AFRICAN DEVELOPMENT FUND

ADF/BD/WP/2001/116
29 August 2001
Prepared by: OPEV
Original: English

Probable Date of Presentation to the Committee on Operations and Development Effectiveness:	**FOR CONSIDERATION**

MEMO R A N D U M

TO : THE BOARD OF DIRECTORS

FROM : Philibert AFRIKA
Secretary General

SUBJECT : TANZANIA : SECTOR REHABILITATION PROGRAMME

PROJECT PERFORMANCE EVALUATION REPORT*

Please find attached hereto the above-mentioned document.

Attch.

Cc. The President

* Questions on this document should be referred to:			
Mr. G.M.B. KARIISA	Director	OPEV	Ext. 4052
Mr. E.K.N. MPANDE	Principal Post-Evaluation Officer	OPEV	Ext. 4750

SCCD:C.H

African Development Fund

ADF/OPEV/01/06
AUGUST, 2001
Prepared by : OPEV
Original : ENGLISH
Distribution : LIMITED

REPUBLIC OF TANZANIA

SECTOR REHABILITATION PROGRAMME

PROGRAMME PERFORMANCE EVALUATION REPORT

(ADF Loan N°: F/TZ/SRP(AGR-TR)/87/17)

OPERATIONS EVALUATION DEPARTMENT

TABLE OF CONTENTS

ANNEXES

This Programme Performance Evaluation Report was prepared by Messrs. E. K. N. MPANDE, Principal Agricultural Economist (OPEV), and L. MERID, Macro-Economic Policy Analyst (Consultant), following their mission to Tanzania in January/February 2001. Further enquiries should be addressed to Mr. G. M. B. KARIISA, Director, Operations Evaluation Department, on extension 4052, or Mr. Mpande on extension 4750.

CURRENCY EQUIVALENTS

Current Unit	:	Tanzania Shilling (TSh)	
Exchange Rate at Appraisal	:	US$ 1.00 = TSh 59	= UA 1.286
Exchange Rate at Credit Effectiveness	:	US$ 1.00 = TSh 84	= UA 1.280
Exchange Rate at Completion	:	US$ 1.00 = TSh 630	= UA 1.366
Exchange Rate at Evaluation	:	US$ 1.00 = TSh 809.75	= UA 0.770 (March, 01)
Fund Unit of Account (FUA)	:	0.921052 Unit of Account (UA)	

FISCAL YEAR

Government of Tanzania : July 01 to June 30 of the Following Year.

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
ADF	:	African Development Fund
ALAF	:	Aluminium Africa Ltd.
BOT	:	The Bank Tanzania
BOP	:	Balance of Payment
CSP	:	Country Strategy Paper
DAFCO	:	Tanzania Dairy Farming Company
EEC	:	European Economic Commission
ERP	:	Economic Recovery Programme
ESAP	:	Economic and Social Action Plan
FAO	:	Food and Agriculture Organisation of the United Nations
FOREX	:	Foreign Exchange
FUA	:	Fund Unit of Account (1FUA = UA 0.921)
GDP	:	Gross Domestic Product
GOT	:	Government of Tanzania
ICB	:	International Competitive Bidding
IMF	:	International Monetary Fund
KNCU	:	Kilimanjaro Native Cooperative Union
LOGS	:	List of Goods and Services
MBP	:	Marketing Boards & Parastatals
MOA	:	Ministry of Agriculture (previously MOA&LD)
MOA&LD	:	Ministry of Agriculture and Livestock Development
MOFP	:	Ministry of Finance and Planning
MRC	:	Multi-sector Rehabilitation Credit
NAFCO	:	National Agricultural and Food Corporation
NARCO	:	National Ranching Company
NBC	:	National Bank of Commerce
NMC	:	National Milling Corporation
NTC	:	National Transport Corporation
NTEF	:	Medium Term Expenditure Framework
OGL	:	Open General Licence Facility
PBL	:	Policy-based Lending
PCR	:	Project Completion Report
PER	:	Public Expenditure Review
PPER	:	Programme Performance Evaluation Report
RETCOs	:	Regional Transport Companies
SDR	:	Special Drawing Right
SLF	:	Smallholder Livestock Farmers
SRL	:	Sector Rehabilitation Loan
TCB	:	Tanzania Coffee Board (previously TCMB)
TCLSB	:	Tanzania Cotton Lint & Seed Board (previously TCMB)
TCMB	:	Tanzania Coffee Marketing Board (later TCB)
TCMB	:	Tanzania Cotton Marketing Board (later TCLSB)
TOT	:	Terms of Trade
TRC	:	Tanzania Railway Corporation
TSA	:	Tanzania Sisal Authority
UA	:	Unit of Account

PREFACE

1. This is a Programme Performance Evaluation Report (PPER) for the Sector Rehabilitation Loan (SRL) for which Loan No. FZ/TZ/SRP(AGR-TR)87/17 in the amount of UA 28.55 million, was approved on 26 October 1987 and came into force on 29 December 1987 and closed in May 1997.

2. SRL, the first sector loan in Tanzania from the Bank Group, was formulated to provide support to the coffee, cotton, sisal and livestock subsectors, and to provide food crop storage, as well as additional trucking capacity and contribute to a multi-donor ERP for the Tanzania Railways Corporation (TRC).

3. A Programme Completion Mission was conducted in July 1997, and the Completion Report (PCR) was presented in November 1998. The PCR provided an exhaustive and frank assessment of the design and implementation experience, and overall performance of the operation.

4. A two-stage approach to performance review process was used to assess the performance of the operation and validate the PCR findings. In the first stage, the PPER mission reviewed the SAR, PCR, and supervision mission reports. The second stage involved a one-week mission to Tanzania in February 2001 to hold consultations with relevant Government and semi-Government officials, and to seek the views of the management of those organisations in the agricultural and transport sectors that benefited from the loan, on the performance of SRL and to analyse their current situation. The mission also collected some statistical data and reports for further study and analysis upon its return to Abidjan.

BASIC PROGRAMME DATA

1.	Country	:	United Republic of Tanzania
2.	Project	:	Sector Rehabilitation Loan
3.	Loan Number	:	ADF Loan No. F/TZ/SRP (AGR-TR)/87/17
4.	Borrower	:	United Republic of Tanzania
5.	Beneficiary	:	**AGRICULTURAL SECTOR**

a) Tanzania Coffee Marketing Board (TCMB)[1]
b) Tanzania Cotton Marketing Board (TCMB)
c) Tanzania Sisal Authority (TSA)
d) National Ranching Company (NARCO)
e) Tanzania Dairy Farming Company Limited (DAFCO)
f) Tanzania Dairies Limited (TDL)
g) Small-holder Livestock Farmers
h) Aluminium Africa Limited (ALAF)

TRANSPORT SECTOR
i) Tanzania Railways Corporation (TRC)
j) National Transport Corporation (NTC)/Trucking Industry

6. Executing Agency : Ministry of Finance & Planning

A.	THE LOAN		APPRAISAL ESTIMATE	ACTUAL
1.	Amount (UA Million)	:	28.55	28.55
2.	Interest Rate	:	0.00	0.00
3.	Service Charge	:	0.75 p.a.	0.75 p.a.
4.	Repayment Period	:	50 years	50 years
5.	Grace Period	:	10 years	10 years
6.	Loan Negotiation Date	:		September 1987
7.	Loan Approval Date	:		26/10/87
8.	Loan Signature Date	:	September 1987	30/11/87
9.	Date of Entry in force	:	November 1987	29/12/87

B.	PROGRAMME DATA			
1.	Total Cost (UA million)	:	28.55	26.42
2.	Financing Plan (UA million) ADF	:	28.55	26.42
3.	Effective Date of First Disbursement	:	December 1987	January 1988
4.	Effective Date of Last Disbursement	:	May 1989	February 1994
5.	Commencement of Project Implementation	:	December 1987	January 1988
6.	Date of Completion of Project Activities	:	November 1988	May 1997

C. **PERFORMANCE INDICATORS**

1. Cost Underrun : 7.47%
2. Time Overrun
   - Slippage on Effectiveness : 1 month
   - Slippage on Completion Date : 8 years and 5 months
   - Slippage on Last Disbursement : 4 years and 10 months
   - Number of Extensions of Last Disbursement : 6 as follows: December 1990, June 1993, December 1993, June 1994, December 1994 and December 1995

[1] TCMB/Coffee now called Tanzania Coffee Board (TCB); TCMB/Cotton now called Tanzania Cotton Lint and Seed Board (TCLSB).

