

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



**UNITED REPUBLIC OF TANZANIA
COUNTRY STRATEGY PAPER
2011-2015**

**REGIONAL DEPARTMENT EAST 1
OREA
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CURRENCY EQUIVALENTS

February 2011

UA 1	=	US\$ 1.453
UA 1	=	EUR 1.13117
UA 1	=	TZS 2,098.99 (Tanzania Shilling)
US\$ 1	=	TZS 1,508 (Tanzania Shilling)

GOVERNMENT FISCAL YEAR

July 1st to 30th June

WEIGHTS AND MEASURES

Metric System

ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
AIDS	Acquired Immuno-Deficiency Syndrome
ALC	Alternative Learning Center
ALSD	Alternative Learning and Skills Development Project
ASDP	Agriculture Sector Development Program
BOT	Bank of Tanzania
CAR	Commitment at Risk
CCM	<i>Chama Cha Mapinduzi</i>
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CPIP	Country Portfolio Improvement Plan
CPPR	Country Portfolio Performance Review
CSP	Country Strategy Paper
CStP	Country Statistical profile
CUF	Civic United Front
DP(s)	Development Partner(s)
DPG	Development Partners' Group
DRM	Domestic Resource Mobilization
EA	Executing Agency
EAC	East African Community
EITI	Extractive Industries Transparency Initiative
ESW	Economic and Sector Work
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FY	Fiscal Year
GBS	General Budget Support
GDP	Gross Domestic Product
GIZ	<i>Gesellschaft für Internationale Zusammenarbeit</i>
GNU	Government of National Unity
GoT	Government of Tanzania
GSTP	Global System of Trade Preferences among Developing Countries
HDI	Human Development Index
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immuno-Deficiency Syndrome
IA	Implementation Agency
ICP	International Comparison Program
IFAD	International Fund for Agriculture Development
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IFLS	Integrated Labor Force Survey
ILO	International Labor Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
ISP	Institutional Support Project
JAST	Joint Assistance Strategy for Tanzania

JICA	Japan International Cooperation Agency
JPD	Joint Program Document
JSAN	(IMF-World Bank) Joint Staff Advisory Note
KOICA	Korea International Cooperation Agency
M&E	Monitoring and Evaluation
MCC	Millennium Challenge Corporation
MDGs	Millennium Development Goals
MIVARFP	Marketing Infrastructure, Value Addition & Rural Finance Program
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Tanzania</i>
MKUZA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar</i>
MTEF	Medium Term Expenditure Framework
MIVARF	Market Infrastructure, Value Addition and Rural Financing
NSGRP	National Strategy for Growth and Reduction of Poverty
PAF	Performance Assessment Framework
PCB	Prevention of Corruption Bureau
PCCB	Prevention and Combating of Corruption Bureau
PCR	Project Completion Report
PEDP	Primary Education Development Program
PEFAR	Public Expenditure Financial Accountability Review
PFM	Public Financial Management
PFMRP	Public Financial Management Reform Program
PIU	Project Implementing Unit
PPP	Purchasing Power Parity
PPPs	Public Private Partnerships
PRBS	Poverty Reduction Budget Support
PRSL	Poverty Reduction Support Loan
RIFF	Regional Integration Facilitation Forum
RISP	Regional Integration Strategy Paper
SADC	Southern African Development Community
SAI	Supreme Audit Institution
SBS	Sector Budget Support
SNA	System of National Accounts
SWOT	Strengths, Weaknesses, Opportunities and Threats
SEDP	Secondary Education Development Program
TANESCO	Tanzania Electricity Supply Company
TDHS	Tanzania Demographic and Health Survey
TDMS	Teacher Development and Management Strategy
THMIS	Tanzania HIV and Malaria Indicator Survey
TSMP	Tanzania Statistical Master Plan
TZS	Tanzanian Shilling
UA	Unit of Account
UN	United Nations
UNAIDS	United Nations Program on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund

UN-HABITAT	United Nations Human Settlements Program
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Entity for Gender Equality and the Empowerment of Women
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
US\$	United States of America Dollar
VAT	Value Added Tax
WFP	World Food Program
WHO	World Health Organization
ZSGRP	Zanzibar Strategy for Growth and Reduction of Poverty

I. INTRODUCTION

1. The Tanzania¹ Country Strategy Paper for 2011-2015 assesses the country's development challenges and prospects, and guides Bank Group's support to the priorities expressed in the new national development strategy². The Country Strategy lays emphasis on selectivity and rests on a single overarching theme: *supporting Tanzania become a more competitive economy and achieve inclusive growth aimed at reducing poverty*. This theme is anchored on two complementary pillars: (i) infrastructure development; and (ii) building an enabling institutional and business environment.

2. The preceding Bank Group Strategy (2006-2010) was drawn from the Joint Assistance Strategy for Tanzania (JAST), the Joint Program Document (JPD) and presented in an accompanying Cover Note.³ The three documents were approved by the Board of Directors in 2007. The Joint Assistance Strategy expired in 2010. Nonetheless, development partners have principally agreed to continue working in the spirit of the JAST while deciding on how best to proceed with future collaborations. Accordingly, the Bank and several other partners are progressing with preparation of their respective assistance strategies; consistent with the new national development plan.⁴

3. Preparation of this Strategy benefited from elaborate consultations with Government, development partners, private sector and civic institutions—including research and academic concerns. It incorporates lessons from the 2006-2010 JAST and is underpinned by analytic and diagnostic knowledge products. In addition to optimally utilizing Tanzania's performance based concessionary resources allocation, the Strategy positions the Bank to assume a more catalytic role in leveraging additional private and non-Bank resources.

II. COUNTRY CONTEXT AND PROSPECTS

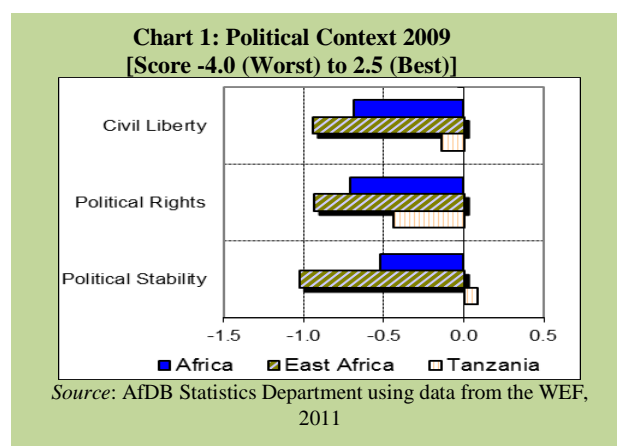
Political Context

4. Tanzania continues to be politically stable and peaceful; free of ethnic cleavages and labor unrest. These factors partly explain the country's continued attraction as an investment destination despite the relatively high cost of doing business and other structural hurdles.

5. The country scores better than other East African countries in terms of civil liberties and political rights, although there is room for improvement (see Chart 1). Strength elements include liberties such as: freedoms of press, speech and religion; freedom of assembly and association, and constitutionally guaranteed Women's rights.

Areas needing improvement include: weak transparency and accountability institutions; business climate bottlenecks; and deteriorating educational quality.

6. In the October 2010 Presidential and Parliamentary elections, the incumbent President and the ruling *Chama Cha Mapinduzi* (CCM) party secured re-election; winning 61.2 percent of the votes. The nearest opposition candidate garnered 26.3 percent. The comfortable victory margin notwithstanding, these results, compared to the 2005 election results, marked a slump in the CCM's



¹ Tanzania derives from the names of the two states-- Tanganyika and Zanzibar-- that united in 1964 to form the United Republic of Tanzania.

² The country's new development framework consists of the strategy for the mainland; the National Strategy for Growth and Reduction of Poverty II (or NSGRP II) and the Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP II). The NSGRP II and ZSGRP II are also popularly referred to by their Swahili acronyms as MKUKUTA II (*Mkakati wa Kukuza Uchumi na Kupunguza Umasikini*) and MKUZA II (*Mkakati wa Kukuza Uchumi na Kupunguza Umasikini Zanzibar*), respectively.

³ The respective Board documents were ADB/BD/WP/2007/55, and ADF/BD/WP/2007/41. The JAST MOU was signed on 05 December 2006 by the Government and 19 Development Partners, namely-- African Development Bank, Belgium, Canada, Denmark, European Commission, Finland, France, Ireland, Japan, Germany, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, World Bank, United Nations Organizations and United States of America.

⁴ These include: DFID, the UN-system, The World Bank, Denmark and Sweden.

popularity for the first time. The latest result also points to a more spirited and competitive political environment than before.

7. In a July 2010 referendum that preceded general elections, 66.4 percent of Zanzibari voters agreed to the formation of a Government of National Unity (GNU). The GNU was, in effect, a political compromise between the two key political parties; CCM and Civic United Front (CUF). In the near-term, the key domestic political development to watch is the ongoing national debate about the Constitution reform process.

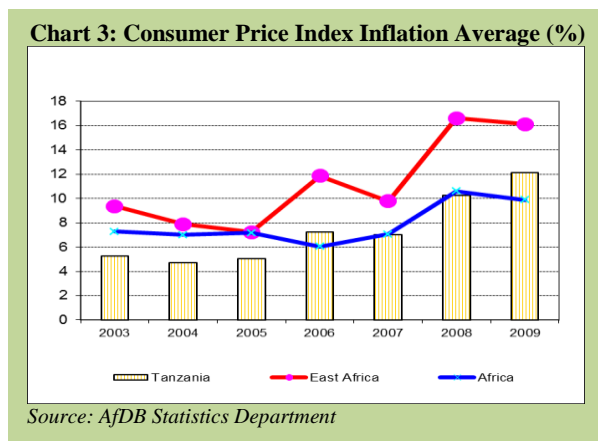
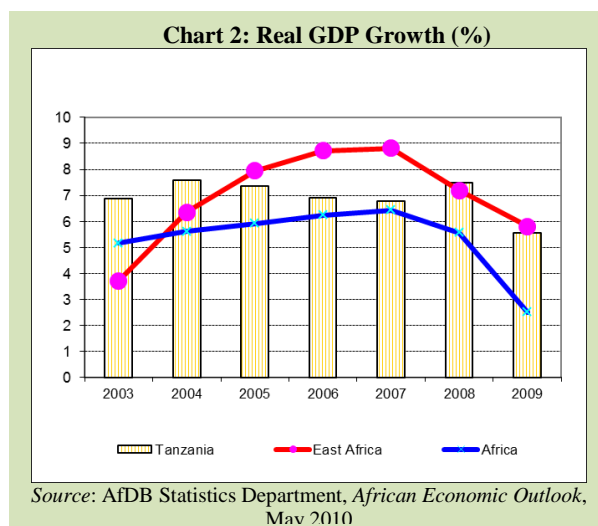
Economic Context

8. *Economic Structure*: The economy is still highly dependent on agriculture, contributing an estimated 30 percent to GDP and employing nearly 80 percent of the working population. The service sector—which has been growing rapidly in recent years—accounts for approximately 47 percent (for opportunities and challenges see paragraphs 48-58). The two sectors are expected to continue their dominance of the economy in the foreseeable future. The industrial sector, dominated by the construction sub-sector, accounts for 23 percent. Industrial production plummeted in 2008-09 in the aftermath of the global economic slowdown. However, the sector has since rebounded, despite severe and persistent power outages as well as rising fuel prices, both of which do not bode well in the short and medium term. Since 2000, the mining sub-sector has attracted the bulk of foreign direct investment (FDI), contributing to its rapid growth. Nevertheless, its share of GDP remains small (2.3 percent), partly because it is import dependent and not linked to the other sectors of the economy. The sub-sector still accounts for a quarter of total exports.

9. *Economic Growth*: The country has achieved impressive economic growth since the mid-1990s, with reasonably low inflation. This reflects the GoT’s reform agenda, launched in the late 1980s, ushering in a change in orientation from a state-led strategy to market liberalization. Real annual GDP growth increased from 3.3 percent in the early 1990s to an average of 7 percent in the late 1990s. In 2009, because of the global financial crisis, GDP growth stood close to 6 percent, and recovered to 7 percent in 2010 (Chart 2).

10. *Growth Drivers*: GDP growth was driven by private consumption (growing population), exports (due to favorable gold prices) and gross fixed capital (mainly public investment). Private investment is expected to lead growth in the short and medium term. In terms of dynamic sectors, tourism and mining continue to experience high growth rate even if agriculture remains the largest sector.

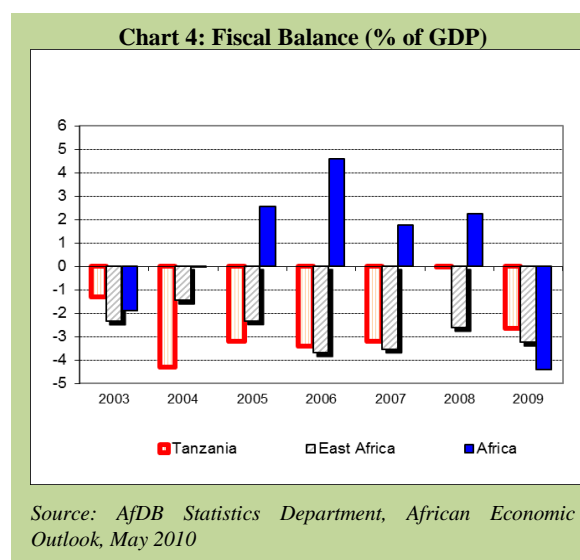
11. *Macroeconomic Management*: Since early 2007, macroeconomic management has been guided by the IMF’s Policy Support Instrument (PSI). The current PSI, approved in June 2010, aims to maintain macroeconomic stability and support accelerated growth in line with the national development strategy. According to the March 2011 IMF review, the program has been implemented satisfactorily and remains on track despite short-term challenges. (See para 12 - 14).



12. *Monetary Policy*: In recent years, the policy has focused on managing growth of broad money and credit, containing liquidity-induced inflation, while making space for increased private sector lending. In this regard, monetary targets have closely followed the IMF PSI targets.

13. Inflationary pressures emerged in 2008 and continued in 2009, resulting in double-digit figures of 10.3 percent and 12.1 percent respectively. The rate dropped to 7.2 percent in 2010 (Chart 3), due mainly to improved food supply. Due to structural rigidities in the economy that are likely to keep non-food prices high, headline inflation is projected to rise overall in 2011. Moreover, rising global oil prices will keep local fuel and transportation costs high, sustaining inflation above government targets. The high weighting of food in the inflation index and the volatility of money-supply growth have also added extra challenges.

14. *Fiscal Policy*: Revenue collections in the recent past improved significantly as a result of fiscal discipline between 1998 and 2002. However, due largely to increases in current spending, fiscal discipline lagged in the ensuing years; causing a significant rise in total Government expenditures. Domestic revenues increased by 71 percent from TZS 2.7 trillion in 2006/07 to TZS 4.7 trillion in 2009/10, while government expenditures doubled over the same period. Coupled with reductions in FDI and remittances, and reductions in infrastructure financing, the 2008 global recession caused a sharp drop in export-based revenue; causing revenue collections to miss targets by 10 percent. As a result, fiscal balance moved from a small surplus to a sizeable deficits in the two subsequent fiscal years (-4.8% of GDP in 2008/09 and -6.9% in 2009/10).



15. After years of steady gains, tax revenues stubbornly remain around 15 percent of GDP and well below potential, while expenditures continue to rise largely driven by current outlays.⁵ Consequently, domestically financed investments now depend on less predictable financing resources. Under the PSI arrangement with the IMF, the GoT has committed itself to widening the tax base, limiting exemptions and bringing the informal sector into the tax net as well as enhancing revenue collection methods. These reform measures are consistent with the recommendations of the 2010 Bank's Domestic Resource Mobilization (DRM) study in East Africa.⁶

16. *Exchange Rate and External Sector Developments*: The Tanzanian Shilling exchange rate is market determined, with only sporadic official interventions by the Central Bank to smooth out excessive volatility. As a result, the shilling has not been volatile or overvalued, although it depreciated by about 27 percent against the US dollar between 2006 and 2010. Its continued depreciation could translate into higher domestic prices and result in inflationary pressures on the real economy, particularly through the cost of imported fuel and other inputs. The global financial crisis also adversely affected exports, declining by 2 percent in 2009 after recording a growth of about 33 percent in 2008, which was boosted by the weak shilling and favorable commodity prices. Likewise, imports declined significantly, by 10.9 percent in the same period. Consequently, the current account deficit improved marginally from \$3.4 billion in 2008 (10.2% of GDP) to \$2.8 billion in 2009 (10% of GDP). Preliminary 2010 data point to a recovery, due largely to increase in gold exports caused by higher prices in the world market. Additionally, an IMF balance of payments support in favor of Tanzania, under the Exogenous Shock Facility (ESF), led to a spike in gross

⁵ Wages for example, have doubled relative to GDP over the last decade and now account for approximately 40% of tax revenue.

