

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**



**UNITED REPUBLIC OF TANZANIA  
COUNTRY PORTFOLIO PERFORMANCE REVIEW REPORT**

**COUNTRY AND REGIONAL DEPARTMENT – EAST A (OREA)**

**SEPTEMBER 2009**

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## **CURRENCY EQUIVALENTS**

**June 2009**

Currency Unit	=	Tanzanian Shilling (TZS)
UA 1	=	TZS 1956.72
UA 1	=	USD 1.54805
UA 1	=	Euro 1.09806

## **FISCAL YEAR**

01 July to 30 June

## **ACRONYMS AND ABBREVIATIONS**

ADB	-	African Development Bank
ADF	-	African Development Fund
ALSD	-	Alternative Learning and Skills Development
AMSDP	-	Agricultural Marketing Systems Development Program
APPR	-	Annual Portfolio Performance Review Report
AR	-	Annual Review
CDD	-	Community Driven Development
CAE	-	Country Assistance Evaluation
CAR	-	Commitment at Risk
CODE	-	Committee Operations/Development Effectiveness
CPIP	-	Country Portfolio Improvement Plan
CPPR	-	Country Portfolio Performance Review
CT	-	Country Team
DEF	-	Department of External Finance
DO	-	Development Objective
DPG	-	Development Partners Group
DWSSP	-	Dar es Salaam Water Supply and Sanitation Project
EIB	-	European Investment Bank
ESW	-	Economic and Sector Work
FY	-	Fiscal Year
GBS	-	General Budget Support
GoT	-	Government of Tanzania
IDA	-	International Development Agency
IFAD	-	International Fund for Agricultural Development
IP	-	Implementation Performance
IPSAS	-	International Public Sector Accounting Standards
JAST	-	Joint Assistance Strategy for Tanzania
MDA	-	Ministries, Departments and Agencies
MIS	-	Management Information Services
MoID	-	Ministry of Infrastructure Development
MoFEA	-	Ministry of Finance and Economic Affairs
MoU	-	Memorandum of Understanding
MTEF	-	Medium Term Expenditure Framework
NAO	-	National Audit Office
NGOs	-	Non Governmental Organizations
NTF	-	Nigeria Trust Fund
PAF	-	Performance Assessment Framework
PAR	-	Project at Risk
PIU	-	Project Implementation Unit
PP	-	Problem Project

PPP	-	Potentially Problematic Project
PRBS	-	Poverty Reduction and Budget Support
RGZ	-	Revolutionary Government of Zanzibar
TA	-	Technical Assistance
TAF	-	Technical Assistance Fund
TM	-	Task Manager
TZFO	-	Tanzania Field Office
TZS	-	Tanzania Shilling
UA	-	Unit of Account
USD	-	United States Dollar
VAT	-	Value Added Tax
VETA	-	Vocational Education and Training Authority
WB	-	World Bank

## DEFINITIONS

Implementation Progress	Rating based on actual performance with compliance of conditions, procurement, financial management and progress on activities and outputs
Development Objective	Rating based on expected sustainability and outcomes of the project
Disbursement Rate	Cumulative disbursements for project / Total portfolio commitments
Disbursement Ratio	Ratio of disbursements during the reporting period / Un-disbursed commitments of the Bank's portfolio at the end of the previous period
Problem Project	Number of projects with an IP or a DO rating below 1.5
Potentially Problematic Project	Number of projects with an IP or DO rating equal to or greater than 1.5, but with two or more ratings equal to or less than 1
Projects at Risk	Number of projects that are at risk (PPP and PP) / Total number of projects in the portfolio
Commitments at Risk	Value of projects that are at risk/Total value of the portfolio
Age	Time elapsed from approval to date
Effectiveness	Time elapsed from approval to effectiveness

## SUMMARY REPORT

### **I. INTRODUCTION**

1.1 The joint Country Portfolio Performance Review (CPPR) process was the first of its kind undertaken jointly by the African Development Bank (ADB) Group, World Bank (WB) and the Government of Tanzania (GoT). It was designed to reduce transaction costs for both institutions and GoT. The last reviews were undertaken individually by WB and ADB in 2003 and 2005, respectively. While other joint review processes such as General Budget Support (GBS) Annual Reviews (AR) and sector reviews in Tanzania provide a view on the progress of policy reform and actions in certain sectors, they rarely get into the details of specific project implementation challenges.

1.2 Tanzania continues to be the largest beneficiary of African Development Fund (ADF) resources with the ADF-XI allocation amounting to UA 407 million. It is important to conduct joint CPPRs on a 12-24 months basis whilst remaining cognizant of Government's request to reduce transaction costs. The CPPR process for Tanzania started in March 2009 with the formation of a task team comprising staff from the ADB and WB Tanzania Field Offices. GoT was represented by ADB/WB Desk Offices at the Ministry of Finance and Economic Affairs (MoFEA) and liaised closely with the task teams.

1.3 A number of tools were designed to undertake the review, notably desk reviews on project performance, surveys and a workshop. The desk reviews focused on the quality of results framework and monitoring and evaluation (M&E) arrangements. With respect to the survey, a questionnaire was sent to 372 participants that were randomly selected to: (a) rate project management and fiduciary/safeguard issues; (b) identify broader systemic, institutional and policy issues; (c) collect additional information on M&E; and (d) propose ways to improve portfolio performance and project management. The CPPR for Tanzania culminated in a workshop (3<sup>rd</sup> - 4<sup>th</sup> April 2009) that brought over 120 project stakeholders together including permanent secretaries, Project Implementation Units (PIUs), Executing Agencies (EAs), ADB and World Bank field office staff, Development Partners and Non Governmental Organizations (NGOs) to discuss the findings of the desk reviews and surveys, and agree on an action plan to further improve portfolio performance of ADB and WB funded projects. The signing of a Joint Aide Memoire between GoT, ADB and WB in June 2009 committed all parties to improve portfolio performance in the short and medium term; and support the harmonization of processes in line with the Paris Declaration. It is important to note that although the CPPR was a joint effort, both institutions prepared separate reports for consideration by their respective Board of Directors.

1.4 This report is based on the findings of the CPPR review process. The objectives of this review are to: (i) inform Executive Directors of the Bank Group's Board and the GoT about the performance of the Bank's portfolio in Tanzania; (ii) identify key project systemic issues affecting implementation; and (iii) formulate recommendations for improvement. The information contained in the report has been updated and reflects the situation as at 30 June 2009. In accordance with the 2007 Annual Performance Portfolio Review (APPR) and at the request of the Board, both public and private sector operations are examined in this review. Regional operations are not included in the analysis<sup>1</sup>.

1.5 Portfolio performance improved slightly over this reporting period and is currently rated as 'satisfactory' with an overall assessment score of 2.4 in 2009 (on a scale from 0 to 3) compared with 2.3 in 2005. Despite this progress, important challenges remain. Two ongoing road projects continue to be constrained by contract terminations mainly due to the poor performance of contractors. Other generic challenges that cut across sectors include: (i) limited understanding of Bank rules and procedures; (ii) low financial management and procurement capacity at the local level; (iii) low or

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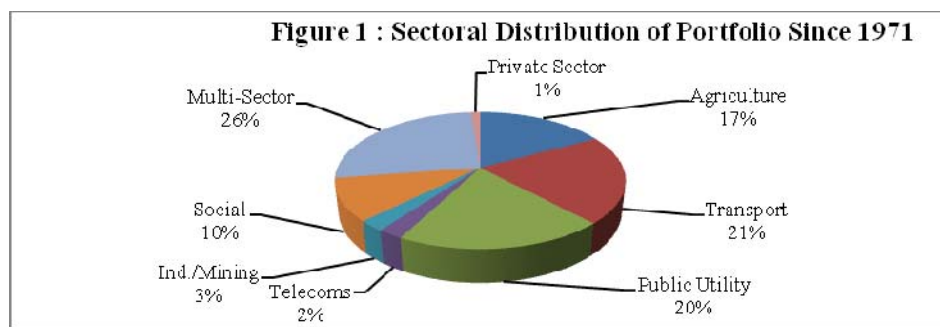
<sup>1</sup> Private sector operations have been rated using the current supervision rating system. There are 3 regional operations having specific Tanzania loans/grants of UA 9.49 million: (a) East Africa Trade and Transport Facilitation Project (EAC Region) – UA 1.0 million for Tanzania; (b) Arusha – Namanga - Athi River Road Upgrading Project (Tanzania & Kenya) – UA 3.50 million for Tanzania; and (c) Lake Tanganyika Integrated Rural Dev. Program (Tanzania/Zambia/Burundi/DRC) – UA 4.99 million for Tanzania.

inadequate staffing of Project Implementation Units (PIUs) or Executing Agencies (EAs); and (iv) delays in payment of Government's counterpart funds.

