

AFRICAN DEVELOPMENT FUND



PROJECT COMPLETION REPORT

**POVERTY REDUCTION STRATEGY LOAN I
(PRSL I)**

UNITED REPUBLIC OF TANZANIA

**GOVERNANCE, ECONOMIC AND FINANCIAL
REFORMS DEPARTMENT**

**OSGE
MARCH 2007**

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CURRENCY EQUIVALENTS

(End October, 2006)

Currency Unit =		Tanzania Shilling
UA1	=	1.44085US \$
UA1	=	1 SDR
UA1	=	1701.95 Tanzanian Shillings
UA1	=	0.83051 Pound Sterling
UA1	=	1.88131 Swiss Francs
UA1	=	169.155 Japanese Yen

FISCAL YEAR

01 July to 30 June

WEIGHT AND MEASURES

Metric System

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ACRONYMS AND ABBREVIATIONS

AfDF	African Development Fund
ASYCUDA	Automated System for Customs Data
BEST	Business Environment Strengthening in Tanzania
BFIA	Banking and Financial Institutions Act
BoT	Bank of Tanzania
CAS	Country Assistance Strategy
CPI	Consumer Price Index
DFGF	Development Finance Guarantee Facility
DFI	Development Finance Institution
EAC	East African Community
EPZ	Export Processing Zone
FSAP	Financial Sector Assessment Program
FSRP	Financial Sector Reform Program
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IFEM	Interbank Foreign Exchange Market
IFMS	Integrated Financial Management System
IRT	Investors' Round Table
ITRS	International Exchange Transactions Reporting System
JSAN	Joint Staff Advisory Note
LGA	Local Government Authority
LTFF	Long Term Financing Facility
LOI	Letter of Intent
LTD	Large Taxpayer Department
MDA	Ministries, Departments, and Agencies
MDGs	Millennium Development Goals
MEFP	Memorandum of Economic and Financial Policies
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umakini Tanzania</i>
MTEF	Medium-Term Expenditure Framework
NDA	Net Domestic Assets
NDS	National Debt Strategy
NIR	Net International Reserves
NMB	National Microfinance Bank
NSGRP	National Strategy for Growth and Reduction of Poverty (PRSP)
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PRBS	Poverty Reduction Budget Support
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Program
PSI	Policy Support Instrument
ROSC	Report on Observance of Standards and Codes
SBAS	Strategic Budget Allocation System
SEZ	Special Economic Zone
TANESCO	Tanzania Electric Supply Company
TJAS	Tanzania Joint Assistance Strategy
TRA	Tanzania Revenue Authority
VAT	Value-Added Tax

BASIC PROJECT DATA

1	Loan Number:	2100150006656
2	Borrower:	Government of The Tanzania
3	Guarantor	Government of The Tanzania
4	Beneficiary	The poor people of The Tanzania
5	Executing Agency	Ministry of Finance

A. LOAN:

		APPRAISAL ESTIMATE	ACTUAL
	Amount in UA Million:	50.00 million	50.00 million

1	Interest Rate:	1%(from 11 th to 20 th year) & 3%(thereafter)	Basic
2	Payment Period:	40 years	
3	Grace Period:	10 years	
4	Loan Negotiation Date:		
5	Loan Approval Date:	October 2004	Oct. 2004
6	Loan Signature Date:	December 2004	Dec. 2004
7	Date of Entry into Force:	May 2005	May. 2005

B. PROJECT DATA:

3. Effective Date of (Single) Disbursement: May 2005
 4. Commencement of Project Implementation Activities: May 2005
 5. Date of Completion of Project Implementation Activities: September 2005

C. BANK MISSIONS

Mission Type	Date	Staff	Composition	Person Days
Identification/Preparation	March/April 2003	3	Country Program Manager Principal Economist Senior Country Economist	45
Appraisal	28 June -09 July, 2004	3	Country Program Manager Principal Economist Senior Country Economist	39
Project Launching	Not traced			
Country Portfolio Review	3-14 October 2005	9	Manager Transport Engineer Power Engineer Health Analyst Transport Engineer Senior Country Economist Resident Representative Operations Officer Macroeconomist	117
Supervision	November 2004	1	Senior Economist	5
Mid-Term review	Not traced			

E DISBURSEMENT (UA MILLION)

	Appraisal Estimate	Actual	Percentage Disbursed
Total Disbursed (UA' million)	50.00	50.00	100%
Amount Cancelled (UA' million)	0	0	
Unused Balance (UA' million)	0	0.027	0

Retrospective Project Planning Matrix

THE TANZANIA POVERTY REDUCTION SUPPORT LOAN (PRSL)

(Based on the PRSL Logical Framework with added detail and annotations from the appraisal text and status of indicators at completion)

PRSL FRAMEWORK	ACTIONS AND OUTPUT TARGETS			
Major Elements / Core Structure	PRSL Monitorable Action	Means of Verification	Important (Critical) Assumptions	
1. REDUCE INCOME POVERTY				
Provision of an enabling environment for private sector development: GOT has adopted the Business Environment Strengthening for Tanzania (BEST) Programme to address the constraints to private sector development. The implementation plan for BEST was approved in March 2003. A key milestone is the creation of the Better Regulation Unit in PO-PP	<u>At Appraisal, Nov. 2004</u> Better Regulation Unit for the BEST programme staffed, resourced, and operational. Pending PRSL Action is appointment of CEO.	<u>Achievement by 2005</u> CEO appointed and assumes office	Letter from GOT confirming appointment and assumption of duties	Continued funding availability for BRO
The existing business licensing system based on outdated law imposing excessive burden on businesses and opening up rent-seeking opportunities	Business licensing system reviewed after consultation with stakeholders and position paper prepared and approved by GOT	Position Paper on new business licensing system submitted to Cabinet.	Copy of the final position paper on new business licensing system and letter from Ministry of Trade and industry confirming submission of position paper to Cabinet.	Capacity to implement new system
Facilitate access to micro-finance/agricultural ; develop micro-finance facilities; promote rural finance Rural farmers and micro enterprises lack access to credit . The GOT has developed a micro-finance policy. The Micro-finance Act passed in 2003. Law needs to enforce and build supervisory and regulatory framework	Micro-finance legislation and regulation enforced	Micro-finance regulations readied for review by the Steering Committee before submission to GOT for approval and gazetting	Copy of micro-finance regulations	Weak enforcement capacity
2. MINIMIZE RESOURCE LEAKAGE AND STRENGTHEN ACCOUNTABILITY				
Strengthen systems for more efficient cash management , procurement, payment and expenditure control, inventory, equipment and asset management and timely audit reporting The CFAA and CPAR and ROSC identified weakness in the GOT fiduciary arrangements. PFMRP thus developed, but slow in taking off. To address procurement weaknesses, GOT has embarked on series of procurement reforms based on CPAR Action Plan	<u>At Appraisal, Nov. 2004</u> Joint Steering Committee reviews a) establishment of PFMRP management structure; b) detailed annual work plan, but coordinating organs weak.. GOT starts implementation of CPAR Action Plan within PFMRP	<u>Achievements</u> Appointed Manager and Coordinator, and established Coordination Secretariat. Submitted Procurement Bills to parliament as per CPAR Action Plan GOT decentralizes procurement; instructs local authorities to reconstitute District Tender Boards	Letter from MoF and Minutes of Steering Committee confirming appointments. Copy of Bills submitted to parliament. Relevant Gazette Notice and circular from PO-RALG instructing local authorities to reconstitute District Tender Boards	Weak enforcement capacity

EXECUTIVE SUMMARY

1. Programme Setting, Goal and Objectives

1.1 The Poverty Reduction Strategy Loan (PRSL) focused the Government of Tanzania's (GOTs) development strategy first set out in the three-year PRSP launched in 2000, which was linked to the National Poverty Eradication Strategy and the 2025 Vision. With PRSL support, the GOT focused on implementation of the PRSP 2004/05. The strategy evolved over the period 2000/01-2004/05. In 2005, after a national review, it became MKUKUTA. In 2004/05, the GOT/PRSP's main targets were:

- Reduce the incidence of basic needs poverty by half from 48% in 2000 to 24% by 2010, and
- Reduce the incidence of food poverty from 27% in 2000 to 14% by 2010.

1.2 The ADF's PRSL of UA 50 million was approved in October 2004 to support the GOT in meeting the above actions/outcomes. It was the ADB Group's sixth policy-based loan to Tanzania and the first to address poverty explicitly. It succeeded the SAL I and SAL II Loans, while the first three PBLs were sector adjustment loans to support policy reforms and the agricultural and transport sectors. The previous five PBL operations were funded from ADF resources and involved a total commitment of UA 168.81 million.

2. Analysis of Start-up and Main Implementation Activities

2.1 The PRSL was influenced strongly by the funding grouping named the Poverty Reduction Budget Support (PRBS) in Tanzania and the contemporaneous World Bank's Poverty Reduction Support Credit (PRSC) implemented within PRBS to reduce transaction costs. The process is described in section 2.1 of this report. The Bank proposed direct budget support to Tanzania worked through this framework.

2.2 Guided by the Bank's Vision Statement, its five-year strategic plan, the 2002-2004 Country Strategy paper (CSP), and detailed discussions with GOT and members of the PRBS, the PRSL focused 3 pillars selected from within the Performance Assessment Framework (PAF) Matrix that is used by the PRBS group to monitor budget assistance and conduct policy dialogue with GOT. The three pillars were: 1) promotion of an enabling environment for private sector development; 2) the development of micro-finance, and; 3) strengthening of public financial management. Within these pillars, a number of triggers were selected as conditions for the release of the PRSL. Disbursement of the loan was set in a single tranche.¹ The Bank contributed 15.7 percent of GOT's external financing requirements of US\$ 317.7 million over FY 2004/05, second to the World Bank among multilateral partners.