⁶ African Development Bank (2010), *Domestic Resource Mobilization for Poverty Reduction in East Africa: Tanzania Case Study*. Document Nos. ADB/BD/IF/2010/305 and ADF/BD/IF/2010/292. Tunis: African Development Bank.

reserves to about \$3.9 billion by January 2011; sufficient to cover six-month import of goods and services.

17. *Medium-term Prospects*: The expected continued global recovery and an ambitious green revolution to revamp agriculture, popularly known as *Kilimo Kwanza* (agriculture first) initiative, bode well for Tanzania's economy. According to Bank projections, growth is envisaged to revert to its pre-crisis trajectory, having reached 7 percent in 2010, but expected to slow down slightly to 6.8 percent in 2011; bouncing back to 7.5 percent in 2012 and 7.8 percent by 2013.

18. There are two main challenges to the projected robust growth figures: First, the growing fiscal deficit (see paragraph 14) resulting from GoT's optimistic revenue projections (& expenditure patterns) implies a potential need to raise bridging funds. In turn, this could lead to an even greater reliance on foreign grants and investment, or resorting to non-concessional borrowing.⁷ Public debt in present value terms stood at 35.8 percent of GDP in 2010, and the ratio of debt service-to-revenue increased from 7.5 percent in 2008 to 10.9 percent in 2010. However, the May 2010 joint IMF-World Bank Debt Sustainability Analysis (DSA) concluded that the envisaged additional foreign financing over the medium term would not necessarily jeopardize long-term debt sustainability, even though it would increase the Present Value (PV) of debt-to-GDP and other indicators.

19. The second challenge over the medium-term is that growth remains highly heterogeneous; differentiated geographically and across various segments of society.

20. Tanzania's economic challenges are more structural in nature (see paragraphs 53-61). Most pressing challenges include: acute infrastructural bottlenecks—particularly in transport and energy, a deficient fiduciary environment impeding private sector development and an under-performing agricultural sector hindering poverty reduction efforts. A weak human resource base and significant skills mismatch resulting from a deteriorating higher education system is also part of the structural constraint. The Bank Group's proposed areas of intervention during this Strategy period derive from these challenges (see paragraphs 76-81).

Governance

21. Tanzania has mixed achieved governance results. The World Bank's Governance Indicators ranks the country between the 25 to 50 percentile amongst the 212 countries surveyed in 2009; attaining its best score for political stability and lowest for regulatory quality. Furthermore, the Mo Ibrahim Index of African Governance shows that, between 2008 and 2009, Tanzania maintained its overall score of 55.0 (out of the highest possible score of 100) and its ranking remained unchanged at 12th place out of the 48 Sub-Saharan African countries.⁸ Similarly, Tanzania's ranking in the Bank Group's overall Policy and Institutional Assessment (CPIA) rating has remained at 4 for the past five years, while its governance rating has remained at 3.8.

22. *Control of Corruption* Various indicators continue to rank Tanzania low in its efforts to control corruption. For example, although the country's score on Transparency International's Corruption Perception Index (CPI) improved between 1998 and 2007, both in absolute and relative terms⁹, by 2009 the score was back to its low 2002 levels. In the 2010 CPI Tanzania scored 2.7, ranking it 116th out of 178 countries. The CPI by definition assesses perceived rather than actual cases of corruption. It, nonetheless, confirms respondents' opinion about rising corruption levels.

23. As highlighted in Box 1, anti-corruption efforts and initiatives go back several decades. Still, both petty and grand corruption persists in the country. In general, there is inadequate access to public information on corruption, as well as a lack of systematic surveying/monitoring and reporting. Recently, the President ordered immediate publication of a long-anticipated National Governance

⁷ The Government is currently negotiating a non-concessional credit line with of the Commercial Banks. The IMF and other DPs are aware of this development and are following very closely.

⁸ The Mo Ibrahim Index assesses the delivery of public goods and services to citizens by government and non-state actors. It uses indicators across four main categories as proxies for the quality of the processes and outcomes of governance. They are: (i) safety and rule of law; (ii) participation and human rights; (iii) sustainable economic opportunity; and (iv) human development.

⁹ Tanzania improved its ranking from 1.9 to 3.2

and Corruption Survey report, conducted in 2009. Incidents of grand corruption scandals, weak sanctions, deficient accounting standards and ineffective internal/external audit; all underscore the need for greater oversight and accountability in government, strengthening legal and judicial reforms and revamping the country's fiduciary environment.¹⁰

Box 1: Combatting Corruption in Tanzania

Efforts by the GoT to combat corruption go as far back as 1966 with the formation of the Permanent Commission of Inquiry (Ombudsman) to check on the abuse of powers by government officials and agencies. This was followed by the 1971 Prevention of Corruption Act, and subsequently, the creation of the Anti-Corruption Squad in 1975, which in 1991 was replaced by Prevention of Corruption Bureau (PCB), and later in 2001 evolved to Prevention and Combating of Corruption Bureau (PCCB).

In 1996, the then president set up the Warioba Commission of Inquiry to undertake a comprehensive study on corruption which produced a detailed report with various anti-corruption recommendations. Between 2005 and January 2011, PCCB received more than 35,000 allegations, and completed 7,339 investigations. During the same period, 928 new corruption related cases were taken to courts, 798 of which were filed since the new Prevention and Combating of Corruption Act (2007) became operational. In total, between 2005 and January 2011 the courts prosecuted 2,698 corruption related cases, resulting into 208 convictions against corrupt offenders, and recovery of about US\$ 19.5 million. The most recent high profile corruption cases have involved two ex-Ministers and ex-Permanent Secretary (case still on-going); ex-employees of the Central Bank (one has been convicted – related to loss of US\$ 74 million; one case on-going – related to loss of US\$ 70 million); and former Ambassador. Also, between 1995 and 2010, administrative actions were taken against 934 corrupt public servants.

24. *Public Financial Management:* Results in PFM performance have been varied. Government has enacted various legislations defining roles and responsibilities, accountability of spending agencies, transparency requirements, and sanctions arrangements.¹¹

25. The PFM reform agenda is presented in the GoT's Public Financial Management Reform Program (PFMRP III), which expires in June 2011.¹² In September 2010, a joint GoT/Partners mission assessed implementation progress of the action plan and found the overall progress to be 'moderately satisfactory.'¹³ Similarly, the most recent Public Expenditure and Financial Accountability Assessment Review (PEFAR) results concluded that there are still challenges with Government ownership of specific reforms.¹⁴

26. The next phase of PFMRP aims to consolidate gains achieved thus far, and address remaining challenges in the system. Seven key areas have been identified to meet this objective: (i) revenue collections; (ii) planning and budget management; (iii) public financial accountability and transparency; (iv) legal regulatory framework; (v) public investments and management; (vi) public debt management; (vii) change management, program governance and management arrangements; and (viii) building capacities of the Supreme Audit Institution (SAI), the Accountant General, internal audit and parliamentary scrutiny.¹⁵

27. Along with progress in some areas, reinforcing fiscal discipline on budget formulation and execution still requires urgent Government action. Improvements are especially needed in cash and budget management, Integrated Financial Management Information Systems (IFMIS), flow of funds to Local Government Authorities (LGAs)¹⁶ and building local PFM capacity. Annual budget cycles also need to be carefully integrated into a transparent and realistic medium-term expenditure and borrowing plans, accompanied by greater oversight. Regular monitoring of the Public Financial Management Reform Program (PFMRP) is key to improved compliance with procurement regulations and to achieve better value for money.

¹⁰ There are currently several pending legislations designed to address these challenges, including: Right to Information Act; Public Leadership Code of Ethics Act, and; Whistleblowers Act, all of which would help enhance transparency and demonstrate political will to further strengthen Tanzania's legal framework.

¹¹ These include the Constitution (1977); Tanzania Revenue Authority Act (1994); Public Finance Act (2001, revised in 2004); Public Procurement Act (2004); Local Government Finance Act (1982 amended in 2001); Loans, Grants and Guarantees Act, a new Audit Act (2008) and a new Public-Private Partnership Act (2010). The New PPA being drafted and expected to be presented to parliament by April 2011.

¹² The Bank's intervention in this area is through the Institution Support for Good Governance Project II (ISP II).

¹³ Out of 24 short-term actions, 15 were assessed as green, 1 orange, 5 red, 2 as split and 1 as not applicable – the mission used a 'traffic light system' when assessing implementation (*Green* indicating successful implementation, *orange* partially satisfactory and *red* not implemented).

¹⁴ The most recent PEFA was carried out between June 2008 and March 2009, with a further review in May 2010.

¹⁵ PFMRP IV and ISP II also address capacity issues at the supreme audit institution; the accountant-general's office; internal audit and parliamentary oversight. These interventions, among others, will help the Bank to accelerate Use of Country FM systems in its aid delivery to Tanzania.

¹⁶ A KPMG report for the system audit of Epicor IFMS revealed weaknesses both at the Central and Local government.

28. Since 2007, the Bank, through its General Budget Support and Institutional Support operations,¹⁷ and in close coordination with other partners through the General Budget Support Working Group, has consistently supported Government efforts to implement a robust PFM reform agenda. These interventions have helped Government to deter and detect corrupt practices by strengthening accountability and transparency up-stream in the anti-corruption process.

Business Environment and Competitiveness

29. Business Environment: Whereas GoT is committed to developing the country's nascent private sector, this resolve has yet to be sufficiently translated into adequate actions. Hence, the slow pace of reforms continues to dampen overall investor confidence.

30. In recent years, Tanzania has slipped in the World Bank's *Doing Business Report 2011*. Out of 183 countries, its ranking dropped from 125th to 128th for 2010 and 2011 respectively. The drop is attributed to the worsening ranking in five areas (see Table 1).

31. Improving the business environment is accorded high priority by both the GoT and partners. It was a key issue in the 2009 and 2010 GBS Annual Reviews. In response to the deteriorating rankings in the Ease of Doing Business, the GoT adopted a *Roadmap* in 2010 focused on short, medium and long-term reforms. Its implementation, however, has been slow, suggesting continued unfavorable legal and regulatory frameworks plus limited reform capacity in the public sector.

32. Other initiatives under implementation to improve the business environment include the Business Environment Strengthening for Tanzania Program (BEST), the Tax Modernization Program, and an on-going Second Generation Financial Sector Reform Program. Efforts to simplify business entry, operation and exit are also underway. A one-stop non-pre-approved business registration system is scheduled to come on line in 2011.

33. Competitiveness: Tanzania ranked 113th in the 2010-11 *Global Competitiveness Report*, having slid by nine positions from the previous year. Most notably, the country has dropped from 97th (out of 122 countries) in 2006 to 113th (out of 134) in 2008. Key challenges underlying this decline include: the country's undeveloped infrastructure, particularly in energy and transport, low human capital development, an unsatisfactory regulatory and legal environment, and poor quality human resource base. The financial sector also remains underdeveloped, resulting in limited access to financial services. Less than 17 percent of formal businesses reported borrowing from financial institutions and the stock of private sector credit is only 16-17 percent of GDP.

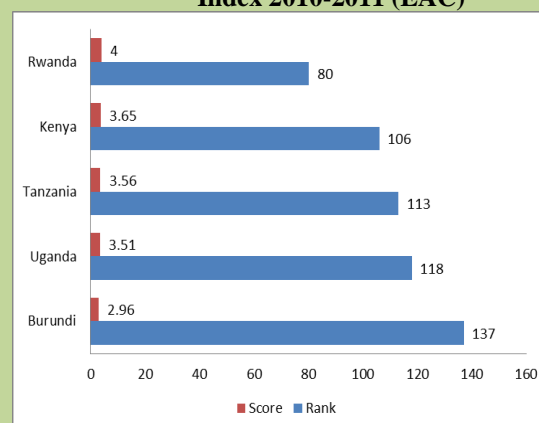
34. Other challenges contributing to Tanzania's poor showing include: failure to implement pension fund reforms necessary to inject long-term liquidity into the economy, stalled land reform,

Table 1:
Ease of Doing Business (Global Rank) 2010-2011

Topic Rankings	DB 2011 Rank	DB 2010 Rank	Change in Rank
Starting a Business	122	122	No change
Dealing with Construction Permits	179	179	No change
Registering Property	151	148	-3
Getting Credit	89	87	-2
Protecting Investors	93	92	-1
Paying Taxes	120	116	-4
Trading Across Borders	109	111	2
Enforcing Contracts	32	32	No change
Closing a Business	113	112	-1

Source: Doing Business, World Bank 2011

Chart 5:
Rankings - GCI Global Competitiveness Index 2010-2011 (EAC)



Source: The Global Competitiveness Report 2010-2011, WEF, 2010-11

¹⁷ PRSL I (May-December 2005); PRSL II (June 2006 – December 2007) and PRSL III (November 2008 – August 2009).

lack of a national identity system¹⁸, and inconsistencies in the application of laws and regulations. Through selective interventions in infrastructure, governance and human development, the Bank is well positioned to tackle some of these challenges.

Regional Integration and Trade

35. Tanzania is party to various regional integration and trade affiliations as summarized in Box 2 below. For close to two decades, it has implemented both external and domestic trade liberalization programs. Measures taken under global trade liberalization include a lowering of applied and bound tariffs rates, simplification of trade procedures and abolition of licensing as well as administrative controls. Liberalizations on the domestic front include elimination of state controls, phasing-out monopoly commodity marketing boards and state companies. Additional measures in this regard

Box 2: Major Regional Integration and Trade Affiliations

Tanzania is a member of the EAC, SADC, the Regional Integration Facilitation Forum (RIFF), and is granted non-reciprocal trade preferences by the EC under the Cotonou Agreement and the Everything-but-Arms (EBA) initiative, the United States' AGOA, and the GSP schemes of mainly Australia, Canada, EC, Japan, New Zealand and the United States. It has also participated in the Agreement on the Global System of Trade Preferences among Developing Countries (GSTP) since 19 April 1989. Under the GSTP, India and Turkey grant preferential access to Tanzania.

Tanzania is a former member of the Common Market for Eastern and Southern Africa (COMESA), from which it withdrew in 2000. However, Kenya and Uganda remain members of both the COMESA and EAC, complicating the latter's drive towards a unified market within COMESA. Starting in 2008, there are plans to merge 26 countries in eastern and southern Africa into a single trading bloc under the COMESA-EAC-SADC tripartite arrangement, which will have a combined gross domestic product (GDP) of \$625 billion.

include liberalization of foreign exchange market and attempts to open rural areas to markets through infrastructure development. A national trade policy was also adopted in 2005, responding to and building upon the various reforms above.¹⁹

36. Since 2006, Tanzania's exports of goods and services have averaged 22 percent of GDP while imports have averaged 35 percent. Exports increased from \$1.9 billion in 2006 to \$3 billion in 2009, while imports rose from \$3.9 billion in 2006 to \$5.9 billion for the same period.

37. The trade flows data in table2 depicts low volume intra-regional trade within the EAC. These trade flows are expected to increase following full operationalization of the EAC Customs Union since January 2010. The Customs Union has seen the removal of tariffs among member states, application of a common external tariff and a move to an EAC Common Market since July 2010. The move to a Common Market implies freer trade, and freer movement of goods, services, capital and people within the region. There is also a substantial amount of informal trade with neighboring EAC countries, mainly in food items, which is not fully captured by official statistics

	2007	2008	2009
Regional Shares of Exports			
Europe	36%	33%	30%
SADC	14%	15%	12%
EAC	8%	10%	9%
Africa	22%	29%	22%
America	2%	2%	2%
Asia	17%	20%	28%
Regional Shares of Imports			
Europe	29%	27%	23%
SADC	14%	15%	13%
EAC	2%	3%	5%
Africa	17%	19%	19%
America	7%	6%	5%
Asia	40%	44%	43%
<i>Source: United Republic of Tanzania, 2010: Economic Survey</i>			

38. Going forward, Tanzania still faces challenges to integration and trade, particularly in the areas of hard infrastructure (road transport, ports, energy, including the absence of power pools and interconnections) as well as soft (financial markets, investment and business regulation and procedures, customs/boarder post arrangements, policy harmonization).²⁰ All these areas are ripe for the Bank's intervention in regional infrastructure development (transport, energy, ICT and shared

¹⁸ Measures are already underway to address this issue, and in April 2011, the Government formally contracted a Malaysian firm to implement the National Identification Project. Production of national identity cards is expected to start this year.

¹⁹ Tanzania (2003), Trade Policy for a Competitive Economy and Export-led Growth. Dar es Salaam: Ministry of Industry and Trade.

²⁰ See African Development Bank (2010), *African Development Report: Logistics and Trade in Africa*. Tunis: African Development Bank.

water resources) and capacity building; as highlighted in the recent Regional Integration Strategy for East Africa.