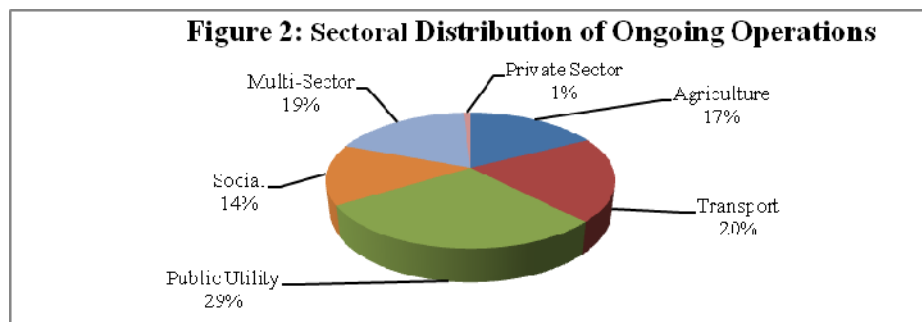
## II. OVERALL REVIEW OF THE ON-GOING PROJECTS

### A. Key Characteristics of On-going Portfolio

2.1 The Bank Group commenced operations in Tanzania in 1971 and at 30<sup>th</sup> June 2009, has approved 98 operations. Of them 75 have been completed, 4 were terminated/cancelled and 19 operations ongoing (17 from public sector and 2 from the private sector.). The total commitment on these operations, net of cancellations, amounted to UA 1354 million. The majority of the overall commitment was financed by ADF resources (94% - UA 1271 million), followed by ADB resources at 4% (UA 56 million); and by NTF (UA 13.6 million) and Private Sector (UA 13.4 million) resources at 1% each. Inspection of Figure 1 shows that most operations were financed in the infrastructure sector (i.e., transport, water, energy and telecommunications combined) – 43%.



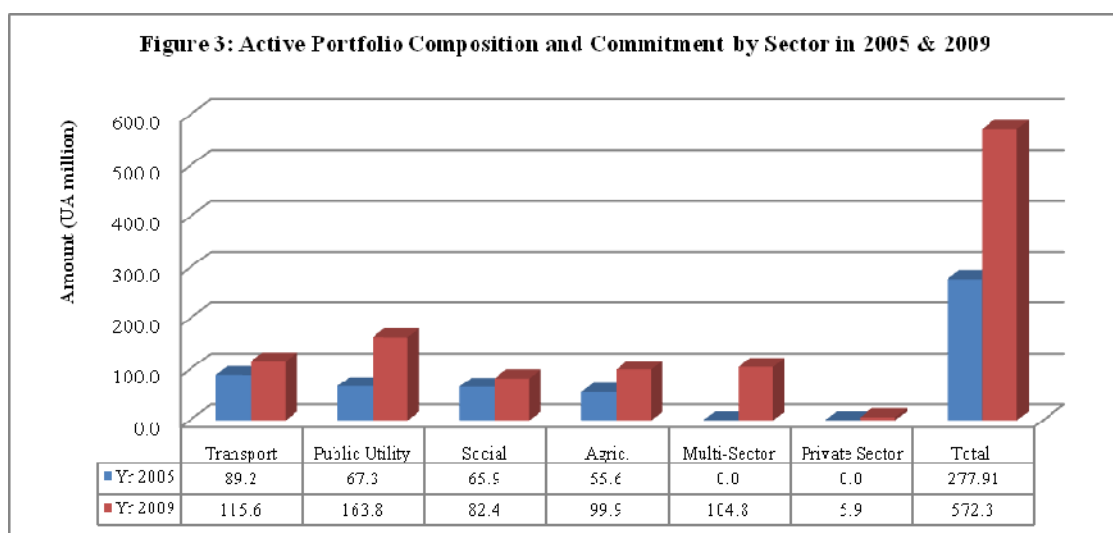
2.2 The Bank Group's on-going public sector portfolio in Tanzania consists of 17 operations with a net commitment of UA 566.43 million<sup>2</sup>. Figure 2 shows the sectoral distribution of ongoing operations. Public Utility is the largest beneficiary accounting for about 29% (5 projects) of the total commitments, followed by transport 20% (3 projects), multi-sector 19% (2 projects) and agriculture 17% (3 projects), and social sector 14% (4 projects). Infrastructure sector (transport and public utility combined) represent 49% of the total commitments within the current portfolio. Out of the 17 on-going operations, 12 are implemented on the Mainland (representing 91% of total commitment), 3 in Zanzibar (9% of commitment), and 2 components in both Mainland and Zanzibar.



2.3 In accordance with the Bank Group's strategic orientation, there is a growing emphasis on infrastructure development over the last 4 years as illustrated in Fig. 3. It is important to note that agriculture and social sector operations focus mainly on infrastructure components – rural feeder roads, market centers, storage warehouses and health clinic centers. There is also a growing emphasis on sector budget support operations, which have expanded from zero in 2005 to 3 in 2009 financing the

<sup>2</sup> This excludes private sector operations of UA 5.88 million. If included in overall analysis, share of private sector operations is 1% of the overall commitment of UA 572.31 million.

education, agriculture and water sectors. This financing is fully in line with the objective of harmonization, alignment and managing for results.



2.4 The 2008-2010 lending programme for Tanzania has been developed taking into account: (a) the country's allocation during ADF-XI cycle of UA 407 million; (b) three pillars of the National Strategy for Growth and Reduction of Poverty (MKUKUTA/MKUZA) namely, growth and reduction of poverty; and improvement of quality of life and social well being; and governance<sup>3</sup>; (c) selectivity and size of project; and (d) Bank's comparative advantage in infrastructure. The lending programme agreed upon between the Bank and GoT is shown in Table 1. Infrastructure sector has the largest share of 68% followed by multi-sector with 32%. It is expected that the resources will be fully utilized before the end of the ADF-XI cycle in 2010.

Table 1: ADF-XI cycle - 2008-2010 Approvals and Lending Pipeline (UA million)

Sector/Name of Operation	Total	2008	2009	2010	Status
<b>Multi-Sector</b>					
1. Poverty Red Support Loan III - GBS.	100.0	100.0	-		Approved 10/08. Disbursed UA60m in 01/09 & UA40m in 08/09.
2. Small Entrepreneurs' Loan Facility II	20.00			20.0	Preparation - 1 <sup>st</sup> Q. 2010, appraisal in 2 <sup>nd</sup> Q. 2010, Board presentation in 3 <sup>rd</sup> Qtr. 2010.
3. Institutional Support Project for Good Governance – Phase II	10.0			10.0	Preparation scheduled for 2 <sup>nd</sup> Qtr. 2010, appraisal 3 <sup>rd</sup> Qtr. 2010 and Board presentation 4 <sup>th</sup> Qtr. 2010.
<b>Infrastructure</b>					
• <b>Public Utility</b>					
4. Zanzibar Water Supply and Sanitation	25.0	25.0			Approved 11/11/08, signed 22/12/08, effectiveness planned for 08/09.
5. Rural Water Supply & Sanitation Prog. II	60.0			60.0	Prep. in 02/10, appraisal in 05/10 and Board in 10/10.
6. Strengthening of Power Transmission Line Backbone	40.00			40.0	Preparation in 09/09, appraisal in 11/09 and Board in 04/10.
• <b>Transport</b>					
7. Road Sector Support Program	152.0		152.0		Prep. in 07/09, appraisal in 08/09 and Board in 11/09.
<b>TOTAL Amount (% of total allocation)</b>	<b>407.0 (100)</b>	<b>125.0 31%</b>	<b>152.0 37%</b>	<b>130.0 32%</b>	

<sup>3</sup> The Bank remained engaged in this area through the ongoing Inst. Support Project for Good Governance and the Poverty Reduction Support Loan III; and also providing capacity building support to the Prevention and Combating Corruption Bureau. The ISP for Good Governance Phase II is scheduled for appraisal in 2010.

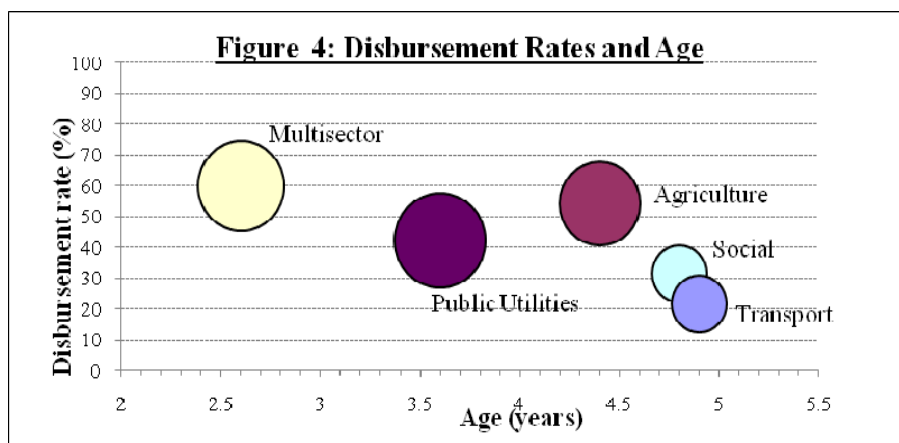
2.5 Of the 17 ongoing public sector operations, there are 6 potentially problematic projects (PPPs) – see Table 2. It is worth reporting that two operations will exit the portfolio by the end of 2009<sup>4</sup>. Two road projects – Roads Rehabilitation and Upgrading project and Zanzibar Roads Upgrading project (Lot 2) – continue to be constrained by contract terminations due to poor performance of the contractors. Re-tendering for the latter was carried out and the contract was awarded in September 2009. With respect to the Roads Rehabilitation and Upgrading project, GoT and the Bank have agreed to cancel the loan balance and reallocate the outstanding balance to other performing operations with a view to cleaning up the portfolio. These measures will improve performance of the portfolio by the end of 2009.

2.6 The average age of the current portfolio is 4.5 years (Table 2) compared to 4.8 years in 2005. This is slightly above the Bank Group’s average of 4.2 years. In terms of performance, the transport sector has the highest average age (4.9 years) while multi-sector has the lowest (2.6 years). The average age of projects in social sector is 4.8 years, agriculture 4.4 years and public utilities 3.6 years. The average age for private sector operations is 1.7 years.