3. Project Implementation Status : Completed
4. Verifiable Indicators and Levels of Achievements in Financial Terms, as per initial List of Goods and Services (in million UA)

Agricultural Sector: UA 17.5 million (98% disbursed)

Item	Agent	Value for LOGS 12/87 UA million	Actual UA Million	% Disbursed
Coffee Agrochemicals	TCB	8.51	8.85	104
Cotton Ginnery Spares	TCLSB	1.35	1.78	132
Farm Machinery Rehabilitation and Inputs	TSA	0.34	0.00	0
Hot Rolled Steel Coils	ALAF	3.69	3.42	93
Drugs and Chemicals (Livestock Small-holders)	MOA	0.74	0.68	80
Drugs, Chemicals & Equipment for Tsetse Control	NARCO	0.90	0.00	0
Veterinary drugs, Vehicles & Tractors	DAFCO	1.13	0.00	0
Milk Processing Equipment	TDL	0.73	0.00	0
Other Agriculture (Livestock and Sisal)	Various	0.11	0.00	0
Sub-Total Accounted for			**14.73**	
Revolving Fund not Accounted for			**2.34**	
TOTAL DISBURSED		**17.50**	**17.07**	**98**

Transport Sector: UA 11.05 million (85% disbursed)

Item	Agent	Value for LOGS 12/87 UA million	Actual UA Million	% Disbursed
75 Container Wagons	TRC	2.49	2.54	102
87,000 Steel Sleepers	TRC	2.12	2.68	126
Materials for Repair of 300 Wagons and Scrapping of 500 Wagons	TRC	0.83	0.85	102
Spares for Repair of Breakdown Crane	TRC	0.09	0.15	167
200 Trucks (100 x 7t. and 100x10t.)	NTC	4.51	2.88	64
Spares for above	NTC	0.64	0.26	41
Body-building materials for above	NTC	0.37	-	0
TOTAL DISBURSED		**11.05**	**9.36**	**85**

5. Institutional Performance : Fair
6. Supplier Performance : Mainly Satisfactory
7. Consultant Performance : N/A
8. IERR and IFRR : N/A

D. **MISSIONS**

Type	Date	No. of Persons/Composition	Man-days
Preparation	February 1987	Composition and duration unknown	
Appraisal	April 1987	6 persons (Economist, Agricultural Economist Agronomist, Transport Engineer, Transport Economist and Loan Officer)	Duration Unknown
Follow-up	March 1988	Details not available	
Supervision	December 1988	1 person (Agricultural Economist)	5
Mid-term Review	March 1989	2 persons (Economist and Agronomist)	26
Supervision	October 1992	2 persons (Agronomist and Agricultural Economist). This mission was intended to be the Project Completion Missions which was converted by the ADF team into supervision upon arrival in Tanzania.	30
Final Supervision	May 1997	2 persons (Agricultural Economist and Financial Analyst)	38
PCR	July 1997	2 persons (Agronomist and Agricultural Economist)	28

E. **DISBURSEMENT**

			Appraisal Estimate	**Actual**	**% Disbursed**
1.	Total disbursed	:	UA 28.55 million	26.42	92.5
2.	Unused Balance	:	UA 0 million	2.13	7.5

EVALUATION SUMMARY

1. Introduction

1.1 In the mid 1980s, Tanzania's economy was reaching a crisis point. Per capita GDP was falling, export earnings had declined, and inflation was running at high levels while the Tanzanian Shilling (Tsh) continued to be greatly overvalued. To internal economic problems related to central planning – inefficiencies in marketing and distribution, large losses incurred by parastatals and distorted incentive structures as a result of administered producer and sales prices – were added droughts and external factors such as falling commodity prices and escalating costs of imports (particularly oil). A combination of all these factors ushered in a chronic Balance of Payments deficit and rising external debt. Foreign exchange was strictly rationed.

1.2 Following largely unsuccessful previous efforts to revitalise the economy, in 1986 the Government of Tanzania (GOT) launched an Economic Recovery Programme (ERP) whose goal was to restore economic growth and achieve monetary and fiscal stability by introducing reforms in exchange rate management and foreign exchange allocation, in trade and tariff policy, pricing, fiscal and monetary policies, as well as reforms in agriculture, industry and transport sectors.

1.3 The Sector Rehabilitation Loan (SRL) of UA 18.55 million, effective December 1987, was the first sector loan from the Bank Group in Tanzania. It was formulated to provide support to the coffee, cotton, sisal and livestock subsectors as well as food crop storage, to provide additional trucking capacity and contribute to a multi-donor ERP for the Tanzania Railways Corporation (TRC). Disbursement was planned to be completed by June 1989.

2. Implementation

2.1 UA 18.42 million was made available to the GOT immediately following loan effectiveness end of December 1987. UA 9.21 million of this first tranche was transferred to Bank of Tanzania (BOT) to be used as a revolving fund. BOT purchased this foreign exchange by crediting the Treasury with the TShs equivalent thus making it immediately available to the GOT.

2.2 With the exception of Aluminium Africa Ltd. (ALAF), the intended beneficiaries of the loan's FOREX proved unable to provide the required cash cover for their allocated inputs (ref. para. 3.1.3). The intended beneficiary organizations in the livestock sector (i.e. National Ranching Co., Tanzania Dairy Farming Co., Tanzania Dairies) and The Tanzania Sisal Authority, never raised the necessary local money as cash cover for FOREX and did not benefit from the loan. Following MOF/BOT's intervention to guarantee credit through the National Bank of Commerce (NBC), agro-chemicals to a value of about US$ 13 million were imported in the second half of 1988 for the coffee sub-sector. Tenders were also launched for railway equipment, trucks, spares and associated bodybuilding units during 1988. No cash cover was demanded up-front for transport sector imports – railway equipment being treated as an equity contribution and the National Transport Corporation (NTC) being required to remit cash for trucks only after their sales by the private distributors.

2.3 At the Mid-Term Review in April 1989, conditions for release of the second tranche were adjudged to have been met and the remainder of the loan amount was made available to the GOT in June 1989. However, no further funds were disbursed to BOT under the revolving fund arrangement at this stage because the Bank was not satisfied that utilisation of the original instalment had been properly accounted for. The LOGS was revised to allocate more to agro-chemicals and the allocation of the transport sector was adjusted to allow for higher expenditure by TRC. The 1989-92 period passed with a sequence of disbursement extensions to allow for progressive delivery of transport sector imports (ref. para. 4.9.6).

2.4 In November 1992 an ADB mission visited Tanzania to prepare a PCR but, finding approximately UA 6.5 million undisbursed, the mission reformulated the LOGS, and arranged for the disbursement of US$ 5.51 million to BOT largely to cover the purchase of ginnery spares and additional agro-chemicals for coffee sector. Subsequently a tender was launched and the ginnery spare parts were delivered during 1995. A proposal in 1994 for funding a tsetse control laboratory under the loan was aborted for lack of cash cover.

3. Performance Evaluation and Ratings

3.1 Although SRL's overall performance is rated unsatisfactory, the programme contained relevant components, which could have performed much better if a right instrument (i.e. investment loan) was applied with an extended 4-5 year-period of planned implementation phase. In that case, the constraining factors would have been handled accordingly (ref. para. 1.2.3, 3.1.2, 4.1.4, 4.3.1). SRL was intended to ensure sustained rehabilitation of the productive sectors and infrastructure. Unfortunately, owing to the weakness in the design of the operation, the loan funds could not be accessed readily to address the needs of the intended beneficiary organizations (ref. para. 3.1.3). Even in case of GOT's intervention to guarantee the intended beneficiaries who had failed to access the loan funds, it was too late for some of the beneficiaries to make good use of the loan funds.

3.2 Notwithstanding, SRL provided badly needed foreign exchange at a time when the GOT had been starving the coffee industry of resources, even though the industry was the country's major foreign exchange earner. SRL served to plug a gap in funding for recurrent costs of agro-chemicals. However, due to price changes in the international market, the bid to shore up, let alone to boost, export earnings from coffee was unsuccessful. Although there may have been small benefits from incremental production and quality, these must be rated as unquantifiable. A greater impact on the rehabilitation of the coffee industry and its role as a generator of export earnings would almost certainly have been achieved, at lower cost, by a careful examination of the use of pesticides by smallholders, the economics of pesticide use and a carefully considered overhaul of the input procurement and distribution system (ref. para. 4.1.2 - 4.1.3).

4. Lessons Learnt and Recommendations

4.1 Lessons Learnt

(a) In order to improve the future PBL programmes' quality at entry and enhance their efficacy, the Bank Group should, prior to or at appraisal, carry out sectoral and feasibility studies (including risk analysis);

(b) The capacity of loan participating agencies and beneficiaries should be carefully assessed, prior to or at appraisal, to ensure that their financial and managerial arrangements are feasible;

(c) Country Strategy Papers (CSPs) should serve as a guide and as a reference material for future preparation of PBL programmes, and should be strengthened through the collective input of the country team, more independent economic and sector work and adaptive research;

(d) Lack of or intermittent reporting, including submission of audit statements, on the part of borrowers has been a major problem for the Bank to monitor and track progress in the implementation of such quick-disbursing programmes from afar.

4.2 Recommendations and Follow-up Action

- The Country Strategy Papers (CSPs) be given a more eminent position and role as the key instrument of the Bank's support to the countries' policies, strategies, and programmes.