Social Inclusion and Equity

39. *Poverty:* Tanzania's ranking in UNDP's Human Development Index improved marginally from 0.370 in 2005 to 0.398 in 2010. Still, poverty remains high; suggesting that despite impressive macroeconomic achievements and sustained economic growth over the past decade, there has been very little impact on the incomes and well-being of the poor. Available evidences point to the weak redistributive aspect of growth, especially the weak linkages with rural areas where the majority of the population lives. According to the 2007 Household Budget Survey (HBS), the basic needs poverty ratio was 33.4 percent, representing only a modest decline from 35.6 percent in the 2000/01 HBS. Income inequality appears to have remained unchanged as reflected in the Gini Coefficients.²¹ Poverty remains predominantly rural (as high as 37.4% due largely to low agricultural growth caused by drought, low rainfall and lack of and/or poor agriculture equipment and productivity). There are also substantial numbers of poor people in urban/peri-urban areas. These developments suggest that the MDG target of halving abject poverty by 2015 may not be achieved (Annex VIII & Annex IX).

40. *Health:* Inadequate facilities and acute shortage of skilled personnel pose challenges in the health sector. Estimates from the 2009 Joint Health Sector Review suggest that only 35 percent of the required skilled workforce is active in the rural areas. Nonetheless, the sector has recorded some gains in recent years. The recent Tanzania Demographic and Health Survey (TDHS 2009/2010) shows infant mortality rate declined from 58 deaths per 1,000 live births in 2007/08 to 51 in 2009/10. Under-five mortality rate also declined from 91 deaths per 1,000 live births between 2007/8 and 2009/10 to 81 in 2009/10.²² Likewise, between 2007/8 and 2009/10, maternal mortality declined significantly from 578 to 454 deaths per 100,000 live births. Based on the 2007/08 HIV and Malaria Indicator Survey, HIV prevalence among the 15-49 age group declined from about 10 percent to 5.7 percent in late 1990s, with a higher incidence among women. Malaria prevalence in Zanzibar has remained significantly low at 1 percent since 2007, down from over 40 percent before 2005.

41. *Education:* A quarter of adult Tanzanians have no education and 32.5 percent of women and 16.9 percent of men are illiterate.²³ Following implementation of major sector reforms, there have been significant improvements in the provision of basic education. Net primary school enrollment increased from 59 percent in 2000 to 95.4 percent in 2010; secondary school net enrolment rate reached 27.8 percent in 2009, up from 23.5 percent in 2007. However, the quality of education, particularly in secondary schools, has declined markedly. The pass rate at the Form-IV level dropped from 26.7 percent in 2008 to 11.5 percent in 2010—a development that points to, among other things, decreasing performance and the urgency of addressing quality education delivery.²⁴ Key constraints specific to the sector include: teacher shortages, lack of teaching and learning materials, inadequate facilities including science and language laboratories.

42. *Labor Force and Employment:* According to the 2006 Integrated Labor Force Survey (ILFS), the size of the labor force is estimated to be in excess of 19 million; with an overall participation rate of 89.6 percent. Unemployment is currently estimated at 4.3 percent and youth unemployment (people aged 15-24) stood at 14.9 percent in 2006. The rate is estimated to be as high as 24 percent amongst urban youth. Underemployment, although thought to be high, is not fully captured by official statistics. Over 76 percent of the labor force is engaged in small-scale, mostly rain-fed, subsistence agriculture. The lack of requisite skills is a constraint to private sector development. This was confirmed during several Bank consultations with a cross-section of private sector employers.

²¹ The Gini coefficient of 0.35 in the 2007 HBS was virtually unchanged from the 2000/01 HBS, and in fact, was essentially the same as the 0.34 figure in the 1991/92 HBS.

²² Tanzania HIV & Malaria Indicator Survey.

²³ 2005 Multi-Sector Country Gender Profile for Tanzania.

²⁴ Currently, the main focus in education is to implement the major components of the Education Sector Development Program (ESDP), which are: Primary Education Development Program Phase II (PEDP II 2007-2011); Secondary Education Development Program (SEDP-2004-2009); Teacher Development and Management Strategy (TDMS)-2007; Technical and Higher Education Sub Master Plan 2003-2018; and Preparation of the second phase of SEDP.

Rising levels of youth unemployment could have adverse implications for national development, including a loss of their potential contribution to nation building, increased poverty and vulnerability, and pose a potential threat to the social fabric and national security.

43. *Gender*: Unemployment is 5.8 percent amongst women compared to 2.8 percent amongst men (ILFS, 2006); and the former constitute about 89 percent of the labor force. The HBS (2007) estimates that average earnings for men is 1.7 times higher than women. Though gender parity in primary school has been consistently good and parity has been attained at the national level, girls in some regions face difficulties in completing the primary cycle. At the secondary level, proportion of girls in government schools is still below 45 percent in Form One and below 35 percent in Form Six. In 2010 Global Gender Gap Report, Tanzania had a Gender Development Index of 0.68 and was ranked 66 out of 134 countries. This suggests a moderately high male/female gender disparity. To address this disparity, Tanzania is a signatory to several international treaties including the Convention on the Elimination of all forms of Discrimination against Women. A dedicated ministry has also been established to provide leadership on gender equality and formulates gender sensitive policies/Action Plans to advance women empowerment.

Environment and Climate Change

44. Tanzania faces various environmental challenges, many of which have significant bearing on government policy choices. Human impacts on deforestation, soil erosion, overgrazing, and abuse of water resources and loss of biodiversity have all contributed to significant land degradation. Poor agricultural practices such as shifting cultivation, lack of crop rotation, inadequate agricultural technology and land husbandry techniques further exacerbate the problem. Pollution is also a major problem in urban areas, particularly with improper treatment and disposal of solid and liquid waste. Most recently, there have been challenges in the management of mineral resources, particularly with prospecting and mining practices and their environmental and social impacts.

45. With regard to climate change and its impact, a 2009 assessment revealed the following environmental challenges: (a) steady increase in temperature for the past 30 years; (b) severe and recurrent droughts in the past few years, with over 60 percent of land facing serious desertification; (c) dramatic drop of water levels in all lakes (e.g., Lake Victoria dropped by 2.57 meters between 1965 and 2006); and (d) loss of about 80 percent of the glacier on Mount Kilimanjaro since 1912, with projections of total glacier loss by 2025. The GoT, with the support of the Norwegian government, is developing a national climate change adaptation and mitigation plan. A pilot program was launched as part of that plan to reduce deforestation, develop methodologies for carbon accounting, promote research and capacity building, as well as to promote Public Private Partnerships to enhance investments in sustainable management of forest resources. The GoT also launched a task force to help develop a National Strategy for Reducing Emissions from Deforestation and Forest Degradation (REDD) and for enhancement of voluntary carbon market in Tanzania, which presents an opportunity for Bank intervention in this agenda.

III. STRATEGIC OPTIONS

Country Strategic Framework

46. Tanzania's overall development framework and long-term social and economic development goals are laid out in the National Vision 2025 and Zanzibar Vision 2020. The medium-term objectives for Mainland Tanzania and Zanzibar are guided by the NSGRP II and ZSGRP II, both of which make up the national development strategy approved at the end of 2010, and to be implemented over the period 2010/2011 – 2014/2015.

Box 3: Bank Group Consultations on the Country Strategy Paper

In developing this Strategy, the Bank held wide-ranging consultations with the Government, various development partners, as well as other non-state stakeholders from the private sector, academia and civil society. The discussions focused on the: (i) country context and prospects; (ii) indicative project pipeline and its consistency with the proposed pillars as well as with Government priorities; (iii) what other Partners plan to undertake in the period covered by the Strategy; and (iv) formulation of a Results Framework for the Strategy, focusing on outcome and output indicators.

47. The Mainland development strategy focuses on three broad clusters: (i) growth and reduction of income poverty; (ii) improvement of quality of life and social well-being; and (iii) governance and accountability. Similarly, Zanzibar's development strategy focuses on three clusters: (i) growth and reduction of income poverty; (ii) improvement of social services and well-being; and (iii) good governance and national unity. The strategies are fully linked with the MDGs, and encompass key sectors and cross-cutting issues, including private sector development.

48. According to a Joint Staff Advisory Note (JSAN) published by the IMF and the World Bank in January 2011, the ambitious projections underlying the new national development strategy (8.5% growth annually) will require policy interventions on multiple fronts. Furthermore, whereas the JSAN lauds the strategy's focus on agriculture and social sectors, particularly education quality, it also points out that priority should be accorded to infrastructure projects, especially those most pivotal for private sector-led growth. The JSAN also points to the need to accelerate implementation of PFM and anti-corruption reforms.

Strengths and Opportunities

49. *Geographic Location:* Tanzania is the largest country in the EAC and a major import/export gateway for two members: Burundi and Rwanda. It also has the potential to provide transport and logistics services for its landlocked neighbors: Eastern Congo, Malawi, Uganda and Zambia. With 800 kilometers of coastline along the Indian Ocean and long historic linkages with the Middle East and Asia, this vantage location could be better exploited to offer more efficient port services and related transport logistics crucial for the movement of goods and deepening regional integration.

50. *Natural Resources:* Tanzania is endowed with rich natural resources, including: land, water bodies, forest reserves, wildlife, exploitable hydrocarbons and minerals.²⁵ Transforming these resources through sustainable productive activities into higher value and exportable products could enable the country to attain the national development strategy's vision of a stronger, more balanced, broad-based and private sector-driven economy. For example, Tanzania controls 55 percent of Lake Victoria, the largest fresh-water lake in Africa. The yearly fish quota for the Lake is 730,000 tons. Yet, Tanzania lags behind Kenya in processed fish and fish exports.

51. *Tourism:* This sector offers various employment opportunities both directly (supporting over 200,000 jobs) and indirectly. In 2009, there were about 700,000 tourist arrivals, and total receipts from tourism amounted to \$1.3 billion in 2009. While tourism is significant in certain parts of the country, overall there is still more room for growth. Earnings from the sector could be significantly enhanced by strengthening regulatory and support policy framework, marketing of the sector's key attractions, ensuring sustainable utilization of wildlife and other natural resources, and incentivizing private investors to undertake infrastructure improvements.

52. *Foreign Investment Destination:* Tanzania has emerged as an attractive FDI destination partly due to its *political stability*, its location with a vast hinterland, and its favorable investment laws—though saddled with cumbersome implementation challenges. Recent years have seen sharp increases in FDI, reaching US\$ 744 million in 2008 and US\$ 650 million in 2009; with most investments going to the mining sector. FDI is expected to increase if the country enacts more comprehensive regulatory reforms and addresses infrastructure bottlenecks. Likewise, harmonization of mainland Tanzania and Zanzibar's foreign investment regimes would further boost the prospect.

Challenges and Weaknesses

53. *High Level of Poverty and low human development:* As discussed earlier (paragraph 39), despite recent sound macroeconomic achievements, Tanzania remains poor, with growth occurring in sectors with limited impact on the income levels of most citizens. The 2010 per capita income of approximately \$453²⁶ is low and a large proportion of its 44 million people have limited access to

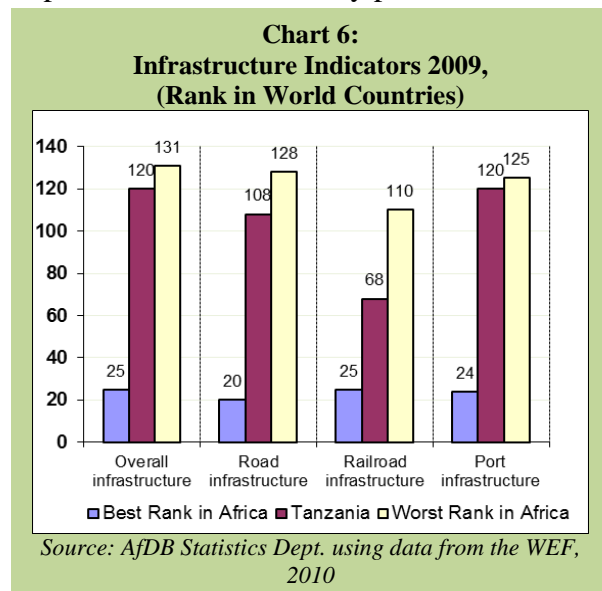
²⁵ A 2011 Extractive Industries Transparency Initiative report has pointed out that while the country is endowed with rich mineral resources, there are substantial discrepancies between the Government's reported revenue from the sector and that reported by mining firms.

²⁶ In U.S. dollars, at 2000 prices, using 2000 exchange rates

education, health and other basic services. Translating economic growth into increased poverty reduction remains the foremost challenge.

54. **Substantial Dependence on Aid:** Approximately 30 percent of government spending depends on foreign aid; making Tanzania one of the largest recipients of foreign aid in Sub-Saharan Africa. This renders the country vulnerable to global economic shocks. Tanzania needs to rectify the situation by, among other things, strengthening domestic resource mobilization instruments, reining-in government expenditures and expanding economic activities in the private sector.

55. **Infrastructure:** The state of transport, energy, water and port facilities is still very poor and in urgent need of Government action. The power sector is characterized by exceptionally high demand in the face of limited supply; even by the standards of other low income African countries (Chart 6).²⁷ Despite major investments in the water sector from the 1970s to the 1990s, water supply and sanitation services remain inadequate. The 2007 HBS showed that from 2000 to 2007, access to safe water declined by 10 percent in urban and 6 percent in rural areas.²⁸ Similarly, the Dar es Salaam port has serious capacity constraints caused by high traffic growth and poor backward linkages with inland transport networks, making the port inefficient and causing a major bottleneck for the national and regional economies. The poor condition of the rail sub-sector has caused a shift of freight to road transport which, in turn, has resulted in the deterioration of the already crumbling bitumen network due to movement of heavy goods vehicles. (See Annex XIII)



56. **Governance:** The public sector is characterized by weak financial controls and accountability, which translate into significant resource leakages (see paragraphs 21-27). There is an urgent need for improving internal controls within IFMIS, including better cash management in the control of funds and rolling out of IFMIS to Local Government Authorities (LGAs). Likewise, budget management needs to be better integrated in transparent and realistic medium-term expenditure and borrowing plans and underpinned by vigorous oversight systems and structures. Particular challenges remain with the public procurement system, especially with regard to the number and quality of procurement practitioners at LGA level. Lastly, knowledge of the Public Procurement Act and its regulations requires significant enhancement. This is particularly so, given Tanzania's decentralization trends and Partner's growing commitment to use national procurement systems.

57. **Agriculture:** The agricultural sector presents particular challenges with direct linkages to growth, poverty, and competitiveness (see paragraphs 8 and 39). In general, yields are low, while productions costs are high and income remains meager. Various price and export controls in the sector risk undermining market conditions and jeopardizing long-term sustainability. The new National Development Strategy emphasizes improvement in technological inputs, rural infrastructure and small holder financing (including through creation of an Agricultural Bank). There is, however, a need to fully integrate such interventions into a commercial value chain, which is indispensable for attracting large investments in the sector and realizing scale economies. This investment is crucial, especially in transportation, processing and marketing of agricultural produce, a significant proportion of which is currently wasted through post-harvest losses.

²⁷ These challenges are mostly the result of a lack of investment over time, failure of privatization strategies, lack of diversification in energy sources, governance issues, difficulties in access financing, and failure in timely implementation of projects.

²⁸ The HBS was based on data from selected samples of the population and a full census will be carried out in 2012. It should be noted that in order to address sector challenges, the GoT replaced its previous policy of free water provision and adopted instead a new National Water Policy in 2002, which focused on cost recovery, sustainability, and integrated water resources management. The GoT has also developed a sector strategy and a regulatory framework for sustained delivery of water services. A Water Sector Development Program, which started in 2007 is now in its fourth year of implementation, involving 280 Implementing Agencies and a funding envelope of \$1,200 million over a five-year period.

58. *Human Capital:* At present, much of Tanzania's post-primary education system exhibits severe quality deficiencies, with system expansion in recent years being an aggravating factor. Rapid and chaotic expansion has left many public sector institutions severely under-funded. Meanwhile, private for-profit education institutions are focused on short-term, market-driven demands that has resulted in, among other things, a general lack of skills and marked skills mismatch.²⁹

59. *Private Sector Environment:* Tanzania's private sector is constrained by several factors including infrastructure bottlenecks, an underdeveloped financial sector and weak human and institutional (particularly, regulatory) capacity. Further deregulation of the economy and reduction in the cumbersome bureaucracy will significantly improve the enabling environment. This can be achieved by creating catalytic and demonstration effects for entrepreneurs as highlighted in the national development strategy.

60. *Other Challenges:* High population growth rate of 3 percent will adversely impact on the country's development, especially in the areas of social outcomes, provision of services and sizeable youth unemployment and underemployment. This rapidly expanding population, majority of which is still in the informal sector, along with a high prevalence of HIV/AIDS will also negatively impact the attainment of key MDGs. Unfettered urbanization due to the lack of an appropriate policy and proliferation of informal settlements and poor housing construction further aggravates the situation.³⁰

61. The Island of Zanzibar also has several unique issues. It has a very small economy (\$589 million GDP); high poverty levels (about 40% living below basic needs poverty line) and weak linkages between tourism (which is the lead sector) and other sectors of its economy. Logistical difficulties due to distance between its main Islands – Unguja and Pemba and power problems resulting from its continued dependence on the unreliable supply from the Mainland also pose unique challenges. These constraints offer possibilities for effective Bank intervention.