## B. General Assessment of Portfolio Performance

2.7 As of 30 June 2009, aggregate disbursements to the on-going public sector portfolio amounted to UA 237.31 million, and UA 237.96 million including the private sector operations. This represents cumulative disbursement rates of 46.6% and 41.6%, respectively (see Table 2). The disbursement ratio has been improving over time: 16.3% in 2006; 24.3% in 2007; and 21.7% in 2008. The average ratios for OREA countries (Country Department – East Africa Region: Tanzania, Kenya, Uganda, Rwanda, Burundi and Seychelles) for the same periods are 13.5%, 20.5% and 25.3%, respectively. Overall these values are currently below the Bank Group’s overall disbursement average of 25% and there is need to improve this situation.

2.8 Analyzing the public sector portfolio in greater detail, and taking into account project age, the results show that transport and social projects are lagging behind in their disbursement performance (Figure 4). The reason for this poor performance is that these projects are either considered as ageing or approaching ageing category indicating serious project start up delays and slow implementation often due to the termination of contracts.



2.9 Historically, disbursement rates have been low partly because of the PIUs/EAs having limited understanding of Bank rules and procedures, and not being adequately recruited or staffed. Considerable time-lags between approval and effectiveness for older projects are seen as the root cause with an average of 17 month time-lags in both the transport and social sectors compared with Bank’s average of 12 months.

<sup>4</sup> (a) AMSDP – Processing of the PCR is well advanced; and (b) ALSD project is substantially complete and preparation of Joint PCR between Revolutionary Government of Zanzibar (RGZ) and Bank scheduled for October 2009.

Table 2: Key portfolio data as at 30 June 2009

Sectors	TOTAL	Disbursements (UA million)	Disbursement rate	Overall Assessment#	Project at risk; CAR-UA mil	Age (Years)
<b>AGRICULTURE</b>	<b>99.90</b>	<b>54.27</b>	<b>54.32</b>	<b>2.36</b>	<b>1 PPP</b>	<b>4.4</b>
1. Agric. Marketing Sys Dev. Prog. –						
ADF Loan	15.90	15.68	98.59	2.47	0.2	6.8
ADF Grant	1.00	0.99	99.05	2.47	0.3	
2. District Agric. Sector Inv. Program (DASIP)						
ADF Loan	36.00	12.30	34.18	2.20		4.6
ADF Grant	7.00	4.22	60.28	2.20		
3. Agric Sector Dev. Program (ASDP)	40.00	21.08	52.69	2.41		1.8
<b>TRANSPORT</b>	<b>115.58</b>	<b>25.22</b>	<b>21.02</b>	<b>2.08</b>	<b>2 PPP</b>	<b>4.9</b>
1. Roads Rehab and Upgrading Project	38.65	15.57	40.28	1.80	23.1	7.9
2. Zanzibar Roads Upgrading Project						
ADF Loan	16.22	7.41	45.69	1.86	8.8	5.1
ADF Grant	0.71	0.25	35.59	1.86	0.5	
3. Singida – Babati- Mijingu Road Upgrading	60.00	1.99	3.32	2.55		1.7
<b>PUBLIC UTILITIES</b>	<b>163.76</b>	<b>69.30</b>	<b>63.72</b>	<b>2.19</b>		<b>3.6</b>
1. Dar es Salaam Water Supply & Sanitation						
ADF Loan	36.94	19.69	53.31	2.06	-	7.6
ADF Grant	1.31	1.17	89.16	2.06	-	
3. Monduli Dist. Water Supply & San. **	15.51	11.75	75.74	2.24	-	5.6
4. Rural Water Supply and Sanitation Prog.						
ADF Loan	45.00	26.69	59.31	2.28	-	2.8
ADF Grant	10.00	10.00	100.0	2.28	-	
4. Electricity V Project***						
ADF Loan	28.68	-	-	-	-	1.3
ADF Grant	1.32	-	-	-	-	
5. Zanzibar Water Supply & Sanitation***	25.00	-	-	-	-	0.6
<b>SOCIAL SECTOR</b>	<b>82.39</b>	<b>25.91</b>	<b>31.45</b>	<b>2.31</b>	<b>3 PPP</b>	<b>4.8</b>
1. Alt. Learning Skills and Dev (ALSD)**						
ADF Loan	5.56	5.02	90.33	2.75	0.7	8.7
ADF Grant	1.01	0.88	87.54	2.75	0.1	
2. SAP for Voc. Education & Training						
ADF Loan	14.22	6.17	43.46	1.94	8.4	6.0
ADF Grant	1.60	0.48	29.71	1.94	1.1	
3. Support to Maternal Mortality Reduction	40.00	3.61	9.01	2.31	37.1	2.7
4. Support to Sec. Educ. Dev Plan (SEDP)	20.00	9.75	48.77	2.25		1.8
<b>MULTI SECTOR</b>	<b>104.80</b>	<b>62.61</b>	<b>59.74</b>	<b>2.70</b>		<b>2.6</b>
1. Inst. Support Project for Good Governance	4.80	2.61	54.40	2.81		4.5
2. Poverty Red. Support Loan (PRSL) III	100.00	60.00	60.00	2.58		0.7
<b>PRIVATE SECTOR</b>	<b>5.88</b>	<b>0.55</b>	<b>50.0</b>	<b>2.50</b>		<b>1.70</b>
1. Equity Investment to Access Bank Tanzania	0.55	0.55	100.0	2.50		2.5
3. Partial Guarantee Scheme Fac. to CRDB	5.38	-	-	2.50		0.9
<b>(a) TOTAL (with Private Sector Loan)</b>	<b>572.36</b>	<b>237.86</b>	<b>41.6</b>	<b>2.5</b>	<b>6 (35% PAR; 14.2% CAR)</b>	<b>4.3</b>
<b>(b) TOTAL (without Private Sector Loan)</b>	<b>566.43</b>	<b>237.31</b>	<b>46.60</b>	<b>2.4</b>	<b>6 (35% PAR; 14.2% CAR)</b>	<b>4.5</b>

Note: \* - Joint Borrower and Bank PCR undertaken in June 2009. \*\* - Substantially completed and to be closed in Oct. 2009.  
 \*\*\* - Effective but no disbursement for over 6 months. \*\*\*\* - not yet effective. # - Overall assessment is rated on a scale from 0 to 3 with 3 = highly satisfactory, 2 = satisfactory, 1 = unsatisfactory, and 0 = highly unsatisfactory.

2.10 Specific measures have been taken since the portfolio review to improve disbursement levels, including: (a) Project Performance Implementation Planning and Rapid Results Approach workshop (organized jointly by African Development Institute and Tanzania Field Office, TZFO, in April 2009) to assist PIUs/EAs undertake a *joint in-depth analysis* of project challenges and agreements on *realistic time-bound action programs*; and (b) reinstatement of quarterly project management meetings between MoFEA, PIUs, EAs and TZFO staff to remove potential bottlenecks and expedite project implementation. In addition, the Disbursement Officer and Disbursement Assistant recruited in July 2008 are assisting PIUs/EAs to resolve disbursement and financial management issues on the ground.

2.11 The health of the portfolio is a reflection of its ageing operations (APPR, 2007). As per the APPR definition of ageing operations<sup>5</sup>, the Tanzania portfolio has the following operations that fall within the category of ageing projects: the Alternative Learning and Skills Development (ALSD) project (8.6 years); Roads Rehabilitation and Upgrading project (7.9 years); and Dar es Salaam Water Supply and Sanitation project (7.6 years). These three ageing projects represent 17.6% of the portfolio. The ALSD project will be closed in October 2009 as part of pro-actively cancelling loan balances on completed operations. The Roads Rehabilitation and Upgrading project experienced serious implementation delays and the loan balance will be cancelled and reallocated to other performing operations as per the recent discussions between the Bank and GoT. Dar es Salaam Water Supply and Sanitation project will be completed in December 2009. This means that by the end of 2009 there will be no ageing operations in the portfolio.

**Table 3: Summary of performance of the portfolio by sector and project**

Sectors	Conditions	Procurement Performance	Financial Performance	Activities & output	Impact on Development	Overall Assessment*
				Rating		
<b>AGRICULTURE</b>	<b>3.00</b>	<b>2.00</b>	<b>2.22</b>	<b>2.10</b>	<b>2.47</b>	<b>2.35</b>
1. Agric. Marketing Sys Dev. Prog. -AMSDP	3.00	2.50	2.00	2.25	3.00	2.47
2. District Agric. Sector Inv. Prog. (DASIP)	3.00	2.00	2.25	2.00	2.00	2.20
3. Agric Sector Dev. Program (ASDP)	3.00	2.00	2.60	2.00	2.33	2.41
<b>TRANSPORT</b>	<b>2.00</b>	<b>1.75</b>	<b>2.67</b>	<b>1.33</b>	<b>2.33</b>	<b>2.02</b>
4. Roads Rehab and Upgrading Project	2.00	2.00	2.33	1.33	2.33	1.80
5. Zanzibar Roads Upgrading Project	1.67	1.50	2.67	1.50	2.00	1.86
6. Singida – Babati- Minjingu Road Upgrading	2.67	2.00	3.00	1.00	3.00	2.55
<b>PUBLIC UTILITIES</b>	<b>2.42</b>	<b>1.43</b>	<b>2.08</b>	<b>2.00</b>	<b>2.45</b>	<b>2.18</b>
7. Dar es Salaam Water Supply & Sanitation	2.00	2.00	2.00	1.75	2.50	2.06
8. Monduli Dist. Water Supply & San.	2.33	2.00	1.60	2.50	2.25	2.24
9. Rural Water Supply and Sanitation Prog.	3.00	1.00	2.40	2.00	2.50	2.28
10. Electricity V Project <sup>4</sup>	2.00	1.00				
11. Zanzibar Water Supply & San.	3.00					
<b>SOCIAL SECTOR</b>	<b>2.47</b>	<b>2.20</b>	<b>2.39</b>	<b>2.00</b>	<b>2.50</b>	<b>2.32</b>
12. Alt. Learning Skills and Dev (ALSD)	2.67	3.00	3.00	2.25	3.00	2.75
13. SAP for Voc. Education & Training	2.00	2.00	2.00	1.75	2.00	1.94
14. Support to Maternal Mortality Reduction	3.00	1.00	2.50	2.00	3.00	2.31
15. Support to Sec. Educ. Dev Plan (SEDP)	2.50	-	2.33		2.00	2.25
<b>MULTI SECTOR</b>	<b>2.67</b>	<b>3.00</b>	<b>2.75</b>	<b>2.50</b>	<b>3.00</b>	<b>2.50</b>
16. Inst. Support Project for Good Governance	3.00	3.00	2.75	2.50	3.00	2.50
17. Poverty Red. Support Loan (PRSL) III	2.33	-				
<b>PRIVATE SECTOR</b>						<b>2.5</b>
1. Equity Investment to Access Bank Tanzania						2.5
2. Partial Guarantee Sch. Fac. to CRDB						2.5
<b>(a) TOTAL (with Private Sector Loan)</b>						<b>2.3</b>
<b>(b) TOTAL (w/out Private Sector)</b>	<b>2.58</b>	<b>2.12</b>	<b>2.42</b>	<b>1.99</b>	<b>2.55</b>	<b>2.3</b>

