

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**TANZANIA  
COUNTRY PORTFOLIO REVIEW**

**COUNTRY DEPARTMENT  
NORTH, EAST AND SOUTH REGIONS  
JANUARY 2006**

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**CURRENCY EQUIVALENTS****September 2005**

Currency Unit	=	Tanzanian Shilling (TZS)
UA 1	=	1648.83 TZS
UA 1	=	US \$ 1.44946

**WEIGHTS AND MEASURES**

Metric System

**FISCAL YEAR**

01 July to 30 June

## ACRONYMS AND ABBREVIATIONS

ADB	-	African Development Bank
ADF	-	African Development Fund
AIDS	-	Acquired Immunodeficiency Syndrome
AMSDP	-	Agricultural Marketing Systems Development Programme
APPR	-	Annual Portfolio Performance Report
BADEA	-	Arab Bank for Economic Development in Africa
BD	-	Board Document
CAE	-	Country Assistance Evaluation
CPIP	-	Country Portfolio Improvement Plan
CPR	-	Country Portfolio Review
DASIP	-	District Agricultural Sector Investment Programme
DAWASA	-	Dar es Salaam Water and Sewerage Authority
DAWASCO	-	Dar es Salaam Water and Sewerage Corporation
DO	-	Development Objective
DPG	-	Development Partners' Group
DWSSP	-	Dar es Salaam Water Supply and Sanitation Project
EIB	-	European Investment Bank
FY	-	Fiscal Year
GoT	-	Government of Tanzania
HIV	-	Human Immunodeficiency Virus
IDA	-	International Development Agency
IFAD	-	International Fund for Agricultural Development
IP	-	Implementation Performance
JAS	-	Joint Assistance Strategy
MDC	-	Monduli District Council
MFI	-	Micro finance institutions
MIS	-	Management Information Services
MoF	-	Ministry of Finance
MWLD	-	Ministry of Water and Livestock Development
NGOs	-	Non Governmental Organisations
NTF	-	Nigeria Trust Fund
OPEC	-	Organization of Petroleum Exporting Countries
PCU	-	Project Coordination Unit
PIT	-	Project Implementation Team
PIU	-	Project Implementation Unit
PMU	-	Project Management Unit
PORALG	-	President's Office, Regional Administration and Local Government
RGZ	-	Revolutionary Government of Zanzibar
SACCOs	-	Savings and Cooperative Credit Organisations
SELF	-	Small Entrepreneurs' Loan Facility
SGR	-	Selous Game Reserve
TAF	-	Technical Assistance Fund
TANESCO	-	Tanzania Electricity Supply Company
TAS	-	Tanzania Assistance Strategy
TZCO	-	Tanzania Country Office
TZS	-	Tanzanian Shilling
UA	-	Unit of Account
US \$	-	United States Dollar
VAT	-	Value Added Tax
VETA	-	Vocational Education and Training Authority

## EXECUTIVE SUMMARY

1. **Introduction:** This Country Portfolio Review (CPR) represents a continuing effort to improve the implementation performance of the Bank Group portfolio in Tanzania. The previous reviews were undertaken in 1994 and 1997. The objective of this report is to review the implementation performance of the Bank Group active portfolio in Tanzania, identify the key issues contributing to progress or lack of it, and to propose an action plan for remedial measures. The report is based on the findings of a Portfolio Review Mission that was undertaken in October 2005 and recent supervision missions.
2. **Overall Portfolio:** The Bank Group commenced operations in Tanzania in 1971 and had, as at 30 September 2005, approved sixty four loans and twenty eight grants to finance 84 operations comprising 50 projects, 23 studies, 6 policy-based loans, 3 lines of credit, and 2 debt relief operations (supplementary financing mechanisms). The total commitments on these operations, net of cancellations, amounted to UA 873.62 million and comprised UA 56.81 million from ADB, UA 804.89 million from ADF, and UA 11.92 million from NTF. In terms of sectoral allocation, multi sector operations had the largest share, accounting for 25.5% of total commitments net of cancellations, followed by transport (22.5%), agriculture (21.4%), public utilities (20.3%), social sector (8.5%) and industry and mining (1.8%). Out of the 84 approved operations sixty three (63) operations have been completed, 4 were terminated/cancelled, 16 are ongoing, while one operation has not yet been declared effective.
3. **Ongoing Portfolio:** As at 30 September 2005, there were 16 ongoing operations in Tanzania, comprising 3 operations in the agriculture sector, 4 in the transport sector, 3 in the public utility sector and 6 in the social sector, amounting to a total commitment of UA 277.91 million of ADF resources. Transport was the largest beneficiary accounting for 32.1% of total commitments, followed by Social Sector (24.2%), Agriculture (23.7%), and Public Utilities (20.0%).
4. **Disbursements:** As at 30 September 2005, the global disbursement/commitment ratio on all operations was about 70% (Table 2.1). The highest ratio was achieved in Multi Sector (97.9%) and Industry and Mining (80.7%). The disbursement ratios for the other sectors were Public Utilities (67.6%), Agriculture (64.8%), Transport (51.9%) and Social Sector (47.2%). In terms of ongoing operations, the total disbursement/commitment ratio was 25.1%. This low disbursement/commitment ratio suggests that there are problems in project implementation given that the on-going operations are relatively mature with an average age of 4.7 years. In terms of sector disbursement performance, the social sector had the highest ratio (47.5%), followed by transport (27.7%), public utilities (11.2%), and agriculture (10.3%).
5. **Portfolio Performance:** This review indicates satisfactory performance, with an average portfolio rating of 2.3, and no project rated below 2.0. This is consistent with the finding in the 2002/2003 Bank-wide APPR that the portfolio does not have any problem projects and that all projects have a high likelihood of achieving their development objectives. However, the APPR indicated that there were 9 potentially problematic projects although the proportion of projects at risk declined from 75% in 2002 to 69.2% in 2003, thus indicating an improvement in portfolio performance.
6. **Ageing, Potentially Problematic and Problem Projects:** Ageing projects refer to those projects that are not completed 8 years after the date of approval. According to this definition, there are no ageing projects in the portfolio, although there are a few that could soon become ageing. These include the Selous Game Reserve, the First Health Rehabilitation, and the Education II Projects, all of which were 7.8 years old since approval. Another four projects are more than 6 years old. These include Small Entrepreneurs' Loan Facility (6.9 years), El-Nino Road Rehabilitation (6.8 years), Shelui-Nzega Road (6.3 years), and Three Regions Health Study (6.2 years). Overall, the average age of the ongoing portfolio Tanzania was 4.8 years. In terms of sectoral performance, the social sector has the highest average age of 5.9 years, while public utilities has the lowest of 3.3 years. The average age of projects in agriculture was 5.4 years while that in transport was 4.6 years.

Potentially problematic projects are defined as those projects that have a higher probability of not achieving satisfactory or higher ratings in the future. The 2003 Bank-wide Annual Portfolio Performance Report (APPR) documented that there were 9 such projects, thereby putting a total of UA 187.8 million or 82.3% of the commitments at risk. However, this review finds that the number of potentially problematic projects has declined to 6. These operations include the El Nino Road Rehabilitation, Road Rehabilitation and Upgrading Project, Dar es Salaam Water Supply and Sanitation Project, First Health Rehabilitation Project, Three Regions Health Study, and the Rural Electrification Master Plan. There are, however, no problematic projects in the portfolio.

**7. Assessment of Supervision Frequency and Quality:** In 2004, all the ongoing projects were supervised at least once except for the Agricultural Marketing Systems Development Programme and the Zanzibar Roads Upgrading Project that had just become effective. Two projects, the Dar es Salaam Water Supply and Sanitation Project and the Monduli Water Supply Project, were supervised twice in the year. In 2005, all the projects were supervised once, except the Selous Game Reserve Management that is nearing completion. This works out to an average frequency of 1.2 times per project per year in 2004 and 1.0 in 2005. However, this is considered adequate given that none of the projects are problematic. While the supervision frequency seems adequate, mid term reviews have not been routinely undertaken. Mid term reviews have only been done for three projects in the portfolio in the recent past. These were for the First Health Rehabilitation Project, Education II, and SELF all of which were done in 2002. Given that the mid term review entails a thorough, in-depth supervision that covers all aspects of project activities, it is important to increase their frequency.

With regard to the length of the supervision missions, the standard duration of ten working days might not be adequate for some projects, especially those in infrastructure taking into consideration the long distances that have to be covered and the large number of PIUs to be visited. Similarly, many missions have been encountering difficulties of ensuring an adequate skill mix of the mission team. There is need for the Bank Group to address these issues so as to improve project implementation and progress.

**8. Cross-Cutting issues:** Cross cutting issues addressed by projects are usually articulated in the appraisal reports and monitored during supervision missions and mid-term reviews. The most important ones are poverty reduction, environmental and social protection, gender equality and governance. One project in the portfolio also addresses HIV/AIDS pandemic in the context of the social issues. A single project however needs not address all these issues.

**9. Generic Problems:** It was observed that the performance of the Bank Group's portfolio is adversely affected by various generic problems including: (i) delays in fulfilment of loan conditions; (ii) delays in disbursement; (iii) delays in procurement; (iv) inadequate project supervision; (v) poor communication between the Bank and the Government; (vi) weak implementation capacity; (vii) lack of counterpart funds, especially for projects in Zanzibar; and (viii) irregular submission of project audit reports. It is, however, noteworthy that the establishment of TZCO has started to bridge the communications gap and impact positively on portfolio performance.

**10. Proactive Management of the Portfolio:** Since mid-2004, the Government of Tanzania has led a process to develop a Tanzania Joint Assistance Strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between GoT and its many development partners. In particular, the JAS aims to embed fundamental principles that strengthen national ownership of the development process, and harmonise donor and government processes and procedures in ways that make aid more effective, and simpler to manage. While this is commendable, the approach will pose some challenges for Bank Group operations and it will require time for the Bank to re-orient its operations towards the JAS.

One of the challenges for the Bank Group emanates from the fact that under JAS, general budget support as the preferred modality for delivering development assistance and advocates the use of project

financing only for piloting and innovation and for demonstration purposes. While the Bank Group currently provides budget support, it is mandated to provide project financing and has over the years put in place structures and processes specifically to ensure effective delivery of this kind of financial support to Regional Member Countries. In view of this mode of operating, the adoption of some of the JAS principles may take some time.

In terms of the way forward, the Bank Group will continue to strive to make a significant contribution to the implementation of Tanzania's development strategy within the JAS framework and principles. This will entail close collaboration with other development partners to exploit the existing expertise and institutional structures to the best effect. Towards this end, the Bank Group will seek to execute jointly funded programmes where appropriate and to play an active role in programme implementation, especially in infrastructure development, in which the Bank seems to have substantial experience.

**11. Lessons Learnt for Future Country Strategy Papers and Portfolio Management:** The portfolio review indicates a number of lessons for future interventions in the country and portfolio management. First as noted above, there is the need for the Bank to re-examine its procedures to take into account emerging aid delivery modalities, in the context of harmonisation of donors' procedures to lessen the transaction costs placed on Government agencies that currently now have to cope with diverse donors' procedures. This entails a move from project approach to sector-wide approach and direct budget support, and the Bank Group would have to take due cognisance of this move in its country programming and portfolio management.

A second lesson relates to the need to ensure high quality at entry in the process of project identification, preparation, design and appraisal. In this context, it is important to ensure that components are not too many to create complexity that over-stretches the capacity of Executing Agencies in terms of human and financial resources. In addition, it is also crucial to rationalise the conditions for entry into force as well as for effectiveness in order to minimise delays in project start up. Another aspect that needs to be addressed is the identification of appropriate procurement modes at the appraisal stage to prevent cumbersome procedures, which could derail project implementation.

Another lesson is to recognize the important role of the Country Office and work towards enhancing its effectiveness. The Office needs to be granted more delegated authority, especially on procurement and disbursement issues and to be strengthened by recruitment of human resources. The fourth lesson for country programming and future portfolio management is the need for selectivity in the Bank Group's interventions, with emphasis on areas where the Bank Group has proven comparative advantage or could develop one, and on fewer large projects rather than numerous small ones. Finally, it is important to take into consideration the unique relationship that exists between the mainland and Zanzibar during project design and preparation.

**12. Conclusion and Recommendations:** The Portfolio Review exercise revealed a generally satisfactory overall portfolio performance rating of 2.3. However, there are some problems for which a Portfolio Action Plan has been designed. The Bank-wide APPRs also indicated improved portfolio performance in Tanzania in recent years. The proportion of operations in the portfolio rated as projects at risk declined from 75% in 2002 to 69.2% in 2003 and further to 46.2% in 2004. In addition, there were no problematic projects and there was a high likelihood that all the on going operations would achieve their development objectives. Based on the above findings, the following measures are recommended to further enhance the performance of the Bank Group portfolio in Tanzania:

**For the Government:**

- (i) To ensure accountability in the use of Bank Group resources, the Government should ensure compliance of Executing Agencies with the General Conditions attached to the Bank Group loans and grants, particularly the requirement for submission of annual audit reports, which is still a generic problem. They should be made aware that the Bank would not hesitate to suspend disbursement in the event of non-compliance.
- (ii) Some of the Executing Agencies that are responsible for the implementation of the Bank Group-financed projects lack adequate capacity for project implementation. While the Government is making some efforts to strengthen capacity building, this process needs to be intensified and carefully monitored to facilitate effective project implementation and the sustainability of project achievements.
- (iii) The Government should encourage PIUs to share their experiences among themselves in order to learn from each other and to adopt best practices. It is also important to ensure that adequately trained staff are recruited to manage PIUs and to avail training where weaknesses are identified.
- (iv) The Government should encourage PIUs/Executing Agencies to use communication services available at TZCO and to liaise with the office before submitting disbursement and procurement requests to Headquarters.
- (v) Given that Tanzania is one of the largest beneficiaries of ADF resources, the Government should ensure a strong pipeline of projects/programmes and timely submission to the Bank Group, so as to strengthen future lending operations.

**For the Bank:**

- (i) The Bank should respond to all communications from PIUs without delays, particularly on issues relating to disbursement and procurement. Towards this end, the Bank should ensure that projects are assigned specific and alternate Task Managers.
  - (ii) The Bank should avoid imposing stringent and numerous conditions on its projects without compromising standards. There is also a need to improve project design and allow more flexibility in order to improve the timeliness of project implementation.
  - (iii) The Bank needs to strengthen TZCO by delegating more authority to the Office to undertake some decisions pertaining to procurement and disbursement, and to increase the staff numbers and skills mix.
  - (iv) The Bank Group should closely monitor the implementation of the Action Plan presented in Annex 7.
13. The Boards of Directors are invited to take note of this Portfolio Review Report on Tanzania.

## **1. INTRODUCTION**

### **1.1 Objectives, Structure and Coverage of the Report**

1.1.1 This Country Portfolio Review (CPR) represents a continuing effort to improve the implementation performance of the Bank Group portfolio in Tanzania. Previously, the Bank Group has undertaken two other portfolio reviews for Tanzania. The first review was undertaken in 1994 while the second was done in 1997<sup>1</sup>. The objective of this report is to review the implementation performance of the Bank Group active portfolio in Tanzania, identify the key issues contributing to progress or lack of it, and to propose an action plan for remedial measures. Towards this end, the report focuses on the following: (i) a review of ongoing portfolio; (ii) an assessment of management/implementation capacity; (iii) coordination with other donors; (iv) loan repayment and arrears; (v) proactive improvement of the portfolio in terms of a time-bound action plan with quantifiable and monitorable indicators.

1.1.2 The CPR is based on the findings of a review mission that was undertaken in October 2005, and various project supervision missions undertaken in 2004-2005. It also draws from discussions arising in Quarterly Meetings that are held between the Department of External Finance, project coordinators and the Bank Group's Country Office in Tanzania.

### **1.2 Size and Composition of the Cumulative Portfolio**

1.2.1 The Bank Group commenced operations in Tanzania in 1971 and had, as at 30 September 2005, approved sixty four loans and twenty eight grants to finance 84 operations comprising 50 projects, 23 studies, 6 policy-based loans, 3 lines of credit, and 2 debt relief operations (supplementary financing mechanisms). The total commitments on these operations, net of cancellations, amounted to UA 873.62 million and comprised UA 56.81 million from ADB, UA 804.89 million from ADF, and UA 11.92 million from NTF. In addition, the country has also benefited from various multi-national operations such as the TAZARA Landslides Rectification Project, the Regional Electrification Study, the Arusha - Namanga - Athi River Road, the Isaka-Kigali Railway Study, and the Lake Tanganyika Integrated Regional Development Programme.

1.2.2 The sectoral distribution of the cumulative Bank Group portfolio in Tanzania as at 30 September 2005 is presented in Table 1.1. Multi sector operations had the largest share, accounting for 25.5% of total commitments net of cancellations, followed by transport (22.5%), agriculture (21.4%), public utilities (20.3%), social sector (8.5%) and industry and mining (1.8%). Out of the 84 approved operations sixty three (63) operations have been completed, 4 were terminated/cancelled, 16 are ongoing, while one operation has not yet been declared effective.

1.2.3 Currently there are no on-going Bank Group financed private sector projects in Tanzania. However, recently, a team of private sector experts from the Bank Group visited the country to appraise its private sector profile with the aim of ultimately defining a strategy of intervention for the Bank Group in the sector. Overall, the economic and business environment was considered to be favourable for future investments. In addition to the strong macroeconomic performance, positive developments were recorded in the financial sector as evidenced by a strong and liquid banking sector and improved access to financial resources. Mining, power and telecommunications were identified as possible sectors of intervention.