Aid Coordination/Harmonization

62. *Recent Developments:* The Bank has made notable strides towards effectively harmonizing its operations with the Paris Declaration and the Accra Agenda for Action. The Development Partners Group (DPG) has been the main conduit through which the Bank and other Partners have engaged with Government and other stakeholders to strengthen development cooperation.

63. Starting in 2006, aid management has been guided by the Joint Assistance Strategy (JAST), which sought to operationalize international principles of aid effectiveness. The Bank's Cover Note to the Board described its specific approach and programs, which were aligned to the pillars in the national development strategy. The new aid strategy, which had its challenges (Annex XI), reflected a re-orientation from traditional project financing towards basket funding and increased contributions through GBS. It also required strong contribution by each partner to the policy dialogue on sector-specific issues.

64. In the years since, there has been a shift towards GBS and more Partners alignment to sector-funding baskets. A recently finalized new Partnership Framework Memorandum sets out the partnership terms between GoT and Development Partners in respect to budget support. The Memorandum outlines the underlying principles for a harmonized approach to aid coordination, particularly at a time when several Partners, both in Tanzania and elsewhere, are re-evaluating budget support as the preferred aid instrument.

65. The Bank is a member of the Development Partners Group and chaired the Poverty Reduction and Budget Support donor group from April 2009 to April 2010. Under this framework, there is a well-established structure for dialogue which consists of four clusters, 26 thematic working

²⁹ In 2006, the Government introduced a 'Vocational Education & Training Levy' payable at the end of every month, from every employer who has four or more employees. The uses as well as impact of the Levy remain unclear.

³⁰ The urbanization challenge also has potential upsides as it signals an upward trend in urban land prices, construction activity, and greater concentration of the labor force in urban areas (particularly among the middle class with increasing discretionary income). This could be good for the country's construction industry (both material manufacturers and builders, which would include SMEs). From a Bank operations perspective, it would also open up opportunities in terms of housing and mortgage lending-sector financing.

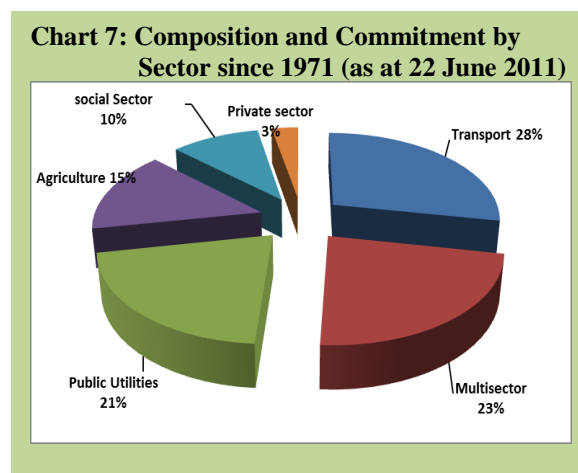
groups and seven sector working groups. There are also working groups associated with the basket funding in each sector. The Bank will continue to coordinate and harmonize its interventions through active participation in various thematic and sector working groups.³¹

Key Development Partners and Areas of Focus:

66. Tanzania’s aid architecture comprises of various multilateral/bilateral Partners. Multilaterals consist of the AfDB, World Bank, the European Commission, the International Monetary Fund, and 17 UN agencies.³² Collectively, the Partners Group forms a key force in strengthening aid effectiveness. Their comparative advantage in resource mobilization and capacity development help shape the mechanism of aid management and provides guidance on harmonization and alignment through senior level monthly meetings. In addition, 17 bilateral Partners work alongside multilateral ones. Having been involved in Tanzania for many years (some since Independence), development partners have acquired extensive knowledge of local development dynamics and bring to the table invaluable insights as well as considerable financial resources. The bilateral DPs are: Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK and USA. In recent years, China, Korea and New Zealand have also participated in some of the DPG gatherings. A summary of the division of labor between Partners appears in Annex XII.

Bank Group’s positioning in Tanzania

67. Cumulative Operations: Since 1971, the Bank has approved 103 operations in Tanzania, with a total commitment, net of cancellations, amounting to UA 1.55 billion. Of which, transport accounted for 28 percent, followed by multi-sector (23%)³³, public utilities (21%), agriculture (15%), social sector (10%) and private sector (3%) (Chart 7). Bulk of the overall commitment was financed by ADF (95.4%), followed by ADB (3.4%), NTF (0.8%) and Private Sector window (0.4%). The Bank has been particularly felt in infrastructure, agriculture, and, more recently, in human resource development and budget support. Recent successfully completed operations include: Agriculture Sector Development Program I, Alternative Learning Skills Development I, and Poverty Reduction Support II.



68. Ongoing Operations: The current portfolio consists of 21 ongoing operations (including national, regional and private sector) with a total commitment of UA 600.17 million.³⁴ Of this amount, 94 percent is allocated to the public sector, 4.9 percent to regional operations and 1.1 percent to private sector (see Annex III). The disbursement rate for ongoing operations is 24.86 percent.³⁵ Infrastructure (transport, energy, and water) represents 70 percent of total commitments. However, there has been a growing emphasis on both general and sector budget support, which have expanded from one operation in 2005 to four in 2009 (education, agriculture and water sectors).

69. Portfolio Performance: With an assessment score of 2.2 out of 3 in 2011, overall performance of the Tanzania portfolio is rated satisfactory. However, several challenges remain

³¹ The transport, agriculture, water, public financial management and social sector experts at Tanzania field office actively participate in donor coordination activities in the respective sectors. Similarly, TZFO staff represents the Bank in the other fronts of donor coordination.

³² The UN agencies active in Tanzania are: FAO, IFAD, ILO, IOM, UNAIDS, UNDP, UNCDF, UNEP, UNESCO, UNFPA, UNHCR, UNICEF, UNIDO, UNIFEM, WFP, WHO, and UN-HABITAT.

³³ To date, eight of the Bank’s multi-sector interventions have been Policy Based Operations (PBOs) and seven Institutional Support Projects (ISPs) that have incorporated elements targeted at enhancing the transparency and accountability in the management of financial resources.

³⁴ Out of the 14 ongoing public sector operations, there are 2 stand-alone projects for Zanzibar and 4 having components both in Zanzibar and the Mainland.

³⁵ Of the total ongoing commitment, 22% was approved in the last quarter of 2010, and therefore, there are 3 national and 2 regional operations which are not yet effective as of May 2011.

including: (i) limited understanding of Bank rules and procedures; (ii) low financial management capacity at local government levels; (iii) low and inadequate staffing of implementing agencies; (iv) delays in fulfillment of loan and grant conditions and project start-up activities; and (v) persistent procurement problems. Typically, projects experience protracted delays during the bid evaluation and contract award stages.³⁶ More accurate and elaborate planning of procurement activities, timely approval of documents by the Ministerial Tender Board and the Bank, and capacity building of procurement specialists in the implementing agencies should substantially improve procurement performance.³⁷

70. *Projects at Risk (PAR)*: These decreased from six operations in 2009 to four in 2011 (see Annex III). This means that the proportion of at risk projects in 2011 fell to 28.6 percent from 35 percent in 2009; ranked well below the Bank's average of 45 percent. The at risk projects consist two Potentially Problematic Projects and two Problem Projects, leading to a Commitment at Risk (CAR) level of 16.7 percent in 2011 compared to 14.2 percent in 2009.

71. *Portfolio Age*: The average age of current projects is 2.8 years, compared to 4.5 years in 2009. There are currently no operations that fall within the category of ageing projects (i.e., 8 years or above). The time lapse from approval to effectiveness currently stands at 7.7 months, which again is shorter than the Bank's target of 12 months. The average project size increased from UA 33.3 million in 2009 to UA 40.4 million in 2011.

72. *Lessons from the Portfolio Improvement Plan*³⁸: A CPPR workshop was held in March to review implementation status of the 2009 CPIP (see Annex IV) and prepare the 2011 CPIP. A key lesson from the review is the need for sector specialists in the Field Office to more proactively engage in the pre-appraisal stage of projects. This should include carrying out fiduciary assessments to identify weaknesses and incorporate necessary mitigation measures at the design stage. A second and related lesson is that specialists should actively monitor project activities above and beyond the standard twice-a-year supervision. This will allow for better tracking of core sector indicators and improve on performance; including addressing issues before they become a problem (see Annex V for key actions required as highlighted in the 2011 CPIP). A revamped Country Office and additional resources through ongoing decentralization efforts are expected to enhance portfolio performance.

73. *Lessons from implementation of the 2006-2010 Country Strategy*: Key lessons that have informed the proposed Strategy include: (i) increasing selectivity as per the Medium Term Strategy, thereby concentrating on sectors where the Bank has comparative advantage; (ii) maintaining candid and sustained dialogue with Government; (iii) maintaining effective and pro-active communication and information flow between all parties involved in Bank operations; (iv) close supervision of all operations, and more regular review of portfolio performance (at least every two years); (v) close cooperation and coordination with other Partners; and (vi) expanding non-lending activities with particular focus on more Economic and Sector Work to inform the Bank operations and advisory services to government based on policy-based knowledge products; and (vii) increasing the size of operations to benefit from scale economies and increase efficiency in project implementation.

74. The previous CSP/JAST Completion Report further finds that the Bank's strategy responded to Government priorities (See Annex II), and that its operations were aligned with the pillars articulated in the national development strategy, namely: (i) growth and reduction of income poverty; (ii) improved quality of life and social well-being; and (iii) good governance and accountability.

³⁶ The slow pace of bids evaluation, contract award and other procurement constraints are mostly the result of missing or insufficient procurement assessment during project design. Most designs of the past as well as ongoing projects did not carry out proper assessment on public procurement practices as well as on the capacity of implementing agencies in carrying out required procurement activities of respective projects. Only during projects' implementation are these shortcomings observed, introducing poor and/or delayed procurement.

³⁷ Procurement planning, which is very crucial for successful project implementation, should start from the projects' preparation stages and procurement training/support should be based on the capacity assessments of implementing agency during the projects' designs.

³⁸ Many of these lessons come out of a CPPR questionnaire that was sent to 60 participants (project personnel, Ministry of Finance officials and Development partners) to provide responses (50% response rate) to issues related to project implementation such as procurement, financial management and monitoring and evaluation. The results were discussed and reviewed at the CPPR workshop (21st March 2011), which led to the updating of the 2009 Country Portfolio Improvement Plan (CPIP) as well as the development of the 2011 CPIP (see Annex V).

Bank Group support focused mainly on the first two pillars, but recognizing the importance of governance and accountability, it remained active in the third pillar through the Institutional Support for Good Governance project. The Bank’s multi-sector operations contributed to macroeconomic stability, while in the agriculture and microfinance sectors, the contribution was mainly through the development of marketing systems and access to finance, respectively. Tanzania’s notable progress in the social sector also benefited from Bank interventions, mainly targeted at improving service provision through infrastructure development (construction of class rooms and health facilities).

75. Concerning aid modalities, the Bank made significant progress on harmonization as demonstrated by the increase in GBS and SBS operations. Additional areas of Bank improvement in donor harmonization include doing away with separate Project Completion Reports (PCRs) from implementing agencies and the use of parallel monitoring indicators.

IV. BANK GROUP STRATEGY

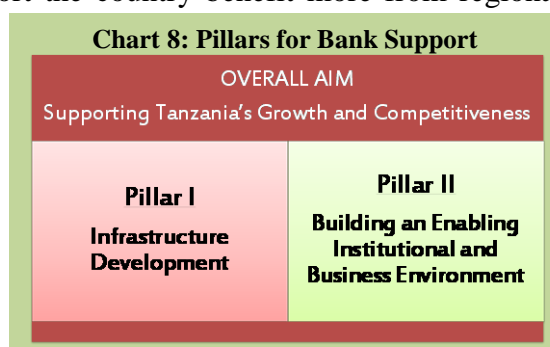
Rationale for Bank Group Intervention

76. Tanzania has recorded robust macroeconomic performance over the last two decades. To be translated into tangible and lasting benefits for the majority of Tanzanians, growth must be sustainable and more inclusive. The Bank Strategy is consistent with and aligned to the national development strategies (NSGRP and ZSGRP) and their renewed emphasis on pro-poor growth and targeting communities that have failed to achieve its benefit. Improved quality of life, good governance and accountability and private sector development—all key areas of Bank intervention, are also emphasized in the strategies. Based on its comparative advantage and informed by lessons drawn from past experiences, the Bank’s planned interventions will be underpinned by analytic and diagnostic knowledge products. Interventions will aim to build on successes achieved and support Government address the challenges identified (see paragraph 53-61).

Pillars for Bank Group Support

77. The Bank Group’s support under this Strategy is anchored in the selectivity principle and rests on a single overarching theme of *supporting Tanzania towards greater competitiveness and more inclusive growth*. The Strategy also aims to support the country benefit more from regional integration and trade.

78. The choice of the Strategy’s **two pillars** — infrastructure development and building an enabling institutional and business environment — derives from the guiding principles discussed above (see Chart 8). The pillars highlight the Bank’s comparative advantage, particularly in infrastructure and governance, and draw from the: (i) thrust of the national development strategy; (ii) SWOT analysis of the country situation; (iii) operational focus of the Bank Group’s Medium Term Strategy 2008-2012;³⁹ (iv) lessons learned from the Bank’s previous engagement in Tanzania; (v) need to complement assistance from other Partners; (vi) various Economic and Sector work (ESW)⁴⁰; and (vii) Bank Group’s efforts to enhance integration in the region as articulated in the East Africa RISP. A brief elaboration on planned Bank support under the two pillars follows:



Pillar 1: Infrastructure Development

79. The national development strategy observes that extensive and efficient infrastructure (power, ports, roads, rail, air transport, water supply and sanitation, irrigation, ICT) is critical to ensure the effective functioning of Tanzania’s economy. It is in this context that the Bank aims to strongly

³⁹ It is recognized that the CSP covers a longer term than the Medium Term Strategy but the sectoral areas of focus that are identified are expected to continue being relevant in coming years.

⁴⁰ These include a Regional Integration Strategy Paper (RISP) as well as a study on domestic resource mobilization by OREA, various country chapters of the issues of the African Economic Outlook led by EDRE, a Country Statistical Profile for Tanzania by ESTA, as well as several sectoral strategy papers by various Bank Sector Operations departments.

focus on infrastructure as *an enabling sector* of the economy. Hence, a sizeable share of the Bank's new commitments will be directed to infrastructure investments; aimed primarily at reducing travel time between regions, integrating the national market and connecting it to other markets in the EAC. This, in turn, will positively impact on national competitiveness, growth and regional integration.

Pillar 2: Building an Enabling Institutional and Business Environment

80. Fiduciary Environment Development. Efficient public operations underpinned by accepted norms and practices are crucial for growth and competitiveness. Undue bureaucracy and overregulation, fraudulent procurement practices and waste in the management of public resources all impose significant economic costs on private economic actors; resulting in slow growth and development. Moreover, proper management of public finances is critical to ensuring trust in the national business environment. The Bank will direct a portion of its new commitments to reform-focused GBS programs. Specifically, Bank support will focus on working with other Partners to address upstream governance and accountability challenges. Building on the gains to date from earlier and ongoing reforms, new interventions will focus on strengthening PFM systems designed to prevent and detect corruption and waste before they occur.⁴¹ Additionally, interventions will focus on supporting financial sector reforms and effective operationalization of key reforms, including the Public Procurement Act.

81. Human Resource Development. Supporting Tanzania become more competitive requires, *inter alia*, producing high quality human resources to meet current and future labor market needs and promoting self-employment through creation of enterprises. It also calls for creating a cadre of young people skilled enough to take advantage of labor mobility and job opportunities in the sub-region. The Bank investment in human capital development with a view to improving the business environment and enhancing competitiveness. Working in conjunction with other Partners, the Bank will direct a portion of new commitments to support vocational training aimed at upgrading youth technical skills, promoting entrepreneurship and improving the quality of education; especially at vocational level. Among other things, such interventions will help mitigate social discontent and other risks associated with large numbers of unemployed and underemployed youth, including fall-outs from income inequality.

Deliverables and Targets

82. In line with the two strategic pillars, an indicative work program is described below. The program takes into account the full ADF XII cycle (2011-2013) and the first two years of the ADF XIII cycle (2014-2015). The allocation for ADF XII is UA 396.7 million; slightly down from the UA 407 allocation under ADF XI.⁴² However, it is expected that additional resources could be mobilized from other sources, including the private sector and regional operations and non-Bank sources.

83. The work program below combines both lending and non-lending activities and would be reviewed periodically (mid-term review and annual updates, as necessary) to assess changing conditions and GoT priorities. The planned Bank deliverables take note of the country's special status of one country with two systems: Government of the United Republic of Tanzania and Government of Zanzibar.