Note: \*Overall assessment rate may slightly differ from the average of the 5 pooled performance indicators.

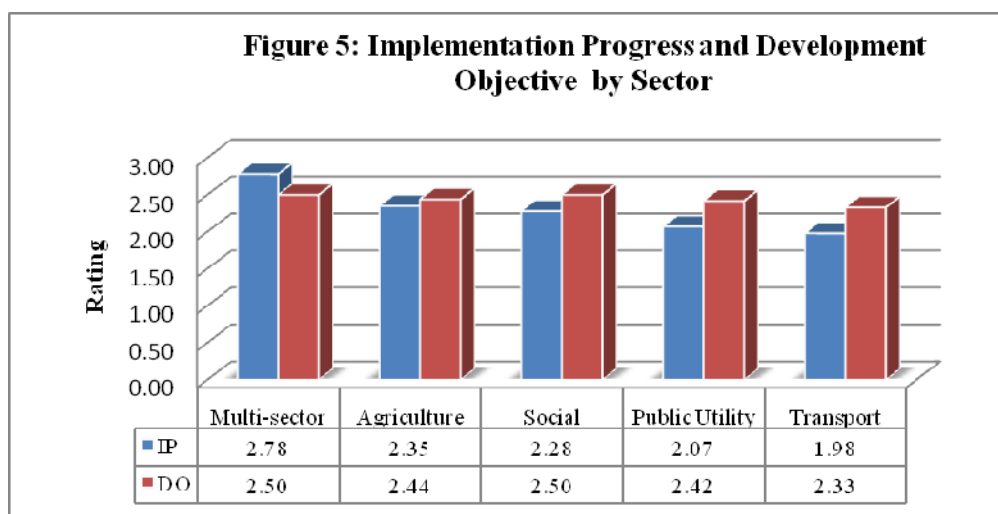
<sup>5</sup> The Bank has set a cut-off period (starting from approval) of 8 years for investment operations and 5 years for institutional support operations beyond which a project is categorized as ageing (APPR, 2007).

2.12 Overall, procurement performance is rated as satisfactory with an assessment score of 2.12 (see Table 3, row (b)). However, persistent procurement problems exist especially in the infrastructure sector. Typically, projects in these sectors experience protracted delays during the bid evaluation and contract award stages. A more accurate and elaborate planning of procurement activities, timely approving procurement documents at the Ministerial Tender Board level, and building capacity of procurement specialists at the level of the PIU would substantially improve procurement performance. Recruitment of a national Procurement Officer at the Field Office is well advanced and the Officer is expected to join the Field Office in Nov. 2009 to specifically assist the Field Office in these efforts.

2.13 The overall performance of the Bank Group’s portfolio is rated as satisfactory with an assessment score of 2.4 (see Table 3) compared to 2.3 in 2005. Despite this progress, the proportion of projects-at-risk (PAR) in the active portfolio remains high at 35%, but well below the Bank’s average of 45%. This score is indicative of satisfactory portfolio performance. Taking into account the expected completion of two projects by end 2009 (i.e., AMSDP and ALSD) and eventual cancellation of loan balance under Roads Rehabilitation and Upgrading project as part of a portfolio cleanup exercise, the PAR rate would substantially drop to 17.5% and the CAR rate to 9.9% . After the portfolio clean up exercise by end 2009, the 3 remaining projects-at risk will only be situated exclusively in the transport (1) and social (2) sectors.

2.14 The disconnect between the average portfolio assessment score and the PAR and CAR rates is mainly due to slow disbursing nature and initial delays during project start-up of the Strategic Action Plan for VETA and the Dar es Salaam Water Supply and Sanitation projects. The transport projects are considered PPPs because of a recent slowing of implementation, their average disbursement levels of 45% notwithstanding. The situation is, however, expected to improve by the end of 2009 when civil works in Lot 2 under Zanzibar Roads Upgrading project commence.

2.15 Figure 5 illustrates the Implementation Progress (IP) and Development Objective (DO) per sector and shows that the transport and public utility sectors received the lowest ratings. In particular, the lowest scores were reported for the Road Rehabilitation and Upgrading project and Zanzibar Roads Upgrading project as discussed in paragraph 2.11.



2.16 With respect to the public utility sector, Dar es Salaam Water Supply and Sanitation project experienced delays during project start-up activities but implementation gradually improved over time and is expected to be completed by Dec. 2009. In order to better assess the situation and to draw lessons to improve portfolio performance, it is important to analyze factors that have contributed to the low IP and DO ratings of the infrastructure sector projects:

- (i) Road projects continue to be plagued by contract terminations due to poor performance of contractors;

- (ii) Low implementation capacity, especially procurement and financial management capacity at the local level;
- (iii) Inadequate budget allocations in the Medium Term Expenditure Framework (MTEF) coupled with delays in the release of GoT's counterpart funds. These resulted in contract termination for Zanzibar Roads Upgrading project (Lot 2); and suspension of disbursements on Monduli District Water Supply and Sanitation project<sup>6</sup> in 2007;
- (iv) Delays coupled with irregularities in audit and quarterly progress reports submissions;
- (v) Lack of effective communication between the PIUs/EAs and TMs; and
- (vi) Delays in the implementation of recommendations made by the Bank during its supervision missions.

2.17 Multi-sector, agriculture and social sector projects performed on average substantially better than projects in the infrastructure sector. This can partly be explained by the fact that most of the operations in those sectors were only recently approved and this was at a time when Bank Group's relationship with GoT was improving with the establishment of the Field Office in 2004. The field office is now almost fully staffed and operational.

2.18 Several measures have been put in place to improve performance in the infrastructure sector. TZFO recruited a Water Specialist in 2008 and considerable improvements have been realized in the sub-sector. The Infrastructure Department (OINF) has assigned a transport engineer to TZFO, who will relocate in December 2009. Furthermore, recruitment is ongoing for a national infrastructure specialist and an agriculture expert to specifically oversee energy and agriculture projects, respectively. This recruitment coupled with the recruitment of a national procurement officer, as already mentioned, should facilitate project implementation progress and improve results monitoring.

### **C. Comparison of the Portfolio Performance**

2.19 Table 4 shows the portfolio performance in Tanzania over time by comparing the Bank's performance between 2005 and 2009; current Bank Group performance in Tanzania with the overall Bank Group performance based on the 2007 APPR; and externally with current World Bank Group performance in the country.

2.20 The Bank Group's portfolio performance in Tanzania improved marginally over time with an overall assessment score of 2.3 in 2005 and 2.4 in 2009. The on-going portfolio is rated as satisfactory, but there are challenges ahead. The PAR and CAR rates decreased over time from 37.5% and 28.7% in 2005, to 35% and 14% respectively in 2009. This is clearly illustrated in Table 4. The closure of AMSDP, ALSD and Roads Rehabilitation and Upgrading projects by the end of 2009 will further improve portfolio performance and reduce the PAR and CAR rates to 17.5% and 9.9%, respectively.

2.21 The time lapse from approval to effectiveness currently stands at 8.5 months, which is around 50% shorter than the Bank's average of 16 months (and shorter than the Bank's target of 12 months). Plans for further improvements on this time lapse include advancing fulfillment of loan conditions prior to Board approval. The average project size doubled from UA 17.37 million in 2005 to UA 33.33 million in 2009 – driven by a move towards larger operations. Although the average operation in Tanzania is generally performing better than the average Bank Group operations in 2007, project age and disbursements levels still need to be improved.

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<sup>6</sup> The project is substantially complete and preparation of Borrowers' PCR is underway. The Bank PCR is scheduled for November 2009.