- In order to make it more effective, the Bank's country support be designed in such a way as to create more synergy and complementarity between the sector operations, PBLs, and TAs. Likewise, PBLs would need to be designed to unlock policy constraints in those sectors the Bank maintains lending.

- The scope of PBLs be limited to the most important issues and to those, which could be designed and monitored with the existing institutional capacity.

- In situations where ownership and commitment to the reform agenda exist in RMCs, it would be better to shift from specific conditions to broader goals.

- Considering the difficulties often encountered by the borrowers with respect to compliance with loan conditions, and assembling documents for disbursement, the Bank should study the possible ways of reducing the number of loan conditions and the number and variety of documentary evidences for Special Accounts.

- Record keeping at the Bank needs major improvement, as documents relating to old operations are not easily traced in the Bank archives.

- In order to marshal continued support for the reform agenda, it would be beneficial to make the reform programmes more inclusive at grassroot level and empowering to the endogenous people in RMCs.

- The impact on output in response to the policy reforms will depend on the degree to which rural infrastructure (e.g. roads and transport) in RMCs is developed.

- Negative effects from use of agro-chemicals should have been assessed through EIA studies before their applications (ref. para. 4.1.8 – 4.1.9).

SUMMARY OF RATINGS

	Evaluation Criteria	PCR	PPER
	Relevance		Satisfactory
	Achievements of objectives “Efficacy”		Unsatisfactory
	Efficiency		Highly Unsatisfactory
	Institutional Development Impact	Fair[2]	Highly Unsatisfactory
	Sustainability		Unsatisfactory
	Aggregate Performance Indicator		Unsatisfactory
	Borrower Performance	Unsatisfactory[3]	Highly Unsatisfactory
	Bank Performance	Unsatisfactory[4]	Unsatisfactory

[2] According to the PCR text of para.6.1 & 6.2 ‘poor’ implies ‘unsatistactory, but the Basic Data Sheet puts «Fair ».
[3] Inferred from Annex 3 of PCR, para.28 which states that Borrower Performance was generally poor.
[4] Inferred from Para.10.3 & 10.4 in the main text of PCR which implies that Bank performance was unsatisfactory.

1. PROGRAMME BACKGROUND

1.1 Country and Sector Economic Context

1.1.1 Tanzania started economic adjustment in earnest in the mid-1980s. Prior to the mid-1980s, Per caput GDP was falling, agricultural export earnings had declined, and inflation was running at high levels while the Tanzanian Shilling (TSh) continued to be greatly overvalued. The marketing and pricing of agricultural products were highly controlled by public marketing boards and authorities (i.e. parastatals), which were greatly inefficient in marketing and distribution. Consequently, the agricultural production declined as a result of administered producer and sales prices and distorted incentive structures. Export crops were procured from farmers at fixed prices through parastatals. Food crops were purchased by the National Milling Corporation (NMC) – a parastatal – and distributed to urban consumers at subsidized prices. Roadblocks were set up to hinder the movement of unauthorised food and the procurement and trade of cash crops. The practice essentially created a captive market for the parastatals. The exceptions were the smuggling to neighbouring countries of some export crops (e.g. coffee), and the sale of some food crops such as maize in the parallel market. For food crops, the parallel market expanded and helped to offset the adverse impact of the depressed prices from NMC. For example, by 1983/84, NMC's official food purchase was about 3 percent of production – down from a level of about 13 percent in 1977/78. Due to better prices for food crops received through parallel markets, farmers shifted their resources to the production of food crops. Land was diverted away from the annual cash crops, and the attention to perennials (tree crops) was dropped to save labour for the production of food crops.

1.1.2 To internal economic problems related to central planning, were added droughts and external factors such as falling commodity prices and escalating costs of imports (particularly oil). As a result, agricultural exports collapsed[5].

1.1.3 Despite the existence of the parallel market and frequent adjustments in both producer prices and the exchange rate, however, the overall price of agricultural goods remained low, and depressed in relation to the prices of non-agricultural goods. The price disincentive factor was compounded by the shortages of basic manufactured goods. Investment in agriculture was as a result adversely affected.

1.1.4 By the mid-1980s, as a result of continued recurrent balance of payments and fiscal constraints, Tanzania was unable to continue with its controlled economic system. It thus started a series of adjustment programmes to change the systems of incentives, use the market as a guide to resource allocation and regain macroeconomic stability. In 1986 the Government launched an Economic Recovery Programme (ERP). The ERP's goal was to restore economic growth and achieve monetary and fiscal stability by introducing reforms in exchange rate management and foreign exchange allocation, in trade and tariff policy, pricing, fiscal and monetary policies. The ERP was particularly directed towards reforms in the agriculture, industry and transport sectors. The policies, among others, included (i) changing the system of exchange and interest rate determination, (ii) starting a process of privatising parastatals, (iii) liberalising agricultural marketing and pricing systems, (iv) removing statutory export taxes and reducing the number and dispersions of import duties, and (v) rehabilitating the stock of capital.

---

[5] Stefan Dercon, Peasant Supply Response and Macroeconomic Policies: Cotton in Tanzania, Journal of African Economies, Vol. 2, No. 2, 1993. A similar argument can be inferred from F. Stewart, Economic Policies and Agricultural Performance: The Case of Tanzania, OECD Development Center Papers, 1986.

1.1.5 These policies were intended to unleash Tanzania's productive potential and trigger a positive supply response. The sectoral policies targeted the agricultural sector, the largest economic sector and with the greatest potential, and the transport sector – which was crucial for the revival of both domestic and international trade.

1.2 **Programme Formulation**

1.2.1 The Sector Rehabilitation Loan (SRL), ADF's first multi-sector policy-based lending in Tanzania, was designed under such macro- and micro-economic circumstances. In consonant with broader and sectoral policy goals of the Economic Recovery Programme (ERP), SRL supported the Government's efforts in rehabilitating mainly the export-oriented agricultural and the transport sectors -- the two critical sectors of the economy identified above. In this pursuit, it aimed at facilitating the success of meeting the economic reform objectives articulated in the ERP of 1986.

1.2.2 Although the loan was correctly conceived to support key sectors in the Economic Recovery Programme, proposals for the agriculture sector could have been prepared more carefully. As well noted in the PCR, very little analysis of the sub-sectors concerned was included in the appraisal report, even though, except to some extent for livestock, they were domains that ADB had not covered before. The appraisal report contained conflicting lists of goods to be acquired under the loan.

1.2.3 In addition, provisions for administering the loan or distributing the imports were hardly considered at appraisal and the implementation period envisaged was over-optimistic. Even assuming that no problems would be encountered in tendering and procurement, it was unlikely that the contracts and deliveries of railway materials could have been completed within 18 months.

1.2.4 Before SRL came on-line, The Bank Group had carried-out 31 operations (including studies) worth UA 197.12 million. Eleven agricultural projects, mainly targeted to irrigation and rice production, took up about 41 percent of the resources. The transport sector had promoted 6 projects in road and bridge construction. These accounted for 24 percent of the resources.

1.2.5 A Project Completion Report (PCR) was conducted in November 1998. The PCR provided an exhaustive and frank assessment of the design and implementation experience, and overall performance of the operation.

1.3 **Programme Objectives and Scope at Appraisal**

1.3.1 The objectives of SRL, as specified in the Staff Appraisal Report (ref. SAR, para. 5.1), and also articulated in the Retrospective Logical Framework (ref. PCR, Table 9) were to:

- Support the agricultural sector especially the coffee, sisal, cotton and livestock sub-sectors in order to raise their productivity, and hence increase foreign exchange earnings through exports;
- Improve crop storage facilities in order to reduce post-harvest losses; and
- Support the transport sector especially the railways and trucking sub-sectors in order to improve land transport and facilitate general mobility, delivery of producer inputs, evacuation of foodstuff and the haulage of export cargo.

1.3.2 Towards achieving those objectives, SRL allocated UA 17.50 million for agro-chemicals, fertilizers, seed; veterinary drugs and chemicals; agricultural machinery and spares; vehicles and spares; dairy and other livestock equipment; cotton ginnery spare parts; and crop storage steel sheets. The total amount was specifically earmarked for seven export crop marketing parastatals, one manufacturing parastatal, and the former Ministry of Agriculture and Livestock Development

(MOA&LD). The transport sector was allocated UA 11.05 million for new container wagons, steel sleepers, spare parts and supplies for Tanzania Railways Company (TRC); and new trucks, including spare and other parts for the National Trucking Company (NTC)

1.3.3 In order to avoid expansion of money supply, which would hamper the ERP's objective of controlling inflation, recipients of goods imported through the loan were to provide 100% cash cover for the value of the goods in local currency. Release of the second of two tranches was to be dependent on the Government meeting conditions related to the implementation of the ERP and on completion of its National Transport Policy document with a copy to ADB.