Lending Operations

84. The Bank will deliver its assistance through various modes including stand-alone investment projects, general and sector budget support, regional operations, and where appropriate, non-sovereign private sector interventions or sovereign transactions with a private sector development

⁴¹ Based on PCRs from previous operations, the two most recent CPPRs, the recently-completed independent evaluation of the Bank's interventions during 2006-2010, and several independent evaluations of GBS by various DPs, a lot has been learned about the size, the timing, and the design of the Bank's past GBS interventions. These lessons will inform the Bank's GBS support under this Strategy.

⁴² It should be noted that the allocation decrease was unrelated to the Country Policy and Institutional Assessment (CPIA). In fact, Tanzania's CPIA ratings have been improving in recent years (See Annex X). Overall CPIA rating improved from 3.93 in 2005 to 4.07 in 2007. The particular segments of CPIA which registered improvements were: macroeconomic management (from 4.5 in 2005 to 5.0 in 2007); and quality of public administration (from 3.5 in 2005 to 4.0 in 2007).

objective.⁴³ In all its operations, the Bank, to the maximum extent possible, will attempt to utilize country systems and support efforts to improve their capacity. Table 3 below presents a summary of the indicative lending program.

Table 3: Indicative Lending Program (National)		
Year	Amount (UA)	Projects
Pillar 1: Infrastructure Development		
2011	140	Road Sector Support Program II
2011	40	Market Infrastructure Value Addition & Rural Financing
2012	14	Improvement of Urban Water Supply Network (Zanzibar)
2013	16	Agriculture Sector Development Program II
Pillar 2: Building an Enabling Institutional and Business Environment		
2011	100	General Budget Support (GBS)*
2011	15	Alternative Learning Skills Development Program (Zanzibar)
2012	34	Education Sector Expansion and Development Project

Note: 2014-2015 projects to be determined during mid-term review in 2013. *Resources to be spread over a three fiscal-year period.

Table 4 : Indicative Lending Program (Multinational)		
Year	Amount (UA)	Projects
Pillar 1: Infrastructure Development		
2011	32 (96)*	Arusha-Holili / Taveta-Voi Road
2012	2 (26.7)*	EAC Backbone/Lake Victoria Maritime Safety
2012	4 (30)*	Rusumo Hydroelectric and Multipurpose Project

Note: 2014-2015 projects to be determined during mid-term review in 2013. *First figure is contribution from national ADF allocation; figure in brackets is total project cost including leveraged funds from regional ADF allocation.

85. Bank support in *infrastructure* will focus on: (i) development and rehabilitation of critical socio-economic infrastructure (energy, transport, water); and (ii) increased agricultural productivity – priority areas in the MTS. The largest interventions will involve extension of the ongoing Road Sector Support Program. Phase-II of the project would finance two segments⁴⁴: (i) Dodoma-Babati (169 km); and (ii) Tunduru-Mangaka (39 km); The two roads form part of the North-South Corridor (Dodoma-Babati) and the Mtwara Corridor (Tunduru-Mangaka), linking other regional roads. Another intervention in roads is a multinational project linking Tanzania and Kenya via the Arusha-Holili/Voi-Taveta road. Both projects also benefit from the Bank’s strategic comparative advantage in joint-financing with JICA. Key intervention in water and sanitation will help develop the Zanzibar urban water distribution network, complementing work already financed and completed by JICA. In the energy sector, Bank involvement will be through a multi donor-funded Rusumo Falls Hydroelectric and Multipurpose Project. The project’s objective is to develop renewable hydroelectricity and regional transmission lines connecting Burundi, Rwanda and Northwest Tanzania. It will also support local area development and benefit-sharing activities in the area of the dam and reservoir.

86. Interventions in favor of the agriculture sector infrastructure will support the *Kilimo Kwanza* initiative through a Project and participation in a Sector Budget Support. Support under the MIVARF project will focus on rural infrastructure development. The Bank will join other Partners in financing the second phase of the agriculture sector basket fund to consolidate the gains of the earlier phase, including national irrigation development. In addition to its financing, the Bank will also be a lead voice in the dialogue with the GoT under this framework.

87. Finally, opportunities for interventions in infrastructure through the Bank’s non-sovereign window will be strongly explored along with the government and the private sector.⁴⁵

⁴³ The sectors in which these would be particularly considered include: infrastructure, industries and agro-business, social services, and extractive industries. The size of investment would determine the feasibility of direct investment, noting that alternatives could be mobilizing intermediaries including those in the financial sector.

⁴⁴ Participation in sector budget support will be considered after detailed assessment of performance of previous and on-going basket financing by other DPs.

⁴⁵ The International Finance Corporation, European Investment Banks, and Development Banks of South Africa have all signaled an interest in a greater role of the Bank in the private sector area, particularly with the potential for co-financing. However, these institutions are still very much at early days of pipeline development.

88. Bank support to the *enabling environment* will reflect the two components of this pillar. In supporting development of a robust fiduciary environment, Bank intervention will be channeled through a budget support operation, focusing on strategic policy reforms on both the enabling environment and economic and financial governance. The intervention will also focus on reducing economic costs on private economic actors due to excessive bureaucracy, overregulation, inefficient public procurement practices, as well as corruption and waste in the management of public finances. The operation will be aligned with the national development strategy and draw lessons from earlier budget support operations.⁴⁶ This approach will enable the Bank to contribute to the overall resource envelope for implementing Tanzania’s national development strategy, and also create space to leverage policy dialogue in key reform areas.

89. Lastly, in the area of *human resource development*, Bank’s focus will be on skills development and entrepreneurship promotion; areas deemed essential for a thriving private sector and overall competitiveness. In this respect, Bank’s interventions will support second phase of the Alternative Learning and Skills Development Project implemented in Zanzibar, building on the success of the pilot phase, completed in 2010. Bank support will also be provided to a potentially transformative Education Sector Expansion and Development Project, focusing on delivering need-based skills. One aspect of the project will be a second phase of the Bank’s support towards expanding and improving vocational education and technical training. Other aspects will include: (i) construction, rehabilitation and equipping of science and language laboratories, complementing work financed by the World Bank; and (ii) strengthening ICT in teaching and learning as part of the Government’s ‘Tanzania Beyond Tomorrow’ program. The support in human resource development will take into consideration previous and ongoing interventions through the education sector basket as well as free-standing projects for the period 2011 – 2015.

Non-Lending Operations

90. In addition to its lending activities, the Bank will assist Tanzania during this Strategy period through focused investments in non-lending activities, such as Economic and Sector Work (ESW). Such interventions will marshal contributions from various departments and units within the Bank and implementation will be in full collaboration with other Partners. These undertakings which will provide the analytical underpinning for the next lending cycle, facilitate high-level policy dialogue and advisory services and inform future operations listed below.⁴⁷

Table 5: Indicative Non- Lending Program*

2011	- <i>Country Fiduciary Risk Assessment</i> [led by DFID in partnership with other DPs including the AfDB]. - <i>Tanzania Transport Sector Review</i> - Tanzania chapter in the <i>Africa Governance Outlook</i> - Tanzania chapter in the <i>African Economic Outlook</i> (each year)
2012	- <i>Tanzania Energy Sector Review</i> - Study on Tanzania’s ports, logistics and trade - Participating in the <i>Integrated Labor Force Survey</i> . [led by ILO in partnership with other DPs including the AfDB]#
2013	- Study on deepening and broadening Tanzania’s financial sector -- <i>Report on the Observance of Standards and Codes, Accounting & Auditing</i> [in partnership with others]
2014-2015	Note: <i>To Be Determined during Mid Term Review in 2013</i>

Note: 2014-2015 projects, including, non-sovereign operation, to be determined during mid-term review in 2013.

*Yet to be finalized; # Carried out every five years, last survey conducted in 2006.

Monitoring and Evaluation

91. One of the lessons derived from the previous Bank strategy is the need to strengthen the Bank’s M&E framework in order to generate requisite data and information. The results-based framework to be used jointly by the GoT and the Bank in monitoring the outcomes of this CSP is

⁴⁶ See, in this regard, PM, Oxford Policy Management, Mokoro and Center for the Study of the Economies of Africa (2011), “Evaluation of Policy Based Operations in the African Development Bank, 1999-2009. Country Case Study: Tanzania”. Tunis: Operations Evaluation Department, AfDB.

⁴⁷ Although not indicated in Table 3, there is also the potential for interventions on the institutional development and regulatory reform for PPPs following ongoing discussions with the Government. This may involve some diagnostic activities upfront, but should also lead to substantial non-lending work to be driven through collaboration between OSGE, sector departments and OPSM. Likewise, discussions are still underway on non-lending support on the transition towards Basel II and III at both national and regional (EAC) levels.

shown in Annex I. Using the national development strategy as a departure point, it focuses on the outcomes that can be influenced by Bank-financed interventions during the Strategy period. The Bank's main objectives and priority areas are covered under each component of its unified pillar of support. As indicated, the existing stock of projects in the current portfolio will account for a significant share of outcomes during this Strategy period.

92. Additionally, the Bank's results matrix builds on the joint Poverty Reduction Budget Support Performance Assessment Framework (PAF). The latter instrument, a subset of the wider monitoring framework, is jointly revised annually by the GoT and Partners. The PAF helps in the monitoring and reporting on specific results directly linked to poverty reduction, in areas such as water and sanitation, agriculture, health, education and progress on PFM reforms. The log frame therein will be used in tracking progress and results achieved in implementing activities covered under the pillars.

93. Lastly, the Bank will conduct country portfolio reviews (preferably with other Partners) every year to track progress towards attainment of the development objectives herein. A mid-term review will also be undertaken during the fourth quarter of 2013 to assess progress towards the Strategy's outcomes. A completion report will be prepared in early 2016.

Country Dialogue Issues

94. *Portfolio Performance:* It is critical to ensure that ongoing project resources are effectively utilized to ensure that benefits are delivered on a timely basis. The Bank will undertake regular monitoring of its operations through periodic supervisions and reviews of its portfolio. It would accelerate dialogue aimed at encouraging GoT authorities to put in place mechanisms to ensure quality at entry and managing for results of the Bank-financed projects.

95. *Fiduciary Environment:* High-level dialogue will continue around the key issues of policy reforms in favor of good financial governance and reduced resource leakages. Encouraging Government to sustain ongoing reforms to improve systems of financial control, procurement, transparency and accountability. Complementarity through this program is expected with the Bank's ongoing support to the Extractive Industries Transparency Initiative (EITI) that encourages more accountability in revenue management within the extractive sector, particularly through deeper involvement of civil society and the media.

96. *Private Sector Development:* Dialogue with the Government and other stakeholders on private sector development, including its contribution and impact on Tanzania's growth will be strengthened. The dialogue will also focus on leveraging non-sovereign investments as well as the regulatory issues that underpin such investments. Such dialogue will enable the Bank to be catalytic and allow it to leverage its position to achieve system-wide changes and crowd-in private sector investment beyond the immediate project or Bank financed institutions.⁴⁸

97. *Regional Integration:* Prerequisites for successful integration will be a key focus of dialogue, including balancing national and regional commitments and priorities; harmonization of policies, regulations and standards (including timely implementation of legislation to comply with EAC Common Market); and monitoring and evaluation mechanisms of regional operations. Dialogue will also address the need to reassure various stakeholders about perceived downsides of regional integration (especially, stiffer competition in the short and medium term).

⁴⁸ There is substantial scope for ONEC, OITC, OWAS, in collaboration with OPSM and OSGE to lead on high level policy dialogue for more effective sector performance (beyond individual projects). Such dialogue would need to be underpinned by substantial diagnostic work, but also potentially presents opportunities to consider including performance triggers in the planned general budget support operations.

98. *Other Issues:* Bank dialogue with the GoT and other stakeholders will also focus on other emerging issues including: (i) social inclusion and inequality; and (ii) statistical capacity.⁴⁹

Potential Risks and Mitigation Measures

99. *Increasing Fiscal Challenges:* Continued difficulties in meeting revenue collection targets, declining GBS as well as external shocks arising from rising commodity prices pose significant fiscal uncertainties. Whereas the GoT is exerting considerable efforts to improve revenue collection, Partners tend to reduce their supports—a trend likely to persist in the medium term. This could substantially affect project implementation, particularly where government co-financing is required. As a mitigation measure, the Bank will work with Government to address such challenges up-stream in the process. Moreover, the Bank will continue efforts to further coordinate its strategy with other Partners. Consideration will also be given to developing enhanced interventions targeted in key reform areas (i.e. institutional and governance reforms).

100. *Lagging Reforms:* Given its record of stalled and at times, failed reforms, further delays in Government reforms may register insufficient progress, including in core institutional and governance reforms. Substantial risk could arise in the continued erosion of the country's credibility and reputation as a preferred investment destination. Mitigation measures would primarily revolve around enhanced high-level policy dialogue with the Government, particularly through the GBS Partners groups. Steps could also be taken to boost public awareness and popular support, including strengthening the demand-side for reform.

101. It is recognized that risk management is a dynamic process and new risks may emerge or the risks identified may evolve, becoming more or less acute, over the Strategy period. Towards this end, the Bank will liaise closely with Government and other Partners to monitor major risks in the horizon and work together to identify pragmatic mitigation strategies.

V. CONCLUSION AND RECOMMENDATION

102. In the last decade, much has been achieved in restructuring, stabilizing and growing the Tanzanian economy. However, despite its encouraging growth trajectory, many challenges remain before attaining the middle-income status aspiration contained in the Tanzania Vision 2025 and Zanzibar 2020.

103. The Bank's 2011-2015 Strategy to assist Tanzania comes at an opportune time with: (i) the launch of a new five-year national development strategy; (ii) integration of lessons learned from the previous strategy; (iii) improved prospects from continued robust growth projected in the medium term; and (iv) finalization by several Partners of their country business plans and strategies.

104. The Country Strategy has two pillars based on the overarching aim of supporting Tanzania in its quest for a more competitive economy and achieve inclusive growth. These are key priorities for both the GoT and Partners including the Bank. It also provides a suitable framework for transformative interventions. The Government is in full agreement with the Bank's overall assessment and the proposed strategic focus, both of which will be anchored into knowledge and capacity building processes.

105. The Boards of Directors are invited to consider and approve the proposed Tanzania Country Strategy Paper for 2011–2015.

⁴⁹ Dialogue will complement the recently completed, Country Statistical Profile (CStP) for Tanzania by ESTA, which responded to Bank Group Deputies' directives that results measurement should be at the core of ADF Agenda. The Bank's senior management now requires the allocation of at least 2% of the value of each project/program (subject to a ceiling) for a component on M&E and statistical capacity development. Dialogue will focus on potential areas of Bank assistance in coordination with other DPs and stakeholders. Under the Bank's Multinational Statistical Capacity Building (SCB) program, 2009-2011, \$580 000 has been allocated to Tanzania to contribute to strengthening the country's capacity in economic and social statistics. These include consolidating the progress under International Comparison Program (ICP)-Africa including transition from System of National Accounts (SNA) 1993 to SNA 2008; price statistics focusing on harmonization of the ICP and Consumer Price Index (CPI) survey methodology, estimating the 2006 and 2009 Purchasing Power Parities (PPPs) and development of an ICP-Africa database; monitoring MDGs; and, the preparation of Tanzania's Statistical Master Plan (TSMPL).