**Table 4: Comparative performance indicators**

Performance Indicators		Evolution		Internal Comparison		External Comparison	
		2005	2009	Tanzania 2009	2007 APPR	Tanzania 2009	World Bank
Implementation & Impact	o Time taken: Approval to Effectiveness (months)	11.7	8.5	8.5	16.0	8.5	4.3
	o Average Age (years)	4.8	4.5	4.5	4.2	4.5	4.1
	o Disbursement Rate (%)	n/a	46.6	46.6	n/a	46.6	48.5
	o Disbursement Ratio (%)	6.7	21.7*	21.7*	25.0	21.7*	23.2*
	o Average Project Size (UA million)	17.4	33.3	33.3	20.2	33.3	86.3
	o Projects' Overall Assessment (Rating 0-3 scale)	2.3	2.4	2.4	n/a	2.4	n/a
	o Commitment at Risk – CAR (%)	28.7	14.0	14.0	39.0	14.0	22.0
	o Projects at Risk – PAR (%)	37.5	35.0	35.0	45.0	35.0	11.5
	o Problem Projects – PP (% of on-going projects)	0	0	0	7.0	0	11.5
Harmonization & Alignment	o % Aid provided as General Budget Support	0	17.7	17.7		17.7	37.2
	o % Support relying on PFM and Proc. Systems	0	36.2	36.2	n/a	36.2	84.0
	o % Aid provided as Program-based Approaches	0	20.3	20.3	n/a	20.3	22.8
	o No. of Co-Financed Projects (% ongoing projects)	20	17.6	17.6	n/a	17.6	3.9
	o Number of Parallel PIUs	7	5	5	n/a	5	5
	o Total nr. of active ESW	0	0	0	n/a	0	4

Note: \* - FY2008 disbursement ratios.

2.22 The statistics in Table 4 reveal that the WB portfolio in Tanzania is performing better than the Bank in terms of time-lapse from approval to effectiveness, disbursement rate, average project size, PAR, and Economic and Sector Work (ESW). The ADB, on the other hand, performs better in terms of CAR and the number of co-financed projects. The WB Field Office has been on the ground much longer and has the requisite staff skills mix and staffing numbers. The higher disbursement levels for the WB portfolio compared to the Bank could partly be attributed to the fact that WB has regional hubs in South Africa and Uganda for processing disbursement applications and procurement documents, respectively. This calls for similar actions to be considered by the Bank in setting up regional hubs. In this regard, the establishment of a procurement hub at the Ethiopia Field Office for East Africa Region by the Bank is laudable.

2.23 Bank Group assistance in the medium term is guided by the Joint Assistance Strategy for Tanzania (JAST) that was launched in December 2006. In terms of harmonization and alignment, the donor coordination mechanism remains strong in Tanzania due to the policy based lending approaches (GBS and programmatic-based), which are increasingly forming the basis of the assistance programs of most development partners. There is a positive trend from the Bank's side in the share of GBS (from 0% in 2005 to 17.7% in 2009) and sector budget support (0% in 2005 to 20.3% in 2009). Parallel PIU's for GBS and sector budget support no longer exist and most operations are managed by coordination units which are mainstreamed in government institutions. Joint missions (appraisal and supervision) and annual sector reviews have increased for the three sector budget operations and GBS that the Bank is financing. More effort should go into stepping up (joint) analytical support in terms of economic and sector work.

2.24 Excluding those operations that were approved in the course of 2008, 100% of on-going public-sector projects benefited from at least two supervisions (i.e. field supervisions or a combination of desk supervisions) during 2008. AMSDP was subject to an extensive mid-term review during 2007. The Sector Department and the Field Office are learning from this experience and considering the frequency and how to strengthen the quality of supervision missions. It is essential that these missions are able to correct flaws in project design by incorporating changes in country circumstances or implementation issues that were not foreseen at the time of appraisal and restructuring PPPs for better results. At present, the field office is undertaking one supervision mission (and follow-ups) on behalf of the sector departments; and the other mission is jointly carried out by the field office and concerned sector department to ensure that the target of two supervision missions per year is met. Transferring project supervision responsibility and corresponding sector experts to the Field Office for continuous supervision of projects will contribute to the overall improvement of the portfolio.

## D. Projects Requiring Close Attention

2.25 To visually highlight the status of the portfolio, the CPPR has used a ‘Traffic Light’ monitoring system as depicted in Figure 5. A set of seven indicators has been adapted for Tanzania and each project has been rated as Green (good progress), Yellow (average progress) or Red (weak/poor performance). These indicators assess four specific categories - results, implementation, management and risks, and give an overall summary rating.

2.26 Table 5 provides a summary of projects requiring close attention. The transport and social sector operations need to be monitored closely as shown in Figure 6 and Table 5. For example: the IP rating for the Roads Rehabilitation and Upgrading project decreased from 2.3 in 2005 to 1.8 in 2009. The increase in disbursement levels from 18.7 % in 2005 to 40.3% in 2009 is due to good performance of the gravel roads component that was completed in 2007. Implementation of Kagoma-Lusahunga road upgrading component was reported at 14% due to poor mobilization efforts of the contractor thereby leading to expulsion of the contractor from the site in 2008 by the GoT. As a result, the disbursement level has stagnated at 40.3% since 2008. As already stated, the Bank and GoT have agreed to consider the reallocation of undisbursed balance of UA 23 million<sup>7</sup> as an important step towards portfolio cleanup.

2.27 For Zanzibar Roads Upgrading project, civil works for Lot 1 are substantially complete. The contractor for Lot 2 terminated the civil works contract in January 2008 with only 11% of the works achieved after the contract period of 24 months. The reasons for termination are twofold: delays in paying RGZ’s contribution to the contractor; and underperformance of the contractor thereby circumventing liquidated damages. Re-tendering was carried out and the contract was awarded in September 2009. Project performance is expected to improve with the appointment of a new contractor.

Figure 6: Traffic Light Monitoring System on On-going Projects

African Development Bank PORTFOLIO		Results		Implementation			Management	Risks	Overall summary rating
Sector	Project Name	A1 Development Objective	A2 Overall MAE status based on the desk review	B1 Implementation Progress	B2 Procurement	B3 Disbursement Performance	C1 Project Management	D1 PPP (orange) or PP (red) / 'Nr of risk flags (WB)	E1 Project scorecard
WAT	Dar Water Supply & Sanitation-joint project with WB							*	Equivalent to WB
	Water Sector Support SIL- joint project with WB							*	
	Monduli District Water Supply and Sanitation Project								
AGR	Agriculture Sector Development-joint project with WB							*	
	Agricultural Marketing Systems Development Project							PPP	
	District Agriculture Investment Project								
TRA	Zanzibar Roads Upgrading Project							PPP	
	Roads Rehabilitation and Upgrading Project							PPP	
	Alternative Learning and Skills Development Project							PPP	
SOC	Support to Strategic Action Plan for Vocational and Technical Education Project							PPP	
	Program in Support of Secondary Education Development Project				N/A		N/A		
	Support to Maternal Mortality Reduction Project							PPP	
MS	Institutional Support Project for Good Governance		N/A						

Color Coding Explanation (traffic light):

Traffic Light Rating	Corresponding Rating Scale
Red ■ Weak / poor performance	0.0 - 1.5
Yellow ■ Average progress	1.6 - 2.1
Green ■ Good progress	2.2 - 3.0
Grey ■ N/D or N/A	N/A
N/D No data	
N/A Not Applicable/ No Obj. not needed	

Table 5: Projects Requiring Close Attention

<sup>7</sup> The project is 7.9 years old and would take another 4 years to complete. The loan balance will only finance 20% of the total bid price. GoT and the Bank agreed to reallocate balance to other performing projects as portfolio cleanup exercise.

Sectors	IP rating		DO rating		Disbursement ratio (%)	
	2005	2009	2005	2009	2005	2009
<b>TRANSPORT SECTOR</b>	2.4	1.8	3.0	2.2	9.4	42.5
1. Rds Rehab & and Upgr. Project	2.3	1.8	3.0	2.3	18.7	40.3
2. Zanzibar Roads Upgr. Project	2.5	1.9	3.0	2.0	0	45.7
<b>PUBLIC UTILITIES</b>	2.1	2.1	2.5	2.5	12.2	53.3
3. Dar es Salaam Water Supply	2.1	2.1	2.5	2.5	12.2	53.3
<b>SOCIAL SECTOR</b>	2.0	2.3	3.0	2.0	0.2	43.5
4. SAP for VETA	2.0	2.3	3.0	2.0	0.2	43.5

2.28 With respect to Dar es Salaam Water Supply and Sanitation project, performance deteriorated and the project fell into the PPP category. The project is expected to be completed by the end of 2009 but there are still concerns regarding the high undisbursed amount (47%). Among the measures proposed during the review is the expedition of contract awards on remaining project sub-components to increase the disbursement levels. The Field Office is working closely with the PIU to address these issues with respect to preparation of payment certificates and disbursement applications so that substantial disbursements are effected before the end of 2009.

2.30 With respect to the Support to Maternal Mortality Reduction project, the Mainland components (comprising 80% of loan amount) are lagging far behind the Zanzibar components in terms of implementation. During the review, it is agreed that a mid-term review be carried out in 2010 with a view to restructuring the project and possibly reallocating some of the resources from Mainland to Zanzibar depending on performance.

## **E. Review of Monitoring and Evaluation Arrangements**

2.31 The objective of the desk review is to assess the quality of the Results Framework and Monitoring and Evaluation (M&E) arrangements of the ongoing Bank Group portfolio and to develop a road map to strengthen the results focus of country program as a whole. The review focused on the following aspects:

- Are Project Development Objectives (PDOs) focusing on clear and measurable outcomes?
- Have ‘SMART’ - Specific, Measurable, Attributable, Realistic and Timely – set of results indicators been established to measure all key aspects of the PDO and the intermediate outcomes?
- Have baseline and target values been established?
- Are effective M&E arrangements in place?
- How is results information being used to guide project implementation decision making?

