Education Project: US\$25.0 million
Credit of September 26, 1980; Date of Effectiveness -
December 29, 1980; Closing Date - December 30, 1986

The Project Implementation Unit (PIU) has started providing position briefs to respective Directorates of the Ministry of Education. In addition, briefs on primary education and support services have also been prepared. Nominations for fellowships for the National Examination Council and for Teacher Training Colleges are being processed but little progress has been achieved for acquiring technical assistance. Work for the Teacher Training Colleges in Zanzibar is ahead of schedule. Sites have been selected and a team from the PIU visited Zanzibar to carry out preliminary surveys. Staff houses are now available for use by the faculty of the Nkrumah College.

TOURISM SECTOR

Credit No. 860-TA - Tourism Rehabilitation Project: US\$14.0
million Credit of January 22, 1979; Date of Effectiveness -
August 24, 1979; Closing Date - June 30, 1983

Project implementation is progressing satisfactorily. Recruitment of project coordinator is being finalized and the consultants for the rehabilitation of project lodges and hotels, have been appointed. The construction site identified for the Hotel and Tourism Training Institute (HTTI) proved to be unsuitable because of size and shape, thereby delaying implementation of this component. Alternative sites are being explored. Improvements to the airport terminal is likely to be dropped because the Government was able to secure alternative financing. Vehicles for anti-poaching activities have been received and allocated to TANAPA and the Ngorongoro Conservation Authority. Tenders for the supply of radio telephone and binoculars are being prepared.

TRANSPORT SECTOR

Credit No. 507-TA - Highway Maintenance Project: US\$10.2 million Credit of August 21, 1974; Date of Effectiveness - November 20, 1974; Closing Date - December 31, 1982

After a slow start, project implementation improved and all equipment procured through ICB has been delivered. However, it became necessary to recast the project by amending its scope to address organizational problems encountered in its implementation. The previous Closing Date of December 31, 1980 has been postponed to December 31, 1982 to allow for completion of the project and the disbursement. The technical assistance contract with the consulting firm "ORT" expired in November 1979, and the Government is now recruiting individual experts to complete the project.

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

Although implementation has been slow due to delays in creating Regional Transport Companies and in procuring trucks, some improvement has been recorded recently and the Government's contribution to the National Trucking Company for equity in the transport companies was increased to T Sh 28 million, still falling short of T Sh 50 million to be made up in 1981/1982. Technical Assistance has been extended since 1978; currently about 18 experts are assisting in the project implementation. All five regional trucking companies were created in early 1981 and a Board of Directors appointed with most of management staff recruited.

Credit No. 876-TA - Fifth Highway Project; US\$20.0 million Credit of March 2, 1979; Date of Effectiveness - December 3, 1980; Closing Date - December 31, 1984

This is a follow-up to credit No. 507-TA in the maintenance of the national trunk road system. All three key advisers and six key local staff are now in post. All 120 students are receiving training in various engineering colleges overseas and are making good progress. Bids for procurement of road maintenance equipment have been received, and are being analyzed by the Government.

PORTS SECTOR

Credit No. S-24-TA - Dar es Salaam Ports Engineering Project:
US\$2.5 million Credit of February 27, 1980; Date of Effectiveness
- August 13, 1980; Closing Date - September 30, 1981

Project implementation is progressing well. The consultants have submitted a number of reports and drawings to the Tanzania Harbours Authority (THA) for their review and comment. The only major problem is one of coordination concerning the commissioning of the new oil jetty which requires that all of the necessary pipe work link to the refinery and the existing network be completed and ready for use as soon as the jetty is completed. This problem has been raised with THA and it was asked to take a firm decision on who will prepare the design, carry out the actual site work, and finance the foreign exchange costs of the activities.

URBAN SECTOR

Credit No. 495-TA - National Sites and Services Project;
US\$8.5 million Credit of July 12, 1974; Date of Effectiveness -
October 3, 1974; Closing Date - December 31, 1980

Infrastructure construction has been completed satisfactorily in all project sites. Construction of health facilities in Dar es Salaam is completed and ready for occupation. Educational facilities for the Dar es Salaam sites have been completed; the rest of the community facilities in the project are nearing completion. Satisfactory progress is being made to improve implementation of the lending program administered by the Tanzania Housing Bank. As the remaining balance under the credit of US\$1,713,650 was expected to be fully disbursed within three to four months after the December 31, 1980 closing date, this date was not postponed; application for final disbursement was submitted in May.

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

Progress on implementation is satisfactory for the residential components although overall implementation progress is slow. In order to accelerate progress on house consolidation under the first project, initiate cost recovery in squatter areas, and strengthen the Dar es Salaam City Council, the Government, THB, SIDO, Dar es Salaam City Council, and the Association have all agreed to reshape the project. The changes included: addition of management costs for the DCC consolidation unit and a collection unit within the Treasury; strengthening of the DCC maintenance operations; deletion of the Nutrition Extension and MCH guidelines and SIDO's second site in Tabora which was necessitated by a cost overrun on the first site; and reduction of THB house loans. Funds for the consolidation and collection units have been provided through marginally trimming

the demonstration houses, community facilities, THB/ARDHI promotion and training, and savings on the Finance Study and project preparation. The reshaping was finalized in July and recruitment for the new management unit is underway.

WATER SUPPLY SECTOR

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

The new water system is expected to be in operation by August 1981 and the Mindu dam will be completed about 18 months later or about two years after the date scheduled at appraisal. In view of the continuing poor performance of the contractor (Cicol) for the Mindu dam, the Government had to terminate their contract and negotiations with the initial bidder is currently in progress. The project cost is currently estimated at US\$30.1 million, or about 56% over the appraisal estimate of US\$19.2 million. Progress in project implementation and the expected large increase in project cost is being closely monitored. The loan closing date of June 30, 1981 was not postponed pending receipt from the Government of a realistic schedule for completion of the project and indication of how they intend to finance the cost overruns. The National Urban Water Authority (NUWA), an autonomous body responsible for the urban water supply sector, was established in April 1981 in line with the Bank's recommendation for the strengthening of the sector. The Ministry of Water and Energy has commenced identifying the key personnel for NUWA which is expected to be fully operational by December 1981. A 35% increase in urban water tariff levels has been effective since January 1980; a further 32% increase, required as of January 1981, has not yet been implemented.

ENERGY SECTOR

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

The project was financed by IBRD, SIDA and KfW. Project completion is on schedule and the generators have been commissioned. Due mainly to underestimation of the project costs by the engineering consultants, current estimated project cost is US\$97.8 million, compared to appraisal estimate of US\$89.2 million, a cost overrun of 28%. KfW and SIDA have increased their contribution to the project and an EEC Special Action Credit (No. 55-TA) in the amount of US\$7.0 million, to be administered by IDA, has also been allocated to the project to cover the cost overruns. Disbursement of IBRD, SIDA and KfW funds is virtually completed; disbursement of the EEC Special Action Credit is proceeding satisfactorily.

Credit S-27-TA - Songo Songo Petroleum Exploration Project:
US\$30.0 million Credit of June 30, 1980; Date of Effectiveness -
September 12, 1980; Closing Date - September 30, 1982

Drilling of the onshore well under the project has been abandoned because of various technical difficulties which were aggravated by managerial problems, particularly the absence of close and effective project control. Drilling of the offshore well is proceeding satisfactorily. Little progress has been made on the technical assistance component of the project, except for the TPDC management and fiscal study, where consultants are already in the field.

INDUSTRIAL SECTOR

Loan No. 1172-TA - Tanzania Investment Bank: US\$15.0 million
Loan of November 12, 1975; Date of Effectiveness - February 20,
1976; Closing Date - December 31, 1981

This loan is fully committed. However, because of slow implementation of some of the sub-projects financed by TIB under this project, the closing date has been postponed to December 31, 1981 in order to finalize disbursement. The undisbursed balance remaining under the loan to date is US\$950,000.

Loan No. 1498-TA - Tanzania Investment Bank: US\$15.0 million
Loan of December 28, 1977; Date of Effectiveness -
April 3, 1978; Closing Date - June 30, 1983

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

Loan No. 1750-TA³ - Tanzania Investment Bank: US\$25.0 million
Loan of August 20, 1979; Date of Effectiveness - February 5,
1980; Closing Date - June 30, 1984

This loan became effective on February 5, 1980 and commitments and disbursements are progressing better than estimated at appraisal. In the light of the difficult situation in Tanzania, particularly the severe foreign exchange shortage, TIB is revising its operational strategy to focus in the near-term on providing funds which would enable projects to replace, balance, or modernize their machinery and equipment, improve capacity utilization, promote exports, and otherwise assist improvement of balance of payments. TIB is also being encouraged to use a portion of the Bank's loan, on an exceptional basis, to meet part of the requirements for imported inputs of some of its high-priority projects which are likely to face very low capacity operation, or even closure, following meagre allocation of foreign exchange.

³In addition, a US\$15.0 million EEC Special Action Credit in support of this project is being administered by IDA.

Loan No. 1128-TA - Mwanza Textile Project: US\$15.0 million
Loan of June 19, 1975; Date of Effectiveness - October 6,
1975; Closing Date - December 31, 1981

The project provides for expansion of an existing textile mill and is designed to increase annual fabric production capacity by 20 million linear meters. Project implementation performance has been acceptable and all technical installations are now operating satisfactorily. The National Textile Corporation (TEXCO), the holding company for state-owned textile mills, has agreed to institute an immediate action program to improve the operating performance of existing mills. The project was technically completed in October 1978 with a savings of about US\$1.7 million. In order to utilize this amount for rehabilitation of the existing facilities, which are essential parts of the project, and in order to finalize disbursements on the awarded contracts, the Closing Date was postponed by another six months to December 31, 1981.

Credit No. 601-TA - Technical Assistance Project: US\$6.0
million Credit of January 9, 1976; Date of Effectiveness -
September 14, 1976; Closing Date - June 30, 1982

The project was designed to assist the Government in implementing its program of economic development through financing preinvestment and feasibility studies for projects in the productive sectors, special studies for improving efficiency and capacity utilization investments, and training for Tanzanians in project preparation, implementation, evaluation and related techniques. Although the credit was virtually completely committed, some previously approved studies were cancelled and about US\$90,000 - 100,000 became available from savings on other studies. The Closing Date was therefore postponed by 12 months to June 30, 1982 to continue disbursement on the amounts already committed for studies already in progress.

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

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

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

Project implementation is progressing satisfactorily in spite of some problems encountered with the awarding of the civil works contract. No further delay is anticipated in project completion.

Credit No. 875-TA/Loan No. 1650-TA - Mufindi Pulp and Paper Project: US\$30.0 million credit and US\$30.0 million Loan, both of April 6, 1979; Date of Effectiveness - April 15, 1980; Closing Date - December 31, 1983

Lack of progress in implementing essential related infrastructure outside the project, particularly the township, has caused project delays. Total project cost has now increased by about US\$111 million, or 40% above appraisal estimate. Financing of the foreign exchange component of the township is being arranged through a subsidiary loan from the Kuwait Fund. Consultants have been requested to review the project's implementation schedule, define its critical elements, and revise its cost estimates.

Loan No. 1745-TA - Tanganyika Development Finance Company, Ltd. (TDFL) Project: US\$11.0 million Loan of July 27, 1979; Date of Effectiveness - November 1, 1979; Closing Date - December 31, 1983

The loan is about 70% committed and disbursement is proceeding satisfactorily.

Credit No. 1060-TA - Second Technical Assistance Project: US\$11 million Credit of October 24, 1980; Date of Effectiveness - February 10, 1981, Closing Date - June 30, 1985

This credit became effective on February 10, 1981 and TIB is currently in the process of recruiting an agricultural economist for the Technical Assistance Unit. Processing of study applications is proceeding smoothly, the general training component is also being implemented satisfactorily.

EXPORT REHABILITATION PROGRAM

Credit No. 1133-TA - Export Rehabilitation Program: US\$50.0 million Credit of April 24, 1981; Date of Effectiveness - May 12, 1981; Closing Date - March 31, 1982

This credit became effective on May 12, 1981 and approximately US\$5.0 million have been disbursed. The new institutional arrangements for import allocation are working well. A draft policy statement for both agricultural research and extension have been prepared and are being incorporated within an overall agricultural policy document. The target for the Government's own contribution to the foreign exchange requirements of agriculture was actually exceeded during the period April 1-June 30, 1981.

EAST AFRICAN COMMUNITY

There are currently five projects in execution in the East African Community.⁴

Loan No. 638-EA - Second Harbours Project: US\$35.0 million
Loan of August 25, 1969; Date of Effectiveness - December 16,
1973; Closing Date - December 31, 1977

Loan No. 865-EA - Third Harbours Project: US\$26.5 million
Loan of December 18, 1972; Date of Effectiveness - April 16,
1973; Closing Date - June 30, 1978

The Second Harbours project included financing for five general cargo berths and a single bay tanker terminal for the Port of Dar es Salaam; two general cargo berths and a bulk cement wharf for Mombasa; tugs, lighters, cargo handling equipment, offices, housing and general improvements for both ports. The Third Harbours project included three new deep water berths, modernization of two berths and a lighterage quay, a training school building and central repair area for Dar es Salaam; modernization of several berths and a lighterage quay, construction of a tug berth, cold storage facilities and a training building in Mombasa and improvement of a lighterage quay in Tanga. Construction of all major project elements has been completed and a joint project completion report was issued in January 1979. Because of shortage of funds under both loans, the following minor project elements have not been submitted for Bank financing: the second phase of modernization of the lighterage quay and a training school for Dar es Salaam, modernization of the lighterage quay and a training school for Mombasa. Locally financed contracts have been awarded for these project elements with the exception of the modernization of the lighterage quay in Mombasa. General cargo throughput has increased above appraisal forecasts for Dar es Salaam, and cargo handling productivity has improved with increasing throughput; however, port labor productivity has stagnated in Mombasa where general cargo throughput has declined considerably. Legislation to establish a Tanzania Harbours Authority and a Kenya Ports Authority has been enacted. Management of Ports in both countries is competent. Some US\$34.50 million of Loan 638-EA and US\$26.15 million of Loan 865-EA has already been disbursed. The agreed allocation of undisbursed funds of October 1, 1977 between the countries concerned is given below:

⁴Since October 1, 1977, the East African Community loans (excluding the East African Development Bank) have been disbursed on the basis of separate national guarantees. The agreed allocation of undisbursed balances for each loan, as proposed in a report to the Executive Directors dated December 29, 1977 (R77-312) and approved on January 12, 1978, is given in this Annex. The Closing Date for loans 638-EA, and 865-EA have passed. However, since the amount allocated to and guaranteed by each Partner State is clearly identified under the terms of the Agreement signed on January 25, 1978 as proposed in the above report (R77-312), we are continuing disbursements.

<u>For Loan No. 638-EA</u>	<u>(US\$ million)</u>
Kenya	0.7
Tanzania	<u>0.6</u>
Total	1.3 ===

<u>For Loan No. 865-EA</u>	
Kenya	1.7
Tanzania	<u>0.3</u>
Total	2.0 ===

Loan No. 914-EA - Third Telecommunications Project: US\$32.5 million Loan of June 22, 1973; Date of Effectiveness - September 19, 1973; Closing Date - December 31, 1979

The project included provision for procurement of local telephone exchange equipment, cables and subscriber apparatus, microwave and UHF/VHF systems and multiplex equipment, interurban cables and wires, automatic switching and signalling equipment, telegraph, telex and data equipment, and training. All project items except the microwave radio system have been completed; this system is likely to be completed by mid-1980. The slippage of the project's completion was due to initial delays in procurement caused by staffing and other problems associated with the relocation of headquarters. About US\$32.20 million of the loan had been disbursed to date. The agreed allocation of undisbursed funds as at October 1, 1977 among the countries concerned is as follows:

	<u>US\$ Million</u>
Kenya	2.4
Tanzania	3.5
Uganda	<u>0.1</u>
Total	6.0 ===

Loan No. 1204-EA - East African Development Bank: US\$15.0 million Loan of March 1, 1976; Date of Effectiveness - June 7, 1976; Closing Date - March 31, 1980

The environment within the Community has continued to have a negative impact on EADB operations. Level of operations both for appraisal and supervision has been depressed, but there has been some improvement in the state of the portfolio with the arrears affected portfolio falling from 50% as of June 30, 1977 to 43% as of June 30, 1979. Some US\$11.73 million of the loan has been disbursed to date, and the uncommitted balance amounts to US\$3.0 million.

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COUNTRY PROGRAM PAPER

TANZANIA

Postscript

The CPP dated October 14, 1981 was reviewed on November 4, 1981 in a meeting chaired by Mr. Clausen. The discussions focused primarily on Tanzania's structural adjustment problems and the absence of agreement with the Bank and the IMF on a program to improve economic performance. The principal issue addressed was that of the appropriate level and composition of Bank Group lending in these conditions.

In the light of the discussion, the following decisions were taken:

- (a) Until the Government accepts a coherent program consistent with the serious economic problems of the country, further lending would be limited to a small number of projects which could be justified even in the prevailing circumstances, specifically the Petroleum Exploration Project (\$13 million), TDFL II (\$10 million), and Technical Assistance III (\$10 million). The Government should be informed of this

during the course of the visit of Messrs. Clausen and Wapenhans in November 1981 and further informed that substantial Bank Group assistance, including non-project assistance, could be expected only if there were agreement on appropriate reforms.

- (b) The situation with respect to limited amounts of project lending beyond FY82 would be reviewed toward the end of FY82 in the light of the status of the structural adjustment discussions and the reports of the Advisory Group.
- (c) As recommended in the CPP, the Bank should inform the Government that it would convene a Consultative Group meeting only if there was some prospect for agreement with the Bank and the IMF on an acceptable program for recovery.