Annex I: Tanzania's 2011-2015 CSP Results Monitoring Matrix

Country's Sector Development Goals	Constraints hindering achievement of desired outcomes	Final Outcomes (by 2015)	Final Outputs (by 2015)	Mid-Term Outcomes (by 2013)	Mid-Term Outputs (by 2013)	Bank Group Interventions during CSP period (ongoing & proposed)
PILLAR I: INFRASTRUCTURE DEVELOPMENT						
TRANSPORT						
Improved transport system that links centers of economic activity, enhance socio-economic development, poverty reduction and regional integration	Inadequate level of periodic and routine maintenance. Poor condition of feeder road network Level of road user charging below the needs of the road network.	Reduction of travel time from 5hrs to 2hrs between Dodoma and Babati, and from 4hrs to 1.5hrs between Tunduru and Mangaka	490km of gravel roads upgraded to bitumen surface standard. Increase in paved road density from 6.86km /1,000km2 in 2011 to 7.25km/ 1,000km2 in 2015. Increase in paved national trunk roads from 18.8% in 2011 to 21% in 2015.	Completed transport sector review study	265km of gravel roads upgraded to bitumen surface standard. Increase in paved road density from 6.51km /1,000km2 in 2011 to 70km/ 1,000km2 in 2013. Increase in paved national roads from 18.8% in 2011 to 19.9% in 2015.	<u>Proposed:</u> - Road Sector Support Project II : (i) Dodoma-Babati; and (ii) Tunduru-Mangaka - Multinational: Arusha-Holili/Taveta-Voi Road - Transport sector review study <u>Ongoing:</u> - Zanzibar Roads Upgrading Project - Singida-Babati-Minjingu Road Project Road Sector Support Project I - Multinational: Arusha-Namanga-Athi River Development Project
AGRICULTURAL						
To enhance rural incomes and food security on a sustainable basis	Limited access to agricultural services (research, extension, inputs, credits, etc.) Inadequate marketing infrastructure including markets, warehouses, storage facilities (including cold storage) Poor feeder road network Lack of postharvest management skills by farmers	Productivity increase of 20% for major crops An increase in farm gate prices of 20% for major crops Reduction in post-harvest losses from 22– 14% for maize and 13– 9% for rice	Provision of agricultural services increased by 50% from current levels 70 (36 markets-25 with cold-storage; 2 ice plants; 32 warehouses) market/storage facilities constructed/ rehabilitated 1550 km of feeder roads upgraded 16 post-harvest training centers rehabilitated / resourced	Productivity increase of 10% for major crops An increase of 10% of farm gate prices for major crops Reduction in post-harvest losses from 22– 18% for maize and 13– 11% for rice	Provision of agricultural services increased by 20% from current levels 30 (market/storage) facilities constructed/ rehabilitated 600 km of feeder roads upgraded 8 post-harvest training centers rehabilitated / resourced	<u>Proposed:</u> Market Infrastructure, Value Addition and Rural Finance Program (MIVARFP) Agriculture Sector Development Program II (ASDP II) <u>Ongoing:</u> - District Agricultural Sector Investment Project (DASIP) - Agriculture Sector Development Program I (ASDP I)
WATER SUPPLY AND SANITATION						
Improve access to reliable water and sanitation facilities in both rural and urban areas	Limited resources to meet development targets Implementation capacity constraints, particularly at sub-national level.	Increase in the proportion of households with access to reliable water supply: (a) Mainland: - In rural areas to 65%	600 RWSS village water projects implemented. 70 km of water distribution network in Unguja urban (Zanzibar)	Increase in proportion of households with access to reliable water supply: (a) Mainland: - In rural areas to	300 RWSS village water projects implemented. 35 km of the water distribution network	<u>Proposed:</u> - Rehabilitation and extension of Unguja urban (Zanzibar) water distribution network <u>Ongoing and approved:</u>

Country's Sector Development Goals	Constraints hindering achievement of desired outcomes	Final Outcomes (by 2015)	Final Outputs (by 2015)	Mid-Term Outcomes (by 2013)	Mid-Term Outputs (by 2013)	Bank Group Interventions during CSP period (ongoing & proposed)
	Underinvestment and weaknesses in water resources management, including vulnerability to climate change. Inadequate sustainability of completed facilities, including operation and maintenance weakness; and poor billing and revenue collection for urban systems.	(b) Zanzibar: (to 95% in urban areas) - In rural areas to 75% Improved sanitation: (a) Mainland: - Increase in proportion of rural population with improved toilets to 35% (b) In Zanzibar: - Increase in proportion of population with access to basic sanitation to 90%	rehabilitated and extended 2.0 million rural household latrines upgraded.	61.5% (b) Zanzibar: - In urban areas to 87% Improved sanitation: (a) Mainland: - Increase in proportion of the rural population with improved toilets to 29%	in Unguja urban (Zanzibar) rehabilitated and extended. 1.0 million rural household latrines upgraded	- Rural Water Supply and Sanitation Program Phase 2 (part of the Water Sector Development Program). - Zanzibar Water Supply and Sanitation Project - Lake Victoria Water Supply and Sanitation Program.
ENERGY						
Enhance generation capacity to increase customer connection	Inadequate generation, transmission and distribution infrastructure.	500,000 additional customers connected (100,000 new customers per year)	Increase in power generation capacity by 1200 MW (from 865 MW in 2010 to 2065 .MW in 2015) in 8 plants ⁵⁰	300,000 additional customers connected (100,000 new customers per year) Completed energy sector review study	Increase in power generation capacity by 980 MW (from 865 MW in 2010 to 1583 MW in 2013) in 6 plants ⁵¹	<u>Proposed:</u> - Regional Rusomo Falls Hydroelectric and Multipurpose project - Energy sector review <u>Ongoing:</u> 1. Dodoma Singida 217 Km, 400 KV line (one section of the Iringa-Shinyanga transmission Project) 2. Electricity V project
PILLAR II: BUILDING AN ENABLING INSTITUTIONAL AND BUSINESS ENVIRONMENT						
HUMAN RESOURCE DEVELOPMENT						
Improvement of social well-being and reduction in income poverty	High attrition rate & shortage of qualified teachers Inadequate infrastructure especially for vocational training and science education.	Ordinary level examination pass rate increased from 11.5% in 2010 to 20% by 2015 Gender parity achieved in primary, secondary and vocational education.	Enrolment in Skills Development Institutions increased from current 116,613 per annum to 260,000 students per annum (50% female) 4 Alternative Learning Centers and 5 Skills Development Centers constructed in Zanzibar by	Ordinary level pass rate increased to 20% from by 2013 from 11.5% in 2010 Improved access to secondary vocational education with an emphasis on relevant and transferable skills	Enrollment in skills Development Institutions increased from 116,613 per annum to 180,000 per annum by 2013	<u>Proposed:</u> - Education Sector Expansion and Development Project - Alternative learning and Skills Development Project – ALSD II <u>Ongoing:</u> - Small Entrepreneurs Loan Facility –SELF II - Technical and Vocational Training (TVET)

⁵⁰ Mwanza diesel plant 60 MW; Ubongo IPP GasTurbine 100 MW; Singida Wind Farm 50 MW; Kimwara Thermal Pant 200 MW; Kinyerez Gas Turbine 240MW; Rusomo Hydropower21 MW; and Mitwara CC 300 MW; and Somanga-Fungu (230 MW).

⁵¹ Mwanza diesel plant 60 MW; Ubongo IPP GasTurbine 100 MW; Singida Wind Farm 50 MW; Kinyerez Gas Turbine 240MW and Somanga-Fungu (230 MW).

Country's Sector Development Goals	Constraints hindering achievement of desired outcomes	Final Outcomes (by 2015)	Final Outputs (by 2015)	Mid-Term Outcomes (by 2013)	Mid-Term Outputs (by 2013)	Bank Group Interventions during CSP period (ongoing & proposed)
	<p>Lack of employable skills among young people and mismatch between skills training and labour market needs.</p> <p>Limited access to finance for small enterprise development particularly by women and the youth</p>	<p>Unemployment amongst young people aged 15-24 reduced from 14.9% in 2006 to 10% by 2015.</p> <p>Reduction in financial exclusion from 56% in 2009 to 54% by 2015.</p>	<p>2015.</p> <p>Selected TVET institutions and Science Laboratories rehabilitated by 2015.</p> <p>600,000 people accessing micro finance by 2015</p>	<p>Reduction in financial exclusion from 56% in 2009 to 55% by 2013.</p>	<p>Curricula for skills development institutions revised to reflect labour market needs.</p> <p>300,000 people accessing micro finance by 2013.</p>	
ECONOMIC AND FINANCIAL GOVERNANCE						
Strengthen economic and financial governance, reduce incidence of corruption and improve business enabling environment	<p>Lack of continued political commitment from Government towards economic and financial reforms.</p> <p>Limited predictability of flow of funds</p> <p>Delays in implementation of administrative processes and procedures</p> <p>Weak regulatory framework as a constraint to the enabling environment</p>	<p>Increased predictability and control of budget execution</p> <p>Increased domestic resource mobilization</p> <p>Reduced incidence of grand and petty corruption</p> <p>Increase in Tanzania's competitiveness</p> <p>More conducive environment for PPP's</p>	<p>Implementation of all recommendations from 2011 Country Fiduciary Risk Assessment</p> <p>Ratio of total tax revenue to GDP increased</p> <p>Improved value of Corruption Perception Index (CPI)</p> <p>Increase in exports</p> <p>Increased investment in infrastructure sector through PPPs</p>	<p>Aggregate expenditure deviation from budgeted expenditure not more than 5%</p> <p>Increased tracking of revenues in the mining sector by TRA</p> <p>Outcome indicators related to corruption in cluster 3 of the PAF are all met</p> <p>Minimum of 2 National Competitiveness reports published</p> <p>PPPs legal framework finalized, and PPP unit operational</p>	<p>Country Fiduciary Risk Assessment Completed</p> <p>16.5% total tax revenue to GDP in 2013</p> <p>CPI improved from 2.7 in 2010 to 3.0 in 2013</p> <p>Increase value of exports by 10%</p> <p>Increase in receipt of PPP proposals by 30%</p>	<p><u>Proposed:</u></p> <ul style="list-style-type: none"> - Budget Support Operation - Country Fiduciary Risk Assessment - Report on the Observance of Standards and Codes, Accounting & Auditing <p><u>Ongoing:</u></p> <ul style="list-style-type: none"> - Institutional Support for Good Governance II

Annex II: Summary of Completion Report for the Previous Bank Group Strategy (2006-2010)

Introduction: This annex provides an assessment of the Bank Group's Strategy for Tanzania during the 2006-2010 period. Its interventions were guided by: Joint Assistance Strategy for Tanzania (JAST), Joint Program Document (JPD), and the Cover Note describing the Bank's specific approach and programs over the period. It focused on two mutually reinforcing clusters of the country's national development strategy: (i) growth and poverty reduction; and, (ii) improvement of the quality of life and social well-being. Within these two clusters, sectors of interventions included infrastructure, public utilities and multi-sector budget support. In recognition of the importance of cross-cutting issues of governance and accountability, the Bank also remained active in the third pillar through the Institutional Support for Good Governance (ISP) project.

Developments in country context: Tanzania remains politically stable and peaceful. There have been two major political developments during the period 2006- 2010: (i) general elections of 2010, which saw the re-election of President Kikwete, albeit with a significant increase in the number of opposition parliamentarians; and (ii) a referendum in Zanzibar, which culminated in the formation of a Government of National Unity (GNU) following violence-free elections on the Island for the first time since 1995. Economically, Tanzania experienced strong growth, averaging 7 percent annually. However, poverty rates remained stubbornly high, with 36 percent of the population living below basic needs poverty line, indicating that growth has not translated into poverty reduction. Improved revenue collections, supplemented by aid inflows boosted government spending from 22.8 percent of GDP in 2007 to 26.1 percent in 2009. As a result of increased public spending, there were substantial achievements on non-income poverty, mainly in education and health, which placed Tanzania on track for meeting both national and MDG targets in child survival, infant mortality and primary school enrolment. Nonetheless, MDG objectives on income poverty remained unattainable.

Implementation of the Bank Group Strategy and the Results: The 2006-2010 period spanned two ADF cycles, covering the last two years of ADF X (2006-2007) and the entire three years of ADF XI (2008-2010). Tanzania remained one of the largest ADF recipient countries, with an allocation of UA 407 million under ADF XI. The Bank approved 14 operations (12 public and 2 private). It made significant progress on harmonization of its policy-based operations by increasing General Budget Support (GBS) and Sector Budget Support (SBS). The Bank's strategy responded to the Government priorities as articulated in the national development strategy. Its multi-sector operations contributed to macroeconomic stabilization, while in the agriculture sector and microfinance, the main contribution was towards development of marketing systems and access to finance, respectively. The Bank's interventions in the social sector aimed at improving service provision through infrastructure development (mostly construction of classrooms and health facilities). The most challenging operations were in the water sector, which only saw limited progress on planned outcomes, largely because of weak program design and implementation.

Key Lessons Learned: The Bank could improve the impact of its interventions by: (i) increasing selectivity as per its Medium Term Strategy, concentrating on sectors where the Bank has comparative advantage; (ii) increasing the size of operations in order to reduce transaction costs and enhance efficiency in project implementation; (iii) continuing a candid dialogue with Government; (iv) maintaining effective and pro-active communication and information flow between all parties involved in Bank operations; (v) close supervision of all its operations, and regularly reviewing portfolio performance (at least every two years); (vi) closer cooperation and coordination with other Development Partners; and (vii) expanding non-lending operations with particular focus on more Economic and Sector Work (ESW) to inform the Bank operations and support the government with relevant knowledge products.

Annex III: Tanzania Ongoing Portfolio (as of March 2011)

Sectors	TOTAL	Disbursement (UA million)	Disbursement Rate (%)	Overall Assessment#	PAR/ CAR	Age (Years)
AGRICULTURE	87.99	67.43	80.12	2.29	2 PPP	5.4
1. District Agric. Sector Inv. Program						
ADF Loan	36.00	22.89	63.58	2.17	36.00	6.3
ADF Grant	7.00	6.73	96.07		7.00	
2. Agriculture Sector Dev. Program (ASDP)*	40.00	40.00	100.00	2.41		3.5
3. Support to Lake Tanganyika Integrated Dev.	4.99	0.88	17.65		4.69	6.3
TRANSPORT	228.47	37.09	16.23	1.93	1 PP	3.8
4. Zanzibar Roads Upgrading*						6.8
ADF Loan	16.22	11.20	69.05	1.41	16.22	
ADF Grant	0.25	0.25	100.0		0.25	
5. Singida – Babati- Mijingu Road Upgrading	60.00	25.64	42.73	2.44		3.5
6. Road Sector Project I	152.00	-				1.2
ENERGY	75.36	0.65	0.86		1 PP	1.8
7. Electricity V Project***				-		
ADF Loan	28.68	0	-		28.68	3.2
ADF Grant	1.32	0.65	49.24	-	1.32	
8. Iringa-Shinyanga Transmission Line***	45.36	0	-	-		0.3
WATER	92.76	0.25	0.27	2.17		1.3
9. Zanzibar Water Supply & Sanitation Program						
ADF Loan	25.00	0.25	1.00	2.17		2.3
RWSII Grant	2.76	-	-			
10. Rural Water Supply and Sanitation II***						
ADF Loan	59.0	-	-	-	-	0.3
RWSII Grant	6.00	-	-	-	-	
SOCIAL SECTOR	75.82	36.99	48.79	2.29		4.3
11. Support to SAP for VETA Project*						
ADF Loan	14.22	13.04	91.72	2.08		7.7
ADF Grant	1.60	0.96	60.00			
12. Support to Maternal Mortality Reduction	40.00	13.44	33.60	2.39		4.4
13. Small Entrepreneurs Loan Facility II	20.00	9.55	47.77	2.41		0.8
MULTI SECTOR	5.2	-	-	-		0.4
14. ISP for Good Governance II***	5.2	-	-	-		0.4
PRIVATE SECTOR	6.04	0.68	11.26	2.50		3.5
15. Equity Investment to Access Bank	0.55	0.55	100.0	2.50		4.0
16. CRDB Partial Guarantee Scheme - Loan	4.9	0.0	0.0			2.6
FAPA Grant	0.59		22.5	2.50		4.0
REGIONAL OPERATIONS	28.47	1.78	15.85	2.52		4.3
17. Arusha –Namanga-Athi River Road	4.03	0.39	9.67	2.58		4.3
18. East Africa Transport & Trade Fac.(EAC)	6.20	1.41	22.74	2.74		4.3
19. East Africa Transport & Trade Fac.(TTFA)	1.00	0.37	37.37	2.26		4.3
20. Lake Victoria Water Supply & Sanitation	17.24					
21. Isaka-Kigali-Musongati Railway Line (Study)	1.06	0.0	0.0	-		1.2
(a) Public Sector Only	565.60	145.48	32.3	2.18	4 (28.6% PAR; 16.7% CAR)	2.8
(b) Public + Private Sectors	571.64	146.16	32.4			2.9
(c) Public + Private + ROs	600.11	147.94	32.1	2.24		3.1

Note: * - Substantially completed and PCR planned 2nd Q 2011. ** - Effective but no disbursement for over 6 months.