2.32 Overall, M&E systems in Tanzania are not performing satisfactorily. The Government, the Bank and WB need to jointly strengthen the national M&E systems. These should be an integral part of Government systems and not just a requirement by donors. There is a need for the Government to work closely with donors, particularly with ADB, in identifying gaps in the national sectoral M&E systems and strengthen them so that they are utilized for donor financed projects.

2.33 Project Development Objectives (PDOs): A good PDO is defined as a statement that clearly identifies the expected change in behavior, situation or conditions for the targeted beneficiaries. The majority of the projects in ADB portfolio (65%) satisfy the above criteria for a good PDO. Some issues identified during the review include: (a) PDO is too broad or overly ambitious; and (b) PDO lack clarity and include lengthy descriptions on how the PDO will be achieved rather than focusing on the outcome. In order to improve on the quality of PDO, the Bank should ensure that PDOs are defined at an appropriate level and clearly spell out the target beneficiaries and expected changes for all future operations.

2.34 Baseline Data and Key Performance Indicators: Although the lack of adequate **baseline data** is one of areas of weakness for both the Bank and WB, there is some improvement in this area with 5% of Bank projects still missing baseline data and 3% for the WB. The quality of KPIs is the weakest area of the ADB portfolio with 30% satisfactory rating. This is rated higher than the WB portfolio with only 13% satisfactory rating. It is important to note that ratings provided for ADB projects were done by the TMs overseeing the projects. In the case of the WB projects, M&E specialists provided the ratings. This raises some concern around the objectivity of the ADB ratings and therefore these statistics should be used with caution.

2.35 During the workshop deliberations, the following weaknesses were found to cut across both institutions: (a) there are no indicators to track progress on key aspects of the PDO; (b) results frameworks focus on inputs and outputs with few measurements of the key project outcomes; and (c) unclear logic of the results framework and weak linkages between the activities and outputs of the project and the higher level indicators being used to track progress on the PDO. To improve the quality of the current portfolio, TMs will have to establish complete baselines for all indicators used and the Bank's Quality Assurance and Results Department (ORQR) will hold clinics to review existing project results framework and identify ways of strengthening them so that they can be used to effectively monitor progress. For future operations, the Bank will ensure a clear logic in the design of results frameworks utilizing typical sector results chain with standardized sector KPIs.

2.36 Monitoring Arrangements, Capacity and Utilization of M&E Information for Management of projects: This is the weakest area for the ADB portfolio with only 17% of projects with satisfactory M&E arrangements compared to WB portfolio with 39%. It is difficult to fully assess the performance of the project M&E system based solely on a desk review of appraisal reports, project completion reports and aide memoires. The main findings for the shortcomings are: (a) M&E system in project design lack a proper evaluation mechanism; and (b) low utilization of the M&E data. It is important that the Bank continues to work closely with GoT to identify gaps in the national sectoral M&E systems and strengthen them to fully utilize Bank financed projects.

2.37 Alignment with Bank' Country Strategy Paper (CSP) and Joint Assistance Strategy for Tanzania (JAST): The results frameworks of the projects reviewed are aligned with CSP outcomes and associated CSP indicators/milestones. This is a reflection of the solid efforts by the Country Team to ensure that the on-going portfolio, which will be delivering the bulk of the results during the CSP period, is properly reflected in the CSP results matrix. The linkages between project development objectives and key results to be achieved stated in the CSP results framework is strong and direct.

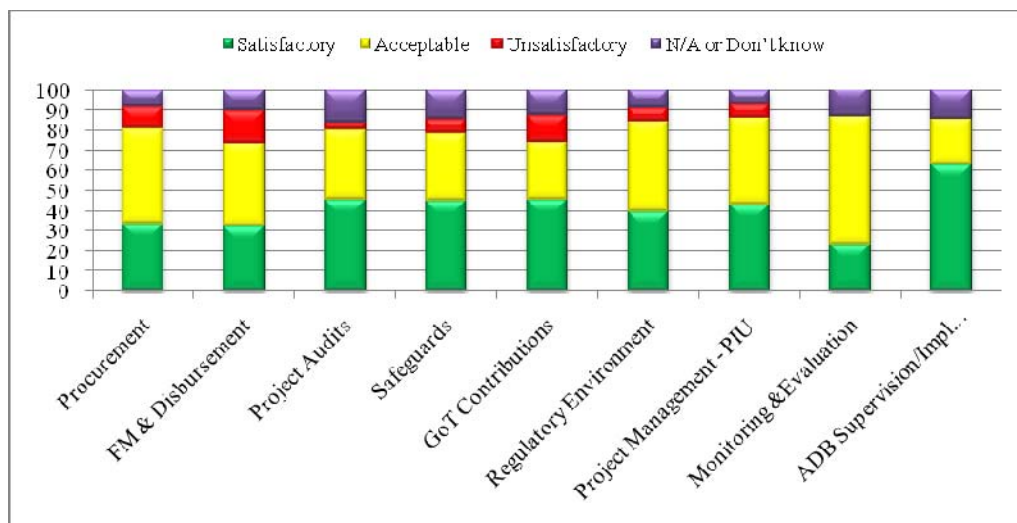
2.38 Reporting on Results: Quality of Future Reports: Supervision reports are an important tool to review and manage for results, as long as the project team uses indicators in the Result Framework consistently to report progress. In many cases, supervision reports are not used by the TM to report on progress and the indicators in the report often differ from those in the project appraisal reports, information on baselines, targets and progress are missing, and the PDO rating justification provided is not supported by information from project M&E system. For its own part, the Government should enhance production of timely and quality data and reporting to overcome constraints faced by sector Management Information Systems, local government authorities M&E systems and national surveys.

2.39 Quality of Future Reports: As some of the projects are coming to a close, it is identify early on what results information is available and what can be done to fill gaps so that a complete story can be told in the PCR, against what was envisaged at appraisal. TMs should start cleaning up results frameworks in the supervision reports so that they reflect the original results framework. Emphasis will be given to the projects closing in 2009 – ALSD, Monduli District Rural Water Supply and Sanitation, Dar es Salaam Water Supply and ISP for Good Governance projects. Furthermore, TMs should incorporate lessons learned from existing operations into new ones.

## F. Survey Results of Project Management, Fiduciary/Safeguards Issues

2.40 A questionnaire was sent to 372 participants that were randomly selected to provide responses to: (a) project management and fiduciary/safeguard issues including procurement, audit and disbursements; (b) broader systemic, institutional and policy issues; (c) additional information on M&E; and (d) propose ways on how to improve portfolio performance and project management. The response rate was 85 percent (315 responses) from project personnel, Government officials from respective implementing MDAs, ADB and WB staff. Figure 7 shows a summary of ratings received from participants.

Figure 7: Summary Ratings on Portfolio Performance from Survey



2.41 A review of Figure 7 reveals that procurement, financial management and disbursements, regulatory environment, project management and M&E issues are a major concern to respondents as reflected by the least satisfactory ratings. Project audits, safeguards, government contributions are rated as acceptable but more needs to be done to bring them in the satisfactory category. Bank's support in supervision/implementation activities are considered satisfactory from the respondents' viewpoint. One reason for this is the guidance and assistance provided to PIUs/EAs by the field office.

### III. ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY AND COORDINATION WITH OTHER DONORS

3.1 At the Government level, the capacity to manage the Bank Group's portfolio was hampered by: (1) a weak implementation capacity of EAs and in particular PIUs caused by an inadequate number and/or quality of staff assigned to the projects coupled with a limited understanding of the Bank's rules and procedures; (2) delays in the release of counterpart contributions by GoT; (3) irregularities coupled with delays in the submission of timely audit as well as quarterly project progress reports; (4) lack of effective communication between the PIUs/EAs and the respective TMs; and (5) delays in the signing and execution of contracts.

3.2 At the Bank Group Level: (1) a CPPR needs to be undertaken every two years; (2) the response times to project requests were sometimes too long because of the work load of TMs particularly when on mission; (3) project appraisal should be strengthened and lessons from the past operations distilled and systematically taken into account in new operations; (4) projects need to be supervised more frequently, and by teams with the right skill mix, particularly for PARs where

additional resources and staff time are necessary; (5) the Bank should also avoid the frequent changes of TMs; and/or strengthen TM handovers in case of changes as this endangers project continuity; (6) the names and contact details of the co-TMs should also be communicated to all involved parties.

3.3 Assessment of ADB coordination with other donors: The assistance coordination mechanism is very strong in Tanzania. In line with the Paris Declaration and the Accra Agenda for Action, development partners recognize the need to address the fragmentation of aid, and encourage collaboration and alignment with the country's priorities, systems and procedures. The adoption of a concerted approach - based on program financing through lending instruments such as budget support and/or sector wide approaches that would enable the pooling of financial resources of partners to support the Government's program - might be scaled up depending on the performance of the GBS annual review in November 2009.

3.4 The Bank is a member of the Development Partner Group (DPG) and currently Chair of the Poverty Reduction and Budget Support (PRBS) donor group consisting of 14 development partners namely ADB, Canada, Denmark, DfID, European Commission, Finland, Germany, Ireland, Japan, Netherlands, Norway, Sweden, Switzerland, and WB. Under the DPG/PRBS umbrella, the current dialogue structure consists of 4 clusters<sup>8</sup> and 26 sector and thematic working groups. The Field Office is actively participating in all cluster working groups and in the public financial management, macro-economic management, transport, water and agricultural sector working groups and contributing to the energy and minerals, education, health, domestic accountability, and anti-corruption working groups.