1.4 Financing Arrangements – Bank Group and Others

1.4.1 The global financial requirement of the ERP for 1987/88 was estimated at UA 0.95 billion (US$ 1.23 billion)[6]. Of this total overall requirement, the amount required for the agricultural and transport sectors was estimated at UA 325.34 million (US$ 420.50 million). SRL provided ADF loan amounting to 7.3% of the total agricultural and transport requirement, or UA 28.55 million, of which UA 17.50 million was destined to the agricultural sector, mainly coffee, cotton, crop storage facilities, and dairy operations; while UA 11.05 million was allocated to the transport sector (i.e. Tanzania Railways and National Transport Corporations).

1.4.2 The proceeds of the loan were meant to purchase agricultural chemicals, machinery, equipment and spare parts, vehicles and supplies, wagons, steel sleepers, etc. SRL was co-financed with the World Bank and several other donors.

2. EVALUATION

2.1 Evaluation Methodology and Approach

2.1.1 A two-stage approach to performance review process was used to assess the performance of the operation and validate the PCR findings. In the first stage, the PPER mission reviewed the SAR, PCR, and supervision mission reports. The second stage involved a one-week mission to Tanzania in February 2001 to hold consultations with relevant Government and semi-Government officials, and to seek the views of the management of those organisations in the agricultural and transport sectors that benefited from the loan, on the performance of SRL and to analyse their current situation. The mission also collected some statistical data and reports for further study and analysis upon its return to Abidjan.

2.1.2 It must, however, be mentioned that two factors impacted the conduct of the mission. These factors influenced the conduct of the review as well. First, the economic policy-thinking and GOT's policies have changed substantially since SRL was appraised in 1987. At the time of Appraisal parastatals dominated the scene and resources were being allocated centrally through the budget. Credit was used as a means of achieving the plan complementing the budget. No viability or risk analysis was done to the resources extended to the parastatals, as the credit was coming from Government-owned banks anyway. SRL, including resources from other donors, was meant to provide additional resources to prop-up parastatals. Since the mid-1990s, however, serious and far-reaching institutional policy changes have taken place. A privatization program has been underway since the early 1990s; thereby running businesses is mainly being left to the private sector. At the same time, Government has decided to limit itself to the provision of public goods. As a result, most of the parastatals that benefited from, or were somehow involved in the implementation of SRL have or are being privatized. The agricultural marketing parastatals have been converted into regulatory crop boards with additional roles of providing research and crop-specific extension

[6] Used Monthly Exchange Rates for March 2001.

services. Secondly, because of the long time that has elapsed since appraisal, obtaining documents, finding the relevant people, and eliciting factual response has been difficult, particularly given the numerous changes that have taken place within the Government ministries and parastatal bodies.

2.1.3 This report, in addition to providing a validation of the PCR findings and judgements, provides an assessment and analysis of recent developments in those sectors that SRL supported. It also provides an independent rating of the performance of the operations. Based on its own review of SRL, the PCR, and on recent experience in PBL in Tanzania, it distills some lessons and provides its own heuristic conclusions and recommendations.

2.2 Performance Indicators

2.2.1 During the appraisal of the programme, performance indicators were established to verify the extent to which the targets were achieved. According to the Staff Appraisal Report (SAR) and to the PCR (ref. Annex 1: Logical Framework), over the period 1987 – 1991, with implementation of the ERP policies and assuming that the external resource requirements were met on a sustained basis, the GDP was expected to recover with a projected growth of around 4% per annum. The agricultural sector was projected to grow at an annual average rate of 4.2%, with production for export increasing sharply as a response to the stimulus provided by producer price incentives and the improved supply of inputs. Food crop production was also expected to respond to incentives by increasing at an annual rate of around 3%, broadly in line with the population increase. The service sector was projected to grow at around 3% per annum between 1987 – 1991, with significant pick up of transport capacity as the GOT would increase the share of resources, both domestic and foreign, allocated to the transport sector.

2.2.2 When, in terms of production, the real achievements of objectives and outputs are compared to the above projected performance indicators, all sectors of the economy, including agricultural production registered positive growth during 1987 –1990. Agriculture experienced a growth rate over 3 percent – a rate lower than those of the industrial and services sectors, but enough to outpace the rate of growth in population. Between 1990-93, agriculture performed much better – maintaining an average growth of 3.3 percent, thereby outperforming the growth of both the industrial and services sectors. A similar growth rate was recorded for the rest of the 1990s. For more details, see para. 4.2.5.

3. IMPLEMENTATION PERFORMANCE

3.1 Loan Effectiveness, Start-up and Implementation

3.1.1 The PCR provides an adequate review on the experience leading to the effectiveness and start-up of the operation, modifications of the LOGS, implementation schedule, reporting and procurement (ref. PCR, paras. 4.1 – 4.10). The loan moved speedily through negotiations to effectiveness. Conditions for release of the first tranche were readily met. The SAR contained six first tranche conditions and two-second tranche conditions. Three first tranche conditions related to substantive ERP (i.e. implementations of policy reforms in ERP) and sectoral policies (i.e. strengthening the agricultural input distribution system; and review of tariff structure of transport), while the rest related to Special Account and administrative matters. The second tranche conditions related to mid-term review and completion of the tariff study[7]. SRL contained two Lists of Goods and Services (LOGS) to be purchased through the loan proceeds, but the LOGS did not tally.

[7] Essentially, the second trance conditions were three, including the one on the study to improve the efficiency of the Railway Company.

3.1.2 SRL was approved in October 1987, and the loan agreement was signed in November 1987. It became effective in December 1987. The loan activities closed in May 1997 after six extensions and after disbursement of about 95 percent of the loan. Although the implementation of the loan was originally meant to last not more than two years, it took almost 10 years after effectiveness. It was expected that SRL would disburse in two tranches in utmost two years. It was also intended that SRL would finance both working capital, medium- to long-term investment and major rehabilitation of fixed assets[8]. Beneficiaries, which were entirely parastatals and marketing boards, were expected to submit to the GOT the Tanzania Shilling equivalent of their allocation to be able to use the foreign exchange loan through SRL. Since the proceeds from the sale of the foreign exchange was intended for budgetary support, the equivalent withdrawals of the T. Shillings were meant to sterilize the inflationary impact of the additional T. Shillings in the economy.

3.1.3 Out of the eight entities in the agricultural sector that were expected to benefit from SRL, only four, namely Tanzania Coffee Board (TCB), Aluminium Africa Ltd. (ALAF), Tanzania Cotton Lint and Seed Board (TCLSB), and smallholder livestock farmers (through the then Ministry of Agriculture and Livestock Development - MOALD) accessed the resources. These four accounted for 86 percent of the disbursement. The non-beneficiaries were excluded due to their inability to raise the cash cover. According to the PCR, the remaining 14 percent (mainly the Special Account) was unaccounted for. Although the PCR suggested undertaking an audit of the account, nothing has been done so far. Out of a total allocation of UA 11.05 million for the transport sector, about UA 9.36 million had been utilized by the time the project closed. About two-third of the disbursement was devoted to Tanzania Railways Corp. (TRC) and the remaining one-third to the National Transport Corp. The LOGS were changed twice – in 1989 and 1992, to facilitate increased allocations for coffee and railways.

3.1.4 No record is available on how the items for inclusion in the revised LOGS were identified. Neither was the SAR supported by adequate analyses of the sub-sectors that were included, such as coffee, cotton, etc. (ref. PCR, paras. 3.1 – 3.4). The SAR also lacked economic, financial, technical and organizational feasibility for each of the components.

3.2 **Adherence to Programme Costs, Disbursements and Financing Arrangements**

3.2.1 Loan utilisation and disbursements have been well detailed in the PCR (ref. para. 4.11 – 4.15). Nonetheless, according to the loan records and to the PCR, out of the approved loan amount of UA 28.55 million, the Bank disbursed UA 26.42 million, leaving UA 2.13 million as an undisbursed balance. Total expenditure on agriculture that has been accounted for by the borrower amounted to UA 14.73 million, compared with UA 17.07 million, which was disbursed to the sector. The expenditure of UA 2.34 million of the disbursed funds is yet to be accounted for by the borrower. Expenditure was heavily concentrated on agro-chemicals for coffee, steel sheets and ginnery spare parts. No fertilisers, seeds, machinery, vehicles or dairy/livestock equipment appear to have been imported as a result of the loan to the sector. However, the PCR notes that, because no separate special accounting was maintained for funds derived from payments to the revolving fund, it has been practically impossible to directly link import consignments with loan funds.

[8]To call SRL a BOP/budget support is a misnomer. Effectively, SRL was more like an investment operation or Line-of-Credit since the loan was tied-to specific items and specific recipients. In BOP operations, untied foreign exchange is made available to the economy to expand the pool of forex. The demand for and supply of forex determine an exchange rate, and end-user would buy forex at that rate both for capital, intermediate and consumer goods. The proceeds from this sale would then be used as budgetary support. SRL fails to be called BOP and \Budgetary support on many of these grounds.