*** - signed but 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.

Annex IV: Implementation of Recommendations CPIP 2009

Action required	Who?	Time frame	Status	Notes and Explanations
FIDUCIARY				
Greater delegation of ore authority; increased capacity to review, decide and issue 'no objections'. Consider making Tanzania Field Office a regional hub on fiduciary issues.	ADB	Jan '10	Pending	Delegation of authority being considered in the decentralization road map; Kenya designated as regional hub on fiduciary matters.
Harmonization of procurement guidelines using country systems to extent possible	GoT/ADB	Oct '09, continuous	Ongoing	2009 ORPF assessment of NCB recommended Bank procurement rules to still be used until modifications are made for Mainland (i.e., amendments to procurement bill) and Zanzibar.
Adoption of scheme of services for procurement cadre.	GoT	Nov '09	Done	National Procurement Regulatory Board established to examine all procurement cadre services.
Further training of procurement staff on changes in procurement regulations.	ADB	Dec '09	Ongoing	Procurement and other staff at TZFO trained on new procurement rules and regulations; also participate in relevant ORPF trainings; TZFO procurement staff provided training via PPRA-organized seminars on the new Bank procurement rules (action to be covered at national project implementation workshop scheduled for September 2011).
FM & DISBURSEMENT				
Performance improvements in existing FM staff through further training and work environment; recruitment of adequately qualified FM specialists where needed	GoT / ADB	Oct '09-April '10	Ongoing	Limited funds available under some projects for training of staff on FM issues; action to be covered at the national project implementation workshop scheduled in September 2011.
Provision of on-the-job training/guidance to projects through regular supervision or ad hoc support as needed. Requests to be made in line with relevant contract conditions	GoT/ADB	Oct '09-April '10	Ongoing	TZFO staff are providing on-the-job training as the need arises.
Communication improvements between Bank and projects to expedite processing.	GoT/ADB	Continuous	Ongoing	Ongoing Regular communication and dialogue currently between TZFO sector specialists and all project staff
Enhancement of MoF oversight in portfolio management.	GoT	Oct/ Dec. '09; continuous	Ongoing	Regular participation in supervision missions or signing of AMs; increase in staff at ADB desk in MOF; More proactive communication between MoF and IAs still needed.
Reviewing of causes delays and addressing individual project problems	MDAs / ADB	October - Dec. '09	Pending	Still being raised only during project supervision missions.
Payment facilitation using special accounts method (esp. for infrastructure projects - up to UA 3 million threshold) and by direct payment method for amounts \geq UA 3 million	GoT/ADB	April '10	Pending	Payments under road projects still being paid through direct method; May need to be factored in during project appraisal subject to FFCO guidance and approval.
Conducting 1- or 2-day clinics in Dar es Salaam with HQ- and TZFO-based staff on Bank disbursement procedures.	ADB	October '09 – April '10	Pending	Formal clinics yet to be organized, although staff from TZFO providing hands-on training through site visits on frequent basis or as needs arise.
AUDIT				
Sensitization of PIU on importance of preparing and submitting financial statements for audit.	GoT/ADB	April '10	Ongoing	Being followed up on a continuous basis by TZFO FM specialist.
Training auditors on ADB procedures and providing them with manuals, terms of reference, etc reflecting Bank's procedures and reporting requirements.	GoT/ADB	April '10	Ongoing	TZFO FM specialist meets with CAG Mainland on a regular basis to share information. This needs to be strengthened for Zanzibar.
ENVIRONMENT & SOCIAL SAFEGUARDS				
Sensitizing project managers and coordinators on safeguards. Capacity building for IAs to enforce safeguards	GoT/ADB	April '10	Pending	Not done extensively due to lack of expertise at TZFO; Need to strengthen capacity at TZFO. Some IAs participated at ORQR regional workshop in Uganda in Nov '10.
GOVT CONTRIBUTION/CP FUNDS				
Follow up of Cash Management Unit at MoF and implementing MDAs to incorporate projects in MTEF to ensure timely release of funds.	GoT	October 2009 – May '10, continuous	Ongoing	Improvement need to be made on timely release of funds.
Coordination between Planning Department and Budget MoF required to: (i) estimate counterpart funding for new loans; and (ii) ensure inclusion in annual budgets/MTEF.	GoT/PIU	Nov '09	Pending	Government CP funding has been a challenge in project execution due to the mismatch between the availability of counterpart funds and the time when those funds are needed. The Government would like to recommend the negotiation with the Bank for full funding.

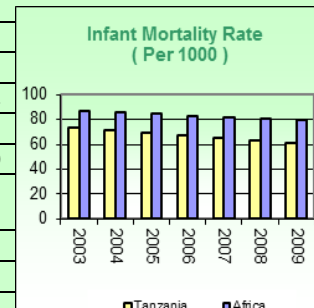
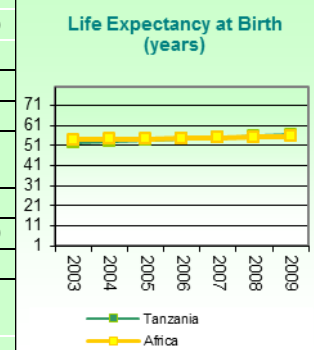
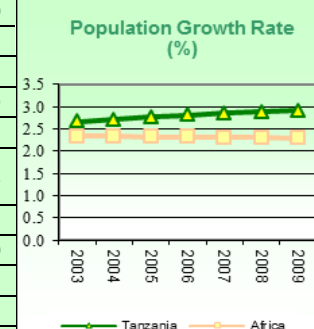
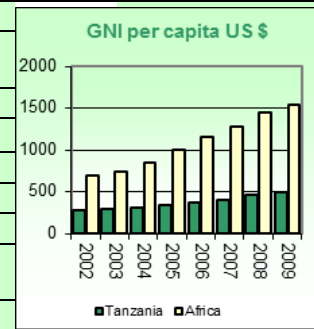
Action required	Who?	Time frame	Status	Notes and Explanations
PROJECT MANAGEMENT				
Minimizing TM changes and assigning alternates with adequate decision power; communicating names of alternate TMs to MoFEA, PIUs and MDAs; ensuring proper handing over by TMs in case of absence of TMs, contact field offices for support	ADB	July '09, then continuous	Ongoing	Not being done formally but there is need to improve; No problems associated with proper handing over given that most of the TZFO sector specialists are on the ground
Strengthening communication, coordination and information flow between concerned stakeholders through dialogue and ICT	EAs, PIUs	Continuous	Continuous	All correspondences and issues are being addressed to TZFO.
Strengthening communication, coordination and information flow between concerned stakeholders through dialogue and ICT	MOF, ADB, PIUs, MDAs	Continuous	Continuous	Currently being enhanced through visits by IA staff to TZFO, especially when they are located in Dar or via phone.
Reinstate quarterly portfolio management review meetings with project personnel in the field to remove potential bottlenecks and expedite project implementation	ADB/GoT	Oct. '09 & Continuous	Ongoing	This has been changed to bi-annual meetings.
Strengthen Desk Offices in MoF	MoF	Oct. '09	Done	Desk offices on both Mainland and Zanzibar each have three personnel. Further assistance to be provided through ongoing project – ISP 2.
Strengthening communication and coordination between MoF and respective EAs and PIUs	GoT	June '09 – April '10	Continuous	IAs need to be more proactive to encourage MoF desk officers to participate in visiting project sites, participate in supervision missions etc.
Speeding up project implementation by thematic working groups in line-ministries	GoT	October '09	Done	Currently being done on regular basis in all SWAPs.
Adopting readiness filter for future operations: key staff designated and 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, MOF, MDA's, PIU's	Continuous	Ongoing	All new projects under ADF XII will adopt readiness filter.
Improving communication and joint Bank-PIU planning of supervision missions; ensuring adequate skills mix	ADB/MDAs/PIUs	Continuous	Done	Currently being done for all joint funded projects and SWAPs; Need for improvement for stand-alone projects.
Timely preparation of joint project completion reports and pro-actively cancelling loan balances; ensuring that lessons learned are incorporated in new operations	ADB/GoT	For each project completion	Done	All PCRs have been led by TZFO staff and IAs. Lessons learned have been incorporated into all future new operations.
HARMONISATION				
Reviewing of current procedures including recommendations for harmonization.	ADB	Jan – April '10	Done	There is harmonization of procurement procedures between DPs on jointly funded projects.
MONITORING & EVALUATION				
Identifying gaps in the national sectoral M&E systems and strengthening them so that they are utilized for donor financed projects and also an integral part of GoT systems.	GoT/ADB	Jan – April '10	Ongoing	This is being done in SWAPs but needs to be strengthened at project level.
IMPLEMENTATION & OUTCOMES				
Ensuring projects identified based on GoT's priorities with stakeholders involvement throughout project cycle.	GoT, ADB	Continuous	Done	Projects are aligned to GoT priorities; Need improvement to ensure that other stakeholders such as other line Ministries, CSOs, academia and private sector are involved.
Enhancing GoT commitment by more realistic screening of donor-driven initiatives	GoT	Continuous	Ongoing	Dialogue in progress with the DPs on screening of donor driven initiatives without jeopardizing diplomatic and economic ties between the parties.
Teams to focus on reporting on outcomes using the indicators in the results frameworks as evidence of progress.	ADB/PIUs/EAs	Continuous	Continuous.	Bank should develop the reporting format for new projects so as to include this in the Qly progress reports.

Annex V: Country Portfolio Improvement Plan (CPIP) 2011

Issues	Actions Required	Responsible	Time frame
IMPLEMENTATION PREPAREDNESS & EFFECTIVENESS			
Inadequate stakeholders (IA, EA, Government) participation in preparation stage for development of new project proposals	During the preparation phase (project identification and appraisal) arrange consultations/workshop with all key stakeholders (CSOs, local communities, LGAs, etc.)	HQ sector department, TZFO	Immediate; continuous
Unrealistic loan conditions/legal covenants leading to delayed effectiveness and start up	Carefully scrutinize loan conditions/legal covenants during appraisal and fulfill them at loan/grant negotiations prior to Board (incl. allocation of resources for compensation to project affected persons)	MoF; Implementing Agency (IA); AfDB sector department	Immediate; continuous
PROCUREMENT			
Inadequate design/setup of procurement arrangements in project	Organize separate procurement assessment mission prior to project appraisal mission. The participation of ORPF 1 to start from the preparatory stages of projects.	TZFO procurement staff	Immediate; continuous
Delays in procurement processes at project management unit level	Arrange training workshop for all PIU procurement staff – held at least once per year or as needs arise. Undertake proper risk assessment and prepare mitigation measures during projects' preparation and appraisal stages	TZFO procurement staff	Sept 2011; and annually thereafter
	Attach the updated procurement plan to the BTOR of all supervision missions. Procurement staff should be part of all supervision missions.	TZFO procurement staff and IA procurement staff	Immediate; continuous
Delays in providing 'no- objection' response by AfDB	Enforce KPIs in processing of procurements documents	ORPF Sector Manager	Immediate; continuous
	Implement an automated procurement process	ORPF, CIMM	July 2012
	Delegate more authority to FO procurement and sector specialists.	ORPF	December 2011
FINANCIAL MANAGEMENT, DISBURSEMENT and AUDIT			
Inadequate design/setup of FM arrangements and/or flow of funds	FM assessments mainstreamed into the project cycle phases including organizing separate FM assessment prior to project appraisal mission and .	TZFO FM specialist	Immediate; continuous
Project staff not familiar with AfDB disbursement rules and procedures	Arrange a formal training workshop for all PIU FM staff on FM and disbursement issues – held at least once a year or as need arises.	TZFO disbursement specialist	Sept 2011; and annually thereafter
Untimely response to Government/project disbursement requests by the AfDB	Enforce KPIs in processing of disbursement documents	TZFO disbursement specialist	Immediate; continuous
Zanzibar CAG not familiar with AfDB's Terms of Reference for auditing	Provide ToR for auditing at project launching/follow up missions and PIUs to share with firms carrying out auditing functions for Bank-funded projects	TZFO FM staff; IAs; CAG-Zanzibar	Immediate; continuous
Inadequate or weak internal audit functions at IA/EA level	EAs should include audit program for Bank-financed projects in work program	CAG; TZFO FM staff, TM	Immediate; continuous
	Auditors at EAs should produce separate audit report for all Bank-financed projects and should be discussed by the audit Committee.	“	“
Delays in preparing and submitting financial statements for auditors	Submit financial statement for auditing within 2 months after closure of financial year.	EAs/IAs	Oct 2011 and continuous
	Send regular reminders for PIU to comply with audit procedures	TZFO FM staff, TM	“
Late GoT/PIU responses to audit queries raised by Auditor General's Office	Respond within 21 days as per requirement	EAs/IAs	Immediate; continuous
	Develop a tracking system at TZFO for follow up with EAs on audit queries	TZFO FM specialist	“
MONITORING, EVALUATION & REPORTING			
Lack of baseline data during project design/start up	Include a subcomponent for data collection in the project design and for implementation in the early stages of the project	Sector Dept Country Team	Immediate; for all projects under ADF XII
Project data on the key performance indicators not up to date	Status on key performance indicators included in all progress reports and supervision mission reports.	IA; TM	Immediate; for all projects under ADF XII
Lack of understanding of M&E by the project team and government officials	Assess M&E capacity at EA level and allocate sufficient resources for building or strengthening M&E systems	EA; TM	Immediate; for all projects under ADF XII
INSTITUTIONAL CAPACITY ASSESSMENT			
Formal communication from the Bank on changes in project management/personnel at AfDB	Ensure that joint mission with both the ex and new TM is undertaken before the PIU/EA is officially informed of the change in TM.	TM	Immediate
AFDB SUPERVISION & STAFFING			
Lack of sufficient powers to make decisions by sector specialists at Tanzania Field office.	Delegate more authority to FO as part of Bank decentralization process	ORVP; FFCO	Jan 2012

Annex VI: Tanzania - Comparative Socio-Economic Indicators

	Year	Tanzania	Africa	Developing Countries	Developed Countries
Basic Indicators					
Total Population (millions)	2010	45.0	1,031.5	5,629	1,069
Urban Population (% of Total)	2010	26.4	40.0	44.8	77.7
Population Density (per Km ²)	2010	47.7	3.4	66.6	23.1
GNI per Capita (US \$)	2009	500	1 550	2 780	39 688
Labor Force Participation - Total (%)	2010	49.6	39.5	45.6	54.6
Labor Force Participation - Female (%)	2010	49.7	41.4	39.8	43.3
Human Develop. Index (Rank among 169 countries)	2010	148	n.a	n.a	n.a.
Popul. Living Below \$ 1 a Day (% of Population)	2005	...	42.3	25.0	...
Demographic Indicators					
Population Growth Rate - Total (%)	2010	2.9	2.3	1.3	0.7
Population Growth Rate - Urban (%)	2010	4.7	3.3	2.4	1.0
Population < 15 years (%)	2010	44.7	40.3	29.2	17.7
Population >= 65 years (%)	2010	3.5	3.8	6.0	15.3
Dependency Ratio (%)	2010	91.8	77.6	52.8	49.0
Sex Ratio (per 100 female)	2010	99.5	99.5	93.5	94.8
Female Population 15-49 years (% of total population)	2010	22.8	24.4	53.3	47.2
Life Expectancy at Birth - Total (years)	2010	54	56.0	66.9	79.8
Crude Birth Rate (per 1,000)	2010	40.9	34.2	21.5	12.0
Crude Death Rate (per 1,000)	2010	10.7	12.6	8.2	8.3
Infant Mortality Rate (per 1,000)	2010	51	78.6	49.9	5.8
Child Mortality Rate (per 1,000)	2010	81	127.2	51.4	6.3
Total Fertility Rate (per woman)	2010	5.5	4.4	2.7	1.8
Maternal Mortality Rate (per 100,000)	2008	790.0	530.2	440.0	10.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2007	4.8	42.9	78.0	287.0
Nurses (per 100,000 people)*	2007	102.4	116.6	98.0	782.0
Births attended by Trained Health Personnel (%)	2005	46	52.7	63.4	99.3
Access to Safe Water (% of Population)	2008	54.0	64.9	84.0	99.6
Access to Sanitation (% of Population)	2008	24.0	41.0	54.6	99.8
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2007	6.2	4.6	1.3	0.3
Incidence of Tuberculosis (per 100,000)	2007	297.0	315.2	161.9	14.1
Child Immunization Against Tuberculosis (%)	2009	93.0	81.8	89.0	99.0
Child Immunization Against Measles (%)	2009	91.0	81.0	81.7	92.6
Underweight Children (% of children under 5 years)	2005	22.0	30.9	27.0	0.1
Daily Calorie Supply per Capita	2007	2 032	2 462	2 675	3 285
Public Expenditure on Health (as % of GDP)	2006	3.7	2.4	4.0	6.9
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2009	104.9	102.8	106.8	101.5
Primary School - Female	2009	104.9	99.0	104.6	101.2
Secondary School - Total	2005	...	35.0	62.3	100.3
Secondary School - Female	2005	...	30.6	60.7	100.0
Primary School Female Teaching Staff (% of Total)	2009	49.1	38.1
Adult literacy Rate - Total (%)	2008	72.6	64.8	81.0	...
Adult literacy Rate - Male (%)	2008	79.0	74.0	86.6	...
Adult literacy Rate - Female (%)	2008	66.3	55.9	75.6	...
Percentage of GDP Spent on Education	2008	6.8	4.6	...	5.4

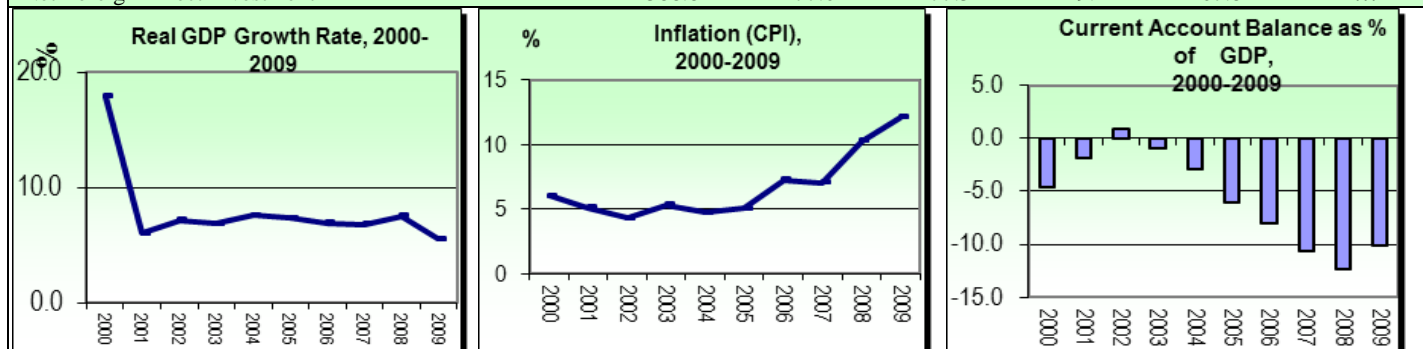


Sources : ADB Statistics Department Databases; World Bank: World Development Indicators; UNAIDS; UNSD; WHO, UNICEF, WRI, UNDP; Country Reports: National Bureau of Statistics, Tanzania.
 Note : n.a. : Not Applicable ; ... : Data Not Available.