Eastern Africa Regional Office
November __, 1981

TANZANIAENERGY SECTORBackground

1. Tanzania's energy consumption is small (about 67 kg. per annum coal equivalent). The rural population primarily relies on forestry resources for its energy needs. Commercial energy consumption is considerably below that of other African countries. The rate of growth of demand for commercial energy fell between 1975-80, following the steep increases in oil product prices and the resulting import restrictions, higher domestic prices and conservation measures introduced by the Government.
2. The impact of petroleum imports on the country's balance of payments is heavy, about 20% of merchandise imports and 52% of exports. Even on the optimistic assumption that hydropower and coal resources could be substantially developed over the next decade to meet about 20% (compared to the present 10%) of total commercial energy demand by 1990, the petroleum import bill could exceed US\$1 billion (in 1990 prices) by that year, equal to about 30% of total projected merchandise imports. Thus, development of domestic energy resources, and hydrocarbons in particular, is a paramount economic priority.

Energy Resources

3. Tanzania's energy resources are sizeable in comparison to its present consumption. The hydropower potential is about 1,400 MW and is the most exploited resource to date with an installed capacity of about 248 MW. A significant offshore gas discovery has been made at Songo Songo 100 miles southeast of Dar es Salaam but much of the sedimentary areas suitable for oil and gas generation and accumulation remains unexplored. Steam coal deposits in the south-west are estimated at about 1,300 million tons but their remoteness has made large scale exploitation difficult on technical and economic grounds.

Bank Operations in the Energy Sector

4. The Bank Group has invested US\$107 million in energy projects costing over US\$230 million. Three power projects accounting most of the generation capacity added during the seventies (including Kidatu Phase I and II which you will visit) have been completed. In 1980, an IDA credit of US\$30 million financed the first exploration drilling for oil and gas in the Songo Songo area. The project confirmed a large gas deposit and has indicated presence of liquid hydrocarbons. A second phase exploration project in Songo Songo is scheduled for negotiations in November 1981 and cofinancing is envisaged from the OPEC Fund and the European Investment

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Bank. An appraisal mission for a fourth power project (Mtera, FY83) to harness the remaining 70 MW potential of the Great Ruaha River (on which Kidatu Phase I and II are located) is scheduled in December 1981 and an engineering credit for coal is scheduled for appraisal in February 1982. In addition, the Bank played an active role in the negotiation of an agreement between Shell and the Government under which Shell would carry out petroleum exploration in a large onshore tract in return for a share in the potential hydrocarbon production.¹

Sector Development Strategy and Investment Priorities

5. The Government has accelerated efforts to exploit the domestic energy potential. It has decided to undertake petroleum exploration on its own in the Songo Songo area, which is unlikely to attract private sector participation because of the small size of the block, but to seek private sector involvement in other areas as manifested by the recently concluded agreement with Shell. Similar arrangements are being discussed with other foreign companies. Legislation enacted in 1979 forms the basis for promoting private sector participation in petroleum sector and provides appropriate incentives for continued private sector involvement for development of the hydrocarbon resources discovered. In coal, the Government has initiated discussions with a foreign company but progress has been slow because of the limited export possibilities, high transport costs and limited and low quality of the resource. Thus coal development will most likely have to be undertaken with financial investment by the Government and primarily aimed at domestic requirements.

6. A high priority for the Government must be to set investment priorities taking into account scarce financial resources. We have included financing for 36 man months of consultancy services (an economic advisor and an energy specialist) under the Songo Songo Petroleum Exploration Project (Cr. S-27-TA of June 30, 1980) to initiate work on an energy plan, review energy pricing, help develop a domestic capability to prepare and appraise energy projects and coordinate energy studies. In addition, IDA proposes to carry out an energy assessment in mid-1982 which will form the basis for future discussions with the Government about energy sector issues, particularly, pricing, development strategy and investment priorities.

7. The Ministry of Water and Energy is responsible for overall energy planning and development of hydro and petroleum resources in Tanzania. Minister Al-Noor Kassum (who will accompany during your site visit to Kidatu hydroelectric projects) is an Asian who began his career as a lawyer

¹Initially, Shell had made implementation of the exploration program contingent upon the Bank's financial participation in it. A project for this purpose was scheduled in FY82. Subsequently, however, Shell accepted the Government's request to proceed with the exploration without Bank participation. We therefore dropped the project from our lending program.

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in Dar es Salaam in the fifties. He was elected to the Parliament in 1959 and since then has held many portfolios, although he is not a member of the Party's (CCM) central committee. Considered a capable manager, he has on occasions promoted large scale development schemes (like the Stiegler's Gorge)¹ which ignore economic realities in Tanzania. He will provide a full brief on the energy sector and is likely to urge greater cooperation with the Bank.



¹The Stiegler's Gorge project is expected to produce about 600 MW of power and to cost about US\$1 billion. The project schedule calls for its completion by 1988/89. Although the project could be economically attractive if operated at rated capacity, the issue is one of timing because, in our assessment, Tanzania could not absorb the power until the late 1990s or later.

TANZANIAKIDATU HYDROELECTRIC PROJECTS, PHASE I AND IIProject Data (Phase I, Loan 715-TA)

Loan Amount: US\$35 million
 Date Approved: December 8, 1970
 Closing Date: June 30, 1976
 The loan is fully disbursed

Project Data (Phase II, Loan 1308-TA)

Loan Amount: US\$30 million
 Date Approved: July 1, 1976
 Closing Date: December 31, 1981
 The loan is fully disbursed.

Project Description

1. Phase I: Construction of a hydroelectric power complex at Kidatu on the Great Ruaha River comprising a regulatory dam, headrace and tailrace tunnel and an underground power station with 100 MW capacity; 15 MW expansion of diesel generating capacity at Ubongo near Dar es Salaam; construction of single circuit 220 KV transmission line from Kidatu to Ubongo and consulting services to implement the project and to study its ecological effects.
2. Phase II: Construction of a dam at Mtera (upstream of Kidatu) on the Great Ruaha River to provide yearly water regulation; extension of the underground power station at Kidatu by additional 2 x 50 MW units; a 90 MVA transformer at Morogoro; consulting services to implement the project and training of TANESCO staff.

Implementation Experience

3. Both projects were completed on schedule and no major difficulties were encountered during their implementation. They were the largest projects then implemented by a Tanzanian agency and they required management of logistical support in difficult and remote areas. Sweden, Canada, Germany and EEC were cofinanciers. Both projects suffered cost overruns (about 10% each) largely due to a rapid increase in the civil works cost that could not be anticipated at appraisal.

Implementing Agency

4. Tanzania Electric Supply Company (TANESCO) is a Government owned generation and distribution monopoly under the Ministry of Water and Energy. It is one of the most effectively managed parastatal agencies in Tanzania as reflected by its ability to plan and implement generation capacity ahead of the country's power requirement and by the successful operation of the power system. It has also Tanzanianized its entire top management during the seventies through a well coordinated training program.

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Problems

5. TANESCO's financial situation is deteriorating for two main reasons. Foreign exchange shortfalls have resulted in an inadequate supply of diesel and other imported inputs available to TANESCO and this has caused interruptions in the power supplied from its thermal units. The Government agreed under the two projects to maintain a 7% rate of return each year on TANESCO's average net revalued fixed assets in operation. The Government has allowed tariff increases (30% in 1974, 40% in 1976 and 42% in 1979), but these have not been sufficient to enable TANESCO to meet the tariff agreement because of rapidly increasing recurrent costs (particularly of the imported diesel and supplies), a steep upward revaluation of assets to reflect their replacement value, and long delays by the Government in approving the tariff increases. We are scheduled to appraise a power project later this year to harness the remaining power generation potential at Mtera on the Great Ruaha River (on which Kidatu Phase I and II are located). Under this project, we will address in detail the issue of TANESCO's deteriorating financial situation and will seek appropriate measures, including adjustment in the structure and level of tariffs, to ensure its financial viability in the eighties.

Site Visit

6. You will see the underground power house, stepup substation, and the drive to the Kidatu dam. The road to the dam site runs parallel to the underground headrace tunnel. You will be accompanied during the visit by Minister Al Noor Kassum of Water and Energy, and TANESCO officials.

TANZANIAMOROGORO INDUSTRIAL COMPLEX (LOAN 1385-T-TA AND 1386-TAProject Data

Loan Amount:	US\$23.0 million
Date Approved:	March 29, 1977
Closing Date:	December 31, 1981
Amount Undisbursed:	US\$2.4 million

Project Description

1. Establishment of 65 hectares of industrial estate including land development, road network, provision of utilities, four standard factory buildings and housing for senior personnel; shoe factory designed to produce two million each of leather and canvass shoes for export per year; and a leather goods factory consisting of a number of working areas in which craftsmen would produce leather goods with simple hand tools. Related industries in the complex but not financed by the Bank include a tannery (Bulgaria) and a canvass mill (EEC).

Implementing Agency

2. The project was initially implemented by the National Development Corporation (NDC). NDC, formed in 1964, is the principal Government owned agency responsible for industrial promotion in Tanzania. NDC has started most of the important public sector manufacturing activities in the country (such as textiles, small industries, leather, paper and chemicals) and these have now been placed under separate Government owned agencies. In addition, NDC directly controls equity in more than 20 smaller manufacturing enterprises ranging from beer making to glass manufacturing. On the whole, the NDC owned companies made profits in 1979/80 but individual companies, particularly those dependent on imported raw materials have made serious losses. NDC has attracted better talents in the country and has provided most of the top management in the public sector enterprises. The project is now being implemented by Tanzania Leather Associated Industries, which has responsibility for collection and marketing of hides and skins, leather processing and manufacturing of shoes and leather goods.

Implementation Status

3. The physical construction of the industrial estate and the shoe factory is substantially completed. The machinery for the leather goods factory has been delivered to the site and is awaiting installation. The project has been implemented without major delays. The project, however, is facing major operational problems. The shoe factory is producing at less than 10% of its capacity with no exports. The overriding problem is

that the foreign operational managers do not appear to have technical and marketing capabilities to turn the shoe factory into a viable operation. There are also other major problems which reflect the overall problems confronting the industrial sector: (i) foreign exchange difficulties limit the availability of imported raw material such as synthetic soles, even though the shoe factory can potentially earn more foreign exchange than it will use; (ii) adjustment in the exchange rate consistent with the needs of the rest of the economy is not likely to be sufficient to make the shoe factory financially profitable if all of the shoe production was exported; therefore the factory is likely to need special export incentives; (iii) processing costs are high mainly due to high labor costs as well as low labor productivity; and finally (iv) the training programs included under the project have lagged considerably and have proven inadequate considering that labor is drawn mainly from a rural population with little industrial experience. In hindsight, the project was clearly larger than was appropriate under Tanzanian conditions.

Industrial Sector

4. In the 1970s, the Government saw rapid industrialization as a major means of achieving economic self-reliance. The blueprint for industrial development was adopted in 1972 in the form of the Basic Industry Strategy. Responsibility for industrial development was placed in the hands of government-owned parastatals, many of which were specifically established for this purposes. However, performance in the industrial sector has not lived up to expectations. Despite large investments, production rose very slowly during the 1970s and has probably fallen in more recent years. Correspondingly, productivity has been falling and capacity utilization is now estimated at less than 30%. With recent shortages of imported raw materials and spare parts, as well as infrastructure weaknesses in power, water supply and transport, many industries have in fact been forced to close down.

5. In addition to the recent problems resulting from a lack of foreign exchange and infrastructural support, the industrial strategy adopted by Tanzania has run up against a number of more fundamental constraints. Firstly, the rapid growth of industries and parastatals has over-extended the country's management and manpower resources. At Independence in 1961, trained manpower was almost non-existent and the deficit of skilled manpower grew throughout the 1960s and 1970s as the development program expanded. Today, almost all parastatals (of which there are over 50 in the industrial sector alone) are poorly staffed and managed. Secondly, financial resources for industrial development have also been inadequate. This is reflected in high debt/equity ratios, weak working capital structures, and inadequate attention to operations and maintenance in manufacturing enterprises. Thirdly, the increasing distorted incentive system in the economy has discouraged productivity improvements. This includes inadequate provision for incentives in wages and income policy (a Party paper on this was released over a year ago, but there seems to have been little follow up to date); maintenance of

pervasive price controls, with little regard for comparative advantage; and an increasingly over-valued exchange rate, which has discouraged export development.

6. These issues were analyzed in detail in the Bank's Basic Economic Report of 1977. The report concluded that the capital and foreign exchange requirements of the basic industry strategy are very high in the early years and industrial production and the gross domestic product would be actually less under this approach than under an alternative strategy. Further, the emphasis on industrial development diverted attention from agriculture, the performance of which is critical to success elsewhere in the Tanzanian economy. Without an expanding monetary agricultural sector, to provide needed raw materials and absorb industrial products, there was little opportunity for the industrial sector to develop. Finally the basic industry strategy places high demand upon planning capacity, one of the scarcest resource in Tanzania. The report stressed the need for improvement in the policy environment under which the industrial sector operated and suggested specific measures in pricing and tariff regime, incentive framework, and export promotion areas as well as measures to consolidate the sector by improving capacity utilization, investment planning and parastatal accountability. We discussed the findings of the Basic Economic Report with the Government in 1978 and there was major strain over our recommendations. Apart from some limited measures on export promotion and limited price decontrol, the Government has not implemented the recommendations of the Basic Economic Report.

Site Visit

7. You will visit the shoe factory. You will be accompanied by officials of the complex and possibly by Minister Mramba of Industries. Mr. Mramba, formerly the Director General of the Small Industries Organization, has been appointed to the portfolio less than a year ago. He is keen to address the problems of the industrial sector, particularly those with export potential, and has asked the Bank for assistance in resolving them. We expect to have a presentation, followed by a discussion, on this subject. You should ask Minister Mramba how the Government intends to address the critical problems facing the industrial sector, given the limited financial (particularly foreign exchange) resources likely to be available. In particular:

- (a) what plans does the Government have for consolidating the sector, including closing down some operations and cancelling some of the less-essential projects under implementation?
- (b) what adjustments in industrial strategy and policies would be needed for the development of a healthier and more viable industrial sector in the future?

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- (c) how the Government intends to address the longer term problem of skilled manpower shortages and what it intends to do to ensure that external technical assistance is competent and effectively utilized.

TANZANIAMEETING WITH PRESIDENT NYERERENOVEMBER 24, 1981Biographical Details

1. President Julius Kabaraga Nyerere was born at Butiama, near the eastern shore of Lake Victoria, about 57 years ago and is known to his people as "Mwalimu," the Teacher. Son of the Chief of the small Zanaki tribe, he went to Roman Catholic boarding school at Musoma, Tabora Secondary School (where many future politicians crossed paths) and Makerere University College, Uganda. In 1945 he began teaching history and biology at St. Mary's Mission School in Tabora and in 1949 became the first Tanganyikan student to go to a British university, taking an arts degree at Edinburgh. It was there that he first evolved his political philosophy - which is a blend of African communal values, Western socialism and his own deep Christian faith.

2. He returned to Tanganyika and resumed teaching in Dar es Salaam in 1952. He became active in politics and founded the Tanganyika African National Union (TANU) in 1954, which sought independence and self-government through peaceful means. In 1958 he was elected to the Legislative Council and became Chief Minister after the September 1960 elections, when TANU-backed candidates won 70 of the 71 seats. Independence came without violence in December 1961, thanks to TANU's strength and unity and Mr. Nyerere's leadership. He has remained in office ever since. He is a hard-working, self-critical leader deeply committed to improving the welfare of the rural population and opposed to economic privilege and corruption. He is one of only six of the original signatories of the OAU Treaty of 1963 (now embracing 50 states) who are still in office.

Topics for Discussion

3. Despite his recent attendance at the Cancun Summit and his possible interest in the Sub-Saharan Africa Study, the subject of most concern to President Nyerere will be his country's requirements for emergency assistance from the international community, including the Bank Group. It is also possible that he will raise the subject of a proposed rural development project in his native Mara Region, which was negotiated a year ago but has not been presented to the Board. You may wish to mention the EAC Mediation effort in passing.

Follow-Up to Cancun

4. President Nyerere has been in the forefront of Third World leaders calling for major changes in the international economic system, including the International Monetary Fund and the World Bank. While his

criticism has become sharper in recent months, as a result of disappointing rounds of discussions with the Fund and ourselves regarding possible balance of payments support, his dissatisfaction is longstanding. At the Commonwealth Heads of Government Meeting in Melbourne in September 1981, President Nyerere called for a new Bretton Woods Conference to reexamine the workings of existing international institutions, which he called "inadequate" and "ill designed" to deal with current financial and economic problems. His main complaints are that these institutions are inequitably controlled, inadequately funded, biased in favor of market economies and ineffectual in correcting uneven trade and exchange relationships between countries. He is likely to be especially critical of the IMF for "imposing" lending conditions which are politically unreasonable and socially damaging.

5. In your response, you should stress that these institutions are indeed limited instruments and were designed, not to effect a global transfer of wealth, but to support the domestic economic efforts of its member countries. While the Bank has been trying to protect and expand the resources at its disposal, these remain very limited and must be allocated to those countries best able to set and implement reasonable goals, as well as to adjust these in the light of new circumstances. Tanzania is a country where the Bank has exerted special efforts to support the Government's programs, but where adjustments to international and domestic constraints are now necessary (see para. 9-11 below).

Sub-Saharan Africa Report

6. In mid-October, copies of the Bank's report on "Accelerated Development in Sub-Saharan Africa: An Agenda for Action" were sent to President Nyerere and key officials in the Government. It would be appropriate for you to give President Nyerere a presentation copy of the report at your meeting, and to reiterate the importance you attach to the report's message and the need to address the problems of Sub-Saharan Africa on a priority basis (as you indicated in your Annual Meeting plenary speech).