2.3 The PRSL conditions formed a narrower sub-set linked to those in the PAF Matrix and its public expenditure counterpart the PEFAR monitored at the annual PRBS review. The PAF had five areas of objectives/actions. These included reducing income poverty; improved poverty monitoring & evaluation; macroeconomic stability; improved effectiveness of delivery of public services and overall incentive environment; minimize resource leakages and strengthen accountability.

¹ See Appraisal Report, p. 21, paragraphs 5.2.1-5.2.2

2.4 Being a single tranche operation, the PRSL had to embed conditions within the PAF whilst generating credible implementation conditions. Under the conditions selected to be fulfilled prior to disbursement as proposed, execution of fulfilment had mostly been secured *before* November 2004 when the PRSL was first introduced in the Mid-term review meeting of the PAF Matrix by the PRBS group. The loan having been approved in October 2004, most of its conditions predicated on that review could be regarded as *prior actions*, i.e. they depended on the outcome of the review of a previous implementation period when PRSL was not operational as a policy intervention. Thus they were linked to implementation of the PRSL in terms of their expected outcomes rather than as policy actions to be undertaken under the PRSL. An example is Condition (ii) of PRSL, to have "...achieved an overall Satisfactory assessment of PAF implementation during the PRBS/PRSC/PRSL annual review in November 2004". The Board of ADB had already approved the PRSL amounting to UA 50 million in October 2004. A single tranche was being considered, and the signing of the PRSL Agreement was due on 9 December 2004. Although the November PAF review achieved an overall satisfactory rating for the year precedent, the achievements (taken collectively as a trigger for PRSL disbursement) had little link to the lending. In any case, a key part of the Bank's intended conditions (Condition (iii) on business licensing) remained outstanding in the assessment of PRBS 2004.

2.5 Nevertheless, the use of the PAF/PEFAR and the fact that this was designed as a quick disbursing one-tranche budget support operation, meant that there were no disbursement delays such as those that plagued SAL I and SAL II- three tranche and two tranche operations, respectively. The PRSL benchmarks set within defined donor and Government process of PRBS clearly increased ownership of the reform measures and enhance the likelihood of policy actions being undertaken. On this basis, the Bank Group should pursue usage of the PAF/PEFAR for future operations.

3. Assessment of Performance and Results

3.1 PRSL supported implementation of the PRSP 2004/05. Ex-post, poverty and income inequality in Tanzania moved from a stable profile during the 1990s, to *regional* differences. In Dar es Salaam, poverty fell from 28 percent to 18 percent while in rural areas income poverty levels stagnated during the same period. The 2001 poverty map² showed that district poverty incidence varies from less than 20 percent (Arusha, Bukoba) to more than 50 percent (Lindi, Singida Rural). Other anomalies show that recent revenue mobilisation is weak around the country. Dar-es-Salaam contributes over 80 percent of total government revenue. Poverty remains largely a rural phenomenon as 87 percent of the poor live in rural areas.

3.2 A key outcome over an extended period (1996-2006- that includes the period of PRSL support) is that real GDP averaged 5 percent. Inflation fell from about 16 percent to about 4 percent over the same period. In conventional thinking, growth is an essential ingredient of poverty reduction. Tanzania's remarkable GDP achievement only weakly confirms this link. Per capita GDP growth rate averaged about 2 percent during 1996-2006, and nearly 2¾ percent during 2000-05, rates that are disproportionately below GDP performance. GDP per capita in 2005, the period of PRSL support, was about US\$337, well below sub-Saharan Africa's average of US\$568. Tanzania was ranked 160th on the 2001 Human Development Index, below the average for sub-Saharan Africa. Among the reasons explaining the weak growth-poverty reduction link is the relatively weaker growth performance of agriculture

² See "Poverty and Human Development Report 2005": <http://www.tanzania.go.tz/pdf/PHDR%202005%20FINAL.pdf>

where 87 percent of the poor population subsists. The sector's growth has been running a full 1 percentage point behind overall GDP growth. Lack of diversification of production, especially towards cash crops, also hampers poverty reduction.

3.3 Results under PRSL performance benchmarks are mixed but assessed favourably, reflecting the deep complexities in the components addressed. Overall, *progress in the PAF matrix* was satisfactory over 2004-2006. In *Private Sector Development*, the key links between private sector environment and poverty reduction that should go from increased private sector investment, pro-poor orientation of investment and rising real GDP and employment, has weakened. Tanzania's strong economic growth of recent years is not mirrored in substantial expansion of pro-poor private sector investment and growth. This has dampened both potentially faster growth and poverty reduction. Policy discussion suggests a number of weaknesses. One is the size and quality of gross private capital formation as a share of GDP. With 6½ percent average real GDP growth during 2000-04, gross fixed capital formation contributed less than 1¾ %. Gross Private Capital Formation as a share of GDP declined from about 13½ percent during 1995-99 to about 11 percent since 2000. During the material time of PRSL, 2005, the share of private capital formation in total capital formation trended downwards from about 80 percent in 1999 to 60 percent in 2005. This needs to be reversed.

3.4 *Development of micro-finance* is hampered by ingrained factors that render overall financial sector liberalization and reforms ineffective. Policy opinion identifies key impediments such as the inability to use land as collateral, underdeveloped leasing, equity and export finance markets, as well as the absence of a centralized system for credit information. Yet a leading impediment such as the use of land in the banking sector is yet to be proved. Piloting of this factor in Tanzania could generate useful information. Micro-finance results under the PRSL are encouraging as they place the hope of micro-finance development on the National Microfinance Policy of 2000, the Micro-Finance Act of February 2003, and ongoing developments to operationalize the legal, regulatory and supervisory framework for microfinance. Ongoing initiatives in this sector merit the Bank's support. The Bank could in future focus development of the Export Credit Guarantee Scheme (ECGS) to provide guarantees to commercial bank lending for crop marketing. It could also support the establishment of the Small and Medium Enterprise (SME) scheme to guarantee commercial bank credit to SMEs and the Development Finance Guarantee Facility (DFGF) to provide credit for medium-term development finance as well as the establishment of a (private) credit information bureau.

3.5 In *Strengthening of Public Financial Management*, two of three benchmarks for progress sought by the Bank related to public procurement (sending of the amended Procurement Bill to Parliament and dissemination of its requirements to District tender Boards). The other related to appointment of the leadership of the Public Financial Reform Programme (PFMRP). The actions were fulfilled.

4. Socio-economic Impact and Environment

4.1 Real GDP growth picked up momentum during 2004/05 and 2005/06 and was running at about 7 percent. The leading sectors in 2005 were trade and tourism, manufacturing, mining and construction, whose combined contribution to GDP was about 40 percent. In a decade-long trend, inflation declined to about 5 percent. Inflows such as the PRSL and other budget

support, and recent debt relief under HIPC/MDRI have helped ease pressure from public sector financing requirements.

4.2 In line with PRSP-linked expenditures and increases in priority areas, data shows that priority social and development expenditures rose from 7 percent to 11 percent of GDP over the period 2001/02 - 2003/04.

5. Conclusions

5.1 The conclusion of this PCR is that PRSL was successfully implemented, albeit with benchmarks that functioned like prior actions. Performance improved significantly on previous PBLs in terms of disbursement. However, the identification/preparation/appraisal phase could have achieved the purpose of a quick budget support yet avoided the perception of the use of prior action conditions by employing the PRBS framework to pursue more credible and more helpful post-disbursement policy conditions within the PRBS annual reviews. The improvement in disbursement and effectiveness suggests the Bank must engage early in any joint budget support frameworks and contemplate multi-year single tranche budget support operations as favoured by other multilaterals. The intervention met with mixed results in its objectives and components: progress of the overall PAF framework; the development of the private sector environment; development of micro-finance services; and the advancement of public financial management.

6. Lessons Learned

6.1 Building on the lessons of PRSL, the implementation shows how the link investment-growth-poverty reduction continues to be elusive in Tanzania. The challenge is to sustain currently impressive real GDP performance but help shape the results to poverty reduction. Lessons learned on the three pillars of PRBL may be summarised and recommendations on engagement with the PRBS/PAF framework as follows:

6.2 Promoting an Enabling Environment for Private Sector Development

- Address investment climate issues such as financial deepening, to engender credit absorption from commercial lending and widen the narrow base of potential borrowers' access to credit;
- Remove burdensome licensing procedures, the backbone of high start-up costs in Tanzania;
- Ease restrictive labor regulations, difficulties in registering property, poor property rights, and ameliorate the poor infrastructure;
- Upgrade the fight against corruption and poor governance that undermine private investment

6.3 Development of Microfinance Services

- Ongoing initiatives in this sector also merit the Bank's support. Future support could focus development of the Export Credit Guarantee Scheme (ECGS) to provide guarantees to commercial bank lending for crop marketing. The establishment of the Small and Medium Enterprise (SME) scheme to guarantee commercial bank credit to SMEs and the Development Finance Guarantee Facility (DFGF) to provide credit for medium-term.

6.4 Strengthening Public Financial Management

- Despite support of PRSL, the funding/coordination function of PFMRP needs review to inculcate a strategic framework and achieve vertical/horizontal coordination.