3.2.2 Total expenditure on transport amounted to UA 9.36 million, and the borrower accounted for it all. Items procured were largely as specified at appraisal. Tender evaluation revealed that the costs of the planned railway rehabilitation would exceed the allocation for TRC, while NTC would have a substantial balance because trucks proved to be less costly than what was estimated at appraisal.

3.2.3 Three disbursement options were available to the Government and loan beneficiaries:: direct payment of invoices by ADB, reimbursement for guaranteed Letters of Credit, and disbursement from a special account/revolving fund which ADB would replenish when advanced funds are properly accounted for. The Government opted to use the revolving fund system for agro-chemicals and ginnery spare parts. Beneficiaries procuring other items used either the direct payment or reimbursement guarantee option.

3.2.4 Disbursement of the loan extended far beyond the originally anticipated closure date of June 1989. However, the schedule of disbursement as anticipated at appraisal was probably never feasible. Judging by what could reasonably have been expected, performance was satisfactory up until about 1992. By this time some 78% of the total loan had been disbursed. Payment for almost all commitments had been completed at this stage, although disbursement for some railway equipment was still pending.

3.3 Programme Management, Reporting, Monitoring and Evaluation Achievements

3.3.1 The Ministry of Finance, Economic Affairs and Planning (MOF) was named as the executing agency at appraisal. However, management responsibilities were never formally defined at appraisal or thereafter. TRC, NTC, ALAF, and Ministry of Agriculture used ADF's Direct Payment and Reimbursement Guarantee options, liaising with MOF only when requiring clearances or assistance with representations to ADB. From the 1988 supervision report and the PCR, "revolving fund" expenditure was handled by BOT, Treasury and NBC.

3.3.2 According to the PCR, progress reports were submitted to the Bank by the Ministry of Finance in January 1989, and by NTC and TRC at various points, notably around the time of the 1992 mission. The Ministry of Agriculture also prepared an "Assessment of the Agriculture Sector Rehabilitation Loan Project" (August 1993). However, no regular quarterly progress reports, accounts or audit reports were submitted to the Bank for the loan as a whole.

3.3.3 Management of procurement and physical distribution of imports by beneficiaries was generally satisfactory. However, ginnery spare parts imported by TCLSB remain undistributed to-date, and the Board still holds a dead stock of parts whose book-value is over half a million US Dollars. Financial management was generally poor both within the Ministry of Finance and other Ministries, and by at least some beneficiaries.

4. PERFORMANCE EVALUATION AND RATINGS

4.1 Relevance of Objectives and Quality at Entry

4.1.1 SRL is rated **satisfactory** due to its relevance (ref. Annexes 2 & 3). In mid-1980s, GOT had issued its ERP and was starting to make changes in the direction of the economy. The reform package, among several macroeconomic targets, put emphasis on rehabilitating the existing productive capacities, particularly in the exportable production and the transport sectors. In addition, since the coffee trees were damaged by coffee diseases, the chemicals catering to the coffee sector were timely. Given that most export crops of Tanzania originate from the small-holder sector, rehabilitating the coffee, cotton, and small-holder livestock, together with the means of transportation, should have had a positive effect on poverty reduction.

4.1.2 In spite of the good intentions, however, SRL had several design flaws. With the intervention of SRL the need to take real reforms may have been postponed until the early 1990s. The most critical weaknesses were caused by the lack of sectoral and feasibility studies (including risk analysis) underpinning each of SRL's components, and the lack of a thorough review of the credit delivery system. A review of ADB operations prior to SRL indicates that the Bank had no experience working on the sectors covered under SRL (e.g. coffee, cotton, railways, trucking, etc.) and the respective marketing boards and parastatals (MBPs). As will be elaborated below, this affected the quality at entry significantly.

4.1.3 A review of these sectors would have uncovered, ahead of time, some of the difficulties encountered during implementation. For example, if proper projections had been done, SRL would have recognized, from the outset, the cyclical decline in the international price of coffee, and its impact on foreign exchange revenue and farmer income from coffee. It was found later that, despite improvements in coffee supply, farmer income did not rise sufficiently for farmers to settle their debt. In the cotton sector (and also coffee), as GOT was allowing alternative institutions (i.e. co-operatives, private firms, and large producers) to procure inputs and market their produce by themselves (without the intervention of the Boards), it is not clear why these institutions had not been used to deliver the inputs financed by SRL. Proper financial feasibility and risk analysis would have revealed that the liquidity constraints (and insolvency)[9] of the MBPs would have not allowed them to play effective intermediary role. This would have saved SRL from pouring in more credit into already bankrupt outfits.

4.1.4 The single most constraining factor of SRL was the fact that a credible credit delivery system was not worked out, and that an inappropriate intervention instrument was chosen[10]. Considering the critical situation in Tanzania at the time, SRL's choice for a quick disbursing instrument may have been appropriate. In practice, however, the operation took several more years to disburse than was originally envisaged. The Special Account took about 5 years to disburse the first tranche, and actual verifiable direct disbursement was only about 50 percent by the 4th year.

4.1.5 Because of the cash cover requirement, SRL operated as a Line-of-Credit (LOC). As the Boards and Parastatals (excluding ALAF and NTC) were already bankrupt, they did not have the cash cover to access the credit. Therefore, a mechanism had to be found to deliver the foreign

---

[9]Solvency measures the potential to generate enough revenue and liquidity in the medium- to the long-term to settle existing and additional liabilities.

[10]This problem is not unique to SRL. A review of ADB PBLs asserts that "SARs, in general, do not adequately assess the conditions under which targeted groups (farmers, industrialists) would be able to access foreign exchange, credit, etc…). OPEV, An Evaluation of Bank Group Policy-Based Lending Operations, 1986-97, ADB/ADF/OPEV/97/41, November 1997, para. 2.2.14. The SRL Evaluation team however thinks that no a priori targeting is required as allocation would be made through the market for forex , credit, etc.

exchange. As commercial credit was beyond the scope of BOT and Treasury (which in itself needed resources to carry out its tasks), an intermediary – a commercial bank -- had to be brought into the picture. This role was provided by National Bank of Commerce (NBC) -- a state-owned commercial bank. NBC was instructed to extend credit to TCMB (on the bases of Government Guarantee), TLSMB (on the bases of Promissory Notes issued by co-operatives), and perhaps NTC. NTC settled its debt as the vehicles arrived and were sold[11]. The credit to TCMB and TLSMB kept on accumulating interest until 1992/93 (ref. Annex 1 for life histories of each component). In 1992/93, the European Union settled the debt on behalf of the Boards when their role was converted from marketing to regulatory function so that they would start on clean financial footing[12].

4.1.6 From the macroeconomic point of view what one notices is that although the intention of the cash cover was to sterilize the impact of the budgetary support (assuming that BOT indeed surrendered the T Shillings to Treasury), it looks this was not carried through.

4.1.7 The Railway Corp. (TRC) was however financed differently. As TRC was not able to generate its own cash in the short- or medium-term, GOT decided to raise its paid-up equity (i.e. make invest) in the company. This was used by TRC to purchase the foreign exchange earmarked for its use. To the extent of Treasury's investment, it essentially meant that the budgetary support was not available for other purposes.

4.1.8 Negative effects from use of agro-chemicals should have been assessed through EIA studies before their applications. Environmental impact assessment study was never carried out before the programme implementation. Concern over the use of coffee agro-chemicals centres on the killing of non-target, beneficial organisms; the development of resistance among target species; and the disruption of ecological equilibria (ref. PCR, Annex 2). There are reports suggesting that routine spraying may lead to the development of resistance to pesticides (e.g. fenitrothion against coffee leaf miner). High levels of copper fungicide applications (up to 66 kg/ha/year) may have led to an increase of copper in the soil, which could, over many years, inhibit soil micro-organisms and therefore affect structure and fertility.

4.1.9 Coffee agro-chemicals may have been used on food crops. These pesticides were not all recommended for use in food crop production, especially vegetables. In the absence of appropriate technical advice, farmers may not have been aware of essential rules prevailing for applying pesticides on fresh produce (i.e. delay between last application and harvest), resulting likely in pesticide residues in marketed/consumed produce.

4.2 <u>Achievements of Objectives and Outputs (Efficacy)</u>

4.2.1 To single out the achievements of SRL, it is important to separate what SRL, as a distinct operation, set out to do and achieved from the overall achievements of ERP. The achievements of SRL are rated **unsatisfactory** (ref. Annexes 2 and 3). SRL financed working capital so that parastatals in agricultural marketing would purchase chemicals and supplies to cater to farmers and capital equipment for the TRC and trucks for NTC. For an economy like that of Tanzania's, that operated within its production frontier, the injection of additional resource to unshackle the binding constraints may not be argued against. However, SRL was only one of the possible approaches. With the benefit of hindsight, one would conjecture that SRL should have insisted for more radical

[11] As most of the vehicles were sold to the Regional Transport Companies (RETCOs) – regional parastatals which were in themselves financially weak, it is difficult to comprehend how NTC managed to settle its debt.