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<sup>1</sup> The long lapse between the previous and the current CPR is unusual and emanated from capacity constraints on the part of the Bank Group.

Table 1.1  
Tanzania: The Structure of Bank Group Cumulative Portfolio  
(as at 30 September, 2005)

Sector	No of Operations	Net Commitment UA million	Percentage Share
Agriculture	19	186.92	21.5
Public Utilities	21	177.23	20.3
Transport	17	196.47	22.5
Social	10	74.50	8.5
Industry & Mining	8	16.03	1.8
Multi-Sector	9	222.47	25.5
Total	84	873.62	100.0

1.2.4 With regard to mining, it was noted that the Mtwara Corridor offers a lot of potential for several key projects, and is in line with the Memorandum of Understanding that Tanzania, Malawi, Zambia and South Africa have signed for coordinating their actions for the corridor development. As concerns electricity, there are significant plans for development in the generation, transportation and rural electrification sectors requiring large amounts of investment. However, there is a need to first restructure the public electric utility company, TANESCO, to improve quality and reliability of power supply, financial performance, and customer services. Once the financial situation of TANESCO has improved, the financial markets and international donors could be approached to finance electricity generation projects. Technical assistance may also be envisaged to assist the privatisation or unbundling of the electricity sector through activities such as sector analysis and strategy, environmental impact studies, socio-economic analysis, master plan studies, and tariff studies. As concerns telecommunications, it was observed that the sector is characterized by very low penetration rates of landlines (0.4%), and internet (0.7%), while mobile telephone services have shown very high annual growth rates since 2001. The regulatory framework for the sector is one of the most comprehensive in Sub Saharan Africa with a regulator benefiting from legal authority and enforcement powers, autonomous financial resources, and fairly independent and highly qualified staff. Given the large population and the current low penetration of telephone services, this sector was identified as one with promising potential, particularly regarding extension of mobile telephone networks to rural areas.

1.2.5 Tanzania has been among the major beneficiaries of Bank Group support. In terms of the amount and the number of operations, its portfolio compares favourably with those of other major recipients of ADF funding (Table 1.2).

**Table 1.2**  
**Tanzania's Portfolio Compared with Other Selected ADF Countries**  
**(as at 30 September, 2005)**

Country	Number of Operations	Net Commitment (UA million)	Disbursements (UA million)	Disbursements as % of Net Commitment
Ethiopia	87	1,316.38	1,013.2	77.0
Ghana	70	895.22	599.57	67.0
Tanzania	82	873.62	608.87	69.7
Uganda	80	813.95	551.00	67.7
Kenya	68	703.50	458.75	65.2
Burkina Faso	65	541.20	355.85	65.8

## **2. REVIEW OF ONGOING PORTFOLIO**

### **2.1 Review of Each Ongoing Operation**

2.1.1 As at 30 September 2005, there were 16 ongoing operations in Tanzania, comprising 3 operations in the agriculture sector, 4 in the transport sector, 3 in the public utility sector and 6 in the social sector, amounting to a total commitment of UA 277.91 million of ADF resources. The sectoral breakdown of these operations is presented in Table 2.1. Transport is the largest beneficiary accounting for 32.1% of total commitments, followed by Social Sector (24.2%), Agriculture (23.7%), and Public Utilities (20.0%).

**Table 2.1**  
**Tanzania: Sectoral Breakdown of Bank Group Ongoing Portfolio**  
**(as at 30 September, 2005)**

Sector	No of Operations	Commitment UA million	% Share
Agriculture	3	65.81	23.7
Public Utilities	3	55.63	20.0
Transport	4	89.33	32.1
Social	6	67.14	24.2
Total	16	277.91	100.0

2.1.2 In addition to the ongoing projects, it is worth noting that one operation, the Institutional Support Project for Good Governance (Grant UA 4.8 million) that was approved in December 2004 had not yet become effective. The protocol agreement was signed in February 2005 and the Government is in the process of fulfilling the conditions for entry into force.

2.1.3 The ongoing projects are reviewed in terms of (i) Compliance with loan conditions; (ii) Procurement performance; (iii) Financial Performance; (iv) Activities and Works; (v) Impact on development; and (vi) Overall assessment. With regard to compliance with loan conditions, an assessment is made of the loan conditions precedent to entry into force, as well as compliance with general conditions and with other conditions. Procurement performance is rated in terms of procurement of consultancy services; and of goods and works. Financial performance involves an assessment of the availability of foreign exchange and local currency; disbursement flows, cost management, and performance of co-financiers (where applicable). Progress on activities and works includes an assessment of adherence to implementation schedule, performance of consultants or

technical assistance, performance of contractors, and performance of project management. As concerns the impact on development, this is assessed by looking at the likelihood of achieving project objectives and the likely contribution towards an increase in institutional capacity. This means that projects are rated in terms of the anticipated impact on development and not the impact that has already been achieved.

## A. Agriculture Sector

2.1.4 Over-view: The three ongoing operations in the agriculture sector amount to a commitment of UA 65.81 million and comprise the Selous Game Reserve Management Project, the Agricultural Marketing Systems Development Programme and the District Agriculture Sector Investment Project (DASIP). The Selous Game Reserve Management Project is at an advanced stage of implementation and is almost completed while the activities in the Agricultural Marketing Systems Development Programme have only recently commenced. The DASIP (Loan UA 36.0 million and grant UA 7.0 million) was approved in November 2004 and was declared effective in July 2005. Although the Project Coordination Unit has been set up, the project has currently no significant ongoing activities and is, therefore, not included in the project-by-project review below.

### A.1 Selous Game Reserve Management Project

#### Basic Data and Project objective/components

<u>Approved Amount</u> : UA 5.91 million <u>Cancelled Amount</u> : None <u>Net Commitment</u> : UA 5.91 million	<u>Source</u> : ADF	<u>Disbursed Amount</u> : ADF: UA 5.54 million (93.7%)
<u>Date Approved</u> : 26 November 1997 <u>Date signed</u> : 08 May 1998 <u>Entry into Force</u> : 16 November 1998	<u>Accounts Audit (years)</u> : None pending. 2004/05 Report to be submitted by April 2006 <u>Progress Reports</u> : Regularly submitted	<u>Last disbursement deadline</u> : 31 December 2005
<u>Date of last supervision</u> : 06 September 2004	<u>Implementing Agency</u> : Ministry of Natural Resources and Tourism	
<u>Project Objective/Components</u> : The project objective is to create sustainable and effective management in Selous Game Reserve (SGR) and its buffer zones through the adoption of more efficient wildlife conservation techniques and the improvement of the SGR infrastructure. Revenue collection from wildlife utilization is expected to increase by 30% annually.		

2.1.5 Compliance with Conditions: The conditions for effectiveness were fulfilled six months after loan signature. With regard to general conditions, there is no pending audit report, though not all were submitted as and when due. The next audit report for 2004/05 is due for submission by April 2006.

2.1.6 Procurement Performance: There have been no major problems encountered in the procurement of goods and works.

2.1.7 Financial Performance: With a disbursement rate of 94%, the project's financial performance is satisfactory. The Government has also been making its contribution on a regular basis.

2.1.8 Activities and Output: The first two components, namely the Integrated Buffer Zone Management and Infrastructure and Maintenance have been completed, while the construction of the staff houses is progressing well and completion was due by December 2005. With regard to the institutional support to the Project Management unit (PMU), training has been provided to staff both locally and externally. The project was due for completion by December 2005, the date of the final disbursement.

2.1.9 Impact on Development: The likelihood of the project realising its stated objectives is considered high.

2.1.10 Overall Assessment: The indicators below show that the project's performance is satisfactory.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	3	2	2	2.44

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
None	None	N/A

#### **Box 1: A Note on the Impact of the Selous Game Reserve Management Project**

This project, which is nearing completion, has been relatively successful. It has contributed significantly to the maintenance of the Selous Game Reserve (SGR) road network and air strips by rehabilitating 1220 km of roads out of the 7,000 km of roads and 3 out of 25 airstrips, and by keeping the roads under annual maintenance scheme. Some heavy equipment (2 graders, 2 wheel loaders, 1 bulldozer and 2 compactors) was successfully procured through the loan. In addition, the project provided parts for the repair of two graders that were out of service before the commencement of the project. Through contracting, the project also rehabilitated the 51 kilometres Mahenge-Mbuga earth road to make it passable all the year round for the benefit of buffer zone communities, game reserve visitors and reserve management. It also provided a modest support to some community micro-projects. For example, communities were supported through: (i) the construction and maintenance of roads and culverts using project equipment; (ii) the construction of 30 classrooms in fifteen villages; (iii) the improvement of community water supply through the construction of fourteen shallow wells (9 in Ulanga District and 5 in Kilombero District); and (iv) the provision of five milling machines to women groups.

The Park housing component was aimed at the construction of modest and inexpensive 97 new residential houses, 16 functional buildings, and the installation of water distribution system in 7 staff camps. In addition, it was agreed that the project would assist in the rehabilitation of 71 existing residential houses and 14 functional buildings. So far, the Project has been able to construct 89 new buildings out of the expected 113 new buildings due to budget constraints. The project's extension unit also sensitised communities effectively on the need for community involvement in Wildlife Conservation in the buffer zone. Community Wildlife Management Programmes are now ongoing community activities as a result of: i) community training in game scouting; the establishment of "Village Wildlife Management Committees" comprising 11 members in each village; allocation of annual hunting quota as part of community benefits; and v) the preparation of land use plan for the buffer zone, including the survey and demarcation of village lands. The project also facilitated communication between the district offices, strategic points within the buffer zone and the SGR Management through the installation of radio communication equipment. The overall objective is to reinforce anti – poaching activities in the project area.

The project has also succeeded in preparing an 'Integrated Buffer Zone Management Plan'. The Plan provides a land capability classification of the Selous Game Reserve's Buffer Zone in Ulanga and Kilombero districts

for a more efficient use of the land resource for food, forestry, fisheries production and wildlife management. The GOT has reviewed the report and accepted the recommendations. The report has also been made available to the affected districts and donors. As stated in the appraisal report, the project carried out the socio-economic survey of the buffer zones of the SGR to provide the socio-economic data on the areas, and assess the development priorities of the area. The survey was also needed to improve on the field activities of Buffer Zone Management under the project as well as provide information for the preparation of an integrated buffer zone management plan. The survey, covering the 25 villages that are in the buffer zone of Selous Game Reserve in Kilombero and Ulanga Districts of Morogoro Region was conducted by the Department of Sociology of the University of Dar es Salaam, thus promoting collaboration among national institutions. The results of the survey were validated through a stakeholders' workshop. The Steering Committee of the project was effective in assisting in project implementation. On the whole, the committee met 10 times during the six years' project life. The success of the project could also be associated with the stability of the entire management staff and its speedy grasp of the Bank Group's procurement and disbursement methods.

## **A.2 Agricultural Marketing Systems Development Programme**

### **Basic Data and Project Objective/Components**

<u>Approved Amount:</u> UA 16.9 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA 16.9 million	<u>Sources:</u> ADF Loan: 15.9 million Grant: 1.0 million	<u>Disbursed Amount</u> ADF Loan: 0.85 million (5.4%) Grant: 0.42 million (42%)
<u>Date Approved:</u> 18 September 2002 <u>Date signed:</u> 12 May 2003 <u>Entry into Force:</u> 15 December 2003	<u>Accounts Audit (years):</u> 2004 Report submitted. <u>Progress Reports:</u> 4 submitted	<u>Last disbursement deadline:</u> 31 December 2008
<u>Date of last supervision :</u> 25 March.2005	<u>Implementing Agency:</u> Prime Minister's Office	
<u>Project Objective/Components:</u> The objective of the programme is to improve the structures, conduct and performance of the agricultural marketing and pricing system in the country, in order to provide the necessary incentives to the smallholders to increase and diversify production, and to enable the private sector to more actively participate in rural areas and interact with small-scale producers. In realising its objectives, the project will establish market infrastructures, strengthen farmers' organisations, including monitoring systems, and the policies to promote private sector.		

2.1.11 Compliance with Conditions: Conditions for effectiveness were met within 7 months after loan signature. General conditions have all been fulfilled and the latest audit report (for 2004) has been submitted to the Bank.

2.1.12 Procurement Performance: The recruitment of consultants for the supervision of rehabilitation of Rujewa- Madibira Road was done through a short-listing of firms that had been selected through a pre-qualification process that was undertaken according to Bank procurement procedures. To date contracts with respect to rehabilitation of 264 kilometres of feeder roads and 2 warehouses, construction of 2 bridges, 6 six markets and one produce warehouse have been awarded in 8 districts with a total value of TZS 3.94 billion (UA 2.38 million) through national competitive bidding Bank procedures. The project has also procured all office equipment and 37 motorcycles that have already been distributed to the districts and are being used for the supervision of civil works by district engineers.

2.1.13 Financial Performance: The disbursement rates stand at 42% for the Grant and 5.4% for the Loan. The disbursement on the loan seems to be low because physical implementation of civil works did not start until May 2005 due to various technical reasons. First, it took time to design the roads and markets and also to advertise tenders, evaluate and award contracts. In addition, there was also a need to agree first on changes made by the Government on civil works implementation modalities as opposed to the plans in the Appraisal Report. However, it is worth noting that the total committed amount of signed contracts on the loan is UA 2.34 million that translates to 15 % of the loan amount and the works are now progressing very fast.

2.1.14 Activities and Output: Rehabilitation of four roads and two storage warehouses, construction of 2 bridges and one storage warehouse are completed. The on-going rehabilitation of roads and construction of markets are being implemented under 15 separate contracts and is at various stages of completion but almost all are expected to be completed by end January 2006. The project has also undertaken capacity building activities in 8 districts in various aspects of civil works including maintenance and sustainability of the roads.

2.1.15 Impact on Development: Evidence from the field shows that the rehabilitated roads, constructed bridges and produce warehouses are yielding good financial and economic returns to the communities and the Government of Tanzania at large. The warehouses storage facilities are being utilized by rural farmers' groups for depositing their produce and enabling them to access credit on the basis of warehouse receipts of their deposited agricultural produce. This is a break through for non-creditworthy members of community to access credit.

2.1.16 Overall Assessment: The project is expected to achieve the planned benefits as envisaged at appraisal as indicated in the Table below.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	3	2	3	2.4

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Inadequate contribution of counter-part funds by the districts due to budget constraints	Project Steering Committee to examine the problem and come up with a solution.	Before Mid Term Review in July 2006.

### **B. Transport Sector**

2.1.17 Overview: The four projects in this sector amount to UA 89.33 million. Of these, two projects are virtually completed, one is slow moving while the fourth was approved in June 2004 and activities have not started yet. All the operations retain good chances of attaining development objectives as defined at appraisal but for almost all of them, it is likely that these would be realized later than expected due to implementation delays.

#### **B.1 El Nino Road Rehabilitation Project**

##### Basic Data and Project objective/components

<u>Approved Amount</u> : UA 9.75 million <u>Cancelled Amount</u> None <u>Net Commitment</u> : UA 9.75 million	<u>Source</u> : ADF	<u>Disbursed Amount</u> : UA 4.26 million (43.7%)
<u>Date Approved</u> : 16 December 1998 <u>Date signed</u> : 05 January 1999 <u>Entry into Force</u> : 17 March 1999	<u>Accounts Audit (years)</u> : 2004 Report Submitted; 2005 Report due for submission  <u>Progress Reports</u> : Regularly Submitted	<u>Last disbursement deadline</u> : 30 June 2005

<u>Date of last supervision:</u> 15 June 2005	<u>Implementing Agency:</u> Ministry of Communications and Works
<u>Project Objective/Components:</u> The objective of the project is to restore the vital economic and social infrastructure in order to counteract the adverse effects of the EL Nino weather phenomenon in Tanzania.	

2.1.18 Compliance with Conditions: There was a considerable delay in meeting the conditions for loan effectiveness and they were fulfilled 21 months after loan signature. Compliance with general conditions, however, has been satisfactory as audit and progress reports are submitted on time.

2.1.19 Procurement Performance: Procurement for consultancy supervision services contracts has been done according to Bank Group procedures.

2.1.20 Financial Performance: The project's financial performance has been satisfactory. Pending issues on the project include the appropriation of part of the loan proceeds to cover the audit services which are in progress and the payment of outstanding certificates that arrived in the Bank for payment after the loan closing date. The Government has directed that the balance of the loan be cancelled after the resolution of these minor issues and the loan closed forthwith. The Bank is reviewing the request with a view to early cancellation of the loan balance and closing of the loan.

2.1.21 Activities and Output: The project was terminated in June 2005 following the closure of the project's loan. However, the Government is reviewing various claims brought forward by the contractors on some of the 4 packages, relating to additional work items and delays caused by late tax remission, advance payments and late site possession. With regard to consultancy supervision services, the Bank did not give its approval for an Addendum amounting to about US\$ 473, 000, for the consultancy services to cover the extended period of execution of the works and advised Government to finance this aspect. The Government has indicated its intention to approach the Bank to reconsider its position.

2.1.22 Impact on Development: The project is expected to have a positive impact on development although this will be realised later due to the delays in implementation.