7. While recognizing the diversity of conditions in different countries of Sub-Saharan Africa, the report identifies a number of common factors which have had an adverse impact on economic performance throughout the region. These include:

- (a) structural factors, such as underdeveloped human resources, disruptions resulting from colonization and post-colonial consolidation, climatic and geographic factors hostile to development, and rapidly growing population;
- (b) external factors, especially the relatively slow growth in primary product trade and deteriorating terms of trade; and
- (c) domestic policy inadequacies. Here three critical weaknesses were identified. First, trade and exchange-rate policies have tended to overprotect industry, hold back

agriculture and absorb administrative capacity. Second, too little attention has been given to administrative constraints, leading to widespread weaknesses in planning, decision making and management capacity, and other over-extension of the public sector. Third, there has been a consistent bias against agriculture in price, tax and exchange-rate policies.

The report concludes that three major policy actions are central to any growth-oriented program: more suitable trade and exchange-rate policies, increased efficiency of resource use in the public sector, and improvements in agricultural policies. However, the report also recognizes that such policy reforms will be difficult, and will require substantial external assistance to be effective (specifically, the report recommended that aid in real terms to Sub-Saharan Africa be doubled by the end of the 1980s). You should assure President Nyerere that the World Bank, for its part, is increasingly gearing its operations to support Sub-Saharan African countries in designing and implementing appropriate programs of structural adjustment and policy reforms.

Requirements for Non-Project Assistance

8. At his last meeting with Mr. McNamara in January 1980, President Nyerere requested urgent import support from the Bank. Mr. McNamara pointed to the need for structural adjustments in the economy to cope with the growing oil bill and especially for major policy initiatives in agriculture. In the event of such adjustments, it was suggested that up to US\$200 million could be made available over three or four years to assist the recovery process. Since then it has been possible to reach agreement on a US\$50 million credit for a limited Export Rehabilitation Program in March 1981. The Tanzanians also accepted the Bank's suggestion to set up an Advisory Group to assist the Government in preparing a broader recovery plan, and this Group has now begun its work. However, to date, there has been little indication that we can expect a major change in policies in the near future. In particular, we are concerned that discussions with the IMF on a possible EFF arrangement remain deadlocked: in addition to the need to move in the general policy direction suggested by the IMF, access to IMF resources is seen as essential to restoring a viable balance of payments position.

9. The President may feel that we have recanted on an undertaking to maintain high levels of support to his country. You should respond that our commitment to the country's development is shown by the nearly \$1 billion we have lent so far (all of this on IDA terms since FY79) and by a number of projects higher than for any other African country. You should say, however, that the results of current economic policies - inadequate incentives to primary producers, large parastatal losses, and a large development program which stretches both budgetary and managerial resources - affect the execution of existing projects and weaken the justification for future ones. The Tanzanians resent the consonance in views between ourselves and the IMF which centers the need for higher producer prices, a

devaluation, less price control and more restrained development spending. If President Nyerere alludes to this, you should make clear that this overlap in views regarding appropriate adjustment policies lies in separate analysis which has reached the same conclusion. Furthermore, these views appear to be shared by many of Tanzania's friends in the donor community.

10. For justifying additional non-project assistance from the Bank, you should emphasize that we would need to see progress in a number of key areas over and above agreement with the IMF. These were referred to in a Memorandum of Understanding agreed to with the Tanzanians in March 1981 (see attachment M to this brief), as well as summarized in the recent CPP:

- (a) Improved maintenance and utilization of existing capacity. This will require a re-orientation of budget expenditures towards recurrent items (allowing more explicitly for the recurrent impact of new investments), higher priority for spare parts and operating requirements within import allocations, and increased numbers and quality of workshop and maintenance staff.
- (b) Reduced allocations and clearer priorities for public investment. The present resource constraints, together with the large requirements for maintenance and operations, will severely restrict the scope for new investment in the near future. The Government will, therefore, have to select new projects carefully, emphasizing rehabilitation, net foreign exchange earnings/savings, and quick-yielding investments. Even projects already under implementation will require critical review and in many cases postponement or cancellation. On a sectoral basis, highest priority will have to be given to agriculture, as well as the supporting processing and transport infrastructure.
- (c) Improvements in incentives. To help direct investment to areas of comparative advantage and encourage improvements in productivity, the present incentive system needs to be reviewed. This includes adjustments in the present trade and exchange regime, a rational interest rate structure, selected price decontrol, and a productivity-oriented incomes and wages policy.
- (d) Reduced government participation in and regulation of the economy. Recognizing the present resource and manpower constraints, and the negative impact on private sector initiative, the Government needs to review its extensive involvement in the economy, with the objective of focussing attention on those areas where its parastatal and planning functions are most needed. Particular areas of concern are the numerous parastatal organizations involved in production and transport activities, and the pervasive Government role in retail and import trade.

11. You should urge President Nyerere to give careful thought to early action on some of these measures, since they are consistent with his own objective of accelerating growth in a socially equitable way. The Bank remains prepared to assist the Government in preparing appropriate recovery measures, and would consider supporting implementation of an overall adjustment package with further non-project lending. However, without policy action, there would be no case for non-project lending, and indeed, it would even become increasingly difficult to justify new project lending in many areas.

East African Community (EAC)

12. The East African Community (EAC) was composed of Kenya, Tanzania and Uganda. It inherited from the former Colonial power and developed further, the Common Services Corporation (Railways, Ports, Telecommunications, Airways etc.) and General Fund Services Corporation (GFS) (training, administration etc.) for the Common Market. Total assets are estimated at about \$1,437.9 million equivalent. The Bank has lent some \$244.8 million, of which \$4.42 million remains undisbursed. All Bank loans to the EAC are covered by joint and several guarantees. The de facto collapse of the EAC, followed the failure of Kenya, Tanzania and Uganda to agree on the EAC GFS budget in mid-1977. Subsequently, following the withdrawal of Kenya and Uganda from the EAC headquarters in Arusha, the Bank assisted the three Governments in advancing a mediation proposal and in appointing Dr. Victor Umbricht (in January 1978) as the mediator to assist them in reaching an equitable settlement of the assets and liabilities of the EAC Corporations and the GFS. The mediator and related services are being financed from the balance of EAC loans and by the United Nations Development Program. The Bank is the executing agency.

13. The mediation exercise started in February 1978. Following receipt of proposals for the allocation of these assets and liabilities, the three Governments have now agreed to negotiations. As allowed under his terms of reference, the Mediator has been asked to chair the negotiations. The Mediator's report and recommendations on the future structure of the East African Development Bank (EADB), prepared as a matter of priority, have already been accepted by the Partner States. The revised charter along with the Treaty to enact the new charter, have been ratified by the three Governments.

14. You should convey our appreciation of the cooperative spirit with which Tanzania has assisted the Mediator in his difficult task and express the hope for an early settlement. You may also wish to encourage the President to do everything in his power to provide for a positive and successful outcome of the mediation effort, following the example of the settlement reached on the EADB. Any agreement would be subject to the rights of creditors and there may well have to be further individual negotiations once the former partner states have agreed. However, the importance of an early settlement for trade and commerce in the region can hardly be overestimated.

Mara Rural Development Project

15. The President's home region, Mara, was to be the site of an IDA-financed rural development project which was appraised in January 1980 and negotiated in December 1980. However, we have deferred presentation of the project to the Executive Directors, in the face of current difficulties with existing rural development projects in Tanzania. These difficulties typify those affecting many projects and include shortages of essential goods not usually covered by project budgets (e.g. spare parts and fuel), inadequate staffing and technical packages which are not attractive, in part because of price distortions. We advised the Government in a letter (included under item M of this brief) this month that we would be prepared to proceed with the project, provided that there is substantial improvement in the implementation of existing projects at Tabora and Mwanza-Shinyanga (including the filling of vacant specialist posts) during the next year and further consolidation of the development budget to emphasize high-priority projects and reduce overall demand for scarce physical and manpower resources in the economy.

TANZANIAMEETING WITH PRIME MINISTER MSUYANOVEMBER 24, 1981Biographical Details

1. Mr. Cleopa Msuya was born in 1931 in Kilimanjaro Region and was educated at Tabora and Makerere College, in Uganda. After sixteen years in the civil service (1956-1972), he served as Minister of Finance (1972-75) and Minister for Industries (1975-1980) before being appointed to his present post in November 1980. Mr. Msuya is very knowledgeable about Bank Group operations.

Topics for Discussion

2. Mr. Msuya will be interested in some of the same topics as Ministers Jamal and Malima. However, you should ask him to brief you on the Government's plans for improving agriculture and rural development policy in the country and stress the importance of major adjustments in Tanzania's industrial strategy.

Agriculture and Rural Development

3. The Prime Minister's Office is responsible for coordinating the administration of Tanzania's twenty mainland regions, including all rural development activities. These efforts are in difficulty as a result of inappropriate agricultural policies, shortages of essential inputs such as diesel fuel and spare parts and a failure to recruit necessary staff (see separate brief for your meeting with President Nyerere). We have been discussing a possible re-design of existing projects to de-emphasize social services such as health care and clean water and concentrate more on improvements in agricultural production. However, even with such modifications, these projects will remain dependent on general progress in improving basic support services to small farmers. These have been very inadequate in recent years for the following reasons:

- (a) Despite public statements about the importance of the sector, agriculture has not received an appropriate share of national resources (e.g. it accounts for less than ten percent of the development budget);
- (b) Within the sector, there has been a tendency to emphasize modernization and public sector production (e.g. major irrigation schemes and state-owned wheat farms) at the expense of basic improvements to traditional agriculture;

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- (c) There is divided responsibility and a lack of coordination for important services such as research and extension among the PMO, the Ministry of Agriculture, the Regional authorities and individual crop parastatals; and
- (d) Most parastatals providing agricultural services are poorly managed or operating on unreasonably low margins (at the present exchange rate).

4. Many Government officials either do not recognize these problems or have given them less attention in the present foreign exchange crisis, which has also affected the ability of parastatals to deliver inputs and collect crops. The Prime Minister has been sympathetic to raising producer prices but would be among the first to acknowledge that complementary improvements are necessary in agricultural services. The Government has already agreed to prepare an action program (expected by the end of the year) for improving agricultural services, but you should ask the Prime Minister what form such remedial measures are likely to take.

5. In the narrower context of our rural development projects, you should also point out that some relatively simple improvements are in order. One of these would be to employ all the internationally recruited specialist staff for which funds were provided in the project budgets. Another would be to keep qualified and effective Tanzanian staff in their positions for longer periods of time, as discontinuity of service has been a serious impediment to sustained progress in some technical areas.

Industrial Strategy

6. Mr. Msuya retains a keen interest in Tanzania's industrial sector, over which he presided as Minister of Industries during the period 1975-1980. You should ask his views on how the industrial strategy needs to change if industry is to make a contribution to economic recovery, and particularly to the promotion of exports.

Advisory Group

7. The Prime Minister was instrumental in March 1981 in gaining Government wide acceptance for the setting up of the Advisory Group. You should ask him what contribution he expects the Group to make and assure him that we look forward to the results of its deliberations with great interest. He is likely to remain supportive of a pragmatic approach to resolving Tanzania's economic crisis that would include a cooperative relationship with the Bank Group.

(Same as for Minister Malima)

TANZANIA

MEETING WITH MINISTER JAMAL

NOVEMBER 24, 1981

Biographical Details

1. Mr. Amir Jamal, the Minister of Finance, has been a life-long associate of President Nyerere, a co-founder of the political party which led Tanganyika to Independence and the most prominent Asian in Tanzanian politics. He was educated in Tanzania and at Calcutta University, where he obtained a degree in economics. He joined his family business in 1943, became active in politics and was elected to Parliament for the first time in 1958 as the Member for Morogoro (a town you will be visiting). He has been a member of every Cabinet since Independence and was appointed to his present post (for the third time) in November 1979. Mr. Jamal was a member of the Brandt Commission and chairman of the 1980 Bank/Fund Annual Meeting. He is Tanzania's Governor of the IMF.

Topics for Discussion

2. Mr. Jamal will doubtless ask what the immediate prospects are for further non-project assistance from the Bank Group. You should emphasize that such assistance would not be possible or fruitful without a major economic reform program, and you should enquire what the Government's plans are, aside from raising more foreign exchange from donors, to deal with Tanzania's crisis. In particular, you should ask the Minister for a progress report on the major measures outlined in the Memorandum of Understanding agreed to in March 1981 (see para. 4 below). You should also ask about the status of the public investment review and why no major projects have been dropped in view of the serious resource shortage.

Non-Project Assistance

3. The requirement for exceptional import financing in Tanzania has been clear for at least three years. In evaluating the case for such assistance, the key question has been whether the Government is close to adopting an acceptable program for dealing with the protracted crisis. After extended discussions, we were able to appraise in October-November 1980 a limited non-project lending operation focussed on agriculture and essential supporting activities (e.g. transport and processing). Measures adopted in connection with this Export Rehabilitation Program included substantial increases in some producer prices, the reservation of adequate

foreign exchange for the import needs of the agricultural sector, improvements in the quality of parastatal accounts, a review of the agricultural price-setting system and the preparation of an action program to improve essential agricultural services, e.g. research, extension, input delivery and crop collection. However, we were not able to reach agreement on wider economic issues such as export promotion and diversification, financial planning and control, parastatal efficiency and higher and sustained incentives to production, which might have been the basis for a larger, longer term, structural adjustment credit.

4. For this reason, during negotiations of the Export Rehabilitation Program in March 1981, an agreement was also reached on a Memorandum of Understanding on Follow-Up Measures which could lead to further non-project assistance. These included more restraint and selectiveness in the public investment program, more emphasis in the recurrent budget on the operations and maintenance needs of the economy, a re-examination of the roles (particularly the purchasing mandates) of the State-owned crop authorities, the introduction of more payments-by-results schemes in industry and a review of subsidy and cost recovery arrangements for public services. The Memorandum made specific reference to the need to maintain drawing rights with the IMF, which everyone understood would mean reaching an accommodation on the exchange rate following a joint Government-IMF study of this issue which was completed in June 1981.

5. There has been some progress under the agricultural aspects of the Export Rehabilitation Program (e.g. cashewnut and coffee marketings are substantially higher than in 1979/80 and the improved foreign exchange allocation system is operating reasonably well). However, in other areas of the Program (e.g. incentives for manufactured and processed exports, debt and aid reporting) progress has been less satisfactory. In the major policy areas addressed by the Memorandum of Understanding there is even less action to report. For example, while the Government has reduced its public investment program for the first time since Independence and there is more emphasis on rehabilitating or improving the use of existing facilities, no major projects have been dropped.

6. We have recently written to the Government to explain what in our view remains to be done (see letter attached under item M of this brief). You should remind the Minister that an agenda of partial adjustment measures has already been agreed upon and that we should be working together to implement them as soon as possible. While we stated that we would be prepared to appraise a follow-up rehabilitation credit as early as September 1981 if there were satisfactory progress against the Memorandum of Understanding, we should advise the Minister that this condition has simply not been met, especially regarding use of IMF resources.

Discussions with the IMF

7. You advised Mr. Jamal in your meeting on September 25 that Tanzania's relations with the International Monetary Fund were critical to the adjustment process and that it remains difficult for us to provide non-

project assistance in the absence of an agreement with the IMF. You should reiterate this position, and make it clear that while our advice is consistent with the Fund's, it is the result of our own analysis. In our view, in the present circumstances, only a limited number of projects which can be protected from the overall environment should go forward; even that may have to change after FY82. You should ask the Minister how soon they expect to be able to react to the negotiating proposals made by the IMF during the Annual Meeting and to offer to them whatever assistance they think we may provide in advancing these discussions.

Progress of the Advisory Group

8. The Advisory Group which was set up at Mr. McNamara's suggestion in August 1981 is expected to evolve a reform program by April 1982. The Principal Secretary of Finance (Mr. Kazaura) informed us during the Annual Meeting that he hoped the Group would make practical recommendations on appropriate recovery measures throughout this period. You may wish to ask the Minister how the Group's work is progressing and how soon he expects to see recommendations about the direction of the Government's economic policies during the next six months.

Consultative Group Meeting

9. We agreed with the Tanzanians during the Annual Meeting to begin preparations for a meeting of the Consultative Group in the Spring of 1982, perhaps in the last week of March. However, we told the Government that in our opinion such a Meeting could be productive only if there were an actual or imminent agreement between the Tanzanians and the IMF, as well as the outline of a recovery program prepared by the Advisory Group. You should ask if this timing would still be appropriate in view of the need to circulate documents to participants by mid-February. The Minister may wish to explore the option of holding the Meeting even without such developments, so as to brief the donor community on Tanzania's needs (the last meeting of the Group was in May 1977) and to build support for a tentative recovery program including an eventual understanding with the IMF. You should reply that early action on all these fronts is highly desirable but that the donor community will be in a more reasonable position to respond to the country's needs once the Government has introduced concrete and coherent recovery measures.

(Same as for Minister Jamal)

TANZANIA

MEETING WITH MINISTER MALIMA

NOVEMBER 24, 1981

Biographical Details

1. Mr. Kigoma Malima, the Minister of State for Planning and Economic Affairs, was educated at Darmouth (1965), Yale (1966) and Princeton (1967). He taught at the University of Dar es Salaam and entered Government in 1974 as Principal Secretary for Finance and Planning. In 1976, he returned to the University to teach economics and was appointed to his present post in January 1980. He is Secretary to the Economic Committee of Cabinet and the General Secretary fo the ruling Party's Standing Committee on Economic Affairs. Mr. Malima is Governor of the Bank.

Topics for Discussion

2. Mr. Malima will doubtless ask what the immediate prospects are for further non-project assistance from the Bank Group. You should emphasize that such assistance would not be possible or fruitful without a major economic reform program, and you should enquire what the Government's plans are, aside from raising more foreign exchange from donors, to deal with Tanzania's crisis. In particular, you should ask the Minister for a progress report on the major measures outlined in the Memorandum of Understanding agreed to in March 1981 (see para. 4 below). You should also ask about the status of the public investment review and why no major projects have been dropped in view of the serious resource shortage.