Recommendations

6.5 PRBS/PAF Framework

- The Bank will benefit from working within this framework to compliment its programs but should engage continuously on a multi-year basis;
- The Bank Group should continue to limit itself to conditions that are articulated within the Government and Donor agreed PAF/PEFMAR;
- The Bank should use of single tranches for budget support operations;
- The Bank should find key niche sectors to which it can add significant value added. This could be in sectors where the Bank Group have complementary sector activities (particular issues in the sectors of this PRSL listed above), and;
- The Bank should move to multi-year single tranche operations.

1 INTRODUCTION

1.1 BACKGROUND TO POLICY REFORMS IN TANZANIA

1.1.1 Poverty remains critical in Tanzania, with income levels still amongst the lowest in Africa. Between 1992 and 2001, the proportion of people living below the national poverty line fell slightly from 39 percent to 36 percent, while the number of people living below the international “dollar a day” poverty line was 58 percent. Strong sustained growth since 1995, of almost 6 percent per annum, has yet to dent poverty significantly. Given that agriculture heavily influences economic activity and incomes, accounting for about half of GDP, the sector is the primary focus to deal with of poverty. It provides 85% of exports and employs 80% of the work force. Topography and climatic conditions, however, limit cultivated crops to about 4% of the land area. Industry mainly features the processing of agricultural products and light consumer goods.

1.1.2 Developments in the mining sector promise to alter economic activity and prospects, but in the past decade or so, the results have been unimpressive on both poverty reduction and public finances. For example, from 1997 to 2004, mining exports increased from US\$26 million to US\$690 million, just over half of all merchandise exports. Annual gold output increased from 2 to 48 tons over the period, leading to the export growth. Tanzania is now the fourth largest African gold producer, due mainly to growth in large scale gold mining, with US\$1.5 billion of foreign private capital. Large scale mining is generally import-intensive, however, employing only around 10,000 people with limited linkages to the local economy. Government revenues from mining in 2005 were only approximately \$45 million (3.5% of domestic revenue) coming mainly from production royalties. Most mines are new, owned by international mining companies, and have yet to pay income tax. High operating costs and depreciation of capital costs limit their contributions to the exchequer.

1.1.3 Artisan and small scale mining that could help in alleviating poverty employs hundreds of thousands by some estimates. However, the institutional capacity and policy framework governing the sector is overextended and the sector is growing rapidly. Small scale operations work under inadequate controls and monitoring, and adhere only minimally to safety and environmental standard.

1.1.4 Government institutions are under-funded and lack the instruments, know-how and organization required to oversee and support a modern, market-driven mineral sector. Developments in the sector demonstrate why, despite changes in sectors of the economy in the past decade or so, the Government of Tanzania (GOT) has needed assistance from multilateral and bilateral donors to address the phenomenon of poverty concentrated in the rural sector. Key planks of the assistance have focused economic infrastructure and poverty alleviation. In 2005, real GDP growth reached more than 6%.

1.1.5 The ADF’s Poverty Reduction Strategy Loan (PRSL) of UA 50 million was approved in October 2004. It was the ADB Group’s sixth policy-based loan to Tanzania and the first to address poverty explicitly. It succeeded the SAL I and SAL II Loans, while the first three PBLs were sector adjustment loans to support policy

reforms in the agricultural and transport sectors (Sector Rehabilitation Loan - Agriculture and Transport), the industrial sector (the Industrial Rehabilitation and Trade Adjustment Loan) and the financial sector (Financial Sector Adjustment Loan). The previous five PBL operations were funded from ADF resources and involved a total commitment of UA 168.81 million.

1.1.6 Recent PBLs (notably SAL I and SAL II) have focused fiscal performance as a central plank of macroeconomic stabilization. Within fiscal policy, the support has targeted two main actions: reallocation of budgetary support to the social sector, poverty reduction and development expenditure; and limiting the recourse to domestic financing as a tool to moderate the inflation. During the implementation of PRSL, a key concern of macroeconomic policies in Tanzania was to maintain the country's position of compliance with the HIPC/MDRI process.

1.1.7 In line with enhanced HIPC framework, arrangements at decision point, the Government of Tanzania had to fulfil the following five main conditions to reach the completion point:

- Adoption of a full PRSP and its satisfactory implementation for at least one year;
- Maintenance of macroeconomic stability through satisfactory implementation of the IMF-supported PRGF programme;
- Progress in meeting specific social sector targets (two objectives in HIV/AIDS, three criteria in education and four targets in health);
- Satisfactory implementation of key structural reforms, one in the electricity sector, and one in the financial sector;
- Satisfactory implementation of two public expenditure management processes.

1.1.8 The GOT addressed existing policy gaps within the above framework to stay on course for HIPC (and eventually benefit from the Multilateral Debt Relief Initiative- MDRI- that came on stream in 2005). Measures undertaken under this PRSL have helped Tanzania obtain debt relief under the enhanced HIPC Initiative (in November 2001) thus allowing the country to reach debt sustainability and support higher social sector spending. Under MDRI, IMF debt stock relief of approximately US\$336 million (including HIPC relief) was granted in January 2006. Additional debt relief from the International Development Association (IDA) and the African Development Fund (ADF) was provided in 2006.³

1.2 OVERALL PROGRAMME AND PRSL FOCUS

1.2.1 The PRSL was focused on the GOT's development strategy as set out in the three-year PRSP launched in 2000, which is linked to the National poverty Eradication Strategy and the 2025 Vision. The PRSP targets were:

- Reduce the incidence of basic needs poverty by half from 48% in 2000 to 24% by 2010, and
- Reduce the incidence of food poverty from 27% in 2000 to 14% by 2010.

³ An outstanding problem has been that some non-Paris Club creditors did not follow suit in providing debt relief under the HIPC Initiative on terms comparable to those given by the Paris Club. This has prompted Tanzania to negotiate relief with this category of creditors.

In meeting the targets, the priority sectors and areas of intervention were agriculture, health, education, water, roads, the judiciary and HIV/AIDS. Three sets of outcomes and actions were targeted as summarised below:

a) Reduce income poverty through accelerated and equitable growth: Outcomes and actions were sought from maintaining a sound macroeconomic framework; pursuit of rural development (through agricultural productivity and food security, enhanced productivity of agriculture, promoting public-private partnerships, diversification and exports, and improved natural resource management).

b) Improve human capabilities, survival and well being: Outcomes and actions were to be gained from improved social service delivery; and by a multi-sectoral response in the fight against HIV/AIDS.

c) Contain extreme vulnerability among the poor: The approach was to use the results of the Participatory Poverty Assessment to identify vulnerable groups and to reduce the consequences of extreme vulnerability.

1.2.2 The PRSL was influenced strongly by the funding grouping named the Poverty Reduction Budget Support (PRBS) in Tanzania and the contemporaneous World Bank's Poverty Reduction Support Credit (PRSC) that was integrated and harmonized with the PRBS in order to reduce transaction costs. The process is described in section 2.1. of this report.

The Bank proposed to provide direct budget support to Tanzania through a Poverty Reduction Support Loan (PRSL). A number of factors were at play in influencing the choice of strategy and interventions of PRSL:

- Discussions with GOT;
- The 2002-2004 Country Strategy paper (CSP)
- Conclusions of the PRBS/PRSC Mid-term review;
- Bank's Vision Statement and its five-year strategic plan (with the thrust on governance, private sector development and rural development);
- The need for selectivity in order to limit the number of triggers to be used as conditions for tranche release.
- The need to deepen the reform agenda in key policy areas including those that were covered under SAL II as well as the need to further improve the policy environment in those sectors and areas where the Bank has on-going programmes such as agriculture, rural roads and micro-finance.

1.2.3 Based on the Bank's Vision Statement and its five-year strategic plan the thrust of PRSL was focused on 3 pillars of the PRS, selected from within the PAF Matrix, namely: 1) promotion of an enabling environment for private sector development; 2) the development of micro-finance; and 3) strengthening of public financial management. Within these pillars, a number of triggers were selected as the most appropriate conditions for the release of the PRSL. Disbursement of the loan was set in a single tranche.⁴

⁴ See Appraisal Report, p. 21, paragraphs 5.2.1-5.2.2

1.2.4 The PRSL conditions were a narrower sub-set linked to those in the PAF Matrix monitored under the PRBS/PRSC. The latter covers five areas of PRS objectives/actions. These include reducing income poverty; improved poverty monitoring & evaluation; macroeconomic stability; improved effectiveness of delivery of public services and overall incentive environment; minimize resource leakages and strengthen

2 PRSL GOALS, OBJECTIVES AND FORMULATION

2.1 PROGRAMME OBJECTIVES

2.1.1 The objective of the Loan was to provide the GOT with direct Budget Support to assist in the implementation of the Poverty Reduction Strategy (PRS). The implementation of the PRS is also intended to be a vehicle towards achievement of the country's Millennium Development Goals (MDGs). The ultimate objective is to reduce poverty and improve the country's social indicators. This objective is consistent with the Banks Vision and ADF Guidelines.