2.1.23 Overall Assessment: The project's overall performance is rated as satisfactory as reflected in the table below.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	2	3	2	2	2.13

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Delays in submission of audit reports	Expedite processing and submission of audit reports	Immediate

## **B.2 Shelui-Nzega Road Project**

#### Basic Data and Project objective/components

<u>Approved Amount:</u> UA 24.0 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA 24.0 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA 13.25 million (55.2%)
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<u>Date Approved:</u> 17 June 1999 <u>Date signed:</u> 19 November 1999 <u>Entry into Force:</u> 07 March 2000	<u>Accounts Audit (years):</u> 2004 Report submitted; 2005 Report due for submission  <u>Progress Reports:</u> Regularly Submitted	<u>Last disbursement deadline:</u> 29 November 2005
<u>Date of last supervision:</u> 11 June 2005	<u>Implementing Agency:</u> Ministry of Communications and Works	
<u>Project Objective/Components:</u> The objective of the project is to reduce transport costs by minimizing the maintenance and vehicle operating costs and improve safety in the Tabora districts served by the project road, and to promote regional integration under East African cooperation.		

2.1.24 Compliance with Conditions: The conditions pertaining to loan effectiveness were fulfilled within 4 months after loan signature. Audit Reports for the period ending June 2003 and 2004 were submitted to the Bank and a response was sent to the Government in October 2005.

2.1.25 Procurement Performance: Procurement for consultancy supervision services contracts has been done according to Bank Group procedures.

2.1.26 Financial Performance: The current main areas of concern include: (i) the preparation and submission of the Audit report for year 2005; (ii) preparation of the project completion report; and (iii) closing and cancellation of the loan balance after the loan closing date. The Bank shall alert Government of its intention to close the loan and cancel the loan balance after the loan closing date.

2.1.27 Activities and Output: The contract for supervision consultancy services that was signed in February 2001 to supervise the construction works is coming to an end as the construction works have been substantially completed. The first 84.6 kilometres were substantially completed in April 2005 while the remaining 27.4 kilometres were completed in June 2005 against a planned target completion by the extended project period of August 2005. The contractor is currently progressing, during the defects liability period, with the remaining roadside activities and the additional works that were instructed in May 2005. The loan closing date was extended once to November 2005 from the original date of November 2003. The contractor claimed for extension of time for various reasons including delay caused by change of type of base course, lack of design/updated data and delayed payments.

2.1.28 Impact on Development: There is a high likelihood that the project will achieve the intended benefit as envisaged at appraisal.

2.1.29 Overall Assessment: On the whole, the project has performed satisfactorily. Regular traffic counts undertaken on the road showed that the road usage has increased substantially. There is a need for the Government to make budgetary provision to overlay the road section to avoid premature failure as well as to control axle loads.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2	3	2	3	2.27

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Delays in submission of audit reports	Expedite processing and submission of audit reports	Immediate

### B.3 Roads Rehabilitation Upgrading Project

#### Basic Data and Project Objective/Components

<u>Approved Amount:</u> UA 38.65 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA 38.65 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA7.25 million (18.7%)
<u>Date Approved:</u> 03 September 2001 <u>Date signed:</u> 28 September 2001 <u>Entry into Force:</u> 06 June 2003	<u>Accounts Audit (years):</u> 2004 Report submitted; 2005 Report due  <u>Progress Reports:</u> Regularly Submitted	<u>Last disbursement deadline:</u> 31 December 2007
<u>Date of last supervision:</u> 19 June 2005	<u>Implementing Agency:</u> Ministry of Communications and Works	
<u>Project Objective/Components:</u> The objective of the project is to rehabilitate and improve access on priority road networks in Kagera and Dodoma Regions.		

2.1.30 Compliance with Conditions: There was considerable delay in meeting the conditions pertaining to loan effectiveness and the conditions were fulfilled 21 months after loan signature. Audit Reports were submitted for the period ending June 2003 and 2004 but the 2005 Audit Report is yet to be submitted.

2.1.31 Procurement Performance: Procurement has been done according to Bank Group procedures and two consultancy supervision services contracts have been awarded for the Rehabilitation works and the Upgrading works.

2.1.32 Financial Performance: The disbursement rate on the loan is currently 18.7%. The Bank Group has approved additional costs on the project of about UA1.53million in Addendums to the 8 contract lots. The additional costs have arisen from increase in earthworks quantities, additional drainage requirements and rock excavation. The increase constitutes about 17% of the contract with the percentage increase on each lot varying between 4% and 28%. All lots were signed in September 2003 with a start date of January 2004 and original closing date of July 2005 which has expired and needs to be extended to accommodate the additional works required on each of the projects. The Bank has requested for the submission of signed Addenda to the projects and expects to receive these by the middle of October 2005 to ensure continuous disbursements for works done. The corresponding request for the extension of time for consultancy services contract is also expected by the Bank for a no-objection to enable smooth implementation of the works without interruption.

2.1.33 Activities and Output: The rehabilitation works are being implemented under eight (8) separate contracts and is at various stages of completion ranging from 55%, 57% and 65% for the three slow moving lots 2, 3 and 5 respectively; 72%, 74% and 83% for the average three performing lots Nos. 7, 4 and 8, and two lots Nos. 6 and 1 that are substantially completed at 95% and 98% respectively. Overall completion is about 75%. With regards to the Upgrading component, the works were re-tendered due to very high tender prices as compared to the engineer's estimates. The invitation to tender was then made open as opposed to the restricted list of pre-qualified bidders. The evaluation report of the re-tendered bids has been sent to the Bank for review and no-objection. The Bank has requested the Executing Agency to submit a supplementary report on the winning bidder showing the current state of plant, ownership, location, etc. that the contractor intends to deploy to the project to ensure their availability and worthiness for the works contract. This is awaited by the Bank to complete its review.

2.1.34 Impact on Development: The project is expected to achieve the intended benefits as envisaged at appraisal although these will be realised later due to implementation delays.

2.1.35 Overall Assessment: On the whole, the project's performance is rated as satisfactory as shown in the Table below.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2	3	2	3	2.33

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Delays in procurement of the works contract for the upgrading component, and submission of Signed Addenda to the contracts, and Audit report for 2005.	Expedite the procurement of the contract, submission of signed Addenda, and the 2005 audit report	Immediate

### **B.4 Zanzibar Roads Upgrading Project**

#### Basic Data and Project Objective/Components

<u>Approved Amount:</u> UA 16.93 million <u>Cancelled Amount:</u> None- <u>Net Commitment:</u> UA 16.93 million	<u>Source:</u> ADF: UA 16.22 million Grant: UA 0.71 million	<u>Disbursed Amount:</u> None
<u>Date Approved:</u> 09 June 2004 <u>Date signed:</u> 24 June 2004 <u>Entry into Force:</u> 05 October 2004	<u>Accounts Audit (years):</u> Not due <u>Progress Reports:</u> Not due	<u>Last disbursement deadline:</u> 31 December 2007
<u>Date of last supervision:</u> 08 June 2005	<u>Implementing Agency:</u> Ministry of Communications and Transport (Zanzibar)	
<u>Project Objective/Components:</u> The objectives of the project are to reduce vehicle operating and road maintenance costs and improve road transport services in Unguja Island and to achieve better management of the road network.		

2.1.36 Compliance with Conditions: The loan agreement and grant protocol were signed in June 2004. The loan was declared effective three months later in October 2004 but the grant has not yet become effective as the Government is in the process of fulfilling some of the conditions.

2.1.37 Procurement Performance: The procurement of consultants for the supervision and audit services and the technical assistance for the institutional strengthening and capacity building are in progress. The final evaluation report has been completed and is being sent to the Bank for review and no objection. With regard to the works contract, the Bank is reviewing the evaluation report for award of contract and has requested further information on the status and availability of the plant and equipment that would be deployed by the winning bidder before the review is finalized.

2.1.38 Financial Performance: The Bank has emphasized to the Government the need to put in place good account record keeping at the commencement of the project and to make available the necessary counterpart funds for resettlement of the people that will be affected within the project area.

2.1.39 Activities and Output: There are no ongoing activities as the project has not yet taken off.

2.1.40 Impact on Development: There is a high likelihood that the project will realise the expected impact upon completion in terms of reducing vehicle operating and road maintenance costs and improving road transport services in Unguja Island.

2.1.41 Overall Assessment: Although project activities are yet to commence, the overall assessment so far is that the project has performed satisfactorily.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2.5	2.5	2	3	2.5

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Delays in fulfilment of conditions for grant	Government to expedite the process of fulfilling outstanding conditions	Immediate

### **C. Public Utilities**

2.1.42 Overview: The ongoing portfolio contains two projects and one study focusing on public utilities, which constitute about 24% of commitments on all on-going operations. The study is at an advanced stage of implementation. With regard to the projects, one is relatively new while the other one has suffered considerable delays.

## C.1 Rural Electrification Master Plan

### Basic Data and Project objective/components

<u>Approved Amount ADF:</u> UA.1.87 million <u>Cancelled Amount:</u> None <u>Net Commitment:</u> UA 1.87 million	<u>Source:</u> TAF	<u>Disbursed Amount:</u> UA 1.53 million (81.8%)
<u>Date Approved:</u> 28 June 2001 <u>Date signed:</u> 28 September 2001 <u>Entry into Force:</u> 21 October 2003	<u>Accounts Audit (years)</u> The Audit Report for the year ended 31 December 2004 was submitted to the Bank. <u>Progress Reports:</u> Regularly submitted.	<u>Last disbursement deadline:</u> 31 December 2005
<u>Date of last supervision</u> 29 April 2005	<u>Implementing Agency:</u> Tanzania Electricity Supply Company (TANESCO)	
<u>Project Objective/Components:</u> The project's objectives are to examine the technical, financial, economic, social, and environmental aspects of the least cost solution of supplying energy including electricity to rural areas, to prepare a Master Plan and to define priority projects for expansion of rural electrification networks and development of energy supply system for rural areas in the next 15-20 years.		

2.1.43 Compliance with Conditions: The conditions for effectiveness were fulfilled 24 months after signing of the grant. The delay was as a result of the slow pace in fulfilling the conditions prior to first disbursement. The conditions comprised setting up a steering committee, the technical committee and the PIU. On the other hand, compliance with the general conditions has been satisfactory as the PIU regularly submits quarterly progress reports to the Bank while the audit report for the year ending December 31, 2004 was submitted to the Bank in July 2005. The compliance with grant conditions is therefore satisfactory.

2.1.44 Procurement Performance: The recruitment of consultants was done through short-listing of firms that had been selected through a pre-qualifications process that was done in accordance with Bank Group guidelines. This indicator is therefore rated as highly satisfactory.

2.1.45 Financial Performance: The disbursement rate is about 81.8%. Given the slow pace in fulfilling the conditions prior to first disbursement, this rate is satisfactory. It must be pointed out that this satisfactory performance has been possible because the Executing Agency initiated actions towards the recruitment of the consultants while the process of fulfilling the conditions prior to first disbursement was in progress. The study is fully funded by the Bank and therefore the availability of foreign exchange has not been a problem. The financial performance indicator is satisfactory.

2.1.46 Activities and Output: The study consultant has completed phase I of the study that comprised the preparation of the rural electrification master plan. The report prepared by the consultant was reviewed and approved by the stakeholders in April 2005. The Bank also reviewed the report and approved it thus enabling the consultant to embark on the second and final phase. The final report of phase II was expected to be submitted to the Implementing Agency and the Bank before December 2005. The overall delay in the completion of the study is only three months despite the initial delay in the fulfillment of loan conditions. This indicator is therefore satisfactory.

2.1.47 Impact on Development: The completion of the study will enable the Government to identify priority areas for rural electrification. The draft study report indicates that several small hydropower stations can be developed to replace some of the TANESCO operated aging thermal stations thus enabling TANESCO to make savings from the operational losses it is incurring. This will allow TANESCO to invest in projects that will improve the power supply availability in the country. With the report prepared by the consultant, the Government will also be able to mobilize resources from donors to implement the rural isolated and grid connected networks identified in the report thus making available energy needed for development. The impact on development indicator is therefore highly satisfactory.

2.1.48 Overall Assessment: Overall the performance is satisfactory. When the final report is produced, this will help the Government through the Rural Electrification Agency to mobilize resources from donors to implement the recommendations of the study.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.3	2.5	2.5	2	3	2.5

### Problems and Recommended Actions

Problem	Recommended Action	Timing
There is need to ensure that the remaining work of phase II is implemented and completed before the date of final disbursement.	The consultant has to make an effort to ensure that the remaining work is completed. The steering committee should also meet to review the progress made so far.	December 2005

## **C.2 Dar es Salaam Water Supply Project**

### Basic Data and Project objective/components

<u>Approved Amount</u> : UA 38.25 million <u>Cancelled Amount</u> : None <u>Net Commitment</u> : UA 38.25 million	<u>Source</u> : ADF Loan: 36.94 million Grant: 1.31 million	<u>Amount disbursed</u> : Loan: UA 4.51 million (12.2%) Grant: UA 0.16 million (12.2%)
<u>Date Approved</u> : 17 December 2001 <u>Date signed</u> : 29 May 2002 <u>Entry into Force</u> : 19 November 2003	<u>Accounts Audit (years)</u> : Audit report is due before the end of 2005 <u>Progress Reports</u> : Submission of Quarterly Progress Reports regular	<u>Last disbursement deadline</u> : 31 December 2007
<u>Date of last supervision</u> : 20 June 2005	<u>Implementing Agency</u> : Dar es Salaam Water and Sewerage Authority (DAWASA)	
<u>Project Objective/Components</u> : The overall objective of the project is to improve the provision of water supply and sanitation services in the Dar es Salaam Water Supply area in terms of accessibility, quality, quantity and reliability as well as affordability to the residents of this area. This will be achieved through repair and/or replacement of equipment, treatment plants and pumping stations as well as reservoirs and pipelines in the transmission and distribution networks and through the introduction of private management via a lease contract.		

2.1.49 Compliance with Conditions: The conditions for loan effectiveness were fulfilled within eighteen months after signing of the loan. Quarterly progress reports are being submitted regularly.

2.1.50 Procurement Performance: With regard to the sewerage works, the contract between DAWASA and the contractor was signed in July 2004 and the works commenced in October 2004. The two contracts for the supply of water resources monitoring equipment for Wami / Ruvu Basin have been signed and the goods are being delivered. For the supply of computer equipment, GIS equipment, and office equipment, the three contracts were signed in December 2004 and all the equipment has been delivered. As concerns community based water supply, three NGOs have started working with the communities in order to identify suitable water systems for the respective peri-urban areas allocated to each first using the IDA resources. Details of the work to be financed by ADF will be submitted as soon as these have been prepared. For the primary distribution mains, the contract between DAWASA and the contractor was signed in February 2005 and the works commenced.

2.1.51 Financial Performance: The respective amounts disbursed to date from the loan and grant are UA 4.51 million (12.2%) and UA 0.16 million (12.2%). The first disbursement on the loan was on 25 November 2004 while that under the Grant was in March 2005. This was about one year later than the plan at Appraisal. The disbursement delays were mainly attributable to the slippage experienced in fulfilling the conditions related to: (i) signing of a lease agreement with a Private Operator and (ii) securing financial commitment from other co-financiers. Some delay has also been experienced as a result of problems associated with the weak performance of the private operator and the eventual decision by the Government to terminate the contract in June 2005.

2.1.52 Activities and Output: For some components such as the re-enforcement of the distribution network and the rehabilitation of sewers, pumping mains and sea outfall, contractors are on-site and progress is being made. However the primary distribution mains component (CP5) has made little progress due to delivery problems of the pipes.

2.1.53 Impact on Development: The project will have a positive impact on development, as the Dar es Salaam population will be provided with adequate quantity of water of improved quality. The welfare and health situation of affected population will be enhanced with clean water and undertaking of the sanitation and health education.

2.1.54 Overall Assessment: The overall assessment of the project is satisfactory as shown in the Table below.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.0	2.5	2.0	1.8	2.5	2.1

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
There is need for closer supervision of the contractors so that the works will be completed according to time schedule.	Extra effort required by DAWASA and Dar es Salaam Water and Sewerage Corporation (DAWASCO) to stay within the agreed implementation time schedule and complete the project by 2007	Continuous

### **C.3 Monduli Rural District Water Project**

#### Basic Data and Project objective/components

<u>Grant Amount</u> : UA 15.51 million	<u>Source</u> : ADF Grant	<u>Disbursed</u> : UA 0.02 million (0.13%)
<u>Date Approved</u> : 27 November 2003 <u>Date signed</u> : 10 February 2004 <u>Entry into Force</u> : 10 February 2004	<u>Accounts Audit (years)</u> : The annual Audit Report due before the end of 2005 <u>Progress Reports</u> : Submission of Quarterly Progress Reports has begun but is not yet regular	<u>Last Disbursement Date</u> : 31 December 2008
<u>Date of last supervision</u> : 20 June 2005	<u>Implementing Agency</u> : Monduli District Council	
<u>Project Objective/Components</u> : The objective of the project is to provide the eighteen selected villages of Monduli District with adequate physical and institutional infrastructure to meet the demands for domestic and livestock water supply and sanitation in a sustainable way.		

2.1.55 Compliance with Conditions: The grant became effective upon signature and the conditions for disbursement effectiveness were fulfilled within five months of signature. The audit report for the financial year ended 30 June 2005 is due by 31 December 2005.

2.1.56 Procurement Performance: Four consultancy services contracts have so far been signed for (i) Supervision of construction works, (ii) Project management support and training, (iii) Community management and environmental services, and (iv) supply of office and computing equipment for the Project implementation team. The procurement of contractors for construction of water supply schemes is ongoing and contracts were expected to be signed in October/November 2005.

2.1.57 Financial Performance: The first disbursement was in January 2005 and the funds disbursed to date amount to only UA 0.02 million (0.13%). This is quite low compared to the plan at appraisal and is due to the initial delays encountered in procurement. The delays were partly due to non-familiarity of the Executing Agency with Bank's procurement rules.