Non-Project Assistance

3. The requirement for exceptional import financing in Tanzania has been clear for at least three years. In evaluating the case for such assistance, the key question has been whether the Government is close to adopting an acceptable program for dealing with the protracted crisis. After extended discussions, we were able to appraise in October-November 1980 a limited non-project lending operation focussed on agriculture and essential supporting activities (e.g. transport and processing). Measures adopted in connection with this Export Rehabilitation Program included substantial increases in some producer prices, the reservation of adequate foreign exchange for the import needs of the agricultural sector, improvements in the quality of parastatal accounts, a review of the agricultural

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price-setting system and the preparation of an action program to improve essential agricultural services, e.g. research, extension, input delivery and crop collection. However, we were not able to reach agreement on wider economic issues such as export promotion and diversification, financial planning and control, parastatal efficiency and higher and sustained incentives to production, which might have been the basis for a larger, longer term, structural adjustment credit.

4. For this reason, during negotiations of the Export Rehabilitation Program in March 1981, an agreement was also reached on a Memorandum of Understanding on Follow-Up Measures which could lead to further non-project assistance. These included more restraint and selectiveness in the public investment program, more emphasis in the recurrent budget on the operations and maintenance needs of the economy, a re-examination of the roles (particularly the purchasing mandates) of the State-owned crop authorities, the introduction of more payments-by-results schemes in industry and a review of subsidy and cost recovery arrangements for public services. The Memorandum made specific reference to the need to maintain drawing rights with the IMF, which everyone understood would mean reaching an accommodation on the exchange rate following a joint Government-IMF study of this issue which was completed in June 1981.

5. There has been some progress under the agricultural aspects of the Export Rehabilitation Program (e.g. cashewnut and coffee marketings are substantially higher than in 1979/80 and the improved foreign exchange allocation system is operating reasonably well). However, in other areas of the Program (e.g. incentives for manufactured and processed exports, debt and aid reporting) progress has been less satisfactory. In the major policy areas addressed by the Memorandum of Understanding there is even less action to report. For example, while the Government has reduced its public investment program for the first time since Independence and there is more emphasis on rehabilitating or improving the use of existing facilities, no major projects have been dropped.

6. We have recently written to the Government to explain what in our view remains to be done (see letter attached under item M of this brief). You should remind the Minister that an agenda of partial adjustment measures has already been agreed upon and that we should be working together to implement them as soon as possible. While we stated that we would be prepared to appraise a follow-up rehabilitation credit as early as September 1981 if there were satisfactory progress against the Memorandum of Understanding, we should advise the Minister that this condition has simply not been met, especially regarding use of IMF resources.

Discussions with the IMF

7. You advised Mr. Jamal in your meeting on September 25 that Tanzania's relations with the International Monetary Fund were critical to the adjustment process and that it remains difficult for us to provide non-project assistance in the absence of an agreement with the IMF. You should reiterate this position, and make it clear that while our advice is consistent with the Fund's, it is the result of our own analysis. In our view,

in the present circumstances, only a limited number of projects which can be protected from the overall environment should go forward; even that may have to change after FY82. You should ask the Minister how soon they expect to be able to react to the negotiating proposals made by the IMF during the Annual Meeting and to offer to them whatever assistance they think we may provide in advancing these discussions.

Progress of the Advisory Group

8. The Advisory Group which was set up at Mr. McNamara's suggestion in August 1981 is expected to evolve a reform program by April 1982. The Principal Secretary of Finance (Mr. Kazaura) informed us during the Annual Meeting that he hoped the Group would make practical recommendations on appropriate recovery measures throughout this period. You may wish to ask the Minister how the Group's work is progressing and how soon he expects to see recommendations about the direction of the Government's economic policies during the next six months.

Consultative Group Meeting

9. We agreed with the Tanzanians during the Annual Meeting to begin preparations for a meeting of the Consultative Group in the Spring of 1982, perhaps in the last week of March. However, we told the Government that in our opinion such a Meeting could be productive only if there were an actual or imminent agreement between the Tanzanians and the IMF, as well as the outline of a recovery program prepared by the Advisory Group. You should ask if this timing would still be appropriate in view of the need to circulate documents to participants by mid-February. The Minister may wish to explore the option of holding the Meeting even without such developments, so as to brief the donor community on Tanzania's needs (the last meeting of the Group was in May 1977) and to build support for a tentative recovery program including an eventual understanding with the IMF. You should reply that early action on all these fronts is highly desirable but that the donor community will be in a more reasonable position to respond to the country's needs once the Government has introduced concrete and coherent recovery measures.

ANNUAL MEETING 1981 - BRIEFISSUESDelegation

1. Tanzania will be represented at the Annual Meeting by:
- | | |
|------------------------------|--|
| Mr. Amir Jamal ^{1/} | - Minister of Finance (Governor of the IMF) |
| Mr. Kighoma Malima | - Minister of Planning and Economic Affairs
(Governor of the Bank) |
| Mr. Charles Nyirabu | - Governor Bank of Tanzania (Alternate
Governor of the IMF) |
| Mr. Fulgence Kazaura | - Principal Secretary, Ministry of Finance
(Alternate Governor of the Bank) |

Background

2. Tanzania (formerly Tanganyika) is a one-party state which became independent from the United Kingdom in December 1961. In 1964, it formed a federation with Zanzibar, which still enjoys special status, including its own Constitution and the management of its foreign exchange reserves. Political life is dominated by President Nyerere, who despite his relatively young age (57), has been head of government for almost 22 years. The ruling Party, of which he is also Chairman, acts as an important counterweight to the civil service and the military and is increasingly involved in discussing and even determining Government policy. Parliamentary and presidential elections are held simultaneously every five years. The last of these were in November 1980, when President Nyerere stood for office once again, despite earlier wishes to retire from Government and to concentrate his efforts on the Party. Tanzania joined the Bank, IDA and IFC in 1962 and has received 48 IDA credits and 19 Bank loans, two of these on Third Window terms, amounting to US\$926.3 million. In addition, Tanzania has been a beneficiary of 10 loans totalling US\$244.8 million which were extended for the development of the common services and development bank operated by the former East African Community, comprising Kenya, Uganda and Tanzania.

3. Tanzania is facing its worst economic crisis since Independence twenty years ago. In addition to high oil prices - which now absorb more than half of the country's export earnings - the economy continues to feel the effects of the recent war in Uganda, falling prices for some of its major export commodities (e.g. coffee, tea and tobacco) and continued poor weather for agriculture. The Government has taken steps to revive exports, the volume of which fell steadily during the 1970s, but these measures are not likely to bring substantial foreign exchange relief in the short term. The current account deficit is expected to be about US\$830 million in 1981 and almost US\$900 million in 1982. Access to commercial lending is now virtually closed, owing to the high level of import arrears (US\$300 million), a stagnation, if not decline, in export earnings expected in 1981 (US\$560 million) and difficulties in servicing existing debts. Imports have had to be severely curtailed and in 1980 were still no higher than in the mid-1970s. Entire industries have been closed down, and those which are still operating are doing so only at 20-30% of capacity. According to IMF projections, the Government's budget deficit is expected to reach US\$940 million in 1981/82 (up from US\$535 million in 1980/81.)

^{1/} Movements uncertain; he may be present in the week preceding the Annual Meeting.

4. President Nyerere is obviously under considerable domestic pressure to remedy the foreign exchange problem, but his Ministers and officials have had great difficulty in preparing a recovery program which would at the same time attract outside support and be consistent with the deeply held socialist objectives of the Government. The recent breakdown of talks with the IMF was followed by strong speeches and mass rallies defending the Government's right to reject "unrealistic" terms for outside help. While our own relations with the Government are more strained than usual in these circumstances, we are encouraged to note that the Bank-supported Advisory Group (see para. 6 below) has begun its work and that the Government has proposed the convening of a Consultative Group Meeting in early 1982. (The last meeting of this kind for Tanzania was held in May 1977.)

Issues

5. Non-Project Assistance. The Tanzanians can be expected to press strongly for additional non-project assistance from the Bank Group. In evaluating the case for such assistance, the key question is whether the Government is close to adopting an acceptable program for dealing with the protracted crisis. After extended discussions, we were able to appraise in October-November 1980 a limited non-project lending operation focussed on agriculture and essential supporting activities. Measures adopted in connection with this Export Rehabilitation Program included substantial increases in some producer prices, the reservation of adequate foreign exchange for the import needs of the agricultural sector, improvements in the quality of parastatal accounts, a review of the agricultural price-setting system and the preparation of an action program to improve essential agricultural services, e.g. research, extension, input delivery and crop collection. However, wider economic issues such as export promotion and diversification, financial planning and control, parastatal efficiency and higher and sustained incentives to production remain to be addressed satisfactorily.

6. In March 1981, it was agreed with the Tanzanians that an independent Advisory Group would be established to assist the Government in preparing a comprehensive program of economic rehabilitation and recovery. This Group (comprising Mr. Michanek, the former head of SIDA, and Professors Cranford Pratt and Gerald Helleiner of the University of Toronto) is to begin its work in September 1981 and complete it in April 1982. During negotiations of the Export Rehabilitation Program, agreement was also reached on a Memorandum of Understanding on Follow-Up Measures. These included more restraint and selectiveness in the public investment program, more emphasis in the recurrent budget on the operations and maintenance needs of the economy, a re-examination of the roles (particularly the purchasing mandates) of the State-owned crop authorities, the introduction of more payments-by-results schemes in industry and a review of subsidies and still limited cost recovery arrangements for public services. There has been some progress under the Export Rehabilitation Program during the last several months. Cashewnut and coffee marketings are substantially up over 1979/80 levels, and the improved foreign exchange allocation system appears to be operating well. In its most recent agricultural price review, the Government has further increased producer prices for export crops and

finally abandoned the principle of uniform national pricing for major crops. (This policy had imposed unsustainable transport costs and storage losses on the marketing parastatals and was a key example of divergent views between ourselves and the Government on the relative importance of equity and efficiency in economic policy.) The public investment program has also been reduced for the first time since Independence in 1961, and there is more emphasis on rehabilitating or improving the use of existing capital facilities than on initiating new projects. A detailed assessment of such progress has yet to be made, but we expect to be able to report further on this in time for the Annual Meeting.

7. More discouraging has been the virtual breakdown of discussions between the Government and the IMF. Access to Fund resources was interrupted in December 1980, when the Government was found to be in violation of important performance targets (on arrears, public spending and domestic credit expansion) established only three months before. Discussions of a possible EFF credit were begun in March 1981 and were meant to be consummated in June 1981, with the completion of a joint IMF-Government study of the exchange rate. Instead, the June mission was unable to reach agreement with the Government on the need for a devaluation or for other measures such as reduced price controls and higher interest rates. The outlook for an early resumption of these discussions is not very bright. However, without an early settlement with the IMF, it is difficult to envisage an adequate and viable plan for economic recovery. This is so because of the very scale of Tanzania's requirements for exceptional financing and because of a necessary overlap between the IMF's policy concerns (e.g. the exchange rate) and any comprehensive program for rehabilitating the productive sectors of the economy. For these reasons, it was an explicit feature of our Memorandum of Understanding with the Tanzanians that the Government would retain access to the facilities of the Fund.

8. While you may wish to assure the Tanzanians that we remain prepared to assist the Government in preparing further recovery measures and in working closely with the Advisory Group, we should be candid in pointing out that we would be unprepared to provide further non-project assistance unless an agreement is reached with the IMF on exchange rates and more progress is made in adopting the policies necessary for adjustment.

Adjustments to the Lending Program

9. Since the last Annual Meeting, there have been major adjustments in the lending program which have caused concern to the Tanzanians. An example of this is our decision to defer Board presentation of already appraised projects until we could be certain that they fit coherently within the Government's revised public investment program and that ongoing projects within the same sectors are receiving sufficient local funds and other resources necessary to ensure their effective implementation. One of these projects - a rural development project in Mara (President Nyerere's home region) - was actually negotiated in December 1980. Until the necessary

information is available, we are also advising IFAD that a similar project in the Ruvuma Region - which we appraised for them in May 1981 - will not be recommended for financing. In addition, in the absence of the required policy framework, we will probably have to restrict the lending program to certain infrastructure projects which have limited manpower and recurrent cost implications.

10. Overdue Service Payments. Project implementation is holding up surprisingly well, and even improving in certain areas, despite the deepening foreign exchange crisis. However, Tanzania has had great difficulty during the year in promptly meeting its debt service obligations to the Bank Group. On two occasions, in January and June of this year, we have been obliged to threaten suspension of disbursements under all loans and credits within thirty days, unless the overdue payments were cleared. On both occasions, the Government was able to meet the necessary payments. Finally, however, after their failure to meet several long outstanding payments, despite several reminders and a threat of suspension, on September 14, a disbursement suspension went into effect. On September 17, we were advised by Mr. Jamal, Minister of Finance, that all overdues had been cleared and that procedures are being put into effect to prevent recurrence. You may wish to reiterate to the Tanzanians the importance of improving their debt service record and the difficulties which we will otherwise face in defending new lending to them.

September 17, 1981

OFFICE MEMORANDUM

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TO: MEMORANDUM FOR THE RECORD

DATE: September 28, 1981

FROM: David A. Dunn *AD Dunn*SUBJECT: TANZANIA - Mr. Clausen's Meeting with Amir Jamal, Minister of Finance

1. Mr. Clausen met on Friday, September 25, 1981, with Mr. Amir Jamal, the Minister of Finance of Tanzania. Also present were Mr. Kazaura, Finance Secretary, and Ambassador Paul Bomani from Tanzania. For the Bank Group, Messrs. Stern, Wapenhans, Kraske and Dunn also were present.

2. Mr. Jamal opened the meeting by stating that his Government recognized the serious economic difficulties facing Tanzania, and that actions were needed in order to adjust to these conditions.

3. Mr. Clausen welcomed this statement and noted that Tanzania's relations with the IMF were critical to the adjustment process. Agreement with the IMF, in addition to providing the basis of needed adjustments, would also create other options for the country; in particular it would help the Bank Group to be of assistance. The Bank Group was anxious to assist Tanzania in assessing the alternatives that were open to it, and the economic policies necessary to make an adjustment. Mr. Clausen recognized that some of the economic decisions would be difficult from a political point of view, but he suggested that while difficult, they were not impossible.

Mr. Jamal observed that his Government was in constant touch with the IMF but that the process of reaching an understanding must be mutual and not one-sided: the IMF needed to consider Tanzania's internal problem as well as its external ones. Mr. Jamal said that the range within which the country could make adjustment was narrow; he hoped the Bank Group would be understanding of his country's position. Such understanding had been manifested in the past and also was apparent in the creation of the new Advisory Group. In brief, Mr. Jamal said, he was asking the Bank Group not to say "reach an agreement with the IMF or else" because that might make the "or else" inevitable.

5. Mr. Stern asked Mr. Jamal in what way the economic policies suggested by the IMF endangered the long-term philosophical commitment of Tanzania. This, he said, seemed to be what Mr. Jamal and his Government feared. In response, Mr. Jamal said that in his view a general understanding between the Bank Group and his Government over a long period of time was what was important, and that this understanding would be particularly important in assisting his Government to get over the immediate crisis. Mr. Wapenhans pointed out that it was difficult to see how without agreement with the IMF the Government could get over the crisis given the extent of her balance of payment deficit.

6. Mr. Clausen noted that the Bank Group might be able to continue its lending for projects, but that non-project assistance would be difficult in the absence of an agreement with the IMF. He noted that the Bank Group's past level

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

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

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

Cleared w. and cc: Messrs. Wapenhans
Kraske

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

DADunn:ad

TANZANIA

M-1

EXPORT REHABILITATION PROGRAM

MEMORANDUM OF UNDERSTANDING ON FOLLOW-UP MEASURES

Purpose

1. This Memorandum outlines a number of actions and measures which the Government of Tanzania and the Association intend to take in furtherance of the Export Rehabilitation Program and in preparation for wider rehabilitation and structural change in the economy.

Background

2. In August 1980, the Government reached agreement with the International Monetary Fund (IMF) on a two-year Standby Program which was approved by the IMF's Board of Directors on September 15, 1980. The program provides up to 179.6 SDR million over the next two years (with an additional 15 SDR million under the Compensatory Financing Facility). It focuses on three main policy areas: (i) limitation on the expansion of domestic credit and Government borrowing; (ii) reduction of the external arrears; and (iii) limitations on external commercial borrowing. The program also calls for a study of, and understanding by June 1981 on, the exchange rate policy to be followed by the Government; a study of interest rates; and improvements in the efficiency of parastatal organizations. The Government intends to implement this program of monetary and fiscal stabilization and to retain access to the facilities of the Fund.

3. These stabilization measures are an important first step in rehabilitating the economy. However, more basic adjustments will be required to restore and sustain equilibrium in the economy. A wide variety of measures was set out in the "Structural Adjustment Program Proposal" which was submitted to the Bank Group in September, 1980 and led to the appraisal of an Export Rehabilitation Program in October-November, 1980, as an essential first stage in the adjustment program. It is recognized that without complementary structural changes in the economy, export promotion measures will have a limited impact on overall production and will not suffice to correct the major imbalances in the country's external and public accounts. For this reason, the Government intends to concentrate its planning, management and implementation capacity on achieving major structural adjustments. Critical areas for concern in the next three years and the Government's intentions for dealing with them are outlined in the paragraphs below.

Review of the Public Investment Program

4. Tanzania's development strategy imposes very large demands on the country's scarce foreign exchange, local currency and skilled manpower resources. The Government has begun to prepare the Fourth Five-Year Development Plan (1981-86), and expects it to be completed by June 1982. ^{1/} In support of this work and in view of the serious shortage of both domestic and foreign exchange resources the Government of Tanzania intends to review separately, during the first half of 1981, the public investment program covering the period 1981-1983 and, more specifically,

^{1/} The first volume of the Plan, which will outline development policies and objectives, will be available in June 1981. Subsequent volumes will contain detailed program and projects to be financed.

do the following:

- Give special preference to meeting the resource requirements of the agricultural sector, particularly smallholders, sufficient to restore food and export production simultaneously to the peak levels previously achieved;
- Identify projects, the preparation or completion of which can be deferred, or which can be made less costly without serious adverse impact on production and productivity during the next three years;
- Reallocate resources so released to the operation and maintenance, as well as rehabilitation, of existing productive and infrastructure facilities;
- Develop explicit criteria to guide operating ministries and parastatals in the preparation of investment proposals for the 1981/82 and 1982/83 financial years, including a methodology for measuring the costs and benefits of completing ongoing undertakings as well as starting new projects. The emphasis in these criteria will be on the production of essential foodstuffs (particularly those which are currently imported) and export commodities.