2.2 PROGRAMME OUTPUTS AND COMPONENTS

2.2.1 Of the five pillars of focus in the PAF matrix supporting Tanzania's PRS, the ADF's PRSL targeted 3 areas as described below in greater detail: 1) promotion of an enabling environment for private sector development; 2) the development of micro-finance; and 3) strengthening of public financial management. Disbursement of the loan was set in a single tranche. Table 1 summarizes and draws observations on the planned matrix of detailed outcomes and actions

Table 1: Matrix of Thematic Areas and Measures of the PRSL

COMPONENT	MAIN POLICY FOCUS & COMMENTS
A. Overall Progress in Reforms Outlined in PAF	This was based on the Bank's participation in the PAF results-oriented matrix of agreed actions and indicators <i>of the previous year</i> , including time frame for reaching the targets. Condition, para 5.2.6: An overall satisfactory assessment of PAF implementation during the PRBS/PRSC/PRSL annual review of November 2004, a condition for release of PRSL resources. Comment: Since the PRSL was approved in October 2004 while release of the entire loan was based on the prior satisfactory performance in the annual PAF review barely a month later (November 2004), while the PRSL Agreement came another month later, on 9 December 2004, the Bank had no role in monitoring PAF performance. In essence this condition functioned as a prior action on overall government performance.
B. Promotion of an Enabling Environment for Private Sector Development	a. Review and implementation of the new business licensing environment, easing of the regulatory burden and simplification of costly procedures as contained in the Business Licensing Act No. 25, 1972. Condition, para 5.2.11: Approval of Position Paper on New Business Licensing System. b. Strengthening of the BEST Programme; Launched in 2003, the BEST targets amelioration of the business environment through the legal and regulatory framework. Condition, para 5.2.15: Appointment of CEO of the Better Regulation Unit Comment: This had been accomplished essentially as a <i>prior action</i> to the approval, effectiveness and disbursement of the PRSL
C. Development of Micro Finance Services.	After achieving progress in developing the policy and legal framework for micro finance and agriculture credit delivery, the GOT was committed to gazetting of the regulations that will govern implementation of the Micro-Finance Act passed by Parliament in February 2003. Condition, para 5.2.21: Finalisation and gazetting of the Micro Finance regulations.
D. Strengthening Public Financial Management	a. Following the Country Procurement Assessment Report (CPAR) of 1996, GOT took various measures to improve the procurement system, including the enactment of the Public Procurement Act (PPA) and implementation of Regulations in July, 2001. Nevertheless a number of outstanding issues remained to be addressed. A second CPAR was carried out in 2003. It identified further weaknesses and made recommendations thereof. Condition, para 5.2.24: Submission of Amended Procurement Bill to Parliament Condition, para 5.2.25: issuance of gazette instructing local authorities to reconstitute District Tender boards in line with new procurement regulations.

	<p>Comment: Again, the GOT had gone even further <i>before</i> the PRSL. It had sent the amended Procurement Bill to Parliament in November 2004. However, the Procurement Act was enacted in February 2005.</p> <p>b. Public Financial Management: The Country Financial Accountability Assessment (CFAA) showed advances in accounting and expenditure control. The GOT launched the Public Financial Management Reform Programme (PFMRP) in 1998, to minimize leakage of resources strengthen financial control and enhance accountability, spearheaded by the MoF. However the initiative needed a well-functioning management structure.</p> <p>Condition, para 5.2.30: MoF letter and Minutes of Steering Committee confirming appointment of programme Manager and Coordinator, and establishment of Coordination Secretariat.</p> <p>Comment: Appointments were effected in April 2005.</p>
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2.2.2 It is worthy of this PCR to focus on other parallel donors within the PRBS mechanism. The World Bank contributed the PRSC 2 of US\$150.0 million (credit of US \$ 60 million and grant of US\$90 million), from July 2004. Like the ADF loan, the credit comprised a single tranche. It supported an array of policy actions all linked to the PRS. The European Union accorded its support based on a graduated response mechanism of fixed and variable tranches. Direct budget support amounted to €24 million while a variable tranche directed at Public Finance Management could reach up to €10 million. Following the PRBS/PRSC November 2004 review, the fixed tranche was released, but only 75% of the variable tranche was released on the basis of less than fully satisfactory results in budget preparation. The PRBS donors based their financing on the overall performance of the PAF and not on specific components.

2.3 PRSL DESCRIPTION

2.3.1 The PAF Matrix on which this PRSL was based featured five areas of policy intervention: a) reduce income poverty; b) improve poverty monitoring and evaluation; c) macroeconomic stability; d) improved effectiveness of delivery of public services and overall incentive environment; and e) minimizing resource leakage and strengthening accountability.

2.3.2 Following discussions with the GOT the members of PRBS and World Bank, the Bank Group drew from the PAF matrix to base its intervention on three pillars of the PRSL as summarized in section 1.2 of this report: 1) promotion of an enabling environment for private sector development; 2) the development of micro-finance, and; 3) strengthening of public financial management.

2.4 PREPARATION, APPRAISAL, NEGOTIATION AND APPROVAL

2.4.1 The PRSL was influenced strongly by the funding grouping named the Poverty Reduction Budget Support (PRBS) in Tanzania and the contemporaneous World Bank's Poverty Reduction Support Credit (PRSC) that was integrated and harmonized within the PRBS group.⁵ The nine-member PRBS is a major coordination mechanism of parallel co-financiers of direct budget support that the Government of Tanzania and its development partners have developed. The overall aim is to reduce transaction costs, especially the costs of dialogue and review. The PRBS seeks to support the implementation of the Government's poverty reduction strategy by ensuring that adequate resources are provided to priority sectors in the budget. Predictability of donor funding is a key aim to ensure smooth budget execution. It has developed the Performance Assessment Framework (PAF) matrix and the Public Expenditure Management and Financial Accountability (PEFMA) as technical tools

⁵ Since mid-2004, the Government of Tanzania has led a process to develop a Tanzania Joint Assistance Strategy (JAS). This is set in the global context of the Rome and Paris Declarations on aid effectiveness. For Tanzania, this helps deepen the impact of the relationship with about 50 development partners.

that are tabled during the reviews to benchmark progress. The key features of the PRBS include a Common Performance Assessment Framework (PAF) and joint annual and mid term reviews, that are undertaken in March and November respectively. The ADB's participation in the Mid-term review of March/April 2004 coincided with the Identification Mission for PRSL.

2.4.2 During preparation, appraisal and implementation of PRSL, the Bank's effective adherence to this process echoed the development of the contemporaneous ADF SAL II programme. Preparation and appraisal of the latter were also closely linked to the PRBS, the GOT overall reform program and the PRSP. It also shared components and was parallel-financed with both the more comprehensive World Bank Poverty Reduction Support Credit (PRSC) and also the PRGF. It would seem that in both the instances of SAL II/PRSL interventions, there would have captured economies-of-scale from joint preparations and appraisals in the ADB/World Bank/IMF axis.

2.4.3 The Bank extensively collaborated with the World Bank and the PRBS group during the preparation, appraisal and implementation of SAL II as well as PRSL, but the sequencing in each institution seems not to have created the momentum for optimal joint activities. In the event, the Bank's SAL II was highly complementary to PSAC and PRGF but focused and emphasised a narrower scope of conditions. Similarly, the PRSL culled its 3 pillars of the intervention from the PAF matrix used by PRBS. In addition to pursuing these complementarities, the Bank Group worked actively with the PRBS.⁶

2.4.4 The difference the above process makes in Tanzania is that policy dialogue with the GOT is no longer principally the preserve of the *multilateral* creditors, but strongly combines their work with the interests and voices of *bilateral* creditors. The wider consultation is beneficial and also captures the efficiencies of *joint* dialogue and monitoring.

2.4.5 The PRSL was identified and prepared during March/April 2004 during a mission that included Bank participation in the Mid-term review of the PRBS/PRSC and the PAF matrix. The Appraisal mission was undertaken during June/July 2004. Although The Bank timed its missions to coincide with the Annual PRBS, in order to be represented and lately to strengthen the ADB Regional Office representation, it would seem that the emergence of PRBS, PAF and PEFMA among other consultative and aid delivery modalities towards Tanzania should induce discussion of a strategic position on how the Bank should participate.

2.4.6 The reasons for strengthening participation are overwhelming. The modalities lessen the transaction costs placed on Government agencies that are overstretched and currently have to cope with diverse donors' procedures. This also works against a project approach and augers well for sector-wide approach and direct budget support. One suggestion to the Bank would be to strengthen the capacity for policy dialogue and coordination at the level of the ADB Regional Office. The Bank should reformulate a more focused technical capacity and strategy for this donor-GOT dialogue.

⁶ See ADF: 'United Republic of Tanzania, Poverty Reduction Support Loan' September 2004'; Section 5.2.

2.4.7 During the Negotiations for PRSL that took place in Tunis during 21-22 October 2004, a number of modifications were made to the Appraisal report, and minor changes were also inserted in the Disbursement Documents and the Loan Agreement. In the Appraisal Report, the main changes made were: The Bank team requested to reformulate the PRSL Logical Framework, so as to include verifiable monitoring indicators, without, however, affecting the Loan Conditions. The GoT team observed in Chapter 1: Introduction, that there was a need throughout the report to distinguish between the PRSP and the Poverty Reduction Strategy (PRS), which was the title of the Government's strategy. In Chapter 2: Socio Economic Context, Paragraph 2.2.6, it was noted that the Government had reached partial bilateral agreements with Japan. In addition, with regard to the non-Paris Club creditors, agreements had been reached with Bulgaria, Kuwait, India, and China while negotiations had been initiated with Libya, Iran and Abu Dhabi Fund.