3.5 The establishment of the Field Office since 2004 has significantly improved the Bank's donor coordination, country dialogue activities, visibility, and in the quality and health of the portfolio. As current Chair of the PRBS Group, the Bank committed to address the key issues realized in the annual review, with a particular focus on ensuring equity and efficiency in service delivery, enhancing economic governance, improving budget execution and stimulating a pro-poor growth strategy. After the annual review, the Bank will continue to play a leadership role to the GBS review processes and ensure adequate follow-up on implementation of agreed actions.

#### IV LESSONS FOR CSP AND PORTFOLIO MANAGEMENT

4.1 **A CPPR needs to be undertaken every two years** to ensure that underperforming projects can be restructured and project components/sub-components that are no longer relevant cancelled. This exercise will result in efficient utilization of resources by both the Bank and the Borrower.

4.2 **An effective and pro-active communication and information flow between all involved parties** should be encouraged. Currently, the portfolio suffers from reporting gaps between PIUs or Executing Agencies, the Department of External Financing in MOFEA and Bank Task Managers. This poses a challenge to effective project implementation and monitoring to ensure results on the ground. It is important to avoid frequent changes of TMs; and in case of changes, the Bank should ensure smooth transition from the old to the new TM with clear communication about the change. Also, the names and contact details of the co-TMs should be communicated to all involved parties from the GoT side.

4.3 There is a need to (1) **increase project size in order to reduce transaction costs and increase efficiency in project implementation;** and to (2) **increase selectivity as per the Bank's Medium Term Strategy, thereby concentrating on sectors with a higher implementation track record.** This has been put into practice during the ADF-XI lending cycle (para 1.9). Given that the transport sector projects are currently underperforming in Tanzania, we need to closely monitor the implementation and performance of the Singida-Babati-Minjingu Road Upgrading Project approved in 2007 to ensure it achieves the expected results<sup>9</sup>.

<sup>8</sup> 4 clusters are: (i) growth and reduction of income poverty; (ii) improved quality of life and social well being; (iii) governance and accountability; and (iv) macro-economic and financial management.

<sup>9</sup> The entire road has been packaged into three logical lots and contracts awarded to 3 different contractors and consultants. This is a risk mitigating measure (based on previous experience with transport projects) to ensure that physical implementation on other Lots is not affected due to poor performance by one contractor.

4.4 Given the country's weak capacity, **project preparation and implementation should include a strong component on technical, financial and managerial capacity building** as PIUs/EAs require adequate staffing and training in key aspects of project management. Capacity building should be consistently built into each operation and should be undertaken on a continuous basis. In particular in areas of procurement and financial management, a capacity needs assessment should be undertaken for each project and specific actions identified to address weaknesses. The Government should expedite implementation of the medium term pay policy and provide adequate training to ensure that competent qualified staff members are retained in the civil service for better implementation of projects and other government programs.

4.5 **Future projects should ensure the highest level of quality-at-entry** implying that key staff members (project manager, sector specialist, accountant, procurement specialist etc.) are designated before project appraisal, and that the project implementation plan, the baseline study, monitoring and evaluation mechanisms, and a comprehensive results-framework are ready before project implementation.

4.6 **Regular monitoring and evaluation and baseline study** is key to project performance. Establishing appropriate indicators for tracking project performance should be in place before project implementation. ESWs could contribute in this respect and should, therefore, be undertaken in areas where projects are foreseen. The Bank should also increase frequency of supervision missions and improve supervision quality by transferring this responsibility to the field office including transfer of sector experts to the field, while the PIUs/EAs should closely follow-up on recommendations made during these missions. In addition, audits and quarterly project progress reports need to be conducted in a timely manner and adequately communicated to the respective TMs as they are very important tools for the Government and the Bank to ensure that the funds are used for their intended purposes.

4.7 The issue of mobilizing counterpart funds for Bank's projects in Tanzania is a challenge. The Bank strongly advises the Government to closely monitor the situation by making sure that **required funds are provided in the Medium Term Expenditure Framework (MTEF); and to disburse counterpart funds according to the agreed schedule** in order to improve portfolio performance and avoid termination of contracts by suppliers in Bank financed operations.

4.8 The Bank should continue to **harmonize its assistance policies and procedures with those of its development partners** and in light of the Joint Assistance Strategy for Tanzania (JAST) framework. The Bank signed the JAST MOU in 2006 together with 22 other development partners and is currently Chair of the PRBS Group in Tanzania (April 2009 until April 2010) and will be outgoing Chair from May 2010 until May 2011. The Bank will continue to **play a leadership role in coordination and provide a supportive role to the GBS review processes and ensure adequate follow-up on implementation of agreed actions within the Performance Assessment Framework (PAF).**

## V. CONCLUSIONS AND RECOMMENDATIONS

5.1 In the past 40 years, the bulk of aid has been delivered through project finance, which circumvents national systems, and lacks strong country ownership. This CPPR clearly states the importance of increased ownership by the Government and greater alignment by Development Partners with national systems. It has emphasized that donor-financed projects be integrated into the broader government programs, the budgets/MTEF, and that implementation arrangements be mainstreamed in existing institutions and procedures. **As a key strategic recommendation, the Bank will, to the extent possible, increasingly use country systems (supported by capacity building efforts) and minimize the use of parallel implementation structures including parallel procurement units and project implementation units.**

5.2 Tanzania remains the largest beneficiary of ADF resources. Similarly, Tanzania is one of the largest recipients of WB's IDA resources in Sub-Saharan Africa. The need to improve its portfolio performance is warranted in order to retain this status. Due to the global financial crisis, future replenishments of resources from both institutions will more than ever depend on demonstrable results.

It is, therefore, important that **GoT through MoFEA in its interaction with Development Partners takes strong leadership in: (a) its oversight role in project management; (b) ensuring efficient use of existing systems (e.g., EPICOR based Integrated Financial Management System to communicate with other national systems); and (c) strengthening the ADB desk office in the Ministry.**

5.3. Following discussions with the GoT, WB and the Bank Group during the CPPR review, the Country Portfolio Improvement Plan (CPIP) was jointly formulated and agreed upon (see Annex 1). The Plan focuses on issues raised in procurement, public financial management and disbursement, auditing, counterpart funding by Government and issues related to monitoring and evaluation (M&E).

5.4 With an overall score of 2.4 (on a scale from 0 to 3), **the performance of the Bank Group's portfolio in Tanzania is rated as satisfactory.** Performance improved slightly over time, but additional measures need to be taken to improve absorptive capacity of Government and ensure efficient management and implementation of projects. To that end, the following recommendations are made to the Government and the Bank Group.

#### 5.5 At the Bank Level

The Bank should implement the following measures:

**(a) Provide the highest level of quality-at-entry for future operations by:**

- Conducting thorough readiness reviews on project concept notes and appraisal with emphasis on the results based log-frames or results framework, and ensuring 'SMART' indicators with baseline and target figures (para 2.35);
- Facilitating the Government to fulfill loan/grant conditions prior to Board approval (para 2.21); and
- Strengthening field office to enhance fiduciary risk management by creating regional hub for such purposes as in the case of procurement (para 2.22).

**(b) Provide the highest level of quality-at-supervision and follow-up by:**

- Transferring project supervision responsibility and corresponding sector experts to the Field Office for continuous supervision of projects (para 2.24);
- Reinstating project management meetings on a quarterly basis between MOFEA, PIUS/EAs and Field Office (para 2.10);
- Strengthening supervision and mid-term review process to correct flaws in project design by incorporating changes in country circumstances or implementation issues that were not foreseen at the time of project appraisal; and restructuring PPPs for better results (para 2.24);
- Avoiding frequent TM changes and in case of changes, enabling a smooth transition from the old to the new TM with clear communication about the change and the names and contact details of the co-TMs to all involved parties from the GoT side (para 4.4); and,
- Ensuring that a CPPR is undertaken every two years (para 1.2).

**(c) Provide highest level of quality-at-exit by:**

- Timely preparation of joint results-oriented project completion reports with GoT, and incorporating lessons learned into new operations (para 2.39);

**(d) Capacity building by:**

- Putting emphasis on capacity building in project design and provide training in procurement and financial management at least once a year (para 2.9 & 2.12).

**(e) Communication by:**

- Strengthening pro-active communication and information pass-through from the Bank's side to MOFEA and respective Executing Agencies/PIUs, and public and private partners for timely action and information sharing (para 4.2).

**(f) Monitoring and Evaluation by:**

- Working closely with Government to identify gaps in the national sectoral M&E systems and strengthen them so that they are utilized for Bank financed projects (para 2.36).

## 5.6 At the Government Level

The Government is recommended to take the following actions:

**(a) Provide the highest level of quality-at-entry for future projects by:**

- Expediting implementation of the Medium Term Pay Policy and providing adequate training to ensure that competent qualified staff members are retained in the civil service for better implementation of projects and other government programs (para 4.4);
- Adopting a **'readiness filter'** on future operations implying that GoT would (para 4.5):
  - ✓ Ensure that project implementation plan is ready;
  - ✓ Ensure that counterpart funds for 1<sup>st</sup> year are available;
  - ✓ Designate key qualified and competent staff by project appraisal (e.g. project manager, procurement specialists, financial management specialists, etc);
  - ✓ Ensure compliance with environmental, social, financial management and procurement safeguards;
  - ✓ Ensure that a procurement plan for the initial 18 months is prepared and bidding documents for 1<sup>st</sup> year are ready by Board approval; and
  - ✓ Ensure that projects are designed with appropriate indicators (with baseline data) for tracking and monitoring purposes.