[12] Nevertheless, NBC's financial position was severely damaged by these and similar credit extended to parastatals and marketing Boards and also by internal mismanagement. After going through a series of restructuring through performance agreements, it was unable to regain financial strength. The Bank was later partitioned into National Bank of Commerce (1997, NBC (1997)) and National Micro-Finance Bank. After re-capitalization, NBC (1997) was privatized and ownership transferred recently.

reforms or should have insisted to channel the resources through the private sector, co-operatives, and the larger producers. Failing this, SRL just postponed the real adjustments towards the early 1990s. In the early 1990s, after considerable amount of money was spent in propping-up otherwise bankrupt parastatals, it was recognized that the path followed so far was not right.

4.2.2 In the railway sector, SRL tended to be ad hoc. It is not clear why SRL got involved in the sector in the first place and why subsequent instruments of ADB (excluding the lending in 1992) did not continue to participate in the rehabilitation and reforms despite the fact that most of the other donors sustained and reinforced their support[13]. Furthermore, ADB had several years of experience and commendable record in the roads sector. At the time of SRL, the roads needed rehabilitation as much as the railway. Given the size of Tanzania more road construction is still required. It is not clear why ADB did not hold to the sector and bring its comparative advantage to bear.

4.2.3 It was only the demise of the MBPs that forced GOT to radically change its economic policy-thinking. Serious and far-reaching institutional policy changes, including credible privatization measures, took place in the early 1990s. Since then, running businesses, such as MBPs, have mainly been left out for the private sector. At the same time, Government has decided to limit itself to the provision of public goods. As a result, most of the parastatals that benefited from, or were somehow involved in the implementation of SRL have or are being privatized. The agricultural marketing parastatals have been converted into regulatory crop boards with additional roles of providing research and crop-specific extension services.

4.2.4 ERP, however, was successful in producing immediate result in some respects. Moreover, it set a strong impetus for the programs to come in subsequent years. The following paragraphs will briefly review some of the achievements[14]. It is however important to note that it is difficult to attribute the successes or failures in production, particularly exports to SRL or even to ERP since several exogenous factors affected (and continue to affect) agricultural production and exports. At the same time, SRL was only one of several interventions in the sectors.

4.2.5 <u>Growth:</u> In terms of production, all sectors of the economy, including agricultural production revived during 1987-89[15]. Agriculture experienced a growth rate of over 3 percent – a rate lower than those of the industrial and services sectors, but enough to outpace the rate of growth in population. Between 1990-93, agriculture performed much better – maintaining an average growth of 3.3 percent, thereby outperforming the growth of both the industrial and services sectors. A similar growth rate was recorded for the rest of the 1990s. A review of quantities of production, including cash crops such as cashew, tea, tobacco, and cotton, shows similar positive trends. The production of coffee had been erratic, however. It increased from 49,000 tons in 1987/88 to close to 58,000 tons in 1988/89 – perhaps as a result of injections such as SRL, but declined almost continuously until 1991/92. In 1992/93, production of coffee dropped sharply to only 34,100. Production varied widely since the mid-1990s but averaged 40,000 tons a year. Tanzania's main problems have been the old age of most of the coffee trees and lack of market for its production. Over the period between 1987 and 1999, Tanzania has accumulated an inventory of close to 20,000 tons of coffee beans -- a third to half of the annual production.

---

[13]Tanzania Railways Corporation, <u>Railways Restructuring Project: Joint Donor Supervision Mission: Aide Memoire,</u> October 2000

[14] These sections are based on the Consultant's previous contribution to the Joint GOT/World Bank/FAO Agricultural Sector Memorandum Mission to Tanzania in 1999. Reference is made to <u>Agriculture and the Marcoeconomic Context</u>, August 1999.

[15] The quality of agricultural and National Accounts data of Tanzania is questionable. Several attempts have been made to reconcile the inconsistencies but the debate is still on-going. Refer to R.P. Katyal A. Athamani and R.S.Mlay, <u>Examination of Agricultural Data and Economic Accounts for Food and Agriculture in Tanzania,</u> Dar-Es-Salaam, June 1999.

4.2.6 Exports: agricultural products dominate Tanzania's export trade. In 1998, for instance, the six traditional export crops (i.e. coffee, cotton, sisal, tea, tobacco, and cashew) accounted for 51 percent of exports. Including the fast increasing non-traditional agricultural exports (e.g. live animals, fresh flowers, fish, seaweed, etc.), the share of agriculture reached 73 percent the same year.

4.2.7 Towards the late 1980s, the export sector was in a bad shape. Exports of agricultural origin had declined from US$406 million in 1980 to US$251 million in 1987 – about the time SRL came on line. The value of such exports increased modestly to US$289 million in 1988 and US$299 million in 1989. This trend was not however sustained as the value of exports declined in 1990 to US$279 million and in 1991 to US$243 million[16]. Looking at quantity of exports of coffee separately, it started from a base of 37,500 tons in 1987/88 and increased steadily until 1990/92 to close to 57,000 tons. The trend however changed in 1991/92. By 1993/94, the volume of exports was just at the same level as in 1987/88[17]. Due to the volatility in commodity prices, the value of coffee exports followed a different trend. In 1989/90, one of the highest years in the volume of quantity of exports (at 56,984 tons), the value was only US$73 million, compared to US$91 million in 1987/88 (for a quantity of only 37,500 tons).

4.2.8 The economic performance in agriculture, in particular, was affected by several exogenous shocks. On the production side, changes in weather conditions and infestation by pests (i.e. coffee diseases) mattered significantly. Even if production and export supply performed well, export revenue was affected significantly by changes in international prices. Like many other countries in Sub-Sahara Africa (SSA), Tanzania's traditional agricultural exports are known to suffer from persistent adverse terms of trade (TOT) shocks. This has been the case in Tanzania despite the fairly diversified composition of export trade. For instance, the index of the international TOT in 1988 stood at 67.2 percent (1987=100). By 1997, the index had dropped to 59 percent[18]. In the overall export performance, the volatility in the value of traditional exports has been somewhat buttressed by the fast increase in non-traditional exports, and revenues from tourism and mining.

4.2.9 Real Producer Prices: Agricultural producer prices, particularly for exportable goods, are influenced by international prices and domestic policies. Food crop prices were decontrolled in 1986 and the Marketing Development Board (MDBs) ceased to set producer prices for export products in 1994/95. Deflating these producer prices by appropriate deflators for the price of goods that farmers purchase, the domestic TOT of agriculture dropped continuously between 1987 and 1998[19]. Using the price of industrial goods as the denominator, the TOT declined until 1995 with a slight recovery between 1992 and 1993. When the producer price of non-agricultural goods is used, a slight recovery is again noted in 1990 and 1991. Nevertheless, both measures indicate a persistent drop in the TOT, although the drop in recent years is sharper using the non-agricultural GDP deflator as the denominator.

4.2.10 The real producer prices of Tanzania's major food and export products reveal similar trends. The real price of the composite food crop declined until 1991. Real prices increased substantially following the drought of the early 1990s -- the worst drought Tanzania has ever had in recent

---

[16] These data are from the World Bank, African Development Indicators, 1998/99.

[17] The quantity and value of coffee exports are from data submitted to the PPER Mission by the Tanzania Coffee Board. These data don not match the data from Bank of Tanzania, Economic Bulletin, Vol. XXIX, No. 4, December 1999, p. 70.

[18] Ibid, World Bank.

[19] David Booth, Timing and Sequencing in Agricultural Policy Reform: Tanzania, Development Policy Review, Vol. 9, No. 4, December 1991. The author traces the implications of exchange rate adjustment before marketing to cost goods farmer purchase, distribution of the economic benefits, social cohesion and corruption.

memory. After 1995, the real price dropped sharply but stabilized until 1998 at slightly over TSh 31 per kg. The real prices of maize, rice and wheat, the major food crops, followed the same trend.

4.2.11 The trend in real prices of the major export crops further reinforces the declining trend of the domestic TOT of the agricultural sector. The real price of the composite (overall) export crop dropped until 1990 from a peak of TSh 324 per kg in 1987. Tanzania's export crops experienced favourable international prices in 1987 as a result of the commodity price boom that year. After the collapse in 1988, prices increased slowly until the mid-1990s and declined in 1997 and 1998 again. The real prices of coffee, the major export crop, dropped sharply in 1988 to about a third of the value in 1987. It increased steadily at about 4 percent a year until 1994. In 1995, the real coffee prices shot up by almost 80 percent following the most recent international coffee price boom. This, however, was a short-term phenomenon as the world price dropped in 1997 to the level in the early 1990s. Thereafter, the real coffee prices remained depressed. In addition, the real prices of tobacco and lint cotton declined almost steadily since 1995 and 1996, respectively. As noted earlier, the decline in the domestic TOT and the real prices of the major export crops is, to a great extent, a reflection of the deterioration in the international TOT.