2.1.58 Activities and Output: The project's executing agency, Monduli District Council (MDC) and its Project Implementation Team (PIT) is reasonably managing the procurement processes for the consultant services (3 contracts), the works (3 contracts) and goods (3 contracts). The Ministry of Water and Livestock Development (MWLD) has intensified its support for the MDC and this has resulted in clearly improved procurement processes. Four contracts were awarded by September 2005 and it is expected that all contracts would be awarded by the end of December 2005.

2.1.59 Impact on Development: The project will have a positive impact on development as communities will be mobilized and will be provided with adequate quantity of water of improved quality. The welfare and health situation of affected communities will be enhanced with clean water and undertaking of the sanitation and health education training.

2.1.60 Overall Assessment: The project's overall performance is satisfactory.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2.3	2.0	1.8	1.5	2.7	2.1

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
The MDC needs strong support from the MWLD, PORALG and MOF in order to implement the project according to schedule.	The MWLD, PORALG and MOF should continue providing their valuable support to the MDC especially in the tender evaluations and contract negotiations for services and works.	Continuously

### **D. Social Sector**

2.1.61 Overview: The social sector, comprising education and health, contains the highest number of ongoing projects. There are six projects constituting 28% of commitments on all on-going operations. Of these, two are making good progress in implementation while the remaining four have experienced considerable delays.

## D.1 First Health Rehabilitation Project

### Basic Data and Project objective/components

<u>Approved Amount:</u> UA 15.00 million <u>Cancelled Amount:</u> UA 0.00 <u>Net Commitment:</u> UA 15.00 million	<u>Source:</u> ADF	<u>Disbursed Amount:</u> UA 7.91 million (52.7 %)
<u>Date Approved:</u> 3 December 1997  <u>Date signed:</u> 8 May 1998  <u>Entry into Force:</u> 10 September 1999	<u>Accounts Audit (years):</u> 2004 Audit report submitted; 2005 Report due  <u>Progress Reports:</u> Regularly submitted	<u>Last disbursement deadline:</u> 30 June 2007
<u>Date of last supervision:</u> 19-30 June 2005	<u>Implementing Agencies:</u> (i) Ministry of Health (Mainland) and (ii) Ministry of Health and Social Welfare (Zanzibar)	
<u>Project Objectives/Components:</u> The First Health Rehabilitation Project comprises provision of expanded primary, secondary and tertiary health care services on the Mainland, and support to integrated primary health care development in Zanzibar. The five Project components are (i) Construction and rehabilitation of health facilities; (ii) Provision of technical assistance and institutional support; (iii) provision of technical assistance and support to the National HIV/ AIDS Control Programme; (iv) Integrated primary health care development in Zanzibar encompassing endemic disease control, safe motherhood initiative, and integrated management of childhood illnesses; and (v) Project Management.		

2.1.62 Compliance with Conditions: All loan conditions have been fulfilled but there was a 21-month delay in fulfilling conditions for loan effectiveness.

2.1.63 Procurement Performance: Overall procurement in the Mainland has been done without major problems and in accordance with Bank Group rules. However, some delays were experienced in procurement of drugs through the World Health Organization.

2.1.64 Financial Performance: Financial performance on the Mainland has been satisfactory, whereas, Zanzibar is falling behind on counterpart funding contributions.

2.1.65 Activities and Output: The Boards of BADEA and ADF approved in July and December 2000 respectively the restructuring of Component I covering the scope of civil works. In August 2002, Government confirmed the availability of new grant resources for disease control activities. These resources limited the capacity to absorb the UA 3.6 million earmarked for drugs and equipment under the project and the Government requested the Bank to restructure the project. This was done and the ADF Board of Directors approved the second restructuring in December 2003. The Zanzibar Component in particular is running behind schedule largely due to delays in provision of counterpart funding by the Revolutionary Government of Zanzibar (RGZ), and in processing of procurement documents and requests for replenishment. In spite of the delays in executing some of the activities, the outputs are satisfactory.

2.1.66 Impact on Development: The project is likely to have a positive impact on development, although the impact will be delayed due to the delays in implementation.

2.1.67 Overall Assessment: Apart from the initial delays, activities on the Mainland are all showing reasonable progress. In Zanzibar, activities are running behind schedule by about nine months largely due to delays by the Government to provide counterpart funding, and in processing of procurement documents and requests for replenishment.

### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	2	2	2	3	2

### Problems and Recommended Actions

Problem	Recommended Action	Timing
Erratic provision of counterpart funds (Zanzibar).	RGZ to make regular provision of counterpart funds	Immediate and continuous

## **D.2 Education II Project**

### Basic Data and Project objective/components

<u>Grant Amount:</u> UA 20.0 million	<u>Source:</u> ADF	<u>Disbursed:</u> UA15.64 million (78.2%)
<u>Date Approved:</u> 10 December 1997 <u>Date signed:</u> 08 May 1998 <u>Entry into Force:</u> 06 January 1999	<u>Accounts Audit (years):</u> 2004 Report submitted; 2005 report due June 2006 <u>Progress Reports:</u> Regularly submitted	<u>Last Disbursement Date:</u> 30 June 2006
<u>Date of last supervision:</u> 03 March 2005	<u>Implementing Agency:</u> Ministry of Education and Culture	
<u>Project Objective/Components:</u> The main objective of the project is to assist the GOT to achieve its long-term goals in regard to improving the education sector. The project will provide broad-based support for (i) more equitable access to primary and secondary education; (ii) quality improvement of education; and (iii) expansion of non-formal education.		

2.1.68 Compliance with Conditions: Compliance with conditions has been satisfactory and all conditions for effectiveness were fulfilled within 8 months after loan signature.

2.1.69 Procurement Performance: The PIUs have consistently displayed understanding and application of Bank procedures.

2.1.70 Financial Performance: The project's financial performance has been affected by the low disbursement (under 10%) of counterpart funds on the Zanzibar component. Although the Mainland's performance has been better, the funds have also often been insufficient and there have been delays in disbursement. In addition, the issue of exemption from value added tax (VAT) on contracts has proved problematic in the past, and it has only been resolved this year.

2.1.71 Activities and Output: Overall, project progress continues to be constrained by protracted construction delays, especially on the Mainland. Irregular supervision has also contributed to these delays. However, the six sites that were re-tendered are demonstrating good progress and should be completed within the expected completion date of December 2006. However, this will depend on the capacity of construction contractors to deliver according to schedule. In Zanzibar, progress is constrained by lack of Government counterpart funds. All the same, work is progressing and it is expected that the components will be completed before December 2006.

2.1.72 Impact on Development: The project is already having a clear impact on expanding access to education in Zanzibar. It is also highly likely to represent a major contribution to secondary science education.

2.1.73 Overall Assessment: As shown by the indicators below, the project's performance is rated satisfactory.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	2	2	2	2	2	2

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Erratic provision of counterpart funds (Zanzibar).	RGZ to make regular provision of counterpart funds	Immediate and continuous

### **D.3 Three Regions Health Studies**

#### Basic Data and Project objective/components

<u>Approved Amount</u> : UA 1.75 million <u>Cancelled Amount</u> : UA 0.00 <u>Net Commitment</u> : UA 1.75 million	<u>Source</u> : ADF	<u>Disbursed Amount</u> : UA 0.65 million (37.1%)
<u>Date Approved</u> : 14 July 1999  <u>Date signed</u> : 19 November 1999  <u>Entry into Force</u> : 03 July 2001	<u>Accounts Audit (years)</u> : No Reports submitted <u>Progress Reports</u> : Regularly submitted	<u>Last disbursement deadline</u> : 31 January 2006
<u>Date of last supervision</u> : 30 June 2005	<u>Implementing Agency</u> : Ministry of Health (Mainland)	
<u>Project Objectives/Components</u> : The Study is designed to assist in reviewing and strengthening Tanzania's district medium term health sector strategy and the preparation of plans of action in three underserved regions namely, Mara, Mtwara and Tabora. The plans of action will be presented as a number of phased project packages for possible funding by donors within the framework of ongoing health sector reforms. The study will be conducted in the following three phases: (i) Situation Analysis and Preliminary Drawings; (ii) Preparation of Action Plans, Detailed Designs and Tender Documents; and (iii) Prioritization of Plan of Action and Finalization of Working Drawings and Tender Documents.		

2.1.74 Compliance with Conditions: All loan conditions have been fulfilled, although there was an 18-month delay between grant signature and effectiveness, attributed to the late recruitment of a Health Planner/ Study Coordinator. In addition, no audit reports have been submitted since commencement of the study.

2.1.75 Procurement Performance: Overall procurement has been done in accordance with Bank Group rules, but a complaint was received from one of the bidders, which led to further delays in the execution of the study.

2.1.76 Financial Performance: Financial performance has been satisfactory. The disbursement ratio is 37.1%, and the consultant has been paid about half of the contract sum. The date of last disbursement was extended from 30 June 2005 to 31 January 2006 due to delays caused by untimely contract signature; changes in the expert composition of the multidisciplinary consultant caused by ill health; and rescheduling of the regional workshops.

2.1.77 Activities and Output: The study has experienced a high turnover of Study Team Leaders. The coordinator resigned in August 2002 on the grounds of ill health and a new one was appointed and assumed duty in July 2003. In spite of the delays arising from these developments, progress has been satisfactory. Phase I activities started in February 2004 and were completed in January 2005, while Phase II is nearing 70% of implementation. Phase III activities are scheduled to commence in September 2005. The consultant has been slow in executing some of the study activities but the quality of the outputs has been satisfactory.

2.1.78 Impact on Development: Once completed, the study is expected to provide useful insight on how the Bank can intervene to strengthen Tanzania's district health care system.

2.1.79 Overall Assessment: In general, execution of the study has been poor, despite close follow-up by the Bank. There were delays in fulfillment of loan conditions and recruitment of the consultant. There has also been a high turnover of team leaders from the consultant's side and the Government had to replace the study coordinator after prolonged ill health.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	1	2	3	1	2	2

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Delays in submission of reports by the Consultant	Government to monitor the Consultant closely.	October 2005
Non submission of Audit Reports	Prepare and submit overdue audit reports	Immediate

### **D.4 Small Entrepreneurs' Loan Facility**

#### Basic Data and Project objective/components

<u>Amount</u> : UA 8.0 million	<u>Source</u> : ADF	<u>Disbursed</u> : UA 6.15 million (76.9%)
<u>Date Approved</u> : 11 November 1998 <u>Date signed</u> : 04 December 1998 <u>Entry into Force</u> : 29 July 1999	<u>Accounts Audit (years)</u> : 2004 Report submitted; 2005 due <u>Progress Reports</u> : Regularly submitted	<u>Last Disbursement Date</u> : 31 January 2007
<u>Date of last supervision</u> : 08 July 2005	<u>Implementing Agency</u> : Ministry of Finance	
<u>Project Objective/Components</u> : The project's objective is to improve access of the poor in rural area to micro-finance services and comprises the following components: (i) credit and Savings Services; (ii) Outreach and Monitoring; and (iii) Capacity Building.		

2.1.80 Compliance with Conditions: Audit reports have been submitted on time. The audit report for the year ending June 2005 is in progress and it is expected to be finalised and submitted on time.

2.1.81 Procurement Performance: All procurements have been done in line with Bank rules of procedures and have almost been completed. The key remaining procurement is the design and installation of an MIS system, which is currently in progress.

2.1.82 Financial Performance: In general the PIU has managed project resources effectively and both the Bank and the Borrower have released resources on time. The disbursement rate of the Bank Group's funds is about 77%.

2.1.83 Activities and Output: The project is making steady progress and the implementation of all its key activities will be completed ahead of schedule by end of June 2006. The project services have reached 64 out of the 66 districts in the project area including Zanzibar. The number of clients who have received loans stands at 24,072 of whom approximately 63% are female. With regard to capacity building, a total of 1084 staff from 195 micro finance institutions (MFIs) has been trained. The beneficiaries comprise 438 staff from NGOs and 646 from Savings and Cooperative Credit Organisation (SACCOs). An additional 692 staff from 7 MFIs have also benefited from training on business skills, which makes a cumulative total of 1,776 since project inception. Preparations are underway to train 57 executive committee members of SACCOs in the Southern Zone, as well as 20 Accounts Assistants and 80 Board members of NGOs in the Coast Region.

2.1.84 Impact on Development: The project is expected to make a positive impact on development.

2.1.85 Overall Assessment: The project is making steady progress and the volume of its credit portfolio continues to grow, its outreach is deepening and number of clients is steadily increasing. It is, therefore, rated as satisfactory.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	3	3	3	2.81

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
Since the project is nearing completion, It is very likely that the partner organizations may not repay the loans if a second phase is not put in place by end of 2006.	The Government to submit formal request for the follow-up phase of the project.	Immediate

#### **Box 2: A Note on the Impact of the SELF**

SELF is the first and the largest ADF financed public sector managed microfinance project in Tanzania. By end of September 2005, 75% of total project resources of UA8 million had been disbursed. Key factors, which contributed to the sound performance of the project, include: (i) PIUs understanding of industry bottlenecks and needs and focusing on capacity building before credit delivery while also instilling credit and savings culture among target clients; (ii) development of suitable products that address and accommodate the needs of the MFIs; (iii) promotion and adherence of project management to microfinance best practice principles and professionalism in managing project resources; (iv) identification of strategic partners to collaborate with in the delivery microfinance service to the rural poor. (v) Government commitment in *creating* an enabling environment and promoting industry best practice principles; (vi) autonomy of the PIU and minimum interference on its day to day management by the Borrower; (vii) close oversight and policy guidance by the Project Steering Committee (PSC); (viii) regular Bank supervision of project and timely technical backstopping; and (ix) timely release of counterpart funds and loan resources by the Borrower and the Bank respectively.

To date the project has disbursed credit funds amounting to TZS 5.7 billion (\$5.3 million) for on-lending to a total of 98 Microfinance Institutions (MFIs) out of which 88 are Savings and Credit Cooperative Societies (SACCOS). Sixty-three (63) loans amounting to TZS 1.4 billion were fully repaid while 93 loans amounting to TZS 3.0 billion are active. Seventeen (17) loans amounting to TZS 223 million (4%) went to finance agricultural related activities mainly crop and animal production, while TZS 5.4 billion (96%) of loans disbursed were invested by the clients in commercial micro enterprises involving a range of activities such as trading, agro processing, light manufacturing, mining/quarrying, fishing and services such as transport, hair salons, etc.

The borrowing MFIs have on lent to 24,072 clients in 64 districts (in 18 regions) in Tanzania, with an average loan of approximately TZS 238,185 (US\$ 238.00). Women constitute 63% of the clients and more than 58% of these live in rural areas. In terms of savings mobilization, the intervention of SELF-Project facilitated MFIs to mobilize savings of over TZS 1.9 billion as at end of September 2005.

The on-time (paid within 30 days after due date) repayment rate of MFIs stood at 95.4% by end of September 2005. The repayment reached the highest rate in 2002/03 when the project recorded 98% repayment rate. As at end of September 2005, portfolio quality was good as arrears rate was only 3% and Portfolio at Risk was 4.2%. Repayments were re-invested on Treasury Bills and other high interest earning instruments in order to enhance sustainability of the project. Since its inception in 2000, the project also supported training of 1,219 MFI staff, 3,983 clients and 20 staff from the PIU and Poverty Eradication Division (PED) in the Vice President's Office (VPO). Considering the current pace of implementation, the project activities will be completed by end of June 2006. Encouraged by the success, the Government prepared a concept note on SELF follow-up phase during which project activities will be extended to all regions in Tanzania.

## **D.5 Alternative Learning and Skills Development Project**

### **Basic Data and Project objective/components**

<u>Amount:</u> UA 6.57 million	<u>Sources:</u> ADF Loan: UA 5.56 million Grant: UA 1.01 million	<u>Disbursed:</u> Loan: UA 0.88 million (15.8%) Grant: UA 0.61 million (60.4%)
<u>Date Approved:</u> 31 October 2000 <u>Date signed:</u> 30 January 2001 <u>Entry into Force:</u> 24 December 2001	<u>Accounts Audit (years):</u> 2004 Report submitted; 2005 Report due <u>Progress Reports:</u> Regularly submitted	<u>Last Disbursement Date:</u> 30 June 2007
<u>Date of last supervision:</u> 08 July 2005	<u>Implementing Agency:</u> Ministry of Education and Culture	
<u>Project Objective/Components:</u> The long-term objective of the project is to contribute to human resource development by providing access to alternative learning, skills and employment opportunities to out of school youth. The immediate objectives of the project are: (i) to assist the out of school youth achieve basic and secular education; and (ii) to enhance self-employment of the youth through the promotion of business incubator activities.		

**2.1.86 Compliance with Conditions:** The conditions for loan effectiveness were fulfilled within 11 months after signature, which was highly satisfactory. The Government has also continuously complied with the other loan conditions.

**2.1.87 Procurement Performance:** All procurements have been made in line with Bank Group's rules and procedures. Procurement of equipment for the documentation centres for the three parent ministries has been procured and procurement of equipment and educational material for the Alternative Learning Centre is in progress. A short-term consultant is to be recruited in November 2005 to establish a pilot incubator and income generating activities for women.

2.1.88 Financial Performance: The disbursement rate on the loan and the grant is 15.8% and 60.4% respectively. The low level of disbursement on the loan resources is due to the fact that most of the resources are tied to the construction of the two skills development centres whose construction is scheduled to start during the first quarter of 2006. With regard to cost management, it is worth noting that the PIU staff have demonstrated remarkable skills and dedication. For instance, the project provided resources for the rehabilitation of documentation centres. However, the three parent Ministries opted to use the same resources for the construction of new buildings, which are housing the Ministries. This provided a conducive working environment that is expected to enhance the performance of the staff.