Indicative criteria have been issued by the Government in time to be applied in the Annual Plan for 1981/82 and the forward budget for 1982/83, and will be further refined during the next financial year. These criteria will then be used on a regular basis in respect to both domestic and externally-financed development projects.

Recurrent Budget - Provision for Operations and Maintenance

5. The Government will keep public expenditures under continuous review, especially in the light of evidence that capital stock in the economy is presently not being adequately maintained for lack of funding. There is a prima facie need to increase the provisions for operations and maintenance in the public sector. Future operations and maintenance requirements of development investment decisions appear to not have been adequately allowed for, with the result that either recurrent revenues will be insufficient to prevent further disinvestment in the economy or resources will need to be reallocated from the development budget to the recurrent one, causing delays in project completion. To restore a proper balance between these budgets, the Government is taking steps to improve its fiscal planning and control, including enforcement of budgetary limits on expenditure. By June 30, 1981, the Government intends to adopt the following additional measures:

- To facilitate medium-term financial planning, it will re-introduce annual two year rolling budgets for both the development and recurrent accounts, beginning in the 1981/82 financial year, with a view to further extending the time horizon to three years, as soon as this is practical;

- Ministries and regional authorities will be asked to include in their submissions for the development and recurrent budgets, approximate estimates of the recurrent cost implications of various activities.
- In the preparation of forward budgets, operating ministries and parastatal agencies will also give priority to the better utilization of existing capacity, particularly in agriculture, export industries and transport. To this end, they will identify deferred maintenance and rehabilitation needs (such as improvements in coffee and cotton processing facilities) which would lead to early increases in marketed production and foreign exchange earnings, and submit proposals to the Treasury and Planning on how actual allocations will be used more efficiently.

Foreign Exchange Budgeting and Import Allocations

6. The Government recognizes that a central problem in economic management is the inadequacy of its current projections of foreign exchange availability, which are critical to the forward budget and the import allocation system. For this reason, the Government intends to take the following steps:

- Require the Bank of Tanzania to prepare quarterly projections of Tanzania's likely export volumes and earnings, on the basis of its own analysis of potential production and price projections, and to revise these monthly.
- Cause the Bank of Tanzania to prepare and revise on a quarterly basis a foreign exchange budget for a forward period of not less than 18 months.
- Allocate, on the basis of this improved information, foreign exchange to meet the direct and indirect import requirements of major producers in the agricultural sector. A system will be established to monitor total allocations of foreign exchange to the sector and to project periodically the desirable levels of such allocations in the next foreign exchange budget. In determining these levels, special attention will be given to those users which have generated the highest increases in domestic production or foreign exchange earnings on the basis of earlier import allocations.

Agriculture

7. The Government is committed to modernizing agriculture and to playing a leading role in areas such as research, extension and the large-scale production of selected crops (e.g. wheat). However, it believes that in the foreseeable future, smallholder agriculture will continue to play the principal role in production, rural employment creation and a more equitable distribution of the benefits of growth in the sector. The Government recognizes that in order to maximize production with a limited input of public resources, improved incentives and services for smallholders are necessary. To this end, it intends to make the following adjustments in its agricultural policies:

- Re-examine the purchasing mandates and other responsibilities of all agricultural parastatals, with a view to having them share the task of crop procurement and input delivery with other bodies.
- Review the whole range of incentives and disincentives to small-holder agriculture, including producer prices, availability of consumer goods, the tax burden on farmers, and the timeliness of essential services (such as input delivery, output collection and crop payment) with a view to identifying and if possible correcting disparities in such incentives among Regions.
- Take steps to improve the efficiency of the transport fleets of agricultural parastatals and, at the same time, extend the role of other available road services in input delivery and crop collection.
- Strengthen the Ministry of Agriculture, through the recruitment of necessary technical assistance for the Ministry during 1981 and 1982.

Parastatal Operations

8. During 1980, the Government took a number of measures to improve the operations of parastatal organizations, including preliminary steps in strengthening their financial structure, accounting and auditing practices and supervision, as well as in setting some performance criteria such as achievement of production and unit cost targets. Implementation of these measures will obviously be difficult, given the large number and diverse nature of parastatals to be covered, and the severe shortage of accountants and other skilled personnel. Further efforts will be needed to consolidate existing operations in the parastatal sector:

- To make better use of the limited resources available, intensive work is being carried out to identify and overcome weaknesses in the financial structure, organization and operations of key enterprises and to prepare measures for rationalizing parastatal activities.
- The Government plans to complete its Task Force inquiries into the future of the National Milling Corporation and the possible re-establishment of Cooperatives by May 1981 and December 1981 respectively.
- The Ministry of Manpower Development is preparing a comprehensive manpower survey of the parastatal sector, to help focus decision-making regarding existing training programs, recruitment procedures and the need for expatriate staff. Better information on manpower constraints will also permit more informed judgements on the operational limits to continued expansion of the parastatal sector. Based on the manpower survey, staffing plans will be developed to bring key parastatal organizations up to effective staffing levels. Critical vacancies in the major agricultural parastatals will be given priority and filled not later than December 31, 1981, in cooperation with the Association.

- The Ministry of Finance, the Ministry of Agriculture and the Tanzania Audit Corporation will work with the principal agricultural parastatals to improve their systems of financial accounts in accordance with the timetable and work program to be established by April 1981.

Wages, Prices and Incentives

9. During 1981, the Government will continue to implement the National Policy on Productivity, Income and Wages which was issued on May 1, 1980. By September 30, 1981, the Government will prepare legislation to establish a National Productivity Council which will monitor the implementation of payment-by-results arrangements in industry and the scope for introduction of additional productivity bonus schemes in the economy. The Government will continue to streamline price management procedures by eliminating unnecessary items covered by these procedures, in order to enable the Price Commission to concentrate on basic goods and encourage greater local production and more efficient distribution of such goods.

Resource Mobilization

10. The simplified tax rates introduced in July 1980 appear to have been helpful in generating additional revenues and in increasing the efficiency of revenue collection. On January 1, 1981 the level of interest rates was raised and on February 1, 1981 the Government introduced supplementary revenue measures. In its preparation of the 1981/82 budget, the Government will continue to bring revenue growth in line with growth in GDP. A reappraisal of existing subsidy programs will be undertaken, as well as an intensive survey of cost recovery options in the administration of urban and rural services.

11. To help raise significantly higher sums of external financing, and hence reduce the adverse effects of the current balance of payments crisis on Tanzania's already constrained level of imports, the Bank Group and the Government plan to cooperate in the organization of a Consultative Group Meeting, tentatively envisaged for May/June 1981. At that meeting, the Government will present its interim program of economic adjustments to the donor community and enlist its support in implementing this agenda.

Future Work

12. The Association will cooperate with the Government in further planning and implementing its program of economic adjustment. This will be done in the course of regular project and economic and sector work, as well as in the preparation of a follow-up Rehabilitation Credit, which would be appraised in September 1981. Progress achieved under the Export Rehabilitation Program and in other areas mentioned in this Memorandum will be a major factor in the provision and design of further financial assistance. To ensure such progress, the Government

and the Association intend to collaborate closely during 1981 in particular, to explore new ways of assisting Tanzania to overcome its present economic difficulties.

Government of Tanzania

International Development Association

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

November 11, 1981

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

Dear Mr. Kazaura:

Re Export Rehabilitation Program, Cr. No. 1133-TA

While we had an opportunity during the recent Annual Meeting to discuss the findings of our review mission on this subject (September 14-25, 1981), we agreed that it would be useful to summarize in some detail our conclusions as a result of Messrs. Yenal and Calderisi's visit.

As we explained when you were here in Washington, we regard the progress made in connection with the agricultural aspects of the Export Rehabilitation Program to be reasonable. The Special Agricultural Account at the Bank of Tanzania is fully operational and appears to have been helpful in improving decision-making in the allocation of scarce foreign exchange. While there were some discrepancies noted between what had been recommended by Kilimo and what had been granted to individual beneficiaries under the Program, these did not seem serious and are apparently being dealt with promptly by the Import Licensing Department of BOT and the Advisory Committee at Kilimo. (Mr. Candler of our staff is in Tanzania at the moment reviewing the detailed operation of the Account and especially the way in which the beneficiaries' use of the foreign exchange is to be monitored. We hope to prepare more explicit recommendations on the future operation of the Account on the basis of Mr. Candler's work.)

We have noted with satisfaction that some producer prices were increased again in July 1981. While the direction of these changes and the relative emphasis given to various crops seem generally appropriate, the price increases, with the exception of cashews, are barely adequate to maintain the real value prices. Their incentive effects are thus likely to diminish again in the face of recent high inflation in Tanzania. Furthermore, at current exchange rates, even these rather modest price increases continue to place extra burdens on parastatal finances. The appropriate magnitude of producer incentives combined with other measures required to achieve recovery on agricultural production, need considerable further attention. Our staff expect to review the question of producer price adjustments in some detail

Mr. Fulgence Kazaura

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November 11, 1981

during the next several months. We hope that the Marketing Development Bureau at Kilimo will be able to participate in this analysis as completely and as fruitfully as it has in the past. In this context, the agricultural pricing study is now complete and constitutes a useful beginning. Our Projects staff is directly in touch with the Ministry of Agriculture on appropriate follow-up work.

In other areas of agricultural policy, progress is less satisfactory. The agricultural services action program, which was to be completed by the end of September, is less advanced than the pricing study, and we are concerned that the work needed to translate general policy objectives into concrete operational proposals for improving research, extension, input delivery and crop collection, is still considerable.

Outside the agricultural components of the Export Rehabilitation Program, there is unfortunately very little progress to be observed - even against the specific agreements reached and recorded in the Development Credit Agreement. The unit which was to be established at the Bank of Tanzania to monitor and report on official grants received from abroad, as well as all external debt obligations, by September 30, 1981 is still not in place. We generally understand that you have strengthened existing recording systems both at Treasury and BOT to monitor aid receipts and debt service requirements. However, the mission was unable to obtain a detailed description of what has been done. In addition, it is not clear to us how these limited steps will serve the purpose of centralizing information on this subject and hence improving BOT's management of foreign exchange.

As you will recall, we had agreed on a number of specific export promotion measures. The draft export credit guarantee program, which was to be received by June 30, 1981 for our review and comments, is not ready. We understand that it may be delayed for some time yet, because of late receipt of comments from certain agencies and Ministries on the draft proposal circulated by the Board of External Trade. Even more discouraging was the news that the incentives to non-traditional exports which were to be introduced on July 1, 1981 have still to be implemented. In particular, the cash bonus has not been introduced, although funds have been set aside for it in the 1981/82 budget. The simplification and centralization of export clearances procedures is apparently being held up by a review by related foreign exchange control arrangements at BOT. Our information is also very incomplete on plans, if any, to introduce a duty drawback scheme. We would be grateful if you would inform us of the details of such measures, as well as your plans for implementing them.

Mr. Fulgence Kazaura

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November 11, 1981

In addition to reviewing progress under the Export Rehabilitation Program itself, the mission wished to establish what progress had been made in introducing administrative and policy measures outlined in the Memorandum of Understanding which was also agreed upon in March 1981. However, in this connection, there is relatively little that can be reported. The review of the public investment program for 1981/82 certainly entailed a great deal of additional effort on the part of the Ministry of Planning and operating Ministries in justifying existing and new investments. The project selection criteria and the financial framework issued to the Ministries and Regions were also relatively rigorous. However, the resulting budget is still substantially larger than actual development expenditures in 1980/81. Furthermore, there is little evidence that a significant number of projects have been deferred or scaled down to release resources for higher-priority purposes in the economy. We are concerned that agriculture has not received a larger share of total resources. Clearly, further work will be necessary to adjust the public investment program to the level of resources likely to be available during the next five years.

As you know, shortages of physical resources such as diesel fuel and spare parts are already having a damaging effect on ongoing projects and we are trying to take these into account in designing new project lending for Tanzania. (I shall refer in more detail to adjustments in our lending program at the end of this letter.) Nonetheless, it is clear that further restraint in the public investment program will be essential to improve the supply of physical inputs to projects even if there is an agreement on substantial balance of payments support from the international community during the next year.

We were not able to review the recurrent budget in detail with officials at your Ministry. However, the mission did try, without success, to obtain detailed information on the proposed use of funds for parastatal rehabilitation under your Ministry's vote. We know that the analysis of individual requirements in the public sector is incomplete, and that you will wish to reserve judgement on the final application of these funds, until you have additional information. Nonetheless, we would be grateful for any details which you could provide on the likely disposition of these funds.

On foreign exchange budgeting, the Bank of Tanzania was to prepare independent projections of export earnings and use these in maintaining and revising on a quarterly basis a forward budget of 18 months. These measures do not appear to have been introduced. In conditions of acute shortage it would seem even more important to have a clear and reliable perspective of foreign exchange availabilities and priorities. We are thus surprised to find

that you are not employing those instruments of foreign exchange management that we had jointly agreed were desirable in March 1981. We would of course be interested to know if you and BOT now feel such aids to management to be unnecessary.

In other areas agreed during negotiations of the Export Rehabilitation Program, the mission was able to obtain only sketchy information on recent Government actions. While the timetable for updating the financial accounts of major parastatals is now ready, no decision has been taken on whether, and if so, for which parastatals, the necessary work will be undertaken. We are aware of no plans to re-examine the purchasing mandates of agricultural parastatals, or to improve the efficiency of their transport fleets. We were unable to determine if the manpower survey at the Ministry of Manpower Development was well-advanced. We would appreciate receiving supplementary information on these subjects, preferably in the form of a brief status report. We think that such a report would be helpful, not only in amplifying or correcting our understanding of recent progress in these areas, but also in identifying policy areas or alternative measures which would more directly assist recovery. If certain undertakings which were discussed in March now seem less feasible or appropriate, I would hope that you would bring these to our attention.

We have emphasized the need for an effective economic recovery program primarily in the context of our discussion of possible non-project assistance to support such a program. However, the case for certain new projects has also been affected by the general economic situation. The Mara Rural Development Project is a case in point. Existing Bank-financed projects in Tabora and Mwanza-Shinyanga are already in difficulty as a result of staffing problems and increasing shortages of essential inputs such as diesel fuel and spare parts. A partial solution to these problems, as we have suggested above, lies in further consolidation of the development budget and hence a reduction in aggregate demand for scarce physical and staffing resources. There is hence a necessary connection between some of the measures outlined in the Memorandum of Understanding and new projects, particularly those which are meant to have a major impact on production. I hope that it will be possible to improve the prospects for such projects during the next several months. We think major improvements in existing rural development projects are still possible. While countrywide constraints, such as weak research and extension and inadequate coordination between key agencies, will continue to affect these projects, we believe that the filling of important vacancies in the project management teams (approximately ten positions in agronomy, extension supervision and training) would substantially improve their prospects for

Mr. Fulgence Kazaura

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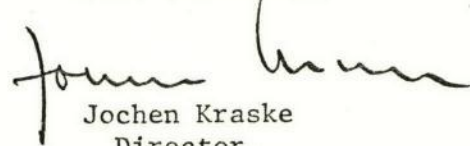
November 11, 1981

more effective implementation. Another desirable step would be to keep qualified and effective Tanzanian personnel in their positions for longer periods of time, as there has been considerable discontinuity in project management. We think it would not be helpful to proceed with projects at this time, such as the Mara Rural Development Project, which would yield additional output only after an extended period of time, but would compete in the meantime during the period of implementation for the scarce material and staff resources available to the economy. We recognize that these rural development projects include elements in the nature of rehabilitating existing infrastructure and productive facilities. These activities deserve priority. However, the review of your investment program does not convince us that effective emphasis is being given to those aspects by eliminating investments of lesser priority. In the circumstances we must conclude that even these activities face rather uncertain prospects of effective and speedy implementation.

Mr. Dunn will be in Tanzania later this month, and I hope that you will have an opportunity to convey to him any reactions to the views and conclusions which I have expressed above. In particular, I would be grateful for any further information on economic adjustment measures which the Government is taking, as we remain interested in providing you with further support in your rehabilitation and recovery efforts.

With personal regards,

Yours sincerely,



Jochen Kraske
Director

Country Programs Department
Eastern Africa Region

cc: Mr. David Masanja
Principal Secretary
Ministry of Agriculture
Dar es Salaam, Tanzania

Mr. Fadhili Mbaga
Principal Secretary
Ministry of Planning and
Economic Affairs
Dar es Salaam, Tanzania

Mr. Charles Nyirabu
Governor
Bank of Tanzania
Dar es Salaam, Tanzania

Mr. N.N. Kitomari
Principal Secretary
Ministry of Trade
Dar es Salaam, Tanzania

Mr. J.M. Bulemela
Director
Import Licensing Department
Bank of Tanzania
Dar es Salaam, Tanzania

Mr. Mwandoro
Director-General
Board of External Trade
Dar es Salaam, Tanzania

There is need for a joint effort on the part of the countries concerned and the World Bank for, after all, the Bank is a cooperative of 141 countries. We for our part have designed new forms of lending which we feel are responsive to the changing needs of the developing world. Structural adjustment lending is one such form. It is intended to provide funds which could be disbursed rapidly, accompanied by basic policy changes which are necessary to ensure optimal results. The first such credit for Kenya was provided in 1980. We hope to continue to provide support to Kenya in this form and through continued project lending in the future.

In approaching structural adjustment, and designing projects and programs for the future, we must focus on the highest priorities.