3 PROGRAMME IMPLEMENTATION (ACTIVITIES/COMPONENTS)

3.1 LOAN EFFECTIVENESS AND INITIAL DISBURSEMENT

3.1.1 The PRSL became effective in May 2005. It was among the budget support resources from donors programmed in the same way as domestic resources to cover Tanzania's Financing Requirements during FY2003 /04 - FY 2004/05. A special account was opened with the Bank of Tanzania to which all PRSL resources UA50.00 million was disbursed in one tranche. The entire loan was subject to the eight conditions shown in Annex II. All conditions were judged as satisfied.

3.2 MONITORING AND REPORTING

3.2.1 Monitoring and evaluation of Budget Support by GOT and donors has become an elaborate process in whose participation the Bank needs to elaborate a decisive role. During the appraisal of the project it was agreed that, since the loan was a policy based budget support, the implementing agency for the project was the Ministry of Finance through its structure mechanism of monitoring, evaluation and audit. The Bank monitored the progress through the annual PRBS/PSAC/PRSL reviews that the Bank participated in during 2004, 2005 and 2006. The Bank also took part in the PEFAR 2004/05.

3.2.2 The Public Expenditure Review (PER) Consultative Meetings and the Poverty Reduction Budget Support Facility (PRBS) – which includes an elaborate Mid-Term Review, have become the key processes through which donors and other stakeholders engage dialogue and monitor Government's policy performance and expenditure allocations to key PRSP priority sectors. The Bank has sought representation in these reviews, endeavouring to merge attendance with other missions. This was the case for example with the Supervision mission of April 2002 and PRSL Identification Mission of March/April 2004. However, the participation should generate value addition to the dialogue, the Bank needs to increase its technical preparedness on the ground based in the ADB Office that has been opened in Tanzania.

3.3 IMPLEMENTATION SCHEDULE

3.3.1 Table 2 presents the implementation schedule of the programme showing benchmarks against actual timing.

Table 2: PRSL Implementation Schedule: Appraisal vs. Actual

Activity	Planned Timing	Actual Timing
1. Appraisal	June/July 2004	June/July 2004
2. Board Presentation	October 2004	October 2004
3. Loan Effectiveness	May 2005	May 2005
4. Release of Loan	September 2005	September 2005
5. Supervision Mission	November 2004	November 2004
6. Audit of Special Account	June 2005	June 2005
7. Closing	September 2005	December 2005
8. Bank PCR	January 2006	January 2007

Source: PRSL Appraisal Report

3.3.2 The PRSL seems to have been prepared and identified quickly in March/April 2004, before being appraised in June/July 2004. At Negotiations in October 2004, some changes were agreed but the key conditions were agreed on the basis of the Bank's participation in the November 2004 Mid-term review of the PAF matrix by the PRBS/PASC/PRLS.

3.4 IMPLEMENTATION

3.4.1 At Effectiveness in November 2004, the PRSL was scheduled for implementation during the next 10 months, closing during September 2005 after helping finance the FY2003/04- FY2004/05 budget. As a budget support action the intervention was part of the GOT's budget operations and yielded proceeds for that purpose. During the PCR field mission, the Consultant undertook detailed discussions with the Accountant General and Senior members of the Office. Some factors emerge during implementation.

3.4.2 The Accountant General's Office was a key player in fulfilment of some key conditions in PRSL. Public finance operations, e.g. the roll out of the IFMIS system to 19 (now 20) sub-treasuries is credited mainly to that Office. Connectivity in IFMIS for example was affected through the Office to 85 districts. The GOT accounts are online, in a system centered in that Office, which has attracted the interest and inquiry on 'Best Practices' from neighbouring countries such as Malawi. The involvement of the above Office in PRSL preparation, appraisal and negotiation, would have been useful and could have helped expedite matters.

3.5 FINANCIAL SOURCES AND DISBURSEMENT

3.5.1 Projections of Tanzania's financing requirements during 2004/05 were derived from budget estimates. The budget showed a financing gap of TZS166 billion, taking account of projected resources from Domestic Revenues, Grants, HIPC Debt Relief and External Loans. Table 3 presents the Direct Budget Support that was availed from multilateral and bilateral sources.

Table 3: Tanzania's External Financing Requirements 2004-2005

Source	Amount	US\$	%
ADF		50.0	15.7
World Bank		103.7	32.6
EU		24.9	7.8
Bilateral		139.1	43.8
TOTAL			100.0

Source: Appraisal Report

3.5.2 The Bank's loan was fully disbursed one tranche in December, 2004.

3.6 AUDIT

3.6.1 As agreed at appraisal, the implementing agency for the project was the Ministry of Finance through its structure mechanism of monitoring, evaluation and audit. The Ministry has submitted reports to the Bank.

4 PROJECT PERFORMANCE AND RESULTS

4.1 OVERALL PRS

4.1.1 This section reviews outcomes focusing both the overall programme and the PRSL. With PRSL support, the GOT focused implementation of the PRSP 2004/05. Indeed over 2000/01-2004/05, the PRSP strategy prevailed until altered to MKUKUTA in 2005. In the mean time while poverty and income inequality in Tanzania appeared fairly stable during the 1990s, with the Gini coefficient increasing from 0.34 in 1991 to 0.35 in 2001, and comparing favourably with increasing inequality in Tanzania's East African Community neighbours Uganda and Kenya, significant *regional* differences now plague Tanzania: in Dar es Salaam poverty fell from 28 percent to 18 percent while in rural areas income poverty remained more or less unchanged during the same period. The 2001 poverty map⁷ showed that district poverty incidence varies from less than 20 percent (Arusha, Bukoba) to more than 50 percent (Lindi, Singida Rural). Other anomalies show that revenue mobilisation is weak around the country, with Dar-es-Salaam contributing over 80 percent of total government revenue.

4.1.2 Poverty remains largely a rural phenomenon as 87 percent of the poor live in rural areas. Now that agriculture has started to record growth rates significantly above population growth rates, the overall rate of poverty reduction should start to decline, helped by rural-urban migration. Tanzania needs real per capita rural growth rates of 2-3 percent if it is to halve the incidence of poverty by 2010.

4.1.3 A key outcome over an extended period (1996-2006- that includes the period of PRSL support of FY2004/05) is that real GDP has averaged 5 percent. Inflation fell from about 16 percent to about 4 percent over the same period. While conventional thinking links growth as an essential ingredient in the fight against poverty, Tanzania's remarkable GDP achievement does not seem to have dented poverty significantly although there have been significant improvements in non-income measures of poverty. Per capita GDP growth rate averaged about 2 percent during 1996-2006, and nearly 2¾ percent during 2000-05. Its GDP per capita in 2005, the

⁷ See "Poverty and Human Development Report 2005": <http://www.tanzania.go.tz/pdf/PHDR%202005%20FINAL.pdf>

period of PRSL support, was about US\$337, was well below sub-Saharan Africa's average of US\$568. Tanzania was ranked 160th on the 2001 Human Development Index, below the average for sub-Saharan Africa.

4.1.4 The Income inequality in Tanzania appeared fairly stable during the 1990s, with the Gini coefficient⁸ increasing from 0.34 in 1991 to 0.35 in 2001. This compares favourably with increasing inequality in Tanzania's East African Community neighbours Uganda and Kenya. However, it conceals significant regional differences: in Dar es Salaam poverty fell from 28 percent to 18 percent while in rural areas income poverty remained more or less unchanged during the same period. The 2001 poverty map⁹ shows how district poverty incidence varies from less than 20 percent (Arusha, Bukoba) to more than 50 percent (Lindi, Singida Rural). Poverty remains largely a rural phenomenon as 87 percent of the poor live in rural areas. Now that agriculture has started to record growth rates significantly above population growth rates, the overall rate of poverty reduction should start to decline, helped by rural-urban migration. Tanzania needs real per capita rural growth rates of 2-3 percent if it is to halve the incidence of poverty by 2010.

4.1.5 The weak effects of GDP growth on poverty, especially in the rural areas, are a cause for concern because this could conceal underlying structural weaknesses in the economy. Poverty and private sector investment (a key area of PRSL strategy) are correlated facets of the economy Policy articulation in this domain could impact poverty. Increasing and shifting growth of private investment to generate a supply response, especially in the rural sector, would generate incomes through employment in the sector. It would help quicken the pace of poverty reduction.

4.2 THE PRSL SUPPORT

4.2.1 The PRSL addressed three areas of the economy with a bearing on poverty: 1) promotion of an enabling environment for private sector development; 2) the development of micro-finance; and 3) strengthening of public financial management. The results may be assessed as follows:

PROMOTION OF AN ENABLING ENVIRONMENT FOR PRIVATE SECTOR DEVELOPMENT

4.2.2 The key links from an improved private sector environment to poverty reduction is through a growth and composition of private sector investment that generates *both* real GDP growth and employment. Puzzlingly, Tanzania's strong economic growth of recent years is not mirrored in substantial expansion of pro-poor private sector investment and growth. There could also be a trend towards deepening inequality. Relative poverty rates confirm this. Between 1991 and 2001, the poverty rate declined by 10 percentage points, to about 18 percent in the capital Dar Es Salaam. It declined by only 2 percentage points, to 39 percent, in the rural areas. Currently, 87 percent of all poor people live in rural areas. The weak links from investment and growth has dampened poverty reduction, and raises concerns about

⁸ The Gini coefficient is a measure of inequality of a distribution. It is often used to measure income inequality. It is a number between 0 and 1, where 0 corresponds to perfect equality (i.e. everyone has the same income) and 1 corresponds to perfect inequality (i.e. one person has all the income, while everyone else has zero income).