4.2.12 Poverty Reduction: Over the 11 years between 1983 and 1993, rural poverty reduction continued to improve. The poverty head count was 65 percent in 1983 and 51 percent for 1991. Poverty however escalated in subsequent years and reached 59 percent for 1995[20]. Overall, the welfare of the rural population seems to have somewhat improved since the mid-1980s despite the worsening situation in 1995. This assertion is reinforced, to some extent, by an alternative measure using rural GDP per capita. Although modest, rural GDP per capita in real terms shows a growth of about 4-5 percent over the period 1987 to 1998. Given that most of the rural population is in agricultural and related activities, this may indicate comparatively better conditions.

4.3 **Efficiency**

4.3.1 It has been intimated above that SRL was characteristically more like a Line-of-Credit (or a combination of working capital and investment loan). As such a satisfactory economic (including market), financial (including risk analysis and financial projections), and technical studies had to be conducted for each of the components and alternatives sought. However, no Economic Rate of Return (ERR) or Financial Rate of Return (FRR) was done. In addition, how ADB's loan would reach the ultimate end-users was not laid out. If these had been thought through, SRL would have been conceived as a LOC or investment lending to begin with, and a longer time span would have been considered. Since these were the critical weaknesses of SRL, SRL is rated **highly unsatisfactory** (ref. Annexes 2 & 3) on efficiency grounds.

4.3.2 Such an effort would have made it clear that the MBPs would have not been able to generate the cash cover. Then, the question of their creditworthiness would have been entertained. If decision to extend credit to the MBPs were made on non-financial grounds, it would have been clear that the additional budgetary support (being financed through domestic credit that the MBPs would take) would violate the macroeconomic conditions. As a result of pursuing such an approach, inflation persisted and hovered at over 20 to 30 percent at the time.

[20] The World Bank, Tanzania: The Challenge of Reforms: Growth, Incomes and Welfare, Report No. 14982-TA, May 31, 1996; and M. Luisa Ferreira, Poverty and Inequality during Structural Adjustment in Rural Tanzania, The World Bank Research Project, Research Paper Series No. 8, 1994.

4.4 **Institutional Development Impact**

4.4.1 SRL did not have explicit institutional development components, but it had good opportunity to strengthen the economic dialogue. First, if SRL had insisted that feasibility studies would be required for each component (and perhaps financed these tasks itself), it would have started a chain of thinking within government itself to look at the use of scarce resource more carefully. Indeed, the urgency of the injection is very clear, but there were certain things that needed to be done regardless. Some of the skipped thinking had to be done anyway during implementation in an ad hoc manner. It is also clear that what was expected to be a quick disbursing operation took over 10 years since it needed to address the issues that had been left out at the start. SRL being a PBL operation, its scope should have been limited to the most important issues and to those, which could be designed and monitored with the existing institutional capacity in the country.

4.4.2 In addition, SRL would have had significant institutional development impact if it explored mechanisms other than MBPs to channel the resources. In 1987, a small private sector was emerging, and co-operatives and larger farms had been given the mandate to do their procurement and sales. By selecting some combination of these options, the financial risk would have been distributed over a larger clientele. Considering these two issues, the institutional development impact is rated **highly unsatisfactory** (ref. Annexes 2 & 3).

4.5 **Sustainability**

4.5.1 Since 1987, radical changes have taken place in Tanzania. The MBPs that SRL supported are now in private hands or ownership will be transferred shortly. Technically speaking, the institutions that SRL supported do not exist any more or exist in a different shape and form.

4.5.2 Major changes have also taken place in the economic policy front. Since ERP was launched, Tanzania has passed through several reform phases. The reform agenda is now owned by the GOT. Tanzania is one of the countries that have prepared well-debated Poverty Reduction Strategy Paper (PRSP). Its implementation is on track. The flow of information and dialogue between GOT and the donors is lively and frank. There is support for the reforms at all levels of Government. During the last election, even opposition parties ran on a platform of continued reform. The legal and regulatory system has been modified to reflect the needs of market-based and private sector-led economy.

4.5.3 Tanzania has had a very stable political system. Despite difference in ethnic groups and religious affiliations, Tanzanians have lived in relative harmony[21]. Tanzania has run three fairly fair and democratic elections. But the recent elections and incidents in Zanzibar and Pemba have tarnished the image of Tanzania. Developments on the Islands would determine the degree of tolerance in the system.

4.5.4 Despite GOT's commitment to reforms, their likelihood to be sustained is being undermined by two major factors. The first is corruption. There are allegations that corruption is rampant. GOT has established a Prevention of Corruption Bureau but no major charges have been filed or judgement passed. Secondly, there is concern that the changes and the attendant benefits may not be shared fairly. If the privatization effort concentrates capital in the hands of a few foreigners or non-indigenous Africans, this could create resentment and tension among different members of society and put a break to the reforms. Sustainability of the reforms, therefore, is considered unsatisfactory (ref. Annexes 2 & 3).

[21] Paul J. Kaiser, Structural Adjustment and the Fragaile Nation: The Demise of Social Unity in Tanzania, The Journal of Modern African Studies, Vol. 34, No. 2, June 1996. The author addresses the tensions arising from adjustment policies.

4.6 **Aggregate Performance Rating**

As this was the first operation of its kind for Tanzania and among the first for the Bank, the aggregate performance should be viewed in that light. SRL contained relevant components, but it used a wrong instrument. Had it been designed as a LOC (or traditional working capital and investment loan) with an extended 4-5 years of planned disbursement phase, it would have performed much better and the constraining factors would have been handled accordingly. As a result, SRL is rated as **unsatisfactory** (ref. Annexes 2 & 3).

4.7 **Borrower Performance**

4.7.1 The Borrower's performance is rated **highly unsatisfactory** (ref. Annexes 2 & 4). Although major improvements had taken place in the macroeconomic policy front, the Borrower's performance pertaining to SRL was lacking. GOT's contribution to the programme preparation was rather weak or non-existent. Only LOGS (i.e. list of chemicals, equipment, and spare parts to be purchased) was provided. The feasibility of each of the components was not done and ascertained. Implementation was likewise weak. It took too long to disburse the loan owing to: (a) the Government's non-compliance with loan conditions for release of the second tranche, (b) Government's non-familiarity with Bank Group disbursement and procurement procedures, and (c) the cash cover problem, which had to be addressed up-front, but it was not. Most of the loan had not been recovered from the ultimate users causing long-term damage to credit delivery in rural areas and its recovery.

4.7.2 No regular quarterly progress reports, accounts or audit reports were submitted to the Bank for the loan as a whole. Adequate monitoring and evaluation, as well as reporting had not been done. Reports that were submitted by beneficiary parastatals were not shared with the Bank. A balance of close to US$2.5 million is still unaccounted for, and despite the PCR's proposal to conduct a final audit of the Special Account, nothing has been done so far.

4.8 **Bank Group Performance**

4.8.1 The Bank's performance is rated **unsatisfactory** (ref. Annexes 2 & 5). SRL was intended to support ERP. It addressed key sectors such the exportable agricultural sector and transportation. Yet, the Bank had not been previously involved in the operations chosen for SRL's intervention. There were no studies to underpin the rationale for its involvement in those sectors (or sub-sectors) chosen. Neither is it clear why the Bank stopped its support in those sectors after SRL (excluding one more operation in railways). This shows that the Bank's intervention was ad hoc. For instance, five of the donors that started supporting TRC in 1987 are still engaged in sector rehabilitation. The Bank provided an additional finance in 1992 but dropped the agenda completely since 1992 in spite of the fact that the other donors are continuing to strengthen the Corporation technically and financially for the impending privatization in 2002. Moreover, the opportunities to capture a more visible and independent sector in road rehabilitation were lost because of its exclusion in the Bank's operation.

4.8.2 The Appraisal of SRL was weak. The discussion on coffee and cotton is quite limited, and there is hardly anything on the role and status of MBPs and co-operatives in the SAR. Quality of technical, economic, financial, institutional, social and, environmental analyses was weak (almost non-existent). It is not clear whether during appraisal of SRL, Economic Prospects and Country Programming (EPCP) for Tanzania applying for the period was ever consulted as a guide for the design of such an operation. There was a long delay in implementation since critical issues had not been addressed up-front and the instrument chosen was not commensurate to the problem.

4.8.3 Supervision missions were launched in December 1988, March 1989 (Mid-Term Review), October 1992, and May 1997. The last three supervisions were conducted after an interval of 3 and 5 years, respectively. The only supervision report found was for the last mission in May 97, and was very informative. Record keeping at the Bank needs major improvement, as the folder(s) on SRL was not available; and the EPCP for the late 1980s could not be found. The discussion about the 1992 report indicates that that mission was very much oriented to problem solving. The 1992 mission assisted GOT to assemble and submit reports on the first disbursement, which made it possible to release the second.