2.1.89 Activities and Output: The implementation of the project activities is progressing as planned. The documentation centers have been completed and the construction of the Rahaleo Alternative Learning Center is under way while the design, bill of quantities and tender documents for the two Skills Development Centers is almost completed and ready for bidding. The Vocational Education and Training Policy is completed and ready for publication while the Curriculum for the Skills Development Centers has been completed and training of trainers has commenced. The design of the two Skills Development Centres has been completed and bids for the construction have been launched and will be opened in mid December 2005 and construction will start during the first quarter of 2006.

2.1.90 Impact on Development: The project is expected to achieve its objectives in terms of availing for the first time skills and alternative learning centres as well as documentation centres which will cater for the youth and school dropouts, particularly girls.

2.1.91 Overall Assessment: The project is making steady progress and the key construction activities are either completed or are about to commence. The overall implementation of the project is therefore rated as satisfactory.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	3	2	2	3	2.63

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
None	None	N/A

## **D.6 Support to Strategic Action Plan (SAP) for Vocational Education and Training**

### Basic Data and Project objective/components

<u>Amount</u> : UA 15.82 million	<u>Sources</u> : ADF Loan: UA 14.22 million Grant: UA 1.60 million	<u>Disbursed</u> : UA 0.03 million (0.21%) None
<u>Date Approved</u> : 09 July 2003 <u>Date signed</u> : 15 September 2003 <u>Entry into Force</u> : 16 February 2004	<u>Accounts Audit (years)</u> : None due <u>Progress Reports</u> : Regularly submitted	<u>Last Disbursement Date</u> : 31 December 2008
<u>Date of last supervision</u> :	<u>Implementing Agency</u> : Vocational Education Training Authority (VETA)	
<u>Project Objective/Components</u> : The project is designed to meet the following objectives: (i) increase the access to training by trainees who have, in most cases, completed their lower secondary education; (ii) improve the competence of the trainers; (iii) set up and improve the management of the training system; and (iv) enable regional training centres deliver quality training programmes that are responsive to the intermediate technical skill requirements of business and industry, and of entrepreneurship.		

2.1.92 Compliance with Conditions: These were fulfilled largely as scheduled and conditions for effectiveness were met within 5 months after signature.

2.1.93 Procurement Performance: Procurement has been hampered by insufficient grasp of some Bank procurement procedures. However, procurement of furniture, equipment and vehicles for the PIU is in progress while consultants for pre and post contract services for civil works have been recruited.

2.1.94 Financial Performance: The project's financial performance so far has been poor, as evidenced by the very low disbursement rate. Although the project was approved in July 2003, the request for first disbursement was only submitted in September 2005 and this is the only disbursement that has been effected so far.

2.1.95 Activities and Output: Activities at the stage of procurement of consultants and bidding for civil works. A training programme has been prepared and has been approved by the Bank Group.

2.1.96 Impact on Development: The expected significant contributions to the Vocational Education and Training sub-sector that the project outputs will make have a direct bearing on job related skills acquisition in crucial areas of the economy.

2.1.97 Overall Assessment: The project has experienced a slow start-up as a result of a combination of slow internal procurement processes and the divided attention of PIU staff on both wider Executing Agency (VETA) tasks and project tasks. A judicious balance will be vital to the timely implementation of the project.

#### Summary of Performance Rating

Indicators	Compliance with Loan Conditions	Procurement Performance	Financial Performance	Activities and Output	Impact on Development	Overall Assessment
Ratings	3	2	-	-	3	2

#### Problems and Recommended Actions

Problem	Recommended Action	Timing
1. Slow internal tender approval process.	Need for VETA tender board to treat project tender processes with the urgency required of a project that has been delayed in the effective implementation of activities. (First request for disbursement received in September 2005.)	
2. Conflicting demands on PIU staff time.	Government should ensure that wider execution agency responsibilities do not impinge on adequate project management requirements.	

## **2.2 Ageing, Potentially Problematic and Problem Projects**

2.2.1 Ageing projects refer to those projects that are not completed 8 years after the date of approval. According to this definition, there are no ageing projects in the portfolio, although there are a few that could soon become ageing. These include the First Health Rehabilitation and the Education II Projects, which were 7.8 years old since approval as at September 2005. Another four projects are more than 6 years old. These include Small Entrepreneurs' Loan Facility (6.9 years), El-Nino Road Rehabilitation (6.8 years), Shelui-Nzega Road (6.3 years), and Three Regions Health Study (6.2 years). The average age of the ongoing portfolio (excluding the DASIP) was 4.8 years. This average, however, masks important inter-sectoral variations. The social sector has the highest average age of 5.9 years, while public utilities has the lowest of 3.3 years. The average age of projects in agriculture was 5.4 years while that in transport was 4.6 years.

2.2.2 Potentially problematic projects are defined as those projects that have a higher probability of not achieving satisfactory or higher ratings in the future. The determination of this status is based on a level of the Implementation Progress (IP) and Development Objective (DO) that is rated equal to or greater than 1.5, in addition to the existence of two or more of a set of 11 criteria that are flagged as areas of concern. These criteria are diverse and include delays in declaration of effectiveness, delays in meeting the conditions for first disbursement, unavailability of counterpart funds, poor project management, slow disbursements and delays in project completion. According to the 2003 Bank-wide Annual Portfolio Performance Report (APPR), there were 9 potentially problematic projects, thereby putting a total of UA 187.8 million or 82.3% of the commitments at risk. However, this review finds that the number of potentially problematic projects has declined to 6 and this is consistent with the finding in the 2004 APPR that is under preparation. These include the El Nino Road Rehabilitation, Road Rehabilitation and Upgrading Project, Dar es Salaam Water Supply and Sanitation Project, First Health Rehabilitation Project, Three Regions Health Study, and the Rural Electrification Master Plan.

2.2.3 Problematic projects refer to those projects that have an average score of DO or IP less than 1.5. The finding of the 2003 APPR was that there were no problematic projects in the portfolio, and it is consistent with the finding in this review.

## **2.3 Assessment of Supervision Frequency and Quality**

2.3.1 According to Bank Group policy, the required level of supervision for any particular project depends upon the Bank Group's experience in the country and the nature of the project. More complex projects will, therefore, need a higher level of supervision, and projects will generally need more supervision at the beginning than towards the end of implementation. The supervision of the ongoing portfolio in Tanzania in recent years reflects this flexibility. In 2004, all the ongoing projects were supervised at least once except for the Zanzibar Roads Upgrading Project that had just become effective. Two projects, the Dar es Salaam Water and Supply and Sanitation Project and the Monduli Water Supply Project, were supervised twice in the year. In 2005, all the projects were supervised once, except the Selous Game Reserve Management that is nearing completion. This works out to an average frequency of 1.2 times per project per year in 2004 and 1.0 in 2005. However, this is considered adequate given that none of the projects are problematic.

2.3.2 While the supervision frequency seems adequate, mid term reviews have not been routinely undertaken. Mid term reviews have only been done for three projects in the portfolio in the recent past. These were for the First Health Rehabilitation Project, Education II, and SELF all of which were done in 2002. Given that the mid term review entails a thorough, in-depth supervision that covers all aspects of project activities, it is important to increase their frequency.

2.3.3 With regard to the length of the supervision missions, the standard duration of ten working days might not be adequate for some projects, especially those in infrastructure taking into consideration the long distances that have to be covered and the large number of PIUs to be visited. Similarly, many missions have been encountering difficulties of ensuring an adequate skill mix of the mission team due to human resource constraints. There were several cases in 2004 and 2005 when supervision was undertaken by a single expert. These include the supervision of the various roads projects, the Rural Electrification Master Plan, the First Health Rehabilitation Project, the Three Regions Health Study, the Alternative Learning and Skills Development, the Small Entrepreneurs' Loan Facility and the SAP for Vocational Education and Training. The projects that were supervised by a team in 2004 and 2005 include the Selous Game Reserve Project, Education II, the DWSSP and Monduli Rural Water Supply Project. In 2004, supervision of the Selous Game Reserve Project was undertaken by a forestry officer and agricultural economist and in 2005 by a forestry officer and a financial analyst, while the Education II project was supervised by an education analyst and architect in both years. With regard to the water projects, the team comprised an engineer and economist in 2004, and the team was joined by a financial analyst in 2005. There is need for the Bank Group to address the duration of the supervision missions as well as the skill mix so as to improve project implementation and progress.

## **2.4 Cross-Cutting Issues**

2.4.1 Cross-cutting issues addressed by projects are usually articulated in the appraisal reports and monitored during supervision missions and mid-term reviews. The most important ones are poverty reduction, environmental and social protection, gender equality, governance, and regional integration. Some projects in the portfolio also address, on a limited scale, HIV/AIDS pandemic in the context of the social issues. A single project however needs not address all these issues.

2.4.2 Poverty Reduction: In line with the poverty reduction focus of the ADF lending policy and the Bank Group Vision, every operation in the portfolio addresses poverty reduction. For example, the Agricultural Marketing Systems Development Programme aims at improving the structures, conduct and performance of the agricultural marketing and pricing system in the country, in order to provide the necessary incentives to the smallholders to increase and diversify production, and to enable the private sector to participate more actively in rural areas and interact with small-scale producers. It is estimated that the Programme will impact directly or indirectly on a population of 4.84 million people or about 690,000 households in the Northern Marketing zone and 4.72 million people or about 670,000 households in the Southern Highlands Marketing zone. On its part, the Small Entrepreneurs' Loan Facility is focused on improving access of the poor in rural area to micro-finance services. With regard to human development, the Education II, Alternative Learning and Skills Development and First Health Rehabilitation Projects all address poverty reduction by focusing on improving access to primary education and primary health care. Within the First Health Rehabilitation Project, the control of endemic diseases in Zanzibar remains a core activity. In this regard, the construction of 291 pit latrines and 10 boreholes has advanced beyond the 90% completion stage. Another 30-40 boreholes will be sunk to improve rural water supply, to promote health and alleviate poverty. The training of health workers already conducted will be complemented with Information, Education and Communication (IEC) activities to promote good hygiene practices, including greater use of the sanitation amenities provided through the project, as part of the effort towards diarrhoeal disease control. The Monduli Water Supply Project focuses on provision of adequate water for domestic and livestock use to eighteen selected villages. The Dar es Salaam Water Supply and Sanitation Project is expected to address the serious shortage of water in the city by improving the reliability, quality and affordability. With regard to the road projects, it is expected that the local population, both men and women, will benefit from the employment opportunities to be generated. The income generated from the employment will improve the livelihood of the local population.

**2.4.3 Environmental and Social Protection:** Based on the environmental categorisation, projects in the portfolio address environmental concerns and sometimes social concerns. For example, in the context of the Monduli Rural District Water Supply Project, corrective measures that have been included in the design include land reclamation and management; reforestation; soil management; watershed development; rural water supply and sanitation. The water treatment plants are environment friendly, mostly utilising non-polluting chemicals. In the First Health Rehabilitation Project, concerns for environmental protection are reflected in the construction of incinerators and latrines for the disposal of clinical, human waste and other solid waste. The project also seeks to improve environment of the health facilities by making provisions for external works, including plants and grass to check erosion. Within the AMSDP, the physical infrastructure that will be undertaken involves the rehabilitation of existing roads and the improvement of existing market places. In this respect, measures will be taken to ensure that adequate number of cross drainage structures and culverts are provided in order to minimize soil erosion arising from earth movements and de-vegetation, and areas from which gravels are excavated will be reclaimed and regenerated. In the Roads Rehabilitation/Upgrading Project, it was recognized that there was a need to take into account some environmental impacts that could arise from the project. Towards this end, the preparation of an Environmental Management and Monitoring Plan as well Compensation Plan was included as a condition prior to first disbursement of the loan.

**2.4.4 Gender Mainstreaming:** In recognition of the Bank Group's requirements to mainstream gender concerns into projects and programmes, a number of projects take into account this consideration. For example, the Monduli Rural District Water Supply Project seeks to ensure the involvement of women in the decision-making structures of the water committees to ensure that their specific needs especially with regard to domestic water find adequate representation. In the case of the Small Entrepreneurs' Loan Facility, it is estimated that 63% of the number of clients who received loans were female while with regard to capacity building, women constituted 45% of the beneficiaries of training. In the First Health Rehabilitation Project, the Safe Motherhood Initiative is designed to improve pregnancy outcomes, particularly, in rural Zanzibar. The project will contribute to this Initiative through the rehabilitation/construction of 9 second-line dispensaries in Unguja and Pemba, and the Mwembeladu Maternity Hospital in Unguja. Women are also among the beneficiaries in the roads projects by way of reducing their physical and emotional burden while increasing their productivity and overall well-being. In the Roads Upgrading/Rehabilitation Project for example, it is estimated that women constitute 51% of the population in the project target area and account for 76% of time spent on transport and 85% of load carried.

**2.4.5 Regional Integration:** In order to strengthen regional integration, the Bank has financed various road projects. One of the ongoing projects, Shelui-Nzega Road, aims to promote regional integration by facilitating movement between Tanzania, Rwanda and Burundi. Under the Roads Rehabilitation/Upgrading Project, the roads that are targeted lie along the Central and Lake Corridors that are listed by the East African Co-operation as among the road priority network. The project is therefore considered of strategic importance in the promotion of international trade, movement of persons and co-operation in the Great Lakes region.

**2.4.6 HIV/ AIDS Pandemic:** In recognition of the severity of this problem in the country, one of the components of the First Health Rehabilitation Project is the provision of technical assistance and support to the National HIV/ AIDS Control Programme. In the Zanzibar Roads Upgrading Project, a provision has been made to engage the services of an NGO that is involved in the prevention and treatment of HIV/AIDS in the island, and also for the recruitment of a health expert to monitor the activities of the NGO. This activity will be monitored by the Bank during supervision missions and will be reported in the quarterly progress reports. On its part, the AMSDP proposes that the multi-purpose sheds that will be developed in each market place will be used by NGOs, and other civil

society organisations, and donors for education and communication with the local population, on matters of social development including HIV/AIDS and reproductive health.

## **2.5 General Assessment of Portfolio Performance**

**2.5.1 Overall assessment:** This portfolio review report indicates satisfactory performance; with an average portfolio rating of 2.3, and no project has an overall rating of below 2.0.<sup>2</sup> This is similar to the finding in recent Bank-wide APPRs that the portfolio does not have any problem projects and that all projects have a high likelihood of achieving their development objectives. However, the 2002/2003 APPR indicated that there were 9 potentially problematic projects although the proportion of projects at risk declined from 75% in 2002 to 69.2% in 2003, thus indicating an improvement in portfolio performance. According to the 2004 APPR that is under preparation, the improvement continued in 2004 with the number of potentially problematic projects falling to 6 and the proportion of projects at risk falling to 46.2%. Further elaboration of portfolio performance is given below focusing on the individual rated indicators namely, compliance with loan/grant conditions, procurement performance, financial performance, activities, output performance, impact on development and generic problems.

**2.5.2 Compliance with Loan/Grant Conditions:** The average rating for compliance with loan/grant conditions is 2.3 implying a satisfactory performance. Above-average rating was recorded for the Agriculture Sector (2.8) while below average rating was recorded for the Social Sector (2.1) and the Transport Sector (2.0). These ratings are explained in part by the time it took loans and grants to become effective after signature. The average time for the portfolio is 11.7 months, with a lower average period recorded only in the agriculture sector (6.3 months). Averages recorded for the sectors are 12.2 months in both the Transport and Social Sectors, 16 months for the Public Utilities Sector. The reasons for the delays in loan and grant effectiveness in the portfolio are discussed in the project-by-project review above.

**2.5.3 Procurement Performance:** Procurement performance is generally satisfactory with an average rating of 2.3 recorded. Below average rating was recorded for the Transport Sector (2.0) Public Utilities (2.3) and the Social Sector (2.2), while above average rating was recorded for the Agriculture Sector (2.5). This outcome can be attributed to the Workshops organised for project coordinators and the launching of new projects that normally involves procurement experts. The Bank Group has organized a number of National Project Implementation Workshops (including one week for training on Bank procurement procedures) for Tanzania, the latest having been held in September 2004 and will continue to associate itself with such initiatives. In addition, there has been enhanced contact between the Executing Agencies and the Tanzania Country Office (TZCO).

**2.5.4 Financial Performance:** Financial performance is rated in terms of foreign exchange flow to the project, availability of counterpart funds, disbursement flows, cost management and performance of co-financiers. The average financial performance rating is 2.5, implying a satisfactory performance, and no sector is rated below 2.0. Foreign exchange resource is assured for the projects/studies by the loans and grants, though the level of disbursement flow varies from project to project. With regard to counterpart funds, there have been occasional problems especially for projects in Zanzibar, while very few projects in the portfolio are co-financed.

**2.5.5. Activities and Output Performance:** The general performance in terms of Activities and Output is somewhat unsatisfactory, as shown by the average rating of 1.94. Below average rating of 1.9 was recorded in both the Public Utilities and Transport Sector, while the performance of the

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<sup>2</sup> While it is recognised that it would be useful to compare the Bank Group's portfolio performance with that of other development partners, and especially that of the World Bank, this was not feasible because the World Bank is planning to undertake a Country Portfolio Review in 2006 and the last one that was done in 2003 was not readily available.

Social Sector was marginally above the average at 2.0. The poor rating in the Public Utilities mainly reflected the poor activity/output performance of the Monduli Rural District Water Supply Project, while that in the Transport Sector was due to poor performance of the El Nino Road Rehabilitation Project. The dismal performance of the Social Sector was due to poor performance of the Three Regions Health Study and Education II Projects.