⁹ See "Poverty and Human Development Report 2005": <http://www.tanzania.go.tz/pdf/PHDR%202005%20FINAL.pdf>

sustaining growth going forward. It must be noted that there has been significant improvements in non-income measures of poverty, especially in education and health.

4.2.3 Policy discussion suggests a number of weaknesses. One is the size and quality of gross private capital formation as a share of GDP. With 6½ percent average real GDP growth during 2000–04, gross fixed capital formation contributed less than 1¾ percent. Gross Private Capital Formation as a share of GDP declined from about 13½ percent during 1995–99 to about 11 percent since 2000. During the material time of PRSL, 2005, the share of private capital formation in total capital formation was trending downwards from about 80 percent in 1999 to 60 percent in 2005. This needs to be reversed to maintain and propel the pace of GDP growth. In Tanzania’s foreign direct investment, FDI, there are worrisome trends that do not invigorate overall private sector development or yield proportionate impacts on poverty reduction. Tanzania has enjoyed growth of these investments but mainly in natural resource extraction, especially gold mining, which has limited multiplier effects or productivity impetus. Value-addition domestically could be one way of capturing further gains from FDI.

4.2.4 The need to shift Bank strategy towards private sector development is reinforced by recent PBL experience. Failure of the appropriate links to take hold can be seen in the background of other recent PBLs implemented in Tanzania with Bank support that had private sector development as part of their pillars. The most recent is the SAL II had a major private sector component encompassing far-reaching improvements in the sector: operations of the Commercial Court; reform of the land registration system for enabling land to be used as collateral against credit or mortgages; measures to harmonize and rationalize central and local government’s taxes aimed at reducing and eventually eliminating the tax burden and multiplicity of taxes on investors; establishment of Tanzania National Business Council (TNBC) chaired by the President of the United Republic of Tanzania and the Investor’s Roundtable (IRT) as dialogue mechanisms with the business community for improving the business environment and establishment of a Private Sector Development Strategy (PSDS). Furthermore, like PRSL, SAL II helped address business licensing, steering it towards a regulatory rather than a revenue raising instrument. As a result, under SAL II, the Government eliminated business license fees for small business and limited them to Shillings 20,000 (about USD 20) for others. GOT also adopted a strategy for business license reform to limit the time it takes to obtain a license to only two days.

4.2.5 Questions thus arise as to key underlying obstacles to private sector development. It may be useful to study aspects of business and the financial sector with the aim of drawing out recommendations on financial deepening, SMEs within the investment reach of low-income Tanzanians and enterprise mentoring.

DEVELOPMENT OF MICRO-FINANCE

4.2.6 As general observation, financial sector liberalization reforms aimed at promoting bank lending and the availability of credit have not had significant impacts in Tanzania. Policy opinion identifies key impediments such as the inability to use land as collateral, underdeveloped leasing, equity and export finance markets, as well as the absence of a centralized system for credit information. Yet a leading

impediment such as the use of land in the banking sector is yet to be proven. Piloting of this factor in Tanzania could generate useful information.

4.2.7 The results under PRSL are more encouraging as they place the hope of micro-finance development on the National Microfinance Policy of 2000, the Micro-Finance Act passed by Parliament in February 2003, and on-going developments to operationalize the legal, regulatory and supervisory framework for microfinance.

4.2.8 Ongoing initiatives in this sector also merit the Bank's support. Future support could focus development of the Export Credit Guarantee Scheme (ECGS) to provide guarantees to commercial bank lending for crop marketing. The establishment of the Small and Medium Enterprise (SME) scheme to guarantee commercial bank credit to SMEs and the Development Finance Guarantee Facility (DFGF) to provide credit for medium-term development finance as well as the establishment of a (private) credit information bureau could be important in generating enterprises and widening financial intermediation.

STRENGTHENING OF PUBLIC FINANCIAL MANAGEMENT

4.2.9 As late as the second half of 2006, the Public Financial Management Reform Programme (PFMRP) was reported in the annual review of General Budget Support (GBS) to be continuing to suffer from weak coordination mechanisms and a lack of strategic framework. Yet the Bank Group had focused actions (that were fulfilled in April 2005) to reverse the decline.

4.2.10 Tanzania now has two underlying donor-supported processes in public financial management: the Public Expenditure and Financial Accountability Review (PEFAR), an analytical review of public finance management; and the Public Financial Management Reform Programme (PFMRP), a donor funded programme. A PEFAR was undertaken in 2005/06. The PFMRP, was assessed at two levels: as a funding/coordination mechanism, and as a financial management reforms mechanism which is much broader. The funding/coordination mechanism which the PRSL supported was judged as not working effectively and thus **not satisfactory**. However, PFMRP's functions in public financial management reforms were making progress.

4.2.11 Two of the three benchmarks for progress sought in this sphere by the Bank related to sending of the amended Procurement Bill to Parliament and to dissemination of its requirements to District tender Boards. Both actions were fulfilled as per Table 1 in section 2.2.

5 ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT OF PRSL

5.1 THE SOCIO-ECONOMIC IMPACT

5.1.1 Real GDP growth picked up momentum during 2004/05 and 2005/06 and was running at about 7 percent. The leading sectors in 2005 were trade and tourism, manufacturing, mining and construction, whose combined contribution to GDP was about 40 percent. In a decade-long trend, inflation declined to about 15 percent. Inflows such as engendered by PRSL and recent debt relief under HIPC/MDRI have helped stem the recourse to domestic debt financing of financing requirements. This in turn has helped avoid escalation of interest rates and inflation that would hurt the poor and reverse the fight against poverty.

5.1.2 Nevertheless, it is a continuing puzzle that the translation of growth into poverty reduction remains sluggish. Based on the Household Budget Survey (HBS) conducted in 2001, 36 percent of Tanzanians are still below the poverty line (and 19 percent are below the food poverty line), compared with 39 percent poverty rate in the 1991 HBS. As discussed in 4.2.2, there also underlying trends towards inequality.

5.1.3 There are indications that the search for a stronger poverty response from growth must address private sector development. When PRSP-linked expenditures and increases in priority areas are examined, data show that priority social and development expenditures rose from about 7 to 11 percent of GDP between 2001/02 - 2003/04. Data for 2004/05 was not available.

5.2 ENVIRONMENTAL IMPACT

5.2.1 No evidence was found on the environmental impact specific to the implementation of PRSL. Tanzania has an Environmental Protection Agency which continues to function but lacks capacity.

6 PROGRAMME SUSTAINABILITY

The sustainability of the PRSL needs to be addressed in three main perspectives: Outputs, Inputs and social outcomes.

6.1 SUSTAINABILITY OF OUTPUTS

6.1.1 The GOT has shown a strong commitment to ownership of the policy actions. Initial contacts through identification and consultations as well as in the PRBS/PAF reviews points to the assumption that the commitment will be continued in the medium-term when it is proposed that the Bank/GOT address structural impediments that can help translate growth into more significant poverty reduction and for a wider base of society.

6.1.2 The PCR mission saw evidence at a high level in the Office of the Accountant General that public accounting and auditing practices are being improved. A computer-based Integrated Financial Management System (IFMS) is in operation and has helped the tracking of the flow of resources from the Treasury to spending units in Ministries and districts. Spending units have autonomy in expenditure and are also held accountable for result. An anti-corruption Unit in the Office of the President is highly visible and could help sustain the gains made in Economic Governance.

6.1.3 The GOT is making commendable efforts to manage the existing financial resources well. The introduction of a MTEF and regular annual PERs (called PEFAR since the 2004 amalgamation of World Bank's Public Expenditure Reviews with similar reviews by other donors), the dialogue through the PRSS and PAF reviews are

rendering greater efficiency in monitoring the reform process with common reference points among co-financiers.

6.2 SUSTAINABILITY OF INPUTS

6.2.1 There is regular formal and informal dialogue on the reform among government agencies, and between Government agencies and the development partners. The progressive reduction in reliance on donors will prove difficult however. Government revenue is weak and skewed. While most development and some recurrent expenditure are still financed by donors, revenue collection is concentrated in Dar-Es-Salaam region. The results of reforms in poverty reduction are the prerequisite for success in resource mobilization to fund and increasing share of the budget from domestic revenue. Furthermore, the key staffs managing the reform agenda are capable but over-stretched. There is limited capacity in many Government agencies.

6.3 SUSTAINABILITY OF SOCIAL OUTCOMES

6.3.1 An important concern is the distribution of the economic benefits from the reforms. In order to marshal continued popular support for the reforms, policy-makers need to deliver gains from the reform demonstrating benefits to most Tanzanians. If the policy actions do not deliver on the axis: macro-stability, investment, growth and poverty reduction sufficiently to become inclusive and to empower the majority of Tanzanians, popular support for the reforms could diminish. Continued Government commitment and donors increasing provision of budget support mitigate some of these concerns in the short-run.

7 PERFORMANCE OF THE BANK AND THE BORROWER

7.1 PERFORMANCE OF THE BANK & COORDINATION WITH CO-FINANCIERS

7.1.1 The PRSL reflected the Government's Letter of Development Policies, and the policy actions were well timed and relevant. The Staff Appraisal Report (SAR) followed closely the GOT overall reform program but did not reflect sufficiently on the PAF review of November 2004. In hindsight it did not address the inherent tension while between the need to implement a quick budget support while maintaining credible policy conditions for review under the PRBS during 2005-2006. More importantly, at the time it did not address the issue of the implications for subsequent operations and in particular the benefits of continuous multi-year operations. Furthermore greater weight should have been given to the well-known disconnect between the pursuit of macro-stability and poor real sector outcomes in Africa. While the design of the Bank Group PBLs, notably SAL I and II has been the appropriate intervention in Tanzania, Bank conditions have also exhibited three main problems: excessiveness, poor targeting, and the related outcome of cascading. PRSL was the first operation to directly address these issues.