last update : January 2011

Annex VII: Tanzania: Select Macroeconomic Indicators

Indicators	2001	2005	2006	2007	2008	2009
National Accounts						
GNI at Current Prices (Million US \$)	9,447	13,382	14,518	15,934	18,350	...
GNI per Capita (US\$)	270	350	370	400	440	...
GDP at Current Prices (Million US \$)	10,383.6	14,142.0	14,331.2	16,825.5	20,715.1	20 532.8
GDP at 2000 Constant prices (Million US \$)	10,796.7	14,287.5	15,273.3	16,311.9	17,535.3	18 507.9
Real GDP Growth Rate (%)	6.0	7.4	6.9	6.8	7.4	6
Real per Capita GDP Growth Rate (%)	3.3	4.5	4.0	3.8	4.5	2.6
Gross Domestic Investment (% GDP)	17.4	25.1	27.6	29.6	29.8	28.2
Public Investment (% GDP)	5.6	8.4	7.9	7.8	7.6	7.5
Private Investment (% GDP)	11.8	16.7	19.7	21.8	22.2	20.7
Gross National Savings (% GDP)	12.5	20.5	19.5	20.2	19.7	17.9
Prices and Money						
Inflation (CPI) - (%)	5.1	5.0	7.3	7.0	10.3	12.1
Exchange Rate (Annual Average) -(US\$)	876.4	1,128.9	1,251.9	1,245.0	1,196.3	1,326.4
Monetary Growth (M2) (%)	34.2	34.8	21.5	20.5	19.8	12.0
Money and Quasi Money as % of GDP	20.6	26.6	28.8	29.7	30.1	30.7
Government Finance						
Total Revenue and Grants as % GDP	14.2	18.5	17.9	19.0	22.8	21.6
Total Expenditure and Net Lending as % GDP	15.1	21.7	21.3	22.2	22.8	24.2
Overall Deficit (-) / Surplus (+) as % GDP	-1.0	-3.2	-3.4	-3.2	0.0	-2.7
External Sector						
Exports Volume Growth (Goods)	25.6	17.7	2.5	-6.6	6.2	4.3
Imports Volume Growth (Goods)	-5.5	9.0	3.7	19.2	13.3	-0.2
Terms of Trade Growth	-15.4	-13.1	-10.4	17.8	9.0	0.6
Current Account Balance	-199.9	-862.8	-1,143.2	-1,783.1	-2,571.2	-2,084.5
Current Account Balance	-1.9	-6.1	-8.0	-10.6	-12.4	-10.2
External Reserves (Months of Imports)	5.2	4.5	3.9	3.9	3.1	3.5
Debt and Financial Flows						
Debt Service	24.4	7.1	4.4	132.2	1.6	2.2
External Debt	67.1	45.0	45.5	39.7	33.0	34.1
Net Total Financial Flows	1,304.1	1,675.3	1,993.5	2,375.4	2,516.8	...
Net Official Development Assistance	1,275.3	1,497.5	1,837.6	2,818.5	2,330.7	...
Net Foreign Direct Investment	388.8	77.0	77.3	49.2	67.8	...



Source : ADB Statistics Department

Notes: ... Data Not Available

Last Update: May '10Source: Last Update: May '10

Annex VIII: Progress towards the MDGs for Mainland Tanzania

MDG	1990	2000	2008		2015	Glance
			Actual	Expected		
Proportion of population below basic needs poverty line	39	36	33.64	25.0	19.5	Unlikely to achieve
Under-five Underweight (%)	28.8	29.5	22	18.4	14.4	Unlikely to achieve
Under-five Stunted (%)	46.6	44.4 (1999)	38	29.8	23.3	Unlikely to achieve
Primary school net enrollment rate	54.2	58.7	97.2	87.2	100	Achievable
Under-five mortality rate (per 1,000 live births)	191	153	112	99.6	64	Likely to achieve
Infant mortality rate (per 1,000 live births)	115	99	68	59.6	38	Likely to achieve
Maternal Mortality Rate (per 100,000 live births)	529	-	578	244	133	Unlikely to achieve
Births attended by skilled health personnel (%)	43.9	35.8	63	77.1	90	Unlikely to achieve
HIV prevalence, 15-24 years	6	-	2.5	<6	<6	Achievable
Access to potable water :% of rural population	51	42 (2002)	57.1	67.6	74	Unlikely to achieve
Access to potable water :% of urban population	68	85 (2002)	83	79.5	84	Achievable



Achievable



Likely to achieve



Unlikely to achieve

Annex IX: Progress towards the MDGs for Zanzibar

MDG	1990	2000	2008		2015	Glance
			Actual	Actual		
Proportion of population below basic needs poverty line	60	-	51	38.4	30	Unlikely to achieve
Under-five Underweight (%)	39.9	25.8	7.3	14.3	20.0	Achievable
Under-five Stunted (%)	47.9	35.8 (1999)	23.1	30.6	23.9	Achievable
Primary school net enrollment rate	50.9	67.0	83.4	86.3	100	Achievable
Under-five mortality rate (per 1,000 live births)	202	14.1	101	105	67	Achievable
Infant mortality rate (per 1,000 live births)	120	89	61	62.4	40	Achievable
Maternal Mortality Rate (per 100,000 live births)	377	323	473	173	94	Unlikely to achieve
Births attended by skilled health personnel (%)	37	-	47	75.2	90	Unlikely to achieve
HIV prevalence, 15-24 years	0.7	-	0.6	<0.7	<0.7	Achievable
Access to potable water :% of rural population	46	46	59	65.4	73	Achievable
Access to potable water :% of urban population	68	90	83	79.5	84	Achievable



Achievable



Likely to achieve



Unlikely to achieve

Annex X: Tanzania CPIA Ratings 2005-'10

	A. ECONOMIC MANAGEMENT			B. STRUCTURAL POLICIES			C. POLICIES FOR SOCIAL INCLUSION / EQUITY					GOVERNANCE RATING : PUBLIC SECTOR MANAGEMENT AND INSTITUTIONS									
	1	2	3	4	5	6	7	8	9	10	11	1	2	3	4	5					
	Macro-Economic Management	Fiscal Policy	Debt Policy	Average	Regional Integration and trade	Financial Sector	Business Regulatory Environment	Average	Gender Equality	Equity of Public Resource Use	Building Human Resources	Social Protection and Labor	Environmental Policy & Regulations	Average	OVERALL CPIA RATING	Property Rights & Rule Based Governance	Quality of Budgetary & Financial Management	Efficiency of Revenue Mobilization	Quality of Public Administration	Transparency, Accountability & Corruption in Pub. Sector	Average
2010	5	4	4.5	4.5	4	4	3.5	3.8	3.5	4	4	3.5	4	3.8	4.0	3.5	4	4	4	3.5	3.8
2009	5.0	4.0	4.5	4.5	4.0	4.0	3.5	3.8	3.5	4.0	3.5	3.5	4.0	3.7	4.0	3.5	4.0	4.0	4.0	3.5	3.8
2008	5.0	4.0	4.5	4.5	4.0	4.0	3.5	3.8	3.5	4.0	3.5	3.5	4.0	3.7	4.0	3.5	4.0	4.0	4.0	3.5	3.8
2007	5.0	4.0	4.5	4.5	4.0	4.0	4.0	4.0	3.5	4.0	3.5	3.5	4.0	3.7	4.2	3.5	4.0	4.0	4.0	3.5	3.8
2006	4.5	4.0	4.5	4.3	4.0	4.0	4.0	4.0	3.5	4.0	3.5	3.5	4.0	3.7	4.0	3.5	4.0	4.0	4.0	3.5	3.8
2005	4.5	4.0	4.5	4.3	4.0	4.0	4.0	4.0	3.5	4.0	3.5	3.5	4.0	3.7	4.0	3.5	4.0	4.0	3.5	3.5	3.7

Annex XI: Major Challenges of the JAST to Development Partners⁵²

Aid delivery under JAST created substantial changes in the structures of most donors, especially multilateral financial institutions. With regard to the Bank Group, changes included the following:

- JAST increased the demand for monitoring and evaluating Government performance, as well as dialoguing with the authorities to ensure that the intended results are achieved. The Bank was required to work in coordination with other DPs through active participation in joint dialogue sessions than was the case before. A good example of how this new approach to aid delivery and how it reoriented operations of DPs is noted from those DPs supporting the government budget under the Poverty Reduction Budget Support (PRBS) framework (i.e., GBS), as well as on those supporting specific basket funds (i.e., SBS), particularly in health, education, agriculture, and on specific programs.
- JAST also increased joint supervision missions in some instances, as many Bank interventions were co-financed and implemented along the GoT systems, procedures and regulations. Joint missions largely concentrated on review of progress based on established performance indicators linked to an agreed list of actions for implementation over a specified period of time.
- In cases where the support was in the form of direct project financing, some of the Bank interventions were mainstreamed within GoT structures and procedures in an effort to avoid duplication of systems and build institutional capacities for sustainable development.
- The Bank Group also needed agreement with other DPs on how to divide responsibilities among themselves, depending on comparative advantage in terms of expertise in particular sectors/areas. It was done to devise policy actions that could enhance performance on the government part. .

In the wake of full implementation of JAST, there was increased demand for active involvement of each DP in the follow-up of implementation of GoT programs in order to ensure transparency and accountability on the use of public funds, as well as in respect to its impact on poverty reduction and growth. This often proved difficult since most DPs lacked direct control on the use of funds, except via established monitoring mechanisms, agreed performance indicators/reporting systems.

⁵² Adopted from African Development Bank (2005), *Tanzania – Joint Assistance Strategy and Joint Program Document ADB/BD/WP/2007/55, ADF/BD/WP/2007/41*. Tunis: African Development Bank and with reference to Maliti, E. (2011), *Independent Evaluation of AfDB Operations in Tanzania within the JAST Framework (2006-2010)*. Dar es Salaam: African Development Bank.

Annex XII: Tanzania DP Division of Labour: Summary of agreements and Distribution of Roles (last updated 31 June '10)

Aid Information Map
FY 2008/09

Lead Role in Sector

Future Lead Role

Active Engagement in Sector

Active Engagement in Subsector

Planning New Engagement

Funding of a sector programme

Leaving Sector

Sectors and subsectors	Active DPs in FY2008/09 ¹	Active Engagements in Sector	Active Engagements in Subsector	Planning new engagements	Funding of a sector programme	Leaving Sector	World Bank	IMF	AfDB	EC	Austria	Belgium	Denmark	France	Germany	Iceland	Ireland	Italy	Japan*	Netherlands	Norway	Sweden	UK	USA	UNAIDS*	UNDP*	UNEP*	UN-FAO	UN-IPA	UN-ICD*	UNICEF	UN-IDO*	UN-IFAD	UNIFEM*	UN-CHICR	UN-WFP*	World Food Programme	
1. Security	3	0	1	2	0	0																																
2. Roads and Transport	5	1	3	0	2	1					8/9			10										9/10														
3. Agriculture	13	3	6	4	0	0	8						9																									
4. Education	11	2	5	3	1	0									10/11						9/10																	
5. Health	16	2	10	2	0	1								10									9+9/10	10/11														
6. Water and Environment																																						
6.1 Water and sanitation	8	1	7	0	1	2	11/12					10/11	8/9		9/10																							
6.2 Environment/Climate change	7	1	6	0	1	0	8/9					12/13																										
7. Justice, Law and Order	10	1	7	2	0	2									10/11		9/10																					
8. Accountability	6	0	4	2	0	3																	10/11															
8.1 Public Financial Management ²	3	0	3	0	0	0																																
8.2 Anti Corruption ³	1	0	1	0	0	0																																
9. Tourism, Trade and Industry	8	0	5	3	1	3						9	11																									
10. Information, Communication and Technology	3	1	1	1	0	1																																
11. Energy and Mineral Development	6	1	4	1	1	2	8																			9/10												
12. Lands and Housing	3	0	2	1	0	1																																
13. Social Development	11	0	7	4	1	0																																
14. General Public Administration	2	0	1	1	0	0																																
15. Public Sector Administration																																						
15.1 Decentralisation	6	1	5	0	0	3				9/10	9	13														8/9 ⁴												
15.2 Public Service Reform	4	1	3	0	0	1	8/9																															
16. Parliament	5	0	3	2	0	0				9/10																9/10												
Cross cutting issues																																						
5.CC HIV/AIDS	18	1	9	8	0	0																		8/9														
13.CC Gender	10	1	7	2	0	1																													8/9			
DP active in sectors in FY2009/12							8	1	17	9	2	4	7	4	3	4	7	8	7	2	7	8	9	11	1	13	1	8	8	5	8	6	3	1	7	3	8	
Sector Lead							1	0	4	2	1	0	2	0	2	0	3	1	0	1	2	1	1	2	1	3	1	0	0	0	0	0	0	0	0	1	0	0
Active Engagements in Sector							5	0	12	3	1	2	2	0	0	0	2	4	5	1	3	2	3	6	0	4	0	3	4	1	4	0	1	0	3	2	7	
Active Engagements in Subsector							1	1	1	2	0	0	3	1	1	4	2	3	2	0	2	4	2	2	0	4	0	5	4	0	3	6	2	0	4	1	1	
Planning new engagements							0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	1	0	1	0	0	1	0	0	0	0	0	
Funding of a Sector Programme							1	0	0	2	0	2	0	3	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	4	0	0	0	0	0	0	
Leaving Sector							0	0	0	0	2	2	3	0	2	0	4	0	0	0	0	0	2	2	1	0	0	0	0	0	0	0	0	0	0	0	0	0

¹ Active DPs in FY2008/09: includes engagements in all sector, subsectors and cross cutting issues: lead DP in FY2008/09 and future lead DPs, active in sector and subsector.

² UNCDF are not resident and their engagement as subsector lead is therefore stated under UNDP.

³ The DPs in the Accountability sector will be represented by the chair of the PFM group under the LDGP and by the chair of the Anti Corruption group under the PDG.

⁴ For DPs with * information on concentration in sectors refers to the years 2008/09 except when specified otherwise

Annex XIII: The Transport Sector: Challenges and Priorities

Tanzania's transport system consists of: (i) a road network of about 95,000 km; (ii) two railway systems – the Tanzania Zambia Railway (TAZARA), which links Dar Es Salaam with Zambia and Tanzania Railways Corporation (TRC), which serves the central and northern regions and provides transit access to DRC, Rwanda, Burundi and Uganda; (iii) one dominant and three subsidiary ports; Dar Es Salaam, Zanzibar, Tanga and Mtwara; and (iv) a civil aviation sub-sector consisting of several small airlines, three international airports and a number of domestic airports and air strips. The physical condition of the transport system is poor, which constraints economic activity and growth. The poor condition, particularly for roads and rail, is due mainly to inadequate maintenance.

Roads

- Major challenges include: (i) significant volume of backlog maintenance; (ii) inadequate level of road user charging; (iii) inefficient road user charges collection system, resulting in evasion; (v) human resource capacity problems; (vi) poor domestic contracting capacity; and (vii) poor rural accessibility.
- Priorities include: (i) bituminization of the trunk road system and links on regional corridors; (ii) bringing network to maintainable levels; (iii) revamping the road user collection system; and (iv) building contracting and professional capacity.

Rail

- Major challenges include: (i) poor track condition rolling stock and signaling systems; (ii) absence of private sector investment; (iii) poor financial and operational management; and (iv) human resource capacity problems.
- Priorities include: (i) attraction of private sector investment; (ii) rehabilitation of track and revamping of rolling stock; (iii) improve operational and financial management; and (iv) building professional capacity.

Aviation

- Major challenges include: (i) terminal and airside capacity problems and poor safety at Dar-es-Salaam Airport; (ii) flight safety; (iii) human resource capacity problems.
- Priorities include: (i) attraction of private sector investment; (ii) expansion of the Dar-es-Salaam terminal and airside facilities; and (iii) building professional capacity.

Ports

- Major challenges include: (i) Dar-es-Salaam port capacity problems; (ii) low level of investment; (iii) efficiency problems; (iv) slow implementation of recommendations for improvement; and (v) human resource capacity problems.
- Priorities include: (i) attraction of investment to improve handling capacity; and (ii) building professional capacity.

Annex XIV: Tanzania - Administrative Map



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.

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