**2.5.6 Impact on Development:** The average rating for this performance indicator was 2.4 (with no sector rated below 2.0), thus implying a high likelihood that all the projects would meet their development objectives. The critical aspects rated are: the likelihood that projects would meet their objective as defined at appraisal, the likelihood that benefits will be realised and sustained beyond the investment stage of the project, the likely contribution of the project towards an increase in institutional capacity, and expected rate of return, where applicable.

**2.5.7 Generic Problems:** It was observed that the performance of the Bank Group's portfolio is adversely affected by various generic problems including: (i) delays in fulfilment of loan conditions; (ii) delays in disbursement; (iii) delays in procurement; (iv) inadequate project supervision; (v) poor communication between the Bank and the Government; (vi) weak implementation capacity; (vii) lack of counterpart funds, especially for projects in Zanzibar; and (viii) irregular submission of project audit reports. It is, however, noteworthy that the establishment of TZCO has started to bridge the communications gap and impact positively on portfolio performance.

## **2.6 Disbursements**

As at 30 September 2005, the global disbursement/commitment ratio on all operations was about 70% (Table 2.1). The highest ratio was achieved in Multi Sector (97.9%) and Industry and Mining (80.7%). The disbursement ratios for the other sectors were Public Utilities (67.6%), Agriculture (64.8%), Transport (51.9%) and Social Sector (47.2%). In terms of ongoing operations, the total disbursement/commitment ratio was 25.1% (Table 2.2). This low disbursement/commitment ratio suggests that there are problems in project implementation given that the on-going operations are relatively mature with an average age of 4.7 years. In terms of sector disbursement performance for ongoing projects, the social sector had the highest ratio (47.5%), followed by transport (27.7%), public utilities (11.2%), and agriculture (10.3%). There is a need to address these low disbursement/commitment ratios in all the sectors.

**Table 2.1**  
**Status of Global Disbursement by Sector (as at September 2005)**

Sector	Commitment UA million	Disbursement (UA million)	Disb. /Commit. Ratio
Agriculture	186.92	121.11	64.8
Public Utilities	177.23	119.75	67.6
Transport	196.47	102.04	51.9
Social	74.50	35.18	47.2
Industry & Mining	16.03	12.94	80.7
Multi-Sector	222.47	217.85	97.9
Total	873.62	608.87	69.7

Table 2.2  
Disbursement Profile of Ongoing Portfolio (as at September 2005)

Sector	Commitment (UA million)	Disbursement (UA million)	Disb/Commitment. Ratio
Agriculture	65.81	6.81	10.3
Public Utilities	55.63	6.22	11.2
Transport	89.33	24.76	27.7
Social	67.14	31.87	47.5
Total	277.91	69.66	25.1

### **3. ASSESSMENT OF MANAGEMENT/IMPLEMENTATION CAPACITY**

#### **3.1 Government's Performance**

The Government's performance in terms of coordinating Bank Group operations in the country appears to have been satisfactory. However, the performance of the PIUs and Executing Agencies has been mixed as evidenced by the fact that some projects in the portfolio have tended to suffer from generic problems relating to disbursement and procurement. The lack of compliance with the Bank's rules and procedures by some PIUs as well as submission of incomplete supporting documents for disbursement requests has resulted in considerable delays thereby hampering project implementation. For some projects, delays have been encountered in submission of quarterly progress reports and audit reports as required by the general conditions of loan agreements and protocols of agreement governing the use of grants. In addition, in the case of Zanzibar, there have been problems due to lack of counterpart funds.

#### **3.2 Bank's Performance**

3.2.1 The Bank's performance is also assessed to be generally satisfactory. There has been an increase in contacts with the Executing Agencies through more frequent supervision and follow-up missions than in the past and local presence of the Bank through TZCO. As section 2.3 above shows, the frequency of supervision has been adequate, although there is a need to improve the composition of the supervision missions so that problematic issues can be resolved once they are identified on the ground. In addition, Executing Agencies still complain that the Bank does not promptly respond to communications from them, especially on issues relating to approvals for tender evaluation and processing of disbursement applications. While the Government has acknowledged that the presence of TZCO has been useful in bridging the communication gap, it is however of the opinion that the efficiency of the Office could be improved by increasing staff levels and the delegation of appropriate authority regarding approvals for certain levels of procurement and disbursements. Indeed, the Bank Group has recognized the need for such a move and country offices were delegated with authority in July 2005 to approve among others: (i) standard bidding documents for goods and services; (ii) standard requests for proposals for consultancy services; and (iii) shortlists for consultants and lists of suppliers, all of value equal to or less than UA 50,000. There is a need to consider delegation of such authority to TZCO.

3.2.2 It is worth noting that some of the Bank Group funded projects are managed by traditional Project Implementation Units outside or within the structures of the line Ministries. However, under the move towards harmonisation, the Government has called upon development partners to gradually merge stand-alone projects towards joint management of sector programmes. This would entail a move away from the current stand alone PIUs in some of the Bank funded ongoing projects and eventually harmonising the Bank's supervision, reporting, monitoring and evaluation systems

with those of other development partners. This is an issue that calls for immediate attention on the part of the Bank Group.

#### **4. COORDINATION WITH OTHER DONORS**

##### **4.1 Assessment of Government Capacity to Co-ordinate Donor Assistance**

4.1.1 Tanzania receives assistance from over 50 donor agencies and bilateral governments. This large number of donors requires a strong external aid coordination mechanism. Towards this end, the Government has been carrying out aid management reforms as part of the broader economic reforms undertaken since the 1990s. They are part of the efforts to make aid more effective for achieving development and supportive of country systems and processes. In 1997, the Government of Tanzania and its Development Partners jointly set in motion a process of redefining the management of aid on the basis of principles of national ownership, government leadership, harmonisation and alignment. One major outcome of that process was the establishment of the Tanzania Assistance Strategy (TAS) in 2002. From 2002/03 until 2004/05, the TAS served as the medium-term framework for development co-operation, aiming to strengthen aid coordination, harmonisation and alignment as well as national ownership and Government leadership of the development process. A TAS Action Plan, developed during FY 2002/03, set out practical steps for implementing the TAS. Actions were grouped in four priority areas, namely increasing the predictability of aid flows, integrating external resources into the Government budget and Exchequer system, harmonising and rationalising processes, and improving national capacities for aid coordination and external resource management.

4.1.2 Through the TAS, considerable progress has been made in these areas. The Government has strengthened public financial management and accountability. Predictability of external resources has improved and external funds have increasingly been integrated into the Government budget and Exchequer system, thereby strengthening Government ownership over resource allocation as well as budget contestability of external resources. Development Partners have increasingly aligned their activities with national systems and processes. National ownership and Government leadership of the development process have been enhanced, along with an improved relationship in development co-operation. Capacity needs have been addressed through various Government core reform programmes.

4.1.3 The External Finance Department within the Ministry of Finance is responsible for coordinating donor assistance and aid mobilisation. Within the Department, an ADB Desk Office has been created to serve as a focal point for the Bank Group operations in the country. However, there is a need to strengthen the Desk Office as it is currently not adequately equipped or manned to effectively follow up on the various Bank Group operations that are spread through out the country.

##### **4.2 Assessment of ADB Coordination With Other Donors**

4.2.1 The Bank Group coordination with other donors has been quite effective and it is a member of the Development Partners' Group (DPG), which is the forum for donor coordination. Membership of the DPG is open to any bilateral or multilateral donor that provides development assistance to the country. The central objective of the DPG is to increase the effectiveness of development assistance in support of the Government's national goals and systems. The members are guided by the principles adopted and set out in the Rome Declaration on Harmonisation of 2003 and the Government's framework set out in the Tanzania Assistance Strategy (TAS). The Bank Group has also been participating in the bi-annual reviews of the various sector programmes and the annual expenditure review exercise. In addition, as a matter of principle, the Bank Group preparation/appraisal and supervision missions also normally consult with other development partners in Tanzania.

4.2.2 The Bank Group's Tanzania Country Office (TZCO) in Dar es Salaam is playing an instrumental role in coordinating the Bank's activities with those of other donors in the country. The TZCO actively participates in the monthly DPG meetings and sub group meetings. Its effectiveness, however, is currently limited by the staff constraints and skill mix. At present, the staff consists of the Resident Representative, a Country Operations Officer, a Macroeconomist, and a Procurement Assistant. Due to this constraint, the office has had to be selective in the donor activities in which it can participate formally and actively. There is a clear need to improve the staff strength, diversify the skills mix and to delegate appropriate authority to the Office to enable it to contribute more effectively.

#### **4.3 Assessment of Co-financiers in Co-financed Projects**

There are three projects that the Bank Group is co-financing with other development partners. These comprise the Agricultural Marketing Systems Development Programme (AMSDP) that is co-financed by IFAD and the Irish Government; the First Health Rehabilitation Project that is co-financed by OPEC and BADEA; and the Dar es Salaam Water Supply and Sanitation Project (DWSSP) Project that is co-financed by European Investment Bank and the World Bank. The Bank Group's experience with the co-financiers varies from project to project. In the case of DWSSP, the performance of the co-financiers has been satisfactory. In May 2005, for example the Bank Group liaised very closely with the other donors when the Government terminated the lease contract of the private operator in order to ensure that progress was not adversely affected. A joint supervision was undertaken in June 2005 at which a 100 days' rescue plan was agreed upon. A consensus was also reached on the need to intensify the supervision of this project, and towards this end, a joint review mission was undertaken in November 2005 to assess performance of the rescue plan and chart the way forward. In the case of the AMSDP, there have been some problems emanating from procedural differences with the co-financier.

### **5. LOAN REPAYMENT AND ARREARS**

Tanzania has been current in its loan repayment obligations to the Bank Group despite its high debt burden and is also current on its capital subscriptions. This has permitted the much-needed continuity in the Bank Group operations in the country. The Government has expressed its determination to continue to meet its repayment obligations to the Bank Group in a timely manner.

### **6. PROACTIVE MANAGEMENT OF THE PORTFOLIO**

#### **6.1 Potential Future Problems and Solutions**

6.1.1 Since mid-2004, the Government of Tanzania has led a process to develop a Tanzania Joint Assistance Strategy (JAS). Set in the global context of the Rome and Paris Declarations on aid effectiveness, this initiative is intended to deepen the impact of the relationship between GoT and its many development partners. In particular, the JAS aims to embed fundamental principles that strengthen national ownership of the development process, and harmonise donor and government processes and procedures in ways that make aid more effective, and simpler to manage. While commending the Government for this initiative, the Bank Group recognizes that the approach will pose some challenges and it will require time to re-orient its operations towards the JAS.

6.1.2 One of the challenges for the Bank Group emanates from the fact that under JAS, general budget support as the preferred modality for delivering development assistance and advocates the use of project financing only for piloting and innovation and for demonstration purposes. While the Bank Group currently provides budget support, it is mandated to provide project financing and has over the years put in place structures and processes specifically to ensure effective delivery of this kind of financial support to Regional Member Countries. In view of this mode of operating, the adoption of some of the JAS principles may take some time.

6.1.3 In terms of the way forward, the Bank Group will continue to strive to make a significant contribution to the implementation of Tanzania's development strategy within the JAS framework and principles. This will entail close collaboration with other development partners to exploit the existing expertise and institutional structures to the best effect. Towards this end, the Bank Group will seek to execute jointly funded programmes where appropriate and to play an active role in programme implementation, especially in infrastructure development, in which the Bank seems to have substantial experience.

## **6.2 Summary of CPIP/Action Plan**

The portfolio improvement plan is presented in Annex 7. It focuses on actions aimed at improving delays in fulfilment of loan and grant conditions and project start up, poor procurement performance, disbursement delays, weak communication and weak implementation capacity.

## **6.3 Lessons Learnt for Future Country Strategy Papers and Portfolio Management**

6.3.1 The portfolio review indicates a number of lessons for future Country programming (preparation of country strategy paper) and portfolio management. The first lesson as stated in Section 6.1 is the need for the Bank to re-examine its procedures to take into account emerging aid delivery modalities, in the context of harmonisation of donors' procedures to lessen the transaction costs placed on Government agencies that currently now have to cope with diverse donors' procedures. This entails a move from stand alone projects to operations within sector-wide approach and to direct budget support, and the Bank Group would have to take due cognisance of this move in its country programming and portfolio management.

6.3.2 A second lesson relates to the need to ensure high quality at entry in the process of project identification, preparation, design and appraisal. In this context, it is important to rationalise the number of components in order to avoid complexities that over-stretch the capacity of Executing Agencies in terms of human and financial resources. In addition, it is also crucial to ensure that a specific plan to implement each component is clearly identified in the project, with a specific timetable of implementation to ensure maximum positive enforcement of the other components. Quality at entry also extends to rationalising the conditions for entry into force as well as for effectiveness in order to minimise delays in project start up. Another aspect that needs to be addressed is the identification of appropriate procurement modes at the appraisal stage to prevent cumbersome procedures, which could derail project implementation.

6.3.3 A third lesson is the relevance of local presence for sound portfolio management. Before the establishment of TZCO in 2004, Bank Group's contacts with the Government, Executing Agencies and donors resident in the country were limited to those provided by the visiting missions. The opening of the Country Office has provided opportunities for day-to-day contacts with the Government, Executing Agencies and donors, thus bridging communication gaps and facilitating faster resolution of problems as well as promoting donor coordination. However, to be effective, the office needs to be granted more delegated authority, especially on procurement and disbursement issues, in the context of a revised bank-wide delegation of authority matrix. The fourth lesson for country programming and future portfolio management is the need for selectivity in the Bank Group's interventions, with emphasis on areas where the Bank Group has proven comparative advantage or could develop one, and on fewer large projects rather than numerous small ones. This would facilitate better portfolio management and improve the effectiveness of supervision missions, which could then concentrate on fewer operations.

6.3.4 Another lesson relates to the need to take into account the unique relationship that exists between the mainland and Zanzibar during project design. Under the constitution of the United Republic of Tanzania, external borrowing is a union matter. This means that while the borrower remains as the United Republic of Tanzania, Zanzibar enjoys autonomy on certain social and economic development issues. It is, therefore, important to recognise that for those projects that focus on non-union matters, stand-alone operations can be undertaken in Zanzibar. However, in cases where projects focus on union matters, stand-alone operations cannot be undertaken in Zanzibar and it is best to disaggregate the project into components for the mainland and the island.

6.3.5 Finally, it is crucial for the Bank Group to regularly assess the development effectiveness of its operations. In this regard, it is worth noting that the Bank Group recently undertook a Country Assistance Evaluation (CAE) to assess the development effectiveness of its intervention in Tanzania. The CAE evaluated the contribution of the Bank Group's assistance towards meeting the expected outcomes in the Government's Poverty Reduction Strategy, and eventually in meeting the Millennium Development Goals. It focused on the period 1996-2004 and drew from findings in sectoral reports prepared for Water Supply & Sanitation; Transport; Social Sector (Health & Education); and Agriculture. The evaluation found that the Bank Group portfolio in Tanzania was characterised by slow implementation during the period under review. Out of the 34 operations, 5 were completed, of which two are Policy-Based Loans, while the other three completed operations are studies or Special Financing Mechanisms. No conventional projects were completed during the period under review. Because of the non-completion of projects, the sectoral assessment of Bank activities was based on the expected results as opposed to actual results observed in the field. On this basis, the Bank Group portfolio was judged to be relevant and efficacious, but inefficient overall.

6.3.6 The CAE, however, noted that the net contribution of Bank Group interventions in Tanzania is difficult to determine because Bank Group performance is closely intertwined with that of the Government and other donors. The conclusion was that Bank Group interventions in the area of macroeconomic stability was successful as Bank activities made a positive contribution to maintaining macroeconomic stabilization and structural reforms. The Bank programme had limited success in improving the ability of Tanzania to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Regarding sustainability, it was noted that the Bank Group's achievements are likely to be sustained as the structural reforms that have been accomplished are generally accepted by stakeholders. Financial and economic viability are also likely thanks to privatisation and sectoral reforms. In terms of institutional sustainability, the Bank interventions in the education sub-sector are relatively strong as they work through existing institutions and by involving the staff already employed and thus developing the capacity of those to remain after completion of interventions. Regarding social sustainability, the focus on community supported educational institutions is very positive. The CAE pointed out that the development effectiveness of the Bank Group's assistance could be enhanced by addressing delays encountered in project implementation, and this is an issue that must be addressed by the Government and the Bank Group.

## **7. CONCLUSION AND RECOMMENDATIONS**

7.1 This Portfolio Review revealed a generally satisfactory overall portfolio performance rating of 2.3. However, there are occasional problems, indicated in the Action Plan (Annex VII), which would require monitoring by the Bank Group and the Government. This is consistent with the finding in the 2002 and 2003 Bank-wide APPR that the portfolio does not have any problem projects and that all projects have a high likelihood of achieving their development objectives. However, the APPR indicated that there were 9 potentially problematic projects although the proportion of projects at risk declined from 75% in 2002 to 69.2% in 2003, thus indicating an improvement in portfolio performance. According to the 2004 APPR that is under preparation this improvement has continued, with the number of potentially problematic projects declining to 6 or 46.2% of the portfolio.

7.2 Based on the above findings, the following measures are recommended to further enhance the performance of the Bank Group portfolio in Tanzania. These are in addition to the project specific actions indicated in the review of the on-going operations in Chapter 2 above.