7.1.2 Spanning 6 interventions to date, in tandem with other major partners of Tanzania's economic transition, a dilemma also emerges on the funding and achievements of economic activity with macroeconomic stability. The approach has set the stage for rapid and non-inflationary economic growth. Enhanced with HIPC and MDRI debt relief, growth has also strengthened the external sector.¹⁰

¹⁰ The Government decided to place the IMF's MDRI resources in a special account at the BoT to be used to fund the foreign exchange component of high priority pro-poor social outlays and growth-critical economic projects. During 2005/06 it was envisaged that some of the funds would be spent to redress the impact of the drought to alleviate food and power shortages.

Specifically, before and after implementation of PRSL, the rate of real GDP growth increased from 5.7% in 2001 to 6.2% in 2002 and had reached 6.7% by 2004. Growth stemmed from relatively strong performances in agriculture, mining, manufacturing, construction and tourism. The inflation rate had dropped to 4% by 2004, down from double digits in the 1990s. Foreign reserves have stayed well above six months of imports of goods and services. Domestic revenue mobilization increased from less than 50 billion shillings per month in late 1990s to 145 billion shillings per month during the FY 2004/05. Yet revenue mobilization is still low. For example, over 80 percent of the revenue is accounted for by Dar-es-Salaam region alone.¹¹

7.1.3 This PCR rates the Bank's performance satisfactory (Annex III) influenced particularly by the results, the substantial activities in the PRSL operation that upgraded the Bank's experience of development coordination in Tanzania, and the efficiencies being gained thereof through the annual PAF reviews. The first PRSL staff participation in the November 2004 review set the pace. Nevertheless, with the Bank being the second largest multilateral contributor to the PRBS during 2004/05, and perhaps in the coming years, greater technical authority in the policy dialogue may need to be developed under the Tanzania Country Office.

7.1.4 In terms of more value-added, active and frequent involvement in the policy dialogue would be required. Second, to deepen engagement and bring niche value added to the strategy, Bank policy lending should be supported by some independent economic and sector studies, especially on perspectives to fight structural impediments in the axis: macro-stability, investment, growth and poverty reduction. These studies should be used to strengthen the work of the ADB Office in the coordination and dialogue between donors and GOT.

7.1.5 Co-financiers: The PRSL drew its policy reasoning substantially from the PRBS and the PAF matrix. During program appraisal and implementation the ADF collaborated closely with the World Bank in exchange of information.

7.2 PERFORMANCE OF THE BORROWER AND EXECUTING AGENCY

7.2.1 The Ministry of Finance (MOF) was the executing agency and BOT was delegated to handle financial management. The performance of the borrower was satisfactory. The main problem observed during the PCR mission and identified in the November 2004 PRBS review is the inaccessibility of GOT counterparts during the monitoring and evaluation of programmes. The opposite should be the case, given that the PRBS system has consolidated policy dialogue and narrowed review appointments to the bare necessities. The PCR mission of December-January 2006 faced difficulties in having the respondents comply with appointments, documentation and volunteered information. This may be a reflection that the PCRs were not completed as scheduled according to the planned timetable in the Appraisal Report.

7.2.2 Monitoring of the overall GOT programme, of which PRSL was a component, was adequate. However, the PCR exercise was unable to trace reports, including audit reports, to the Bank although they almost certainly exist for donors resident in Tanzania. The Bank's recent set-up on the ground should make it easier to obtain timely reports and to participate in the regular dialogue between GOT and donors.

¹¹See TANZANIA: PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY REVIEW MISSION FOR 2004/05, Aide Memoire May 12, 2005.

7.2.3 Following the implementation of the first generation PRS, the Government in collaboration with stakeholders conducted a comprehensive review of the first cycle (three years) implementation of the PRSP. The review process was a long consultative and participatory process involving a wide range of domestic and international stakeholders. The twin objectives of the review process was to (i) collect views and build consensus on poverty reduction measures, and (ii) build national ownership of the poverty reduction initiatives in the country. Out of the exercise has emerged the formulation of the second generation of PRS, the National Strategy for Growth and Reduction of Poverty (NSGRP) in Kiswahili MKUKUTA. This is an outcome/result based strategy and is more effectively linked with the Millennium Development Goals (MDGs). Its implementation, banks on cross sectoral collaboration as well as emphasizing on the inter-sectoral linkages in achieving desired outcomes in three broad clusters namely; Growth and reduction of income poverty; improvement of quality of life and social well being; and governance and accountability.

7.2.4 The MKUKUTA/NSGRP has sharpened the focus of the Tanzania's development, growth and reduction of poverty policies and strategies. It provides a coherent framework for coordinating and channelling resources for growth and poverty reduction programmes with clear targets and set.

8 OVERALL PERFORMANCE AND RATING

8.1 OVERALL PERFORMANCE AND RATING

The overall performance is rated better than satisfactory using detailed criteria that aggregate Overall Implementation Performance and Bank Performance- see Annex III. Ratings show that the Borrower (GOT) performed marginally better than the Bank. In addition to presenting the performance of PRSL, Table 4 below, presents the characteristics and performance of SAL I, SAL II, PRSL and PRSL II. It raises some important policy issues with respect to the provision of budget support in the medium-term.

Table 4 Summary Table of SAL I, SAL II, PRSL and PRSL II

	SAL I	SAL II	PRSL	PRSL II
Performance				
Year of Approval	1997	2001	2004	2006
Conditions: Number	23	16	8	10
Tranches: Number	3	2	1	1
Sectors: Number (consistency with previous operation)	4	3(1)	2(2)	2(0)
Harmonisation: number of donors with similar conditions	1	2	9	13
Predictability: Delays Overall Programme	18 months	14 months	0 months	n/a
Predictability: % of funds not disbursed in programmed fiscal year	67%	100%	0%	n/a
Overall				
Ranking: PCR Rating	1.9	2.0	2.2	n/a
Amount: UA million	45	40	50	50
Volume: % of ADF allocation	18.1%	17%	18.2%	17.2%
CPIA/CPA: Average score	2.98	3.04	3.31	3.93

Undertaking three PCRs at the same time allows a valuable comparison to be made across 10 years of ADB Policy Based Lending in Tanzania. The Table above presents some summary data on issues that have been raised during the completion of the PCRs for SAL I, SAL II and PRSL.

8.1.1 Overall Performance

- Clearly the performance rating of the budget support operations has increased. This can be explained by a number of the factors:
 1. Reducing the number of conditionalities whilst focusing on specific sectors
 2. Reducing the number of tranches but increasing the frequency of operations
 3. Increasing the use of harmonised conditions and joint budget support frameworks
- The amount of money, in absolute terms, allocated to PBLs in the respective ADF cycles has remained about the same. This is particularly surprising given the priority now placed by the GOT on budget support and the increasing provision of budget support by donors. The ADB's budget support remains at between 17-18% of ADF portfolios. Other donors, on average, provide at least 30-40% of funds through budget support. This suggests the Bank Group has yet harness the benefits of increasingly strengthened government systems by changing aid modalities in countries where policy environments are strengthening, as evidenced by significant increments to CPIA scores since 1998. It also suggests it has failed to embrace Paris Declaration commitments. It implies the Bank Group should at least double its provision of budget support in ADF XI. The Bank has however started to harmonise the content of its conditions, mostly through embracing the PRBS and PAF framework.

8.1.2 Performance in Specific Areas

Conditionalities

- The number of conditionalities has been reduced dramatically from over 20 in SAL I to around 10 for the last two PRSLs. This is consistent with international best practice¹² as well as Bank Guidelines on Budget Support¹³, which suggests a limited number of clearly focused are preferable to a multiplicity of conditions and that they should be few but focused on PRSP or sector identified priorities. Harmonisation with other donors in the use conditionalities has increased.

Tranches

- The number of tranches within each operation has reduced suggesting the need to utilise one-tranche operations in future

¹² OECD DAC Guidelines and Reference Series: Harmonising Donor Practices for Effective Aid Delivery, Volume 2 Budget Support, <http://www.oecd.org/dataoecd/53/7/34583142.pdf>

¹³ 'Guidelines on Development Budget Support Lending', ADB/BD/WP/2003/145/Rev.2.

Sectors

- The sector focus for the chosen conditionalities has not remained consistent, contrary to recommendations for the ADB to create a specific value added in specific sectors. There was some broad consistency between SAL II and PRSL (private sector and public finance management), but this was not carried forward to PRSL II which focused on water and infrastructure, although this can be partially explained by the indicators in the PAF changing.

Predictability

- Most importantly and most striking was the Bank Group's failure to disburse on time as programmed within the fiscal year specified to the Government except for the PRSL. This can have dramatic impacts on medium term planning of the Government and can cause significant macroeconomic instability, as the Government will have programmed expenditure based on donor disbursement schedules. It is an indicator within the Paris Declaration.
- Overall delays have reduced dramatically from almost two years to none. This clearly leads to improved performance of ADB operations but also is of huge benefit to the Government. Clearly improvements in the area of predictability are a result of the factors already listed above
 1. Reducing the number of conditionalities
 2. Reducing the number of tranches
 3. Increasing the use of harmonised conditions

9 CONCLUSIONS AND POLICY LESSONS LEARNED

9.1 CONCLUSIONS

9.1.1 The PRSL was successfully implemented. The execution achieved the purpose of a quick budget support in essence by using conditions that acted like prior actions and by employing the PRBS framework to pursue more credible and more helpful post-disbursement conditions. This PCR draws conclusions on the overall progress made in the reforms outlined in the PAF Matrix and on the three pillars of policy targeted by PRSL.