**(b) Project implementation by:**

- Reducing the time lapse from loan approval to signature and delays in the signing and execution of contracts through the delegation of authority when necessary (para 4.7);
- Releasing counterpart contributions according to schedule to avoid delays in project implementation (para 4.7);
- Ensuring that PIUs and EAs are adequately staffed with sufficient number of competent and qualified personnel and the right skills mix (para 2.9); and
- Reinstating the quarterly project management meetings with project personnel and the Field Office staff to enable them share experiences and contribute to addressing bottlenecks and expediting project implementation (para 2.10).

**(c) Capacity building by:**

- Designating the right staff to training sessions organized by the Bank Group and reduce response time and last-minute changes (para 2.10).

**(d) Communication by:**

- Improving communication and information flow between the Department of External Finance in MOFEA and the respective EAs, PIUs, as well as with the Bank Group (para 4.2)

**(e) Coordination, supervision and follow-up by:**

- Improving the quality of audit and quarterly project progress reports and make sure that they are submitted on time and follow up on the implementation of recommendations made by the Bank (para 4.6); and
- Enhancing oversight function by MoFEA (para 5.2).

***(f) Monitoring and Evaluation by:***

- Working closely with donors, particularly with ADB, in identifying gaps in the national sectoral M&E systems and strengthen them so that they are utilized for donor financed projects (para 2.36); and
- Enhancing timely and quality data production and reporting to overcome constraints faced by sector Management Information Systems, local government authorities M&E systems and national surveys (para 2.38).

**5.7 At the Board level**

The Board of Directors is invited to consider and approve the recommendations above which seek to improve the quality of the Bank Group's portfolio in Tanzania.

**Country Portfolio Improvement Plan**

<b>Issues and Constraints</b>	<b>Action Required</b>	<b>Responsible</b>	<b>Time frame</b>	<b>Remarks</b>
<b>Fiduciary Issues</b>				
<b>Procurement</b>				
Delays in issuance of 'no objections'.	Delegate more authority (and increase thresholds from UA 50,000 to UA 2 million); and increase capacity to review, decide and issue 'no objections'. Consider making Tanzania Field Office a regional hub on fiduciary issues.	ADB	Jan. 2010	The new Bank procurement rules and procedures will assist in these efforts. Also, newly recruited national Procurement Officer will join the Field Office in Nov. 2009.
Tender Boards and procurement units overwhelmed by donors diverse procurement rules and procedures; coupled by lack of understanding of procedures and rules due to high turnover of staff	Harmonize/standardize procurement rules and procedures, using country systems to the extent possible	GoT/ADB/WB (and other DPs)	October 2009, then continuous	
Procurement functions not professionalized	Adopt scheme of services for procurement cadre.	GoT	Nov. 2009.	Included in the PAF under GBS.
	Further training of procurement staff on changes in procurement regulations.	ADB/WB	Dec. 2009	
<b>Financial Management and Disbursement</b>				
Lack of FM staffing, low experience with donors fiduciary procedures which result to poor financial reporting.	Improve performance of existing FM staff through further training and work environment, and recruit or appoint adequately qualified FM specialists where needed	GoT	October 2009 - April 2010	
Slow disbursement due to delays in submission of disbursement request or inadequate supporting documents, at times combined with untimely response from the Bank on inadequate information.	Provide further on-the-job training/guidance to the project through regular supervision or ad hoc support as needed. Requests to be in line with the relevant conditions of the contracts.	GoT/ADB/WB	October 2009- April 2010	TZFO is working closely with PIUs for projects closing in 2009 to review payment certificates and disbursement applications to speed up processing of payments.
	Improve communications between Bank and projects to expedite processing.	GoT/ADB/WB	Continuous	
Delays in releasing funds from Designated Accounts to implementation level	Enhance MoFEA oversight role in portfolio management.	GoT	October - Dec. 2009 then continuous	
	More training on the use of the existing simplified FM and disbursement guidelines developed for CDD projects.	GoT	October - Dec. 2009	
	Individual projects to review the reasons for delays and address the problems	MDAs/ADB/WB	October - Dec. 2009	

<b>Issues and Constraints</b>	<b>Action Required</b>	<b>Responsible</b>	<b>Time frame</b>	<b>Remarks</b>
Delays by ADB in processing payment certificates.	Facilitate payments by using special accounts method (particularly for infrastructure projects - up to a threshold of about UA 3 million) and by direct payment method for amounts greater than UA 3 million	GoT/ADB	April 2010	The WB is currently using this approach up to the tune of USD 5 million for transport projects. Bank management to consider proposal.
Project staff not familiar with ADB/WB disbursement rules and procedures.	Train project staff on disbursement procedures. Conduct one- or two-day clinics in Dar es Salaam with HQ and TZFO-based disbursement staff on Bank disbursement procedures.	ADB/WB	October 2009 – April 2010	Training planned 1 <sup>st</sup> Quarter 2010
<b>Auditing</b>				
Delays in preparing and submitting financial statement; poor quality of audit reports due to Internal and External Auditors not conversant with ADB Audit requirements; and weak auditor's capacity	Sensitize PIU on importance of preparing and submitting financial statements for audit.  Train auditors on ADB procedures and provide them with manuals, terms of reference, etc reflecting the bank's procedures and reporting requirements.	GoT/ADB/WB	April 2010	About 103 members of the audit staff have been trained recently in IPSAS through the PFM RP.
<b>Environment and Social Safeguards</b>				
Inadequate capacity to follow up and implement safeguard rules and procedures due to lack of awareness of environmental and social safeguards	Sensitize project managers and coordinators on safeguards. Build capacity to implementing agencies to enforce safeguards	GoT/ADB/WB	April 2010	Bank to conduct training workshop in Jan. 2010.
<b>Government Contribution/Counterpart funds</b>				
Inadequate or untimely counterpart funds released	Cash Management Unit at MoFEA and implementing MDAs to follow-up and fully incorporate projects in MTEF to ensure timely release of funds.	GoT	October 2009 – May 2010, then continuous	TZFO to follow up on progress on a quarterly basis.
Inadequate counterpart funds budgeted	Coordination between Planning Department and Budget Unit at MoFEA is required to estimate on levels of counterpart funding beginning new loans, and ensure they are included in annual budgets/MTEF.	MoFEA, EAs, PIU	Continuous	
	Staffing plan included /buildings/equipment available before commitment to new projects		November 2009	
<b>Project Management and Other issues</b>				
Frequent change of ADB Task Managers hampering transitions and slowing decision making process	Minimize changes of TMs; assign alternate TMs with adequate decision power; and communicate names of alternate TMs to MoFEA, PIUs and MDAs; ensure proper handing over by TMs	ADB/WB	July 2009, then continuous	

<b>Issues and Constraints</b>	<b>Action Required</b>	<b>Responsible</b>	<b>Time frame</b>	<b>Remarks</b>
	In case of absence of TMs, contact field offices for support	EAs, PIUs	Continuous	
Weak Coordination and Communication between ADB, , MoFEA, PIUs, EAs	Enhance and strengthen communication, coordination and information flow between concerned stakeholders through dialogue and ICT (email, fax, telephone, scanner, Client Connections, etc)	MOFEA, PIUs, MDAs, ADB, WB	Continuous	On-going
	Reinstate quarterly portfolio management review meetings with project personnel in the field to remove potential bottlenecks and expedite project implementation	ADB/WB/GoT	Oct. 2009 & Continuous	Efforts underway for TZFO and MOFEA to organize meeting during 4 <sup>th</sup> Qtr. 2009.
	Strengthen Desk Offices in MoFEA	MoFEA	Oct. 2009	
	Strengthen communication and coordination between MoFEA and respective EAs and PIUs	GoT	June 2009 – April 2010	On-going
	Thematic working groups in all line-ministries to speed up project implementation	GoT	October 2009	
Improve Quality-at-Entry for future operations	Adopt a readiness filter for future operations: key staff is designated and the implementation plan ready by Board approval, baseline data in place, monitoring and evaluation schemes/staff and a comprehensive results-framework are set-up before project implementation	ADB, WB, MOFEA, MDA's, PIU's	Continuous	Underway for the proposed Road Sector Support Project to be presented to Board in Nov. 2009.
Improve Quality-at-supervision of projects	Improve communication and joint planning of supervision missions (Banks and PIUs). Ensure adequate skills mix	ADB/WB & MDAs/PIUs	Continuous	Joint missions commenced between PIU and TZFO staff on education projects.
Improve Quality at Exit in operations	Prepare joint project completion reports timely and be pro-active in cancelling loan balances. Ensure that lessons learned are incorporated in new operations	ADB/WB/GoT	For each project completion	Joint ADB/GoT PCRs undertaken for AMSDP project in June 2009; and two more planned for Oct, and Nov. 2009 – ALSD and Monduli Water projects.
<b>Harmonization of Donor procedures</b>				
Harmonization of ADB/WB bidding documents.	Review of current procedures including recommendations for harmonization.	ADB/WB	Jan – April 2010	Study to be initiated
<b>Monitoring and Evaluation</b>				
	Identify gaps in the national sectoral M&E systems and strengthen them so that they are utilized for donor	GoT/ADB/WB	Jan – April 2010	Study to be initiated

Issues and Constraints	Action Required	Responsible	Time frame	Remarks
	financed projects and also an integral part of GoT systems.			
<b>Implementation and Outcomes</b>				
Lack of GoT ownership	Ensure that projects are identified based on GoT's priorities and programs, and all stakeholders are involved through design to implementation stages.	GoT, ADB, WB	Continuous	
	Enhance GoT commitment by more realism in screening of donor-driven initiatives	GoT	Continuous	
	Teams to focus on reporting on outcomes using the indicators in the results frameworks as evidence of progress	ADB/WB/PI Us/ EAs	Continuous	