I believe we all agree that these priority sectors are:

- food and agricultural growth;
- energy exploration and development including renewable sources of energy;
- export promotion and employment generation; and
- human resource development including family planning.

I would like to speak very briefly about each of these, and ways in which we hope we can cooperate with you.

For years to come, the agricultural sector will continue to play the lead role in fulfilling your economic and social objectives. Food production will have to grow rapidly enough to keep pace with population growth. Beyond that, it also will have to produce surpluses - surpluses for exports to strengthen the balance of payments, and surpluses to deliver raw materials to manufacturing industries. Impressive progress has been made in agricultural diversification - both in commodities and exports as well as in mobilizing the smallholder producer. Smallholder tea development and coffee improvements are prominent examples, as is

FARM TO BE VISITED BY WORLD BANK PRESIDENT

Name of the Farmer:	Geoffrey Ndiritu	Family size 'living in farm.
Location:	- Thegenge	1) Farmer and wife
Sub-Location:	- Gathuthi	2) Two adults (Son and daughter)
Farm No:	- Gathuthi/431	3) 5 grandchildren
Size of farm:	- 5.7 acres	4) Son's wife

History of farmer: Born 1918 in Othaya. Father moved with his family to Tetu Division in 1920. In 1935 the farmer went to school in Wandubi up to class 4. Left school due to lack of school fees. In 1941 he went to Nairobi, started a charcoal business. In 1942 he came back home to marry there then went back to continue with his business. In 1954 came back after giving up the business in Nairobi and started building a shop at Mukarara market with the money he had saved from his business. After completion of the shop, he started a retail shop where he raised money to buy several land plots (before land consolidation). In 1957 after land demarcation he was ~~allowed~~ allocated the land he is settling in today. He sold his shop later. He approached the A.F.C. for a loan in 1973 to develop his farm as indicated below:-

Loan application:

Loan A/c No. 042449012
Year: 1973
Amount: 3,600/-
Interest rate: 8%
Payment period: 5 years.

Loan purposes:

1) 2 Grade cows	-	2,000/-
2) Water Tank	-	500/-
3) Fencing	-	800/-
4) Tea planting	-	300/-
		<u>3,600/-</u>

Loan Utility:

Loan was properly utilised and used as was required.

Repayments:

Loan was paid within the specified period and the farmer experienced no problem in repayment.

Impact of the loan to the farmer:

He was quite happy with the loan in that fees repayment was easier as a result of the income from items he acquired through the A.F.C. loan especially dairy cows. Tea crop income came to assist afterwards and now the farmer is fairly comfortable.

Future plans:

- Extension of tea plantation by one acre
- Dairy farming improvement.

Farm utility(Approx)

Coffee: 1 acre
 Tea: 1.7 acre
 Beans: 1 acre
 Fodder: 1 acre
 Homestead & pasture: 0.5 acre
 Trees: 0.5 acres

FARM BUDGET: (ACTUAL)

Enterprise	Details	Variable costs		Income	
		1979/80	80/81	79/80	80/81
1. Tea	3 bags fert. @ 116/80	350.40			
1.7 ac.	4 bags fert @ 165/=		660.00		
	Herbicide @ 161.80		161.80		
	Hired labour	346.00	467.20		
	Other costs - family labour				
	1370Kg. @ 2/68(Net)			4636.40	
	2335Kg. @ 2/03(Net)				4740.05
	TOTALS	696.40	1289.00	4636.40	4740.05
	G. Margin Enterprise			3940.00	3451.05

2. Coffee	1 bag fert. CAN @ 97/70	98.70			
1 ac.	2 bags CAN fert. @ 125/=		250.00		
	Sprays	242.80	167.65		
	Labour(Picking)	200.00	250.00		
	2447.5Kg @ 3/43			8397.75	
	4902.5Kg @ 2/03				9935.75
	NB: 1980/81 final payment not yet paid				
	TOTALS	541.50	667.65	8397.75	9935.75
	G. Margin Enterprise			7856.25	9268.10

NB: Other enterprises viz. Maize, Beans & Milk are used for family consumption.

NET. FAR INCOME i.e. TEA & COFFEE = 11796.25 12719.15
NB. The farmer has no other source of income

FIXED COSTS

1 permanent labour. 1x150/=x12..... 1800.00
 " 1x250/=x12..... 3000.00
 Family living expenses:-
 5 Adults & 5 Childred @
 2/= per adult & 1/= per child/day. 5475.00 5475.00

contd./...3...

	<u>1979/80</u>	<u>1980/81</u>
Total fixed & family expenses	7275/-	8475.00
NET FARMERS WORTH.	4521/25	4244/15
	<hr/>	
Average Net Income per month.	376/75	353/65
	<hr/> <hr/>	

Kind regards.

By. (1) MACHARIA G.K. (MIN OF AGRIC.)
(2) P.B.MUREITHI (A.F.C.)

GATHUTHI LEAF BASE

P. O. BOX 761

NYERI

1. INTRODUCTION

This Leaf Base came into operation in January 1978 to cater for the administration and collection of green tea leaf from smallholders in Tetu Division and part of Othaya Division of Nyeri District, delivering the same to Gathuthi Tea Factory.

2. ADMINISTRATION

(a) OFFICER IN CHARGE The Base is administered by a Leaf Officer who is incharge of the day to day administration and leaf collection operations.

(b) LEAF COLLECTION STAFF The total number is 40 made up as follows:-

1. Office Clerks	-	2
2. Leaf Collection Clerks	-	21
3. Driver Mechanics	-	2
4. Mechanical Assistant	-	1
5. Drivers	-	9
6. Office Cleaner	-	1
7. Gardener	-	1
8. Watchmen	-	3
	Total	<u>40</u>

3. TRANSPORT

We have 8 leaf collection lorries and 1 Peugeot Pick Up which cater for collection of the green leaf from our area of operation to Gathuthi Tea Factory. We are self sufficient in the repairs and maintenance of the vehicles. We have a workshop with tools and spare parts to make sure the vehicles are repaired soonest possible after breakdowns.

4. LEAF COLLECTION.

After plucking their leaf, the growers deliver it to one of the 18 Collection Centres spread over the area of operation between 10.00 A.M. and 5.00 P.M.

The leaf is sorted out and then weighed by the K.T.D.A. Leaf Collection Clerk manning the Centre. He then issues the grower with a K.T.D.A. receipt for the weight of the leaf bought.

The total leaf purchased for the day at the centre is collected by leaf carriers and delivered to Gathuthi Tea Factory.

5. LEAF PRODUCTION

We give below crop production figures for the last three years in succession for leaf handled by this Leaf Base. You will note that the crop for the last two years was much lower than in 1978/79. This was due to the adverse weather condition/in 1979/80, /s and the opening of Iriaini Leaf Base towards the end of 1980/81.

<u>YEAR</u>	<u>CROP IN KGS</u>	<u>NUMBER OF GROWERS</u>
1978/79	6,501,714½	3556
1979/80	4,697,574	3701
1980/81	5,507,081	3826

6. GROWERS PAYMENTS

K.T.D.A. always pays her growers monthly on the preceeding month (i.e. Growers will be paid for October 1981 proceeds at end of this month). K.T.D.A also pays a second payment at the end of the year at a rate determined by the profit/made by the /s individual factories.

GATHUTHI LEAF BASE

P. O. BOX 761

NYERI

MUKARARA BUYING CENTRE

NT/6

- The buying Centre was built and completed in 1977 by the tea growers of this area through individual contribution at a cost of approximately KSh. 30,000/=
- The total number of growers who bring green leaf Tea to this Buying Centre average 363 at present.
- The annual crop handled in this centre for the year 1980/81 was 282,126 Kgs.
- The average daily crop purchased in this buying centre last month has been 1,966 Kgs.
- The average monthly crop for the first four months of 1981/82 has been 30730 Kgs

G. W. Kagundu

LEAF OFFICER GATHUTHI

Statement at Press Conference in Kenya by Mr. A.W. Clausen

President of the World Bank

*very important
David Ross
K...
A*

*East African
Committee*

I am very happy to be in Kenya -- my first visit as President of the World Bank. I am grateful to President Moi for inviting me on behalf of the Kenyan Government and people. I am doubly honored because of President Moi's position this year as Chairman of the Organization of African Unity.

I was last in Kenya in 1973, when I was just a spectator to the affairs of the World Bank as a guest at the Bank's Annual Meeting in Nairobi. Being here now in my new role has been a much more enlightening experience for me. Over the last few days, I have been pleased to learn more about this country, its problems and prospects, to meet its people and to travel to some of its beautiful provinces.

This is my first visit as President of the World Bank to the Bank's operations in a developing region of the world. I came to Africa first because this region ranks high amongst the World Bank's priorities.

The World Bank, the International Development Association, and its private sector affiliate, the International Finance Corporation, have made loans and investments totalling about US\$ 1,350 million for some 70 projects in Kenya.

Kenya has made noteworthy progress in its development effort -- especially in the spheres of agriculture, transport, power, education, and urban development. We have been privileged to join in many of these efforts, including family planning and health, to which we know the Government attaches great importance. The success of these programs is vital if economic growth is not to be undermined by an unacceptably high rate of population growth. We look forward to future cooperation in this area with the Kenyan authorities.

During my present visit, I have met with the President and with other Kenyan leaders. I have visited a number of development projects -- in power, in health, in tea, in transport, and in industry -- to see for myself what has been accomplished, what problems confront this country, what prospects there are for its further development, and how we in the World Bank can best assist.

The Bank recognizes that the countries of Sub-Saharan Africa now face new economic problems of a magnitude that threaten the notable achievements of the region since independence ... the tremendous advances in extending life expectancy, and in making life more economically secure and meaningful for millions of people. These new problems are complex in their causes, but these include the increases in international oil prices and other adverse turns in the terms of trade which are contributing to rapidly growing balance of payments deficits.

The solution to these problems, and the means for realizing Africa's well-known human and natural potential, must be found through a spirit of self-help and common effort -- or "harambee" as it is known in Kenya.

To this end, I pledged at the World Bank's Annual Meeting in Washington last month that the Bank will explore every possible avenue for greater cooperation among its donor member nations, and the international and regional development agencies, to assist the African countries in their development tasks. In the Bank's recently published report on Sub-Saharan Africa, we have urged a doubling of aid for that area during this decade.

But no amount of development assistance will be effective without the fullest participation of African governments. Crucial, and often difficult, decisions will need to be taken by countries to improve economic efficiency and to do the most that can be done with the available financial and technical resources. In this region, there is a need to review policies

with a view to providing initiatives to increase food production and agricultural exports, to attract external investment, to accelerate development of energy, to provide incentives for individual endeavor, and to improve the performance of public entities.

As in the past, the World Bank stands ready to support such actions, which we see as the essential steps toward greater self-reliance, which the OAU rightly considers to be the most important economic challenge of this century.

I thank the Government again for its kind welcome. And let me thank you, the members of the Press, for coming to meet me. I still have a few things to do, ^{BUT} ~~and~~ I have half an hour to answer some of the questions you may have.

DADurn:jpw
November 18, 1981

November 19, 1961
Washington, D.C.

Levens

My dear Mr. Levens,

Thank you

for your letter of November 14, 1961, and for the questions you ask. I am glad to hear that you will be in Washington on November 20, and I hope you will have a chance to meet me.

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The World Bank is ready to support such actions, and I am glad to hear that you will be in Washington on November 20, and I hope you will have a chance to meet me.

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11/17/81

ITINERARY FOR MR AND MRS CLAUSEN'S VISIT
NOVEMBER 18-21, 1981

WEDNESDAY
November 18

- 0800H ARRIVE ON FLIGHT BA055, MET BY HONORABLE MWAI KIBAKI, VICE PRESIDENT AND MINISTER FOR FINANCE, ACTING CHIEF OF PROTOCOL, AND OTHER GOVERNMENT OFFICIALS, MR LOOS AND MRS WINTERTON FROM RMEA, AND CONDUCTED TO STATE PAVILION AT AIRPORT, THEN TO INTERCONTINENTAL HOTEL.
- 1445H LEAVE INTERCONTINENTAL HOTEL FOR INTERNATIONAL LABORATORY FOR RESEARCH ON ANIMAL DISEASES (ILRAD).
- 1505H ARRIVE ILRAD. MET BY DR. GRAY, DIRECTOR GENERAL, ILRAD.
- 1550H LEAVE ILRAD FOR RMEA.
- 1615H MEETING WITH RMEA STAFF IN RMEA CONFERENCE ROOM.

THURSDAY
November 19

- N.B. MRS CLAUSEN TO SPEND AFTERNOON UNDER SEPARATE ITINERARY (SEE ATTACHMENT).
- 1115H MEETING WITH HIS EXCELLENT PRESIDENT DANIEL ARAP MOI, AT STATE HOUSE. TO BE ATTENDED BY 7 OR 8 PERSONS INCLUDING MESSRS. KIBAKI AND ONYONKA, MINISTER FOR PLANNING AND ECONOMIC DEVELOPMENT, AND MESSRS. NYACHAE, MULE AND MASAKHALIA, PERMANENT SECRETARIES IN THE PRESIDENT'S OFFICE, MINISTRY OF FINANCE AND MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT RESPECTIVELY.
- 1215H LUNCHEON HOSTED BY PRESIDENT MOI, STATE HOUSE.
- 1400H LEAVE FOR OLKARIA GEOTHERMAL POWER PROJECT BY HELICOPTER FROM PARLIAMENT BUILDING. ACCOMPANIED BY MR LOOS AND MISS GORIS.
- (ABOUT) 1500H ARRIVE OLKARIA. MET BY MINISTER OF ENERGY, HON. OKWANYO, DEPUTY PERMANENT SECRETARY FOR ENERGY, MR KIHARA, THE CHAIRMEN OF POWER COMPANIES, MESSRS. GECAU AND AMOS NGANGA.
- 1600H LEAVE BY HELICOPTER.
- (ABOUT) 1700H ARRIVE PARLIAMENT BUILDING.
- 1715H ARRIVE INTERCONTINENTAL HOTEL.
- 1900H RECEPTION AT THE SERENA HOTEL HOSTED BY MR CLAUSEN, FOR APPROXIMATELY 250 PEOPLE. (GUESTS COMPRISE HON. MWAI KIBAKI, MINISTERS, SENIOR GOVERNMENT OFFICIALS, DIPLOMATS, PARASTATAL HEADS, NGO'S, BANKERS, ACADEMICS, BUSINESSMEN AND RMEA-STAFF.)

ITINERARY FOR MR AND MRS CLAUSEN'S VISIT
NOVEMBER 18-21, 1981

PAGE 2

FRIDAY
November 20

- 0900H MEETING WITH VICE PRESIDENT KIBAKI.
- 1030H LEAVE BY CAR TO VISIT GOVERNMENT RURAL HEALTH CLINIC AT MARAGUA (FUNDED UNDER FIRST POPULATION PROJECT) ACCOMPANIED BY MR AND MRS LOOS AND MISS GORIS.
- 1145H ARRIVE MARAGUA HEALTH CLINIC. MET BY MINISTER OF HEALTH, HON. A. MAGUGU, PERMANENT SECRETARY FOR HEALTH, MR. MWIRICHIA, DIRECTOR OF MEDICAL SERVICES, DR. KOINANGE AND DEPUTY DIRECTOR, MEDICAL SERVICES, DR. KANANI.
- 1215H LEAVE FOR OUTSPAN HOTEL. TRAVEL VIA MURANGA, KIRIANI AND OTHAYA.
- 1330H ARRIVE AT OUTSPAN HOTEL, NYERI, FOR BUFFET LUNCHEON HOSTED BY MINISTER OF AGRICULTURE, MR. M'MBIJJIWE.
- 1500H LEAVE OUTSPAN HOTEL TO VISIT MR. GEOFFREY NDIRITU'S FARM (VISNEWS REPORTERS TO ACCOMPANY).
- 1515H ARRIVE AT MR. NDIRITU'S FARM.
- 1535H LEAVE FARM AND TRAVEL VIA GREEN LEAF COLLECTION CENTER.
- 1545H ARRIVE GATHUTHI TEA FACTORY. MEET KTD A OFFICIALS.
- 1615H LEAVE FOR ABERDARE COUNTRY CLUB.
- 1650H ARRIVE ABERDARE COUNTRY CLUB, LEAVE BY BUS FOR THE ARK ACCOMPANIED BY MINISTER M'MBIJJIWE AND OTHER AGRICULTURE AND TREASURY OFFICIALS, MR LOOS AND MR AND MRS DEWAR.
- 1730H ARRIVE AT THE ARK FOR OVERNIGHT STAY.

SATURDAY
November 21

- 0815H LEAVE THE ARK FOR ABERDARE COUNTRY CLUB.
- 0900H LEAVE ABERDARE COUNTRY CLUB FOR VISIT TO RURAL ACCESS ROADS PROGRAM.
- 0930H ARRIVE AT IHURURU CENTER. MET BY MINISTER FOR TRANSPORT AND COMMUNICATIONS, HON. H.K. KOSGEY, MR. WAMBURA, CHIEF ENGINEER, ROADS, MR. MWANGI, DIRECTOR OF RURAL ACCESS ROADS PROGRAM AND MR. OJANJI, ENGINEER. VISIT RARP ROAD NO. 34 UNDER CONSTRUCTION BETWEEN NYAMKUYU AND WANANCHI SAWMILL.

ITINERARY FOR MR AND MRS CLAUSEN'S VISIT
NOVEMBER 18-21, 1981

PAGE 3

SATURDAY
November 21
(cont.)

1000H LEAVE SITE FOR NYERI AIRSTRIP VIA IHURURU CENTER.

1030H ARRIVE AT NYERI AIRSTRIP.

1045H LEAVE NYERI BY AIR FOR WEBUYE (MR AND MRS CLAUSEN AND PARTY, TREASURY OFFICIAL, MR LOOS AND MR DEWAR).

1200H ARRIVE WEBUYE PANAFRICAN MILLS GUESTHOUSE. MEETING WITH BUSINESSMEN.