9.1.2 As established at the November 2004 review in which the Bank participated, the PAF Matrix was performing satisfactorily at the onset of PRSL. The satisfactory performance was repeated in 2005 and 2006. It thus succeeds on that benchmark of overall performance.

9.1.3 Setting benchmarks within a Donor and Government PAF increase ownership of reform measures and increases the likelihood of conditions being fulfilled. Reducing the number of tranches but increasing the frequency of operations is likely to increase the effectiveness of Budget Support. Participation early at the formulation stage of the PAF has the potential to increase the influence of the Bank Group and ensure that Bank priorities receive the requisite attention.

9.1.4 Creation of an enabling private sector environment has proved to be elusive. The key is private sector investment that seems to be in retreat quantitatively while its impact on growth and employment needs to be strengthened. The PRSL actions on the development of Micro-finance were appropriate, but the sector is performing poorly in Tanzania for the same underlying reasons that impeded overall financial

sector reforms. Structural impediments to financial intermediation, rural access to credit and development of money markets need to be addressed.

9.1.5 Regarding Public Financial Management Reform programme, the funding/coordination function of PFMRP needs review beyond the PRSL stipulations on the appointments of leadership, while its role as agent of financial reforms should be sustained. Two other benchmarks for progress sought in this sphere by the Bank related to sending of the amended Procurement Bill to Parliament and to dissemination of its requirements to District tender Boards. Both actions were fulfilled as per Table 1.

9.2 LESSONS LEARNED

9.2.1 Lessons learned on the three pillars of the PRSL and recommendations on the use of the PRBS/PAF framework are summarised as follows:

9.2.2 *Promoting an Enabling Environment for Private Sector Development*

- By addressing investment climate issues such as financial deepening; this can engender credit absorption from commercial lending and widen the currently narrow base of private sector players that have access to credit; Remove burdensome licensing procedures that are the backbone of high start-up costs in Tanzania;
- The need to ease restrictive labor regulations, difficulties in registering property, poor property rights, and ameliorate the poor infrastructure, exemplified in recent years by the crisis in the energy sector;
- The need to upgrade the fight against corruption and poor governance that undermine private investment. Corruption is induced by government regulations including complex business licensing systems, overlapping regulatory mandates, provision of ad hoc tax exemptions and a legal system with loopholes in dispute resolution.

9.2.3 *Development of Microfinance Services*

- The PRSL helped advance the development of micro-finance institutions and services through the support of the operationalisation of the legal, regulatory and supervisory framework for microfinance.
- Ongoing initiatives in this sector also merit the Bank's support. Future support could focus on the Export Credit Guarantee Scheme (ECGS) providing guarantees to commercial bank lending for crop marketing. The establishment of the Small and Medium Enterprise (SME) scheme to guarantee commercial bank credit to SMEs and the Development Finance Guarantee Facility (DFGF) to provide credit for medium-term.

9.2.4 *Strengthening Public Financial Management:*

- Despite support from this PRSL, the funding/coordination function of the PEFAR needs reviewed to introduce a strategic framework and achieve more vertical and horizontal coordination with the PAF.

9.3 RECOMMENDATIONS

PRBS/PAF Framework

- The Bank benefits from working within this framework to compliment its programs but should engage continuously on a multi-year basis;
- The Bank Group should continue to limit itself to conditions that are articulated within the Government and Donor agreed PAF/PEFAR;
- The Bank should find key niche sectors to which it can add significant value added. This would involve identifying and undertaking key pieces of analytical work, engaging sector colleagues in budget support operations and dialogue and strengthening country office capacity. This could be in sectors where the Bank Group have complementary sector activities (or those in this PRSL)
- The Bank should maintain the number of tranches within each operation to single tranche operations and increase their frequency, i.e. the Bank Group should move to multi-year single tranche operations consistent with other donors.

ANNEX I: Map of Tanzania



This map was provided by the African Development Bank exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the Bank and its members any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.

ANNEX II: Conditions of PRSL

Eight Conditions in the Appraisal report (paragraphs in brackets) governed the release of the PRSL:

- i) Opened a Special Account with the Bank of Tanzania into which the proceeds of the loan shall be deposited (Paragraph 5.4.1)
- ii) Achieved an overall Satisfactory assessment of PAF implementation during the PRBS/PRSC/PRSL annual review in November 2004 (Paragraph 5.2.6)
- iii) Submitted to Cabinet for approval the position paper on new Business Licencing System (Paragraph 5.2.11).
- iv) Appointed a Chief Executive Officer for the Better regulation Unit (Paragraph 5.2.15)
- v) Finalised and gazetted the Micro-finance Regulations (Paragraph 5.2.21)
- vi) Submitted the amended procurement Bill to parliament (Paragraph 5.2.24)
- vii) Issued the relevant Gazette Notice and a Circular from the presidents office –regional Administration and local Government (PO-RALG) instructin local authorities to reconstitute District tender Boards in line with the new procurement regulations (Paragraph 5.2.25)
- viii) Aailed a letter from the Ministry of Finance and Minutes of a Steering Committee Meeting confirming the appointment of the Programme Manager and Coordinator and establishment of a Coordination Secretariat (Paragraph 5.2.30)

ANNEX III: Rating of PRSL

Rating of PRSL

PROGRAMME IMPLEMENTATION PERFORMANCE, MAINLY Govt. of Tanzania		
Component indicators	Score	Remarks (mapped from PCR with references in brackets)
1. Compliance on Time, Cost & Covenants		
a. Adherence to Time Schedule	2.5	Slippages were not substantial (3.1)
b. Adherence to Cost Schedule	3	Loan amounts were adhered to.
c. Compliance with covenants	2.5	Satisfactory (3.1 and 3.2)
d. Reporting	2.5	Interactive reports with PRBS (3.4).
e. Adequacy of Monitoring and Evaluation and Reporting	2	No interim reports were seen, (3.6)
2. Procurement Performance		
a. Procurement of Consultancy Services	2	There were no direct and identifiable procurements from the budget support. (3.4)
b. Procurement of Goods and Works	2	There were no direct and identifiable procurements from the budget support. (3.4)
3. Financial Performance		
a. Availability of foreign exchange	2.5	The loan was critical for public debt positioning in the progress to HIPC completion. The loan availed resources that Tanzania applied to public finances (3.7).
b. Availability of local currency	2	Counterpart funds were not a constraint in PRSL; (3.1)
c. Disbursement flows	2.7	A single Disbursements was effected; (3.7)
d. Cost management	2	No accounting cost overruns for the Bank loan. (3.1)
4. Activities and Works		
a. Performance of Consultants and Technical Assistants	2	There were no direct and identifiable procurements from the budget support. (3.4)
b. Performance of Project Management	2	The Ministry of Finance performed well but seems overstretched (3.6)
TOTAL	27	
OVERALL ASSESSMENT OF IMPLEMENTATION	2.3	
BANK PERFORMANCE		
Component indicators	Score	Remarks
a. Appraisal	2	In policy focus the appraisal and components were appropriate. The conditions of the loan were unrealistic for policy impact. (4)
b. Supervision	2	The programme was supervised twice but missions should have applied expertise to draw out structural impediments (3.1; 3.3; 3.6)
c. Mid-term review	-	The MTR was not traced in activities, (3.1)
TOTAL	4	
OVERALL ASSESSMENT OF BANK PERFORMANCE	2.00	
PROJECT OUTCOME		
Component indicators	Score	Remarks
1. Relevance and Achievement of Objectives		
a. Macroeconomic Policy	3	The PRSL worked closely with other donors in PRBS reviews, (4.2).
b. Sector policy	2	The PRSL assisted in Tanzania's historic progress to HIPC/MDRI (2.1). Despite robust growth and good macro-policy outcomes, sector outcomes are marginal. Economic diversification and livelihoods remain weak(5.1).
c. Financial cost	2.5	Outcomes came at modest cost to Bank Group (Table 1 and 2.1)
d. Poverty alleviation, Socio-econ, Gender	2	The outcomes are positive for poverty reduction, but not sufficiently so in terms of the equity of poverty reduction.
e. Environment	2	Unknown quantity but no negative factors noted (5.2)
f. Private sector development	2	The cost of doing business is still high but could go down after policy measures of PRSL
2. Institutional development		
a. Institutional framework including restructuring	2	These factors in private sector, macro-finance and public finance management have been strengthened by developments in PRSL

b. Financial and Management Information Systems	2	This will improve in medium term, especially in PFMRP and budgeting (4.1) The IFMIS was working adequately in public accounts. (4.2)
c. Program Audit	2	Auditing was not traced but PCR mission was briefed by Accountant general and Senior Staff.
3. Sustainability		
a. Outputs	3	Sustainable (6.1)
b. Inputs	3	Donors seem satisfied, but donor dependence will continue(6.2)
TOTAL	25.5	
OVERALL ASSESSMENT OF PROGRAMME OUTCOMES.	2.32	
OVERALL PROGRAMME ASSESSMENT	2.2	
Legend: 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. Action required.		