### **For the Government:**

- (i) To ensure accountability in the use of Bank Group resources, the Government should ensure compliance of Executing Agencies with the General Conditions attached to the Bank Group loans and grants, particularly the requirement for submission of annual audit reports, which is still a generic problem. They should be made aware that the Bank would not hesitate to suspend disbursement in the event of non-compliance.
- (ii) Some of the Executing Agencies that are responsible for the implementation of the Bank Group-financed projects lack adequate capacity for project implementation. While the Government is making some efforts to strengthen capacity building, this process needs to be intensified and carefully monitored to facilitate effective project implementation and the sustainability of project achievements.
- (iii) The Government should encourage PIUs to share their experiences among themselves in order to learn from each other and to adopt best practices. It is also important to ensure that adequately trained staff are recruited to manage PIUs and to avail training where weaknesses are identified.
- (iv) The Government should encourage PIUs/Executing Agencies to use communication services available at TZCO and to liaise with the office before submitting disbursement and procurement requests to Headquarters.
- (v) Given that Tanzania is one of the largest beneficiaries of ADF resources, the Government should work closely with the Bank Group to ensure a strong pipeline of projects/programmes and timely submission to the Bank Group, so as to strengthen future lending operations.

**For the Bank:**

- (vi) The Bank should respond to all communications from PIUs without delays, particularly on issues relating to disbursement and procurement. Towards this end, the Bank should ensure that projects are assigned specific and alternate Task Managers.
- (vii) The Bank should avoid imposing stringent and numerous conditions on its projects without compromising standards. There is also a need to improve project design and allow more flexibility in order to improve the timeliness of project implementation.
- (viii) The Bank needs to strengthen TZCO by delegating more authority to the Office to undertake some decisions pertaining to procurement and disbursement, and to increase the staff numbers and skills mix.
- (ix) The Bank Group should closely monitor the implementation of the Action Plan presented in Annex 7.

7.3 The Boards of Directors are invited to note this Portfolio Review Report on Tanzania.

**ANNEX I: SUMMARY OF BANK GROUP OPERATIONS**  
As at September 2005

SECTOR/PROJECT TITLE	APPROVALS					Canc.	Net Commit	DATE APPROVED	DATE SIGNED	DATE EFFECTIVE	AMNT DISB.	% DISB	STATUS
	ADB	ADF LOAN	ADF TAF GRANT	NTF	TOTAL								
<b>AGRICULTURE</b>													
1 Dakawa Rice		4.79			4.79		4.79	28 Feb. 1978	04 Apr. 1979	22 May 1979	4.79	100.00	Completed
Dakawa Rice (Suppl.1.1)	4.50				4.50	0.61	3.89	28 Nov. 1980	10 Mar. 1981	30 June 1981	3.89	100.00	Comp. Bal. cancelled
Dakawa Rice (Suppl.1.1)		3.13			3.13		3.13	28 Nov. 1980	10 Mar. 1981	30 June 1981	3.13	100.00	Completed
2 Zanzibar Rainfed Rice Development		7.37			7.37	0.09	7.28	18 Dec. 1980	10 Mar. 1981	24 Apr. 1982	7.28	100.00	Comp. Bal. cancelled
3 Kapunga & Madibira Rice Study				1.20	1.20	0.22	0.98	10 Nov. 1981	08 Jan. 1982	03 Dec. 1983	0.98	100.00	Comp. Bal. cancelled
4 Morogoro Village Irrigation Study			0.49		0.49	0.26	0.23	08 Apr. 1982	04 Feb. 1983	00 May 1984	0.23	100.00	Comp. Bal. cancelled
5 Small holder Rice Irrigation		7.37			7.37	1.19	6.18	08 Apr. 1982	04 Feb. 1983	25 June 1984	6.18	100.00	Comp. Bal. cancelled
6 Dakawa Rice (Supp.II)		4.64			4.64	1.18	3.46	14 Apr. 1983	11 May 1983	11 Dec. 1984	3.46	100.00	Comp. Bal. cancelled
7 Dodoma Livestock Development Study			0.51		0.51	0.11	0.40	12 Dec. 1985	07 May 1986	23 Dec. 1986	0.40	100.00	Comp. Bal. cancelled
8 Kapunga Rice Irrigation		40.84			40.84		40.84	23 Dec. 1987	07 May 1988	13 Sep. 1988	40.84	100.00	Completed
9 Kapunga Rice Irrigation				6.44	6.44		6.44	14 Dec. 1987	07 May 1982	13 Sep. 1988	6.44	100.00	Completed
10 National Agric . & Livestock Exten. Rehab.		6.52			6.52	0.64	5.88	23 Aug. 1988	05 July 1989	03 Apr. 1990	5.88	100.00	Comp. Bal. cancelled
11 National Agric . & Livestock Research Project.		6.17			6.17	0.17	6.00	23 Aug. 1988	05 July 1989	11 Jan.1990	6.00	100.00	Comp. Bal. cancelled
12 Dakawa Integrated Irr. (Phase II) (Study )			0.49		0.49	0.03	0.46	11 June 1990	04 Feb. 1991	01 Sep. 1994	0.46	100.00	Comp. Bal. cancelled
13 Kagera Sugar Estate Study			0.61		0.61	0.18	0.43	10 July 1993	24 Nov. 1993	14 Feb. 1994	0.43	100.00	Completed

14	Madibira Irrigation		21.92			21.92	0.37	21.55	03 Sep. 1993	24 Nov. 1993	08 May 1995	21.55	100.00	Comp. Bal. cancelled
15	Livestock Marketing Special Programme for Food Security		9.21			9.21	0.81	8.40	27 Jan 1992	01 Dec. 1992	12 July 1994	8.40	100.00	Compl. Bal. To be Cancelled
16			0.77			0.77		0.77	17 May 2000	30 Jan. 2001	11-May-2001	0.77	100.00	Completed
17	Selous Game Reserve		5.91			5.91		5.91	27 Nov. 1997	8-May-98	16 Nov. 1998	5.36	90.69	Ongoing
18	Agric. Marketing Systems Dev. Programme		15.90			15.90		15.90	18 Sep 2002	12 May. 2003	15 Dec. 2003	0.85	5.35	Ongoing
				1.00			1.00		1.00	18 Sep 2002	12 May. 2003	15 Dec. 2003	0.39	39.00
19	District Agricultural Sector Investment Project		36.00			36.00		36.00	24-Nov-2004	11 Feb. 2005	20 Jul. 2005	0.00	0.00	Ongoing
				7.00			7.00		7.00	24-Nov-2004	11 Feb. 2005	20 Jul. 2005	0.00	0.00
<b>SUB-TOTAL</b>		<b>4.50</b>	<b>169.77</b>	<b>10.87</b>	<b>7.64</b>	<b>126.97</b>	<b>5.86</b>	<b>186.92</b>				<b>121.11</b>	<b>64.79</b>	
<b>TRANSPORT</b>														
20	Mogoyo-Masasi Road Construction	4.00				4.00		4.00	21 Nov. 1974	15 Jan. 1975	16 May. 1975	4.00	100.00	Completed
21	Ten Bridges		4.61			4.61		4.61	25 Mar. 1975	20 June 1975	01 Oct. 1975	4.61	100.00	Completed
22	Rusumo-Lusahunga Road Construction		7.37			7.37		7.37	21 Feb. 1977	28 Mar. 1977	21 Jan. 1979	7.37	100.00	Completed
23	Ten Bridges (Supp.1.1)		3.64			3.64	0.13	3.51	14 Apr. 1983	11 May 1983	18 Jul. 1983	3.51	100.00	Compl. Bal. Cancelled
24	Rusumo-Lusahunga Road Construction (Supp II)		9.99			9.99		9.99	14 Apr. 1983	11 May 1983	22 Jun. 1983	9.99	100.00	Completed
25	TANZAM Highway Rehab. Road Rehabilitation Project		17.68			17.68	0.01	17.67	15 Feb. 1987	30 Nov. 1987	03 Mar. 1989	17.67	100.00	Compl. Bal. Cancelled
26	Study			2.39		2.39	1.19	1.20	11 June 1990	04 Feb. 1991	30 Jul. 1992	1.20	100.00	Compl. Bal. Cancelled
27	Road Rehabilitation Project		32.88			32.88	12.58	20.30	11 June 1990	04 Feb. 1991	17 June 1993	20.30	100.00	Compl. Bal. Cancelled
28	Three Road Studies			3.68		3.68	1.49	2.19	29 Oct. 1992	01 Dec. 1992	30 Jul. 1994	2.19	100.00	Compl. Bal. Cancelled
29	Tanzania Railway Corporation Rehab.		21.18			21.18	6.23	14.95	21 June 1992	26 Feb. 1993	16 June 1994	14.95	100.00	Compl. Bal. Cancelled
30	Airport Studies			1.47		1.47	0.42	1.05	31 Sep. 1993	24 Nov. 1993	14 Sep. 1994	1.05	100.00	Compl. Bal. Cancelled
31	Zanzibar Road Studies		1.06			1.06	0.76	0.30	09 Sep. 1998	20 Nov. 1998	19 Sep. 2000	0.30	100.00	Compl. Bal. Cancelled
32	Mutukula-Muhutwe Road Project		20.00			20.00	1.18	18.82	08 Oct. 1997	17 Nov. 1997	27-Jan-1999	14.90	79.17	Compl. Bal. To be Cancelled

33	El Nino Road Rehabilitation		9.75			9.75		9.75	16 Dec 1998	05 Jan. 1999	01 Oct. 2000	4.26	43.69	Ongoing
34	Shelui-Nzega Road Project		24.00			24.00		24.00	17 June 1999	19 Nov. 1999	07 Mar. 2000	11.75	48.96	Ongoing
35	Road Rehabilitation / Upg. Project		38.65			38.65		38.65	03 Sep. 2001	28 Sep. 2001	06 Jun. 2003	6.65	17.21	Ongoing
36	Zanzibar Roads Upgrading Project		16.22			16.22		16.22	24 Jun. 2004	24-Jun-04	24 Jun. 2004	0.00	0.00	Ongoing
				0.71		0.71		0.71	24 Jun. 2004	24-Jun-04		0.00	0.00	Ongoing
	<b>SUB-TOTAL</b>	<b>4.00</b>	<b>207.03</b>	<b>8.25</b>	<b>0.00</b>	<b>219.28</b>	<b>22.81</b>	<b>196.47</b>				<b>102.04</b>	<b>51.94</b>	
	<b>INDUSTRY</b>													
37	Oil pipeline and Tankage Facilities	3.00				3.00	0.34	2.66	25 May 1971	25 May 1972	30 May. 1972	2.66	100.00	Compl. Bal. Cancelled
38	First Line of Credit to TIB	1.50				1.50		1.50	15 May 1973	21 June 1973	23 Oct. 1973	1.50	100.00	Completed
39	Second Line of Credit to TIB	3.00				3.00	0.12	2.88	23 Feb. 1977	24 June 1977	30 Sep. 1978	2.88	100.00	Compl. Bal. Cancelled
40	Third Line of Credit to TIB	5.00				5.00	0.18	4.82	09 June 1981	06 Nov. 1981	17 Aug. 1982	4.82	100.00	Compl. Bal. Cancelled
41	Caustic Soda Study			0.70		0.70	0.10	0.60	20 Nov. 1990	04 Feb. 1991	30 Jul. 1992	0.60	100.00	Compl. Bal. Cancelled
42	EPZ Study			0.74		0.74		0.48	26 Feb. 1992	14 May 1992	13 Dec. 1993	0.48	100.00	Compl. Bal. Cancelled
43	Loan to Graphan Ltd	3.09				3.09		3.09	26 Aug. 1994	20 Dec 1994	06 July 1995	3.09	100.00	Completed
44	Cotton Lint \$ Seed Factory	0.52				0.52	0.52	0.00	21 Mar 1997	17 Oct 1997		0.00	0.00	Cancelled
	<b>SUB-TOTAL</b>	<b>16.11</b>	<b>0.00</b>	<b>1.44</b>	<b>0.00</b>	<b>17.55</b>	<b>1.52</b>	<b>16.03</b>				<b>12.94</b>	<b>80.72</b>	
	<b>PUBLIC UTILITIES</b>													
45	Shinyanga-Lindi Water Supply		4.61			4.61		4.61	24 Aug. 1976	25 Nov. 1976	15 Dec. 1978	4.61	100.00	Completed
46	Kidatu-Mufindi Power Transmission	8.00				8.00	0.06	7.94	27 Nov. 1979	01 Feb. 1980	13 Dec. 1980	7.94	100.00	Compl. Bal. Cancelled
47	Dodoma-Water Drainage-Sewerage 1	7.00				7.00		7.00	18 Dec. 1979	01 Feb. 1980	21 Feb. 1980	7.00	100.00	Completed
48	Dodoma-Water Drainage-Sewerage 11	10.00				10.00	0.70	9.30	27 Aug. 1980	10 Mar. 1981	30 Sep.1981	9.30	100.00	Compl. Bal. Cancelled
49	Rural Electrification Newala-Massisi		11.97			11.97	0.20	11.77	24 June 1982	04 Feb. 1983	01 Oct. 1984	11.77	100.00	Compl. Bal. Cancelled
50	Shinyanga-Lindi Water Supply (Supp.1.1)		2.64			2.64		2.64	14 Apr. 1983	11 May 1983	16 Mar. 1984	2.64	100.00	Completed

51	Mwamapuli-Buleny Water Sup. Study		0.55		0.55		0.55	27 Nov. 1986	11 Dec. 1986	06 Nov. 1989	0.55	100.00	Completed
52	Zanzibar-Pemba Water Supply Study		0.64		0.64		0.64	27 Nov. 1986	11 Dec. 1986	11 May 1988	0.64	100.00	Completed
53	Kagera Basin Telecoms		4.19		4.19	0.74	3.45	22 Dec. 1986	03 May 1987	13 Sep. 1988	3.45	100.00	Compl. Bal. Cancelled
54	Pangani Falls Hydro-Electrc. Study			1.50	1.50	1.50	0.00	17 Sep. 1987	30 Nov. 1987	21 Feb. 1990	0.00	0.00	Loan cancelled
55	Zanzibar-Pemba Power System		13.22		13.22	1.31	11.91	19 Jan. 1989	06 Jul. 1989	12 Jun. 1990	11.91	100.00	Completed
56	Zanzibar Rural Water Supply		7.83		7.83	4.54	3.29	16 Dec. 1991	01 Dec. 1992	22 Mar. 1994	3.29	100.00	Loan cancelled
57	Telecommunications II		18.42		18.42	0.03	18.39	24 June 1992	01 Dec. 1992	13 Oct. 1993	18.39	100.00	Compl. Bal. Cancelled
	Telecommunications II	10.00			10.00	0.27	9.73	24 June 1992	01 Dec. 1992	13 Oct. 1993	9.73	100.00	Compl. Bal. Cancelled
58	Dar es Salaam Water Supply Study			0.69	0.69	0.17	0.52	21 June 1993	23 July 1993	16 June 1994	0.52	100.00	Compl. Bal. Cancelled
59	Mchuchuma Colliery Thermal Power Study			2.50	2.50	0.75	1.75	21 Oct. 1993	13 June 1994	13 June 1994	1.75	100.00	Compl. Bal. Cancelled
60	Electricity IV		23.03		23.03	2.02	21.01	16 Dec. 1991	01 Dec. 1992	17 Aug. 1994	21.01	100.00	Completed
				6.00	6.00	1.5	4.50	16 Dec. 1991	01 Dec. 1992	17 Aug. 1994	4.5	100.00	Completed
61	Monduli Rural District Water Supply Study			0.78	0.78	0.03	0.75	16 July 1997	17 Nov. 1997	13 Jun. 2000	0.75	100.00	Completed
62	Urban Centres Water Supply & Sanitation Study			1.85		1.85	0.00	20 Oct 1999	19 Nov. 1999	19 Nov. 1999	0.00	0.00	Cancelled
63	Rural Electrification Master Plan			1.87	1.87		1.87	28 June 2001	28 Sep. 2001	21 Oct. 2003	1.53	81.82	Ongoing
64	Dar es Salaam Water Supply		36.94		36.94		36.94	17 Dec 2001	29 May 2002	19 Nov. 2003	4.48	12.13	Ongoing
					1.31	1.31		1.31	17 Dec 2001	29 May 2002	19 Nov. 2003	0.16	12.21
65	Monduli Rural District Water Project			15.51	15.51		15.51	27 Nov 2003	10 Feb 2004	14 Jul y 2004	0.02	0.13	Ongoing
	<b>SUB-TOTAL</b>	<b>35.00</b>	<b>124.04</b>	<b>26.01</b>	<b>6.00</b>	<b>133.57</b>	<b>13.82</b>	<b>177.23</b>			<b>119.75</b>	<b>67.57</b>	
	<b><u>SOCIAL</u></b>												
66	Technical and Vocational Training			6.45	6.45	1.08	5.37	19 Dec. 1978	16 May 1979	28 July 80	5.37	100.00	Compl. Bal. Cancelled
67	Muhimbili Teaching Hospital Study			0.59	0.59	0.12	0.47	23 Mar. 1989	30 May 1989	23 May 1980	0.47	100.00	Compl. Bal. Cancelled