1300H LUNCHEON AND BRIEFING AT PANAFRICAN PAPER MILLS. MET BY MR V.S. RAGHAVAN (IFC) AND MR S.M.C. THOMSON, VICE-CHAIRMAN. THE MINISTER FOR INDUSTRIES, HON. M. WAIYAKI AND OFFICIALS OF MINISTRY OF INDUSTRIES WILL ATTEND.

1415H VISIT PAPER AND PULP FACTORY.

1530H DEPART FOR NAIROBI BY AIR.

1630H ARRIVE WILSON AIRPORT, NAIROBI.

5:00 → 1700H ARRIVE INTERCONTINENTAL HOTEL.

6:00 → 1800H PRESS CONFERENCE, INTERCONTINENTAL HOTEL.

7:30 — 1930H DINNER AT MR LOOS' HOUSE FOR MR AND MRS CLAUSEN, MR WAPENHANS, VICE PRESIDENT KIBAKI AND 12 OTHER GUESTS.

SUNDAY
November 22

0800H LEAVE FOR TANZANIA FROM WILSON AIRPORT BY CESSNA 404.

SATURDAY
November 28

1800H ARRIVE KENYATTA AIRPORT BY LEAR JET CHARTER FROM MALAWI
N9309L
PROCEED TO INTERCONTINENTAL HOTEL.

2300H DEPART FOR KENYATTA AIRPORT.

SUNDAY
November 29

0030H DEPART BA054 FOR LONDON.

.../...

22631 INTHOTCOR

22631 INTHOTCOR

248423 WORLDDBK

WASHINGTON D.C. NOVEMBER 20, 1981

A.W. CLAUSEN, PRESIDENT, WORLD RANK, INTERCONTINENTAL HOTEL
NAIROBI, KENYA

COPY WAPENHANS. BETAGRAM 3. NEWS OF FRIDAY, NOVEMBER 20. FIRST

THE HEADLINES: THE SENATE PASSES EMERGENCY SPENDING BILL
SEMICOLON LECH WALESZA MAKES WORLDWIDE APPEAL FOR EMERGENCY FOOD
AID TO POLAND: DAC COMMITTEE CHAIRMAN WARNS OUTLOOK FOR DEVELOPMENT
AID REMAINS TIGHT SEMICOLON AND U.S. STEEL TO TAKE OVER MARATHON
OIL IN SECOND-HIGHEST ACQUISITION IN U.S. CORPORATE HISTORY. PARA.
ASSOCIATED PRESS REPORTS THE U.S. SENATE, FACING A VETO THREAT,
GAVE PRESIDENT REAGAN ABOUT DLR 3.3 BILLION IN NEW CUTS IN
DOMESTIC PROGRAMS TODAY AS IT PASSED AN EMERGENCY SPENDING BILL
THAT WOULD KEEP THE GOVERNMENT OPERATING PAST MIDNIGHT TONIGHT.
PASSAGE CAME JUST BEFORE 7 A.M. EST ON A 69-26 VOTE THAT ENDED
A RARE ALL-NIGHT SESSION, THE KEY WAS A CAREFULLY CRAFTED
COMPROMISE AMENDMENT BY SENATE MAJORITY LEADER HOWARD H. BAKER, JR.
THAT INCORPORATED THE NEW BUDGET CUTS. THE STOPGAP BILL NOW GOES
TO A HOUSE-SENATE CONFERENCE COMMITTEE THAT WILL WORK OUT
DIFFERENCES BETWEEN THE HOUSE AND SENATE-PASSED VERSIONS.
THE HOUSE HAD REFUSED TO MAKE THE CUTS REAGAN WANTED IN THE BILL
IT PASSED MONDAY, BUT HOUSE REPUBLICAN LEADERS ARE HOPEFUL THAT
POSITION CAN BE CHANGED. ANY COMPROMISE BILL WORKED OUT BY
CONFEREES MUST BE APPROVED BY THE HOUSE AND SENATE BEFORE IT CAN
BE SENT TO REAGAN FOR HIS SIGNATURE. THE SENATE BILL WAS PASSED
AFTER A 21-HOUR SESSION THAT FEATURED 25 SEPARATE ROLL CALL VOTES
AND THE CONSIDERATION OF DOZENS OF AMENDMENTS. PARA. AP REPORTS
FROM WARSAW THAT SOLIDARITY LEADER LECH WALESZA APPEALED TODAY TO
THE WHOLE WORLD FOR EMERGENCY FOOD AID TO GET POLAND THROUGH THE
WINTER. HE SAID SHORTAGES COULD SPARK DANGEROUS POPULAR OUTBURSTS
OF ANGER. WALESZA'S APPEAL WAS AT FIRST ADDRESSED TO WESTERN
EUROPEAN TRADE UNIONISTS, BUT HE SAID LATER HE MEANT TO MAKE HIS
REQUEST TO THE ENTIRE WORLD. WALESZA SAID FOOD SHORTAGES IN POLAND
QUOTE CAN BECOME A SOURCE OF DANGEROUS SOCIAL TENSIONS AND PROVOKE
SPONTANEOUS OUTBURSTS OF POPULAR ANGER WHICH MAY UPSET THE
PROSPECTS OF ECONOMIC AND POLITICAL STABILIZATION IN POLAND.
UNQUOTE. THE POLISH NEWS AGENCY PAP REPORTED, MEANWHILE, THAT
ABOUT 800 MILITARY SQUADS SENT TO POLISH TOWNS AND VILLAGES ONE
MONTH AGO WERE TO BEGIN RETURNING TO THEIR BARRACKS TODAY, BUT
WILL QUOTE REMAIN IN CONSTANT READINESS TO ENTER INTO ACTION AGAIN
IF NECESSARY. UNQUOTE. IN TALKS THURSDAY WITH THE GOVERNMENT,
SOLIDARITY URGED CREATION OF AN INDEPENDENT COUNCIL OF EXPERTS TO
SUPERVISE THE OVERHAUL OF POLAND'S DEBT-RIDDEN ECONOMY. PARA. IN AN
OP-ED COMMENTARY IN TODAY'S WASHINGTON POST STEPHEN ROSENFELD
REMARKED THAT QUOTE POLAND'S APPLICATION TO REJOIN THE IMF IS A
NEWS EVENT, BUT PERHAPS EVEN MORE IT IS AN EVENT IN THE LIFE OF
EUROPE AND AN EXPRESSION OF THE IDEA OF EUROPE, AND IN THIS ASPECT
IT HAS AN ALMOST UNBEARABLE POIGNANCY. NOTE THAT POLAND IS
REJOINING THE FUND. UNQUOTE. MR. ROSENFELD, REVIEWED THE EARLY
OF POLAND'S AND CZECHOSLOVAKIA'S WITHDRAWAL FROM THE WORLD BANK
IN THE EARLY 1950S. HE NOTED THAT QUOTE THE SOVIET UNION ITSELF
WAS AT BRETTON WOODS ... UNQUOTE. HE PONDERED QUESTIONS OF COLD
WAR POLITICS, AND WHETHER THE TWO EAST EUROPEAN NATIONS MIGHT
HAVE BEEN ALLOWED TO MAINTAIN QUOTE SOME SORT OF LINE TO THE WEST
THROUGH THE FUND AND THE BANK. UNQUOTE. WHATEVER YOUR ANSWER,
HE CONCLUDED, QUOTE THERE CAN BE NO DOUBT OF THE PROFOUND VALUE
OF OPENING A LINE NOW. CZECHOSLOVAKIA MAY BE A STEP AWAY, BUT



POLAND IS THERE. AFTER THREE ANGUISHING DECADES, THE IDEA OF EUROPE DASH THE IDEA OF DIVERSE PEOPLES CHOOSING TO ASSOCIATE WITH EACH OTHER FOR A DECENT PURPOSE DASH REMAINS MARVELOUSLY ALIVE IN ITS HISTORIC EAST EUROPEAN HAUNTS. UNQUOTE. PARA. AFP REPORTS FROM PARIS THAT JOHN P. LEWIS, OUTGOING CHAIRMAN OF THE OECD DEVELOPMENT ASSISTANCE COMMITTEE, YESTERDAY SAID THE OUTLOOK FOR DEVELOPMENT AID REMAINED TIGHT. BUT HE FORECAST AN ANNUAL INCREASE OF ROUGHLY THREE PERCENT IN REAL TERMS UP TO THE MID-1980S IN ODA FROM THE 17 INDUSTRIAL DONOR NATIONS OF THE OECD. MR. LEWIS SAID THAT HE HAD SEEN QUOTE NO DISSENT FROM THE AMERICAN DELEGATION UNQUOTE REGARDING THE DAC MEMBERS' GENERAL VIEW THAT THERE WAS NO ALTERNATIVE TO ODA, ESPECIALLY FOR THE LOW-INCOME DEVELOPING COUNTRIES. DELEGATION SOURCES WEDNESDAY NIGHT SAID MOST PARTICIPANTS HAD TAKEN A SKEPTICAL VIEW OF THE U.S. ADMINISTRATION'S RECENT STRONG ASSERTION THAT PRIVATE INVESTMENT AND QUOTE THE MARKET PLACE UNQUOTE MUST PLAY A GREATER ROLE IN THE DEVELOPMENT OF THIRD WORLD NATIONS. MR. LEWIS SAID THE COMMITTEE ALSO DISCUSSED THE SQUEEZE ON MULTILATERAL AID, BUT FOUND NO NEAT ANSWER TO THIS ISSUE. HE SAID THERE HAD BEEN A STRONG FEELING IN THE COMMITTEE THAT PRIVATE FLOWS COULD BE USEFUL AND COMPLEMENTARY TO OTHER FORMS OF AID. HE SAID SOME MEMBERS HAD MENTIONED THE POSSIBILITY OF CREATING A MULTILATERAL INVESTMENT INSURANCE FACILITY AND USING PART OF ODA TO ENCOURAGE PRIVATE INVESTMENT. HE NOTED THAT THE IDEA OF SUCH A FACILITY HAD BEEN REVIVED RECENTLY BY NEW WORLD BANK PRESIDENT A.W. CLAUSEN, ON THE BASIS OF A DAC SCHEME DISCUSSED IN THE 1960S. ON THE SECOND POINT, HE SAID THAT, ODA BEING QUOTE A LIMITED RESOURCE, UNQUOTE IT HAD BEEN STRESSED THAT USING PART OF THIS AID TO INDUCE PRIVATE INVESTMENTS WOULD REDUCE THE AID AVAILABLE FOR OTHER PURPOSES. PARA. THE JOURNAL OF COMMERCE REPORTED FROM TOKYO TODAY THAT QUOTE REPRESENTATIVES OF A CONSORTIUM OF JAPANESE TRUST BANKS AND THE WORLD BANK HAVE SIGNED A DLR 112 MILLION LOAN AGREEMENT, PROVIDING YEN SUPPORT FUNDS FOR THE GLOBAL INSTITUTION'S DEVELOPMENT EFFORTS. UNQUOTE. THE LOAN IS REPORTED TO HAVE A FINAL MATURITY OF 15 YEARS, AN AVERAGE LIFE OF 12.5 YEARS, AND AN INTEREST RATE OF 9.10 PERCENT. QUOTE INCLUDING THIS LATEST LOAN, THE WORLD BANK HAS NOW CONCLUDED SIX LONG-TERM BORROWING AGREEMENTS WITH JAPANESE TRUST BANKS FOR AN AGGREGATE AMOUNT OF APPROXIMATELY DLR 695 MILLION WORTH OF YEN. UNQUOTE. PARA. BOTH THE WALL STREET JOURNAL AND THE JOURNAL OF COMMERCE SPECULATED ON THE OUTCOME OF THE MULTIFIBER ARRANGEMENT NEGOTIATIONS BETWEEN 51 PARTICIPATING COUNTRIES WHICH BEGAN WEDNESDAY IN GENEVA. THE JOURNAL OF COMMERCE CARRIED A UPI DISPATCH WHICH SAID THAT THE U.S. WARNED YESTERDAY THAT FAILURE TO NEGOTIATE A NEW INTERNATIONAL TEXTILES AGREEMENT WOULD SERIOUSLY DAMAGE NORTH-SOUTH COOPERATION AND WORLD TRADE IN GENERAL. CHIEF U.S. NEGOTIATOR PETER MURPHY WARNED THAT A FAILURE WOULD LEAD TO A SPILLOVER OF PROTECTIONISM IN OTHER TRADE SECTORS. THE CURRENT MFA ACCORD RUNS OUT AT THE END OF THE YEAR. PARA. THE WALL STREET JOURNAL NOTED VENEZUELAN PRESIDENT LUIS HERRERA CAMPINS' QUOTE COMPLAINT THAT HIGH U.S. INTEREST RATES ARE UNDERMINING DEVELOPING COUNTRIES. UNQUOTE PARA. LE MONDE OF NOVEMBER 20 CARRIED A COMMENT ON THE SPEECH DELIVERED BY MR. CHEYSSON AT THE PARLIAMENTARY DEBATE ON FOREIGN RELATIONS EXPENDITURE. THE FRENCH EXTERNAL RELATIONS MINISTER CRITICIZED SOME QUOTE DISASTROUS ASPECTS UNQUOTE OF U.S. POLICY, CN PARTICULAR THE UNPREDICTABLE CHANGES IN THE RATE OF THE DOLLAR AND HIGH INTEREST RATES. COOPERATION WITH THE THIRD WORLD TO ACHIEVE GROWTH, MR. CHEYSSON SAID, CANNOT CONCEAL QUOTE THE PROFOUNDLY POLITICAL NATURE OF OUR COMMITMENT TOWARDS THE WEAK AND OPPRESSED, TOWARDS PROLETARIAN NATIONS TO TAKE UP A FAMOUS PHRASE. UNQUOTE HE THEN REPEATED SOME OF THE THEMES DEVELOPED IN MR. MITTERAND'S MEXICO SPEECH. PARA. AFTENPOSTEN OF NOVEMBER 17 SAID THE DEBATE IN THE NORWEGIAN PARLIAMENT NEXT MONDAY CONCERNING THE BUDGET OF THE MINISTRY OF FOREIGN AFFAIRS FOR 1982 WILL BE DOMINATED BY THE DISSENT OVER THE TOTAL SIZE OF THE AID AND THE INDIVIDUAL GRANTS. SPECIAL VOTING WOULD BE NEEDED FOR AT LEAST 11 COUNTRIES. AFTER RECENT DISCUSSIONS IN THE FOREIGN AND CONSTITUTIONAL COMMITTEE, IT SEEMED THAT THE PROPOSAL OF THE PRECEDING SOCIAL DEMOCRATIC GOVERNMENT OF INCREASING DEVELOPMENT AID TO 1.05 PERCENT OF NORWAY'S GNP WAS GOING TO PREVAIL OVER THAT OF THE CURRENT CONSERVATIVE GOVERNMENT WHICH PROPOSED 1 PERCENT INCREASE. PARA. U.S. NEWSPAPERS REPORT THE MARATHON OIL COMPANY, SEEKING TO FEND OFF A TAKEOVER EFFORT BY THE MOBIL CORPORATION, HAS AGREED TO BE ACQUIRED BY THE UNITED STATES STEEL CORPORATION FOR ABOUT DLR 6.3 BILLION. THE MERGER WOULD BE THE SECOND-LARGEST IN AMERICAN HISTORY AND WOULD CREATE THE NATION'S 13TH-LARGEST INDUSTRIAL COMPANY, WITH TOTAL ANNUAL REVENUES OF NEARLY DLR 21 BILLION. PARA. THE TIMES REPORTS THE REAGAN ADMINISTRATION STATEMENT THAT IT REGRETTED QUOTE THE HASTY UNQUOTE INITIAL REACTION BY SOVIET INFORMATION OUTLETS TO PRESIDENT REAGAN'S ARMS CONTROL PROPOSALS AND EXPRESSED THE HOPE FOR A MORE POSITIVE RESPONSE IN THE FUTURE. MOSCOW HAS DERIDED THE PRESIDENT'S OFFER TO CANCEL PLANS TO DEPLOY 572 NEW AMERICAN MEDIUM-RANGE MISSILES IN EUROPE IF THE KREMLIN DISMANTLED ABOUT 1,100 SOVIET MISSILES NOW DEPLOYED. END. REGARDS, KOELLE

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248423 WORLDBK.....

ADOVE VIA RCA FROM 248423 WORLDBK

Tanzania

Daily News, Nov 19, 1981

p. 1.

Clausen coming

By Staff Reporter

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dustrial complex.

The complex includes the Morogoro (polyester) textile project now under construction. The bank and its affiliate, the International Development Association (IDA) provided a total of 360 million/., to the project.

Mr. Clausen and his team will drive to Dar es Salaam on Monday afternoon.

He is scheduled to meet President Nyerere on Tuesday. On the same day he will also have talks with the Prime Minister Ndugu Cleopa Msuya, the Minister for Finance, Ndugu Amir Jamal, and the Minister for Planning and Economic Affairs, Professor Kichoma Malima.



MR. Clausen

1. What has been the impact of the us administration's economic policies on the funding and lending activities of the bank?
2. how does the bank envisage to increase its capital, at a time when governments are becoming increasingly tight-fisted?
3. arab petrol exporting countries have millions of dollars at their disposal. you have been to the middle east. ~~what are their requirements~~ what are their conditions for increasing their commitments? ~~can~~ can the conditions be easily met?
4. what is the future of ida, both immediate and long term? are ida's present difficulties temporary?
5. in the light of the impasse vis-vis ida and the talk about private enterprise, will the world bank be looking for finance from private sources and under what terms?

do you think that the developing countries will be well disposed to private financing of the bank?
6. what is the position as regarding the repayment of world bank loans?
7. how ~~does~~ does the bank balance pressures of the developing countries and development and the developed countries and contributions?

Ad: Energy affiliate for World Bank

~

8. reaction of world bank reaction and attitude of world bank to third world's demands for its democratisation?