4.9 Factors Affecting Implementation Performance and Outcome

4.9.1 Exogenous Factors: The implementation and outcomes of SRL suffered, among other factors, from deterioration in the external terms of trade, erratic changes in the weather conditions, and coffee diseases. Despite the financial support the Bank made available to the GOT, the technical limitation in the operation delayed quick access to the resources, thereby stifling the effectiveness of the interventions (ref. Annex 6).

4.9.2 In 1988 and 1989, the index of the external terms of trade (TOT) had dropped to 67-68 from a base of 100 in 1987 – over 30 percent deterioration in one year. It deteriorated further -- to less than 60 -- in 1990 and 1991. Although the decline in the TOT had been more influenced by the escalation in import prices, export prices also declined. This deterioration hit coffee and cotton, two of Tanzania's major export commodities. The weather phenomenon in Tanzania, as well as several other countries in that part of Africa, has changed substantially since the mid 1980s – with several years of drought being followed by flooding. For instance, in 1992, Tanzania suffered from the worst drought it has ever experienced, and which ravaged food and export crop production, power generation, manufacturing, tourism, and water supply. The problem was exacerbated in coffee sector by coffee diseases.

4.9.3 SRL was intended to address the shortages of agro-chemicals for the coffee and cotton sectors, and revive the ginneries by providing supplies and spare parts. Unfortunately, the weakness in the design of the operation did not allow accessing the resources immediately. In the cotton sector, the funds were accessed and spare parts imported too late. By the time the parts arrived, so many private ginneries, with relatively advanced technologies, had been established. As a result, no farmer would take their cotton to the co-operative ginneries.

4.9.4 Factors under Government Control: Through ERP, GOT took far-reaching measures in the macroeconomic policy area and started a process for structural and sectoral reforms. The exchange rate, as well as agricultural marketing and pricing, were liberalized. Tax and trade reforms were introduced, and serious efforts started to privatize ailing parastatals, and restructure the public sector. Since the mid-1980s, while the commitment to reforms has remained in tact, corruption has been a perpetual problem, particularly in the mid-1990s. The measures being implemented to eradicate corruption and introduce good governance have yet to show concrete results (ref. Annex 6).

4.9.5 Factors under control of Executing Agency: There is no record showing the degree to which the executing agency participated and provided managerial input in the design of the operation. Implementation of the operation was rather ad hoc. Periodic monitoring and evaluation, and reports on the same seemed to be lacking. Financial reports were not submitted regularly (ref. Annex 6).

4.9.6 Factors Affecting Implementation: Due to the lack of thorough market and financial studies up-front, financial allocation to each of the components was made on a piecemeal and ad hoc manner. Whenever a targeted beneficiary was dropped (due to problem of cash cover), the funds were reallocated to another firm(s) (or sector) without an evaluation of the absorptive capacity of the sector. Essentially, part of the SRL resources became a slash fund. The implementation schedule was not honoured even after it was revised in 1992. Generally, there was some follow-up on implementation targets. Although supervision missions were not regular, the few mounted made a difference in assisting the borrower, for example, to assemble and submit reports on the first disbursement, which made it possible for the Bank to release the funds (ref. para 4.8.3). Staff should be granted some level of authority to take decisions on project-related issues while on the field (ref. Annex 6).

5. CONCLUSIONS, LESSONS LEARNT AND RECOMMENDATIONS

5.1 Conclusions

5.1.1 Although SRL's overall performance is rated unsatisfactory, the programme contained relevant components, which could have performed much better if a right instrument (i.e. investment loan) was applied with an extended 4-5 year-period of planned implementation phase. In that case, the constraining factors would have been handled accordingly (ref. 1.2.3, 3.1.2, 4.1.4, 4.3.1). SRL was intended to ensure sustained rehabilitation of the productive sectors and infrastructure. Unfortunately, owing to the weakness in the design of the operation, the loan funds could not be accessed readily to address the needs of the intended beneficiary organizations (ref. 3.1.3). Even in case of GOT's intervention to guarantee the intended beneficiaries who had failed to access the loan funds, it was too late for some of the beneficiaries to make a difference.

5.1.2 Notwithstanding, SRL provided badly needed foreign exchange at a time when the GOT had been starving the coffee industry of resources, even though the industry was the country's major foreign exchange earner. SRL served to plug a gap in funding for recurrent costs of agro-chemicals. However, due to price changes in the international market, the bid to shore up, let alone to boost, export earnings from coffee was unsuccessful. Although there may have been small benefits from incremental production and quality, these must be rated as unquantifiable. A greater impact on the rehabilitation of the coffee industry and its role as a generator of export earnings would almost certainly have been achieved, at lower cost, by a careful examination of the use of pesticides by smallholders, the economics of pesticide use and a carefully considered overhaul of the input procurement and distribution system (ref. para. 4.1.2-4.1.3)

5.2 Lessons Learnt

5.2.1 Across the board, there is lack of independent studies underpinning the Bank Group's involvement in sector policy reforms (ref. para. 4.1.2, 4.8.1, 4.8.2). It would thus be beneficial for the Bank to aim to bring independent, well-studied and clearly thought-out policy actions to the policy debate in the future. Collaboration with other MDBs (and other institutions) should be based on the Bank's comparative advantage and on a clear assessment of the relationship of upcoming operations to the existing portfolio and to the Bank's experience.

5.2.2 Policy-based operations still tend to be ad hoc. It is difficult to get the rationale for the Bank's involvement in a particular operation, and find reasons why the Bank disengaged from the subsequent operations (ref. para. 4.8.1). The latter also tend to lack continuity since they tend to be unrelated to the Bank's operations in previous or subsequent years. In the context of SRL, this statement applies to the Bank's involvement in the coffee, cotton, trucking (and to some extent, railways) sectors.

5.2.3 The role and impact of the Country Strategy Paper (CSP) on the design of policy-based lending is still very limited[22]. The degree to which EPCP shaped the design of SRL is unclear, but the CSPs carried out since are not yet being used as a guide for the design of such operations (ref. para. 4.8.2). Correcting this mismatch demands that more thorough thinking should go into the preparation of the CSPs by all members of the country team. The CSP should lock-in the Bank's Vision to the respective country's policies and programmes, and it should serve as a reference material for the duration of its effectiveness. The ownership of the CSP should reside with the country team as a whole. All Divisions, not only the macroeconomic team, should participate in and contribute to its production and implementation.

5.2.4 Lack of or intermittent reporting, including submission of audit statements, on the part of the Government has been a major problem for the Bank to monitor and track progress in the implementation of such quick-disbursing programmes from afar (ref. para. 3.3.2, 4.7.2, 4.9.5). Although in a number of cases, borrowers do produce reports on the progress of the reform agenda on a regular basis, most of these reports, unfortunately, are not transmitted to the Bank as and when issued. Even when agencies that manage specific components submit reports to the central Ministries, these are not forwarded to the Bank.

5.3 Recommendations and Follow-up Action

(a) For the Bank Group

5.3.1 In order to improve on future programmes' quality at entry and to strengthen their formulation (design) and implementation as well as their monitoring and evaluation, and to ensure sustained achievement of their outcomes, it is recommended that:

(i) The Country Strategy Paper (CSP) is given a more eminent position and role. It should be the key instrument of the Bank's country support. While its point of departure should be the Bank's Vision Statement, it should lock-in the Bank's support to the countries' policies, strategies, and programmes. It should be strengthened through the collective input of the country team, more independent economic and sector work and adaptive research (ref. para. 5.2.3);

(ii) In order to make it more effective, the Bank's country support is designed in such a way as to create more synergy and complementarity between the sector operations, PBLs, and TAs. For instance, after SRL disbursed the second tranche, there were no instruments to follow-through policies advocated by ERP (and SRL) in the particular sectors despite the existence of several outstanding policy issues. Likewise, PBLs would need to be designed to unlock policy constraints in those sectors the Bank maintains lending. For instance, since the Bank has many operations in the road construction sector, PBLs could support policy in sustainable road financing, management of the road fund, or private finance of road construction (ref. para. 4.2.2);

(iii) The scope of PBLs should be limited to the most important issues and to those, which could be designed and monitored with the existing institutional capacity. At the same time, while harmonising PBLs to those of other multilateral (and bilateral) donors, it would be equally important to critically examine the relevance and advisability of the policies to the current circumstances of the country concerned. It is also important to take into account the government's implementation capacity at

[22] At the time SRL was designed, this instrument was called Economic Prospects and Country Programming (EPCP). The team was not able to find the EPCP for Tanzania applying for the period of SRL.

the stage of preparation and appraisal. More serious consultation with all the parties affected by a PBLs (and other operations) should be made before a policy action is suggested for inclusion (ref. para. 4.4.1- 4.4.2);

(iv) In situations where some rapport has been established between the Bank and the national policy-makers, and where ownership and commitment to the reform agenda exist in RMCs, it would be better to shift from specific conditions to broader goals. For instance, it would be beneficial for the Bank and the client if the poverty orientation of the entire public expenditure (and taxes) is monitored through the Public Expenditure Reviews (PER