68	Employment & Technical Education Studies			0.65		0.65	0.03	0.62	23 June 1993	23 July 1993	16 May 1995	0.62	100.00	Compl. Bal. Cancelled
69	Zanzibar Health Dev. Requirement Studies			0.91		0.91	0.01	0.90	03 Dec. 1997	08-May-98	24 Sep. 1999	0.90	100.00	Completed
70	First Health Rehabilitation		15.00			15.00		15.00	03 Dec. 1997	08 May 1998	10 Sep. 1999	7.86	52.40	Ongoing
71	Education II Project		20.00			20.00		20.00	10 Dec. 1997	08 May 1998	06 Jan. 1999	11.82	59.10	Ongoing
72	Small Enterprises Loan Facility		8.00			8.00		8.00	11 Nov. 1998	12 Apr. 1998	29 July 1999	6.15	76.88	Ongoing
73	Three Regions Health Studies			1.75		1.75		1.75	14 July 1999	19 Nov. 1999	06 Apr.2001	0.65	37.14	Ongoing
74	Alternative Learning & Skills Dev. Project		5.56			5.56		5.56	31 Oct 2000	30-Jan-01	24-Dec-01	0.88	15.83	Ongoing
			1.01			1.01		1.01	31 Oct 2000	30-Jan-01	24-Dec-01	0.43	42.57	Ongoing
75	SAP for Vocational Ed & Training		14.22			14.22		14.22	09 July 2003	15-Sep-03	16-Feb-04	0.03	0.21	Ongoing
				1.60		1.60		1.60	09 July 2003	15-Sep-03	16-Feb-04	0.00	0.00	Ongoing
	<b>SUB-TOTAL</b>	<b>0.00</b>	<b>70.24</b>	<b>5.50</b>	<b>0.00</b>	<b>75.74</b>	<b>1.24</b>	<b>74.50</b>				<b>35.18</b>	<b>47.22</b>	
	<b>MULTI-SECTOR (POLICY BASED)</b>													
76	Sector Rehabilitation (Ag and Tr)		28.55			28.55	2.13	26.42	26 Oct. 1987	29 Dec. 1987	29 Dec. 1987	26.42	100.00	Compl. Bal. Cancelled
77	Industrial Sector Adjustment		27.63			27.63		27.63	17 Sep. 1990	01 July 1991	06 Aug. 1991	27.63	100.00	Completed
78	Financial Sector Adjustment Programme		27.63			27.63	0.17	27.46	25 May 1992	01 Dec. 1992	16 May 1993	27.63	100.62	Compl. Bal. Cancelled
79	Structural Adjustment Loan		45.00			45.00		45.00	05 Nov. 1997	17 Nov. 1997	24 Dec. 1997	45.00	100.00	Completed
80	SFM Loan I		0.62			0.62		0.62	04 Dec. 1999	05 Jan. 1999	27 Aug. 1999	0.62	100.00	Completed
81	SFM Loan II		0.55			0.55	0.01	0.54	14 July 1999	19 Nov. 1999	27 Aug. 1999	0.55	101.85	Completed
82	Structural Adjustment Loan II		40.00			40.00		40.00	03 Sep. 2001	28 Sep.2001	08 Dec. .2001	40.00	100.00	Completed
83	Poverty Reduction Support Loan		50.00			50.00		50.00	27 Oct. 2004	09 Dec. 2004	38484.00	50.00	100.00	Completed
84	Institutional Support for Good Governance			4.80		4.80		4.80	13 Dec. 2004	11 Feb. 2005	Not Yet	0.00	0.00	Not Yet Effective
	<b>SUB-TOTAL</b>	<b>0.00</b>	<b>219.98</b>	<b>4.80</b>	<b>0.00</b>	<b>224.78</b>	<b>2.31</b>	<b>222.47</b>				<b>217.85</b>	<b>97.92</b>	
	<b>GRAND TOTAL</b>	<b>59.61</b>	<b>791.06</b>	<b>56.87</b>	<b>13.64</b>	<b>921.18</b>	<b>36.65</b>	<b>873.62</b>				<b>608.87</b>	<b>69.70</b>	

**ANNEX II: SUMMARY OF ONGOING BANK GROUP OPERATIONS**  
As at September 2005

SECTOR/PROJECT TITLE	FUNDS SOURCES	DATE APPROVED	AMNT (UA Mill.)	DATE SIGNED	DATE EFFECTIVE	AMNT DISB.	PER CENT DISB	DEADLINE FINAL DISB
<b><u>AGRICULTURE</u></b>								
1 Selous Game Reserve	ADF	27 Nov. 1997	5.91	8-May-98	16 Nov. 1998	5.54	93.74	31.12.05
2 Agric. Marketing Systems Dev. Programme	ADF	18-Sep-2002	15.90	12 May. 2003	15 Dec. 2003	0.85	5.35	31.12.08
	ADF- G	18-Sep-2002	1.00	12 May. 2003	15 Dec. 2003	0.42	42.00	31.12.08
3 District Agricultural Sector Investment Project	ADF	24-Nov-2004	36.00	11-Feb-2005	20-Jul-2005	0.00	0.00	
	ADF- G	24-Nov-2004	7.00	11-Feb-2005	20-Jul-2005	0.00	0.00	
<b>SUB-TOTAL</b>			<b>65.81</b>			<b>6.81</b>	<b>10.35</b>	
<b><u>TRANSPORT</u></b>								
4 El Nino Road Rehabilitation	ADF	16 Dec 1998	9.75	5-Jan-1999	1-Oct-2000	4.26	43.69	30.06.05
5 Shelui-Nzega Road Project	ADF	17 June 1999	24.00	19 Nov. 1999	7-Mar-2000	13.25	55.21	29.11.05
6 Road Rehabilitation / Upg. Project	ADF	03 Sep. 2001	38.65	28 Sep. 2001	6-Jun-2003	7.25	18.76	31.03.07
7 Zanzibar Roads Upgrading Project	ADF	24-Jun-2004	16.22	24-Jun-2004	5-Oct-2004	0.00	0.00	31.12.07
	ADF- G	24-Jun-2004	0.71	24-Jun-2004		0.00	0.00	31.12.07
<b>SUB-TOTAL</b>			<b>89.33</b>			<b>24.76</b>	<b>27.72</b>	
<b><u>INDUSTRY</u></b>								
<b>SUB-TOTAL</b>			<b>0.00</b>			<b>0.00</b>		
<b><u>PUBLIC UTILITIES</u></b>								
8 Rural Electrification Master Plan	ADF- G	28 June 2001	1.87	28 Sep. 2001	21 Oct. 2003	1.53	81.82	31.12.05
9 Dar es Salaam Water Supply	ADF	17 Dec 2001	36.94	29 May 2002	19 Nov. 2003	4.51	12.21	31.12.07
	ADF- G	17 Dec 2001	1.31	29 May 2002	19 Nov. 2003	0.16	12.21	31.12.07
10 Monduli Rural District Water Project	ADF- G	27 Nov 2003	15.51	10 Feb 2004	14Jul y 2004	0.02	0.13	31.12.08
<b>SUB-TOTAL</b>			<b>55.63</b>			<b>6.22</b>	<b>11.18</b>	
<b><u>SOCIAL</u></b>								
11 First Health Rehabilitation Project	ADF	03 Dec. 1997	15.00	08 May 1998	10 Sep. 1999	7.91	52.73	30.06.07

12	Education II Project	ADF	<b>10 Dec. 1997</b>	20.00	08 May 1998	06 Jan. 1999	15.64	78.20	30.06.06
13	Small Enterprises Loan Facility	ADF	<b>11 Nov. 1998</b>	8.00	12 Apr. 1998	29 July 1999	6.15	76.88	31.01.07
14	Three Regions Health Studies	ADF- G	<b>14 July 1999</b>	1.75	19 Nov. 1999	6-Apr-2001	0.65	37.14	31.01.06
15	Alternative Learning & Skills Dev. Project	ADF	<b>31 Oct 2000</b>	5.56	30-Jan-2001	24-Dec-2001	0.88	15.83	30.06.07
		ADF	<b>31 Oct 2000</b>	1.01	30-Jan-2001	24-Dec-2001	0.61	60.40	30.06.07
16	SAP for Vocational Education & Training	ADF	<b>09 July 2003</b>	14.22	15-Sep-2003	16-Feb-2004	0.03	0.21	31.12.08
		ADF- G	<b>09 July 2003</b>	1.60	15-Sep-2003	16-Feb-2004	0.00	0.00	31.12.08
<b>SUB-TOTAL</b>				<b>67.14</b>			<b>31.87</b>	<b>47.47</b>	
<b>GRAND TOTAL</b>				<b>277.91</b>			<b>69.66</b>	<b>25.07</b>	

**Annex III**  
**Summary of Performance Rating by Sector and Projects**

Sector/Projects	Loan Conditions	Procurement Performance	Financial Performance	Activities & Output	Impact on Development	Development Objectives
<b>Agriculture Sector</b>						
Selous Game Reserve Management	2.7	3.0	2.6	2.3	2.57	2.0
Agric Marketing Systems Dev. Prog	3.0	2.0	2.0	2.0	2.15	2.0
<b>Average</b>	<b>2.8</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>2.4</b>	<b>2.0</b>
<b>Transport Sector</b>						
El-Nino Road Rehabilitation Project	1.0	2.0	3.0	1.75	2.0	2.25
Shelui-Nzega Road Project	2.0	2.0	2.75	2.0	2.25	3.0
Road Rehabilitation/Upgrading Project	2.5	2.0	2.67	2.0	2.27	2.75
Zanzibar Roads Upgrading Project	2.5	2.0	3.0	2.0	2.33	3.0
<b>Average</b>	<b>2.0</b>	<b>2.0</b>	<b>2.9</b>	<b>1.9</b>	<b>2.2</b>	<b>2.8</b>
<b>Public Utilities</b>						
Rural Electrification Master Plan	2.7	2.5	2.5	2.0	2.23	3.0
Dar es Salaam Water Supply	2.0	2.5	2.0	2.25	2.41	2.37
Monduli Rural District Water Supply	2.3	2.0	1.75	1.5	2.0	2.67
<b>Average</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>	<b>1.9</b>	<b>2.2</b>	<b>2.7</b>
<b>Social Sector</b>						
First Health Rehabilitation Project	1.0	2.0	2.5	2.0	1.88	2.13
Three Regions Health Study	1.5	2.0	3.0	1.3	2.0	2.0
Education II Project	2.0	2.0	2.25	1.8	1.86	2.0
Alternative Learning & Skills Dev.	2.7	3.0	2.5	2.3	2.54	3.0
Small Entrepreneurs' Loan Facility	2.7	2.0	2.75	2.5	2.54	2.67
SAP for Vocational Education & Training	3.0	2.0	n.a	n.a	n.a	n.a
<b>Average</b>	<b>2.1</b>	<b>2.2</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.4</b>
<b>Overall Average</b>	<b>2.33</b>	<b>2.25</b>	<b>2.46</b>	<b>1.94</b>	<b>2.24</b>	<b>2.45</b>

**Code**

3 = Highly Satisfactory

2 = satisfactory: Occasional Problems – Bank should monitor

1 = Unsatisfactory: Problems – Bank should monitor closely but no immediate action is required

0 = Highly Unsatisfactory: Serious problems – Bank action required

## PROJECT RATING SUMMARIES

### A.1: Selous Game Reserve

Project Performance Indicators	Previous Report	Current Report
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	3
2. Compliance with general conditions	--	3
3. Compliance with other conditions	--	2
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	3
2. Procurement of goods and works	--	3
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	3
2. Availability of local currency	--	3
3. Disbursement flows	--	2
4. Cost management	--	2
5. Performance of co-financiers (where applicable)	--	3
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	2
2. Performance of consultants or technical assistance	--	3
3. Performance of contractors	--	2
4. Performance of project management	--	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	2
3. Likely contribution of the project towards an increase in institutional capacity	--	2
4. Expected rate of return	--	2
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.44
2. Trend Over Time	--	2.38
Code:     3 = Highly Satisfactory 2 = Satisfactory: Occasional Problems: Bank should monitor 1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required 0 = Highly unsatisfactory: serious problems: Bank action required		

**A.2: Agricultural Marketing Systems Development Programme**

Project Performance Indicators	Previous Report	Current Report
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	3
2. Compliance with general conditions	--	3
3. Compliance with other conditions		
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	2
2. Procurement of goods and works	--	2
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	3
2. Availability of local currency	--	2
3. Disbursement flows	--	1
4. Cost management	--	2
5. Performance of co-financiers (where applicable)	--	2
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	2
2. Performance of consultants or technical assistance	--	2
3. Performance of contractors	--	2
4. Performance of project management	--	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	2
3. Likely contribution of the project towards an increase in institutional capacity	--	2
4. Expected rate of return	--	n.a
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.13
2. Trend Over Time	--	2.13
<p>Code:     3 = Highly Satisfactory                  2 = Satisfactory: Occasional Problems: Bank should monitor                  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required                  0 = Highly unsatisfactory: serious problems: Bank action required</p>		

**B. 1: El-Nino Road Rehabilitation Project**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	1
2. Compliance with general conditions	--	1
3. Compliance with other conditions		
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	2
2. Procurement of goods and works	--	2
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	3
2. Availability of local currency	--	3
3. Disbursement flows	--	--
4. Cost management	--	n.a
5. Performance of co-financiers (where applicable)		
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	1
2. Performance of consultants or technical assistance	--	2
3. Performance of contractors	--	2
4. Performance of project management	--	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	2
3. Likely contribution of the project towards an increase in institutional capacity	--	2
4. Expected rate of return		
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.07
2. Trend Over Time	--	2.33
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		









**C.2: Dar es Salaam Water Supply Project**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	2
2. Compliance with general conditions	--	2
3. Compliance with other conditions		
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	2
2. Procurement of goods and works	--	3
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	3
2. Availability of local currency	--	2
3. Disbursement flows	--	1
4. Cost management	--	2
5. Performance of co-financiers (where applicable)	--	2
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	1
2. Performance of consultants or technical assistance	--	2
3. Performance of contractors	--	2
4. Performance of project management	--	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	2
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	3
3. Likely contribution of the project towards an increase in institutional capacity	--	3
4. Expected rate of return	--	2
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.12
2. Trend Over Time	--	2.37
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		

**C.3 Monduli Rural District Water Project**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	2
2. Compliance with general conditions	--	3
3. Compliance with other conditions	--	2
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	2
2. Procurement of goods and works	--	2
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	2
2. Availability of local currency	--	2
3. Disbursement flows	--	1
4. Cost management	--	2
5. Performance of co-financiers (where applicable)		
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	1
2. Performance of consultants or technical assistance		
3. Performance of contractors		
4. Performance of project management	--	2
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	3
3. Likely contribution of the project towards an increase in institutional capacity	--	2
4. Expected rate of return		
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.07
2. Trend Over Time	--	1.87
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		





**D.3: Small Entrepreneurs' Loan Facility**

<b>Project Performance Indicators</b>	<b>Previous Report</b>	<b>Current Report</b>
<b>A. <u>Project Progress</u></b>		
1. Compliance with loan conditions precedent to entry into force	--	3
2. Compliance with general conditions	--	2
3. Compliance with other conditions	--	3
<b>B. <u>Procurement performance</u></b>		
1. Procurement of consultancy services	--	2
2. Procurement of goods and works	--	2
<b>C. <u>Financial Performance</u></b>		
1. Availability of foreign exchange	--	3
2. Availability of local currency	--	3
3. Disbursement flows	--	2
4. Cost management	--	3
5. Performance of co-financiers (where applicable)	--	n.a
<b>D. <u>Activities and Works</u></b>		
1. Adherence to implementation schedule	--	3
2. Performance of consultants or technical assistance	--	2
3. Performance of contractors	--	2
4. Performance of project management	--	3
<b>E. <u>Impact on Development</u></b>		
1. Likelihood of achieving project objectives	--	3
2. Likelihood that benefits will be realised and sustained beyond the investment stage of the project	--	3
3. Likely contribution of the project towards an increase in institutional capacity	--	2
4. Expected rate of return	--	n.a
<b>F. <u>Overall Assessment</u></b>		
1. At Present	--	2.56
2. Trend Over Time	--	2.72
<p>Code: 3 = Highly Satisfactory  2 = Satisfactory: Occasional Problems: Bank should monitor  1 = Unsatisfactory: Problems : Bank should monitor closely but no immediate action required  0 = Highly unsatisfactory: serious problems: Bank action required</p>		











**Annex VII**  
**Country Portfolio Improvement Plan**

<b>Issues/Problems</b>	<b>Actions by the Government</b>	<b>Actions by the Bank</b>	<b>Time Frame</b>
Delays in fulfilment of loan and grant conditions	Ensure timely fulfilment of loan and grant conditions	Avoid stringent and numerous conditions without compromising standards; improve project design and allow more flexibility	For all loans and grants appraised from 2006 onwards
Delays in disbursement and procurement	Issue a circular instructing PIUs/ Executing Agencies to liaise with TZCO before submitting documents	TZCO to continue scrutinising documents before submission to HQ  Implement Delegation of Authority approved in July 2005 to allow TZCO to undertake some decisions	February 2006  Ongoing  June 2006
Inadequate project supervision	Strengthen the ADB Desk Office	Allocate more human and financial resources  Ensure that projects are assigned specific and alternate Task Managers	June 2006  February 2006
Poor communication between the Bank and the Government	Formally inform Executing Agencies and PIUs that they can utilise communication facilities at TZCO	TZCO to issue a circular formally informing Executing Agencies and PIUs that they can utilise communication facilities at the office	February 2006
Irregular provision of counterpart funds	Ensure provision of counterpart funds in budget		FY 2006 onwards
Weak implementation capacity	Organise regular workshops to enable PIU staff to network and learn from each other.	Organise Workshops for training of PIU staff	Continuous
Irregular submission of project audit reports	Maintain a register on status of audit reports and follow up with Executing Agencies to ensure audit reports are submitted on time	Suspend disbursements on projects with overdue audits	February 2006  As and when required