9. reaction to criticisms that us leans successfully on world bank decisions and operations.

10. bank's approach to, and support for rural development and provision of basic social services.

~~xxxx~~ finally, questions centering on world bank involvement in tanzania.

TANZANIA

MOROGORO INDUSTRIAL COMPLEX (LOAN 1385-T-TA AND 1386-TA)

Project Data

Loan Amount:	US\$23.0 million
Date Approved:	March 29, 1977
Closing Date:	December 31, 1981
Amount Undisbursed (11/6/81):	US\$2.5 million

Project Description

1. Establishment of 65 hectares of industrial estate including land development, road network, provision of utilities, four standard factory buildings and housing for senior personnel; shoe factory designed to produce two million each of leather and canvass shoes for export per year; and a leather goods factory consisting of a number of working areas in which craftsmen would produce leather goods with simple hand tools, also for export. Related industries in the complex but not financed by the Bank, include a tannery (Bulgaria) and a canvass mill (EEC).
2. The entire complex is owned by Tanzania Leather Associated Industries Ltd. (TLAI), a parastatal company that also operates another shoe plant (Bora) that was formerly Bata. Engineering construction, management and marketing for the project have been the responsibility of Italmacchine, an Italian consulting and engineering company that is part of the Svires Group. Italmacchine's management and marketing contract expires in June 1982.

Implementation Status

3. The physical construction of the industrial estate and the factory is substantially complete. The machinery for the leather goods factory has been delivered to the site and is awaiting installation. The project has been implemented without major delays, but is now facing huge operational problems. From January through May 1981, the plant produced only 38,000 pairs of uppers, and the projected 1981 output is only about 10% of capacity (4 million pairs on a one shift basis). Some 30-40% of this projected output was planned as exports, but these only earn US\$5-6 per pair on a direct ex-factory cost of US\$9-10 per pair; locally the shoes sell for about US\$19 per pair, but plant capacity is considerably greater than excess local demand.
4. The underlying causes of this situation fall into two basic categories: a) those that are specifically project related; these basically stem from the fact that Italmacchine does not appear to have the technical and marketing capabilities needed to turn the shoe factory into a viable operation in a scarcity economy; and b) those that reflect the overall problems confronting the industrial sector. These are: (i) an overvalued exchange rate; (ii) taxes and duties on inputs of about 25%, that cannot be recouped upon export

Industrial Sector

6. In the 1970s, the Government saw rapid industrialization as a major means of achieving economic self-reliance. Responsibility for industrial development was placed in the hands of government-owned parastatals, many of which were specifically established for this purpose. However, performance in the industrial sector has not lived up to expectations. Despite large investments, production rose very slowly during the 1970s and has probably fallen in more recent years. Correspondingly, productivity has been falling and capacity utilization is now estimated at less than 30%. With recent shortages of imported raw materials and spare parts, as well as infrastructure weaknesses in power, water supply and transport, many industries have in fact been forced to close down.

7. In addition to the recent problems resulting from a lack of foreign exchange and infrastructural support, the industrial strategy adopted by Tanzania has run up against a number of more fundamental constraints. Firstly, the rapid growth of industries and parastatals has over-extended the country's management and manpower resources. At Independence in 1961, trained manpower was almost non-existent and the deficit of skilled manpower grew throughout the 1960s and 1970s as the development program expanded. Today, almost all parastatals (of which there are over 50 in the industrial sector alone) are poorly staffed and managed. Secondly, financial resources for industrial development have also been inadequate. This is reflected in high debt/equity ratios, weak working capital structures, and inadequate attention to operations and maintenance in manufacturing enterprises. Thirdly, the increasing distorted incentive system in the economy has discouraged productivity improvements. This includes inadequate provision for payment-by-results in wages and income policy (a Party paper on this was released over a year ago, but there seems to have been little follow up to date); maintenance of pervasive price controls, with little regard for comparative advantage or production costs; and an increasingly over-valued exchange rate, which has discouraged export development. Finally, and perhaps most importantly, the emphasis on industrial development diverted attention from agriculture, the performance of which is critical to success elsewhere in the Tanzanian economy. Without an expanding monetary agricultural sector to provide needed raw materials and absorb industrial products, there was little opportunity for the industrial sector to develop. In this respect, the emphasis on industrial development in Tanzania was probably premature.

8. Discussions with Minister Mramba could focus on how the Government intends to address the critical problems facing the industrial sector, given the limited financial (particularly foreign exchange) resources likely to be available. In particular:

- (a) what plans does the Government have for consolidating the sector, including closing down some operations and cancelling some of the less-essential projects under implementation?
- (b) what adjustments in industrial strategy and policies would be needed for the development of a healthier and more viable industrial sector in the future?

9. The main objective is to generate production on existing and ongoing investments as rapidly as possible. An essential step is to undertake the macro policy reforms already under discussion. But although necessary, this is far from sufficient to resolve Industry's basic and deeprooted problems. These are underlying deficiencies in organization, management, marketing and training throughout the sector; and most of these will have to be addressed by a detailed action program, not only by industry but also by company. Such action programs should include compensation and incentive systems for management and labor that are linked to performance; industry-specific export incentives to eliminate specific disadvantages due to import duties and taxes levied locally on industry which would not be recovered by exchange rate adjustment; simplifying and streamlining foreign trade procedures; and training and marketing arrangements. The formulation and implementation of these difficult programs will take considerable time and should be started as soon as possible if the proposed macro-economic policy changes are to have any appreciable and long lasting effect.

Clausen coming

DAILY NEWS 11/19/81

By Staff Reporter

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MR. Clausen

GUEST LIST FOR THE RECEPTION TO BE GIVEN BY
THE MINISTRY OF PLANNING ON NOVEMBER 23, 1981
FROM 7 PM TO 9.30 PM, IN HONOUR OF MR.A.W. CLAUSEN

Prime Minister's Office

Mr. S. Tunginie Principal Secretary

TREASURY

Mr. & Mrs. A.H. Jamal Minister for Finance

Mr. F.M. Kazaure Principal Secretary

Mr. & Mrs. R.E. Mariki Commissioner

Mr. F. Byabato

DEVPLAN

Mr. & Mrs. K.A. Malima Minister for Planning

Mr. F.D. Mbaga Principal Secretary

Mr. S. Odunga NEP

Mr. E.N. Mbuya CSP

BANK OF TANZANIA

Mr. & Mrs. C. Nyirabu Governor

Mr. & Mrs. B. Makani Deputy Governor

MINISTRY OF AGRICULTURE

Mr. J.J. Mungai Minister for Agriculture

Mr. D. Masanja Principal Secretary

MINISTRY OF FOREIGN AFFAIRS

Mr. & Mrs. Salim A. Salim Minister for Foreign Affairs

Mr. G. Rutihinda Principal Secretary

MINISTRY OF INDUSTRIES

Mr. & Mrs. B. Mramba Minister for Industries

Mr. F. Mujuni Principal Secretary

MINISTRY OF TRADE

Mr. & Mrs. A. Mchumo Minister for Trade

Mr. N. Kitomari Principal Secretary

MINISTRY OF MINES

Mr. & Mrs. Malecela Minister for Mines
Mr. S. Lwakatare Principal Secretary

MINISTRY OF WATER & ENERGY

Mr. & Mrs. A.N. Kassum Minister for Water & Energy
Mr. A. Janguo Principal Secretary

PRESIDENT'S OFFICE

Mr. & Mrs. G. Kabama Minister of State
Mr. T. Apiyo Principal Secretary
Mr. S. Mbilinyi Personal Assistant

MINISTRY OF COMMUNICATIONS & TRANSPORT

Mr. & Mrs. I.M. Kaduma Minister
Mr. O. Ongara Principal Secretary

MINISTRY OF WORKS

Mr. & Mrs. S. Sitta Minister for Works
Mr. R. Juma Principal Secretary

MINISTRY OF LANDS, HOUSING & URBAN DEVELOPMENT

Mr. & Mrs. M. Ngang'anyi Minister
Mr. J. Minja Principal Secretary

NATIONAL DEVELOPMENT CORPORATION

Mr. & Mrs. A.B.S. Kilewo Chairman & Managing Director

TANZANIA INVESTMENT BANK

Mr. Rubambe General Manager

TANZANIA DEVELOPMENT FINANCE COMPANY LTD

Mr. G. Mbowe General Manager

TANZANIA RURAL DEVELOPMENT BANK

Mr. P. Magani

TANZANIA PETROLEUM DEVELOPMENT CORPORATION

Mr. Barongo General Manager

NATIONAL TRANSPORT CORPORATION

Mr. Senare Chairman & Managing Director

TANZANIA ELECTRIC COMPANY LIMITED

Mr. S. Mosha Managing Director

TANZANIA TOURIST CORPORATION

Mr. Maryogo General Manager

TANZANIA HARBOURS AUTHORITY

Mr. Bakilana General Manager

TANZANIA RAILWAYS CORPORATION

Mr. T. Mmari General Manager

TANZANIA TEA AUTHORITY

Mr. E.K. Sannda General Manager

TOBACCO AUTHORITY OF TANZANIA

Mr. J. Kigoda General Manager

TANZANIA COTTON AUTHORITY

Mr. M.S. Mdope General Manager

EMBASSIES - AMBASSADORS AND HEADS OF MISSION

Sweden	H.E. Mr. David Wirmark	SIDA	Mr/Mrs
Norwegian	H.E. Mr. N. Dahl	NORAD	"
Denmark	H.E. Vigand Lose	DANIDA	"
Netherlands	H.E. Mr. A. Van Willigen		"
India	H.E. Mr. P.M.S. Malik		"
U.K.	H.E. Sir Peter Moon		"
Germany	H.E. L. Kremer		"
Japan	H.E. Mitsno Asaba		"
France	H.E. Leguen		"
Switzerland	H.E. Mr. Thomas Raeber		"
Italy	H.E. Mr. Marco Fortin		"
Algeria	H.E. Abder-Rahmane Bendid		"
U.S.A.	H.E. D. Miller		"
Canada	H.E. Karl Johnsen		"
USAID	Mr. Arthur M. Handly		"
China	H.E. Mr. Ho Gunku		
Finland	H.E. Mr. Risto Kauppi		

Nigeria	H.E. Mr. Egbuziem	Mr/Mrs
Zambia	H.E. Mr. M.Y. Liswaniso	"
Angola	H.E. Mr. Sebastian Usabio Junior	"
Egypt	H.E. Mr. M.H. Saeed	"
Rwanda	H.E. Emmanuel	"
Burundi	H.E. A.P.H. Wikanagu	"
Zaire	H.E. Bande Nyarende Larity	"
Zimbabwe	H.E. F.J. Mango	"

Delegation of the Commission of the European Communities Mr. B. Haffner "

United Nations Development Programme Mr. D. Quattara

Food & Agric. Organization Mr. D. Wozab

Commonwealth Dev. Corp. Mr. S. Magee

Private Sector (IFC) Mr. J.K. Chande , Management Supply Co. Mr/Mrs
Mr. Mengi , Cooper's & Lybrand

WORLD BANK

Mr. & Mrs. A.W. Clausen
Mr. W. Wapenhans (Accompanying Mr. Clausen)

Mr. Y. Abdulad "

Mr. D. Dunn "

Mrs. P. Schwartz "

Mr & Mrs. R.H. Nooter

Mr & Mrs. K. Kwaku

Advisory Group

Mr. E. Michanek

Mr. B. Van Arkadie

Mr. J. Loxley

Mr. R. Hofmeier

Guest List for Lunch at the Simba Grill On Tuesday 23 November 1981 at 12.30 p.m.

Mr. A.H. Jamal	Minister for Finance,	Host
Mr. K. Malima	Minister for Planning	
Mr. J. Makweta	Minister of State, Prime Minister's Office	
Mr. S. Sitta	Minister for Works	
Mr. I. Kaduma	Minister for Communications & Transport	
Mr. Al-Noor Kassum	Minister for Water & Energy	
Mr. H. Kirigini	Minister for Animal Husbandry	
Mr. I. Sepetu	Minister for Natural Resources & Tourism	
Mr. B. Mramba	Minister for Industries	
Mr. J. Mungai	Minister for Agriculture	
Mr. F.D. Mbaga	Principal Secretary, Ministry of Planning	
Mr. C. Nyirabu	Governor, Central Bank of Tanzania	
Mr. F. Kazaura	Principal Secretary, Ministry of Finance	
Mr. R. Mariki	Commissioner, Ministry of Finance	
Mr. A. Nsekela	Chairman & Managing Director, National Bank of Commerce	
Mr. J. Rubambe	General Manager, Tanzania Investment Bank	
Mr. P. Magani	Chairman & Managing Director, Tanzania Rural Dev. Bank	
Mr. F. Byabato	Senior Finance Management Officer, Treasury	
Mr. D. Wirmark	Swedish Ambassador	
Mr. R. Kauppi	Finnish Ambassador	
Mr. N. Dahl	Norwegian Ambassador	
Mr. V. Lose	Danish Ambassador	
Mr. A. Van Willigen	Netherlands Ambassador	
Mr. L. Kremer	German Ambassador	
Mr. K. Johnsen	Canadian Ambassador	
Mr. D. Ouattara	UNDP Representative	
Mr. P. Magee	Commonwealth Development Corporation	
Mr. B. Haffner	Delegation of the Commission of European Communities	
Mr. D. Miller	American Ambassador	
Mr. M. Asaba	Japanese Ambassador	

Mr. A.W. Clausen

Mr. W. Wapenhans

Mr. Abdulai

Mr. D. Dunn

Mr. R. Nooter

Mr. K. Kwaku

TANZANIAMr and Mrs Clausen's Visit -- November 22-25, 1981Itinerary

Sunday,
November 22

- 08.00 Departure from Nairobi by charter aircraft.
- 11.00 Arrival Kidatu airstrip, met by Minister Kassum of Water and Energy and proceed to Kidatu Guest House.
- 11.30 Briefing on the Kidatu Hydroelectric Project (Phase I and II) and lunch at the Guest House hosted by Minister Kassum. General Manager and other officials of the Power Company (TANESCO) and possibly the Morogoro Regional Commissioner to attend.
- 14.30 Departure for site visit to Power House and Dam financed under Phase I and II of the Kidatu Hydroelectric Project.
- 16.00 Departure for Mikumi Wildlife Lodge by air or road depending on weather.
- 17.30 Arrival at Mikumi Wildlife Lodge.
- 19.00 Dinner and night at Mikumi Wildlife Lodge with the Bank party.

Monday,
November 23

- 08.30 Departure by road for Morogoro Industrial Complex, designed to manufacture shoes for export. The complex consists of an industrial estate and a shoe and leather goods factory (financed by the Bank), a canvass mill (financed by EIB), and a tannery (financed by Bulgaria).
- 10.00 Arrival at the shoe factory and factory visit. To be accompanied by Mr. Ngamilo, the General Manager of the holding company (Tanzania Livestock Associated Industries), the officials of the factory and possibly by Minister Mramba of Industries.
- 11.30 Briefing by the Minister of Industries on role of industrial sector in Tanzania, its problems and prospects, role of parastatals in the industrial sector and, more generally, Tanzania's economic development. Lunch hosted by Mr. Mramba, Minister of Industries.

Monday,
November 23
(cont'd)

- 15.00 Departure for Dar es Salaam by air.
- 15.45 Arrival at Dar es Salaam.
- 16.45 Check into the Kilimanjaro Hotel.
- 19.00 Reception hosted by Minister Malima of Planning and Economic Affairs for Mr and Mrs Clausen and senior government officials and Ministers (attendance 100 persons including spouses, venue to be determined).

Tuesday,
November 24

(A separate
itinerary for
Mrs Clausen
is being
prepared.)

- 10.00 Meeting with Minister Malima of Planning and Economic Affairs. Discussions on Tanzania's economic difficulties and the prospects of the Government's economic survival program. Advisory Group and the Government's expectations from it, discussions with the IMF and the prospects for the Bank's non-project assistance and the Consultative Group.
- 11.00 Meeting with Finance Minister Jamal. Topics for discussions same as with Minister Malima.
- 12.30 Lunch hosted by Minister Jamal of Finance.
- 15.00 Meeting with Prime Minister Msuya. Discussions on the Advisory Group, the Government's strategy for rural development, particularly role of smallholder farmers and central services and measures to improve smallholder productivity, role of industrial development in the economy and strategy.
- 17.00 Meeting with President Nyerere. Discussions on the President's views of Tanzania's economic problems and measures required for economic revival, Tanzania's expectations from the Bank, President's reflections on the Cancun Conference, prospects for cooperation among the EAC members. Ministers Jamal and Malima may attend.
- 19.00 Dinner with the Resident Representative and the Bank party.

Night at Kilimanjaro Hotel.

Wednesday,
November 25

- 09.55 Departure for Malawi by Air Tanzania, TC501.

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November 20, 1981

PROPOSED ITINERARY FOR MRS. CLAUSEN

Tuesday, November 24, 1981

- 9:30 a.m. - Leave Kilimanjaro Hotel for YWCA, Ghana Avenue:
Visit Nursery School Canteen and Cottage Industry
- 10:30 a.m. - Leave YWCA for Kariakoo Market and drive back
through Independence Avenue (Main Shopping Centre)
- 12:00 p.m. - Depart for Bahari Beach
Lunch at Beach Hotel
- 2:00 p.m. - Leave Bahari Beach, drive back to town
(stop to see carvery)
- 2:45 p.m. - Drive round the University Campus
- 3:30 p.m. - Visit the Village Museum
- 4:30 p.m. - Leave Village Museum, drive back to town
through Ocean Road and around PMO's office
(stop to see animals at State House grounds)
- 5:30 p.m. - Arrive back at the Kilimanjaro. Have light
refreshments
- 6:30 p.m. - End of visit
Escorts leave Kilimanjaro Hotel

PS. It has been suggested to Government officials that itinerary end at around 5:30 p.m. when the party returns to the Kilimanjaro. No response has at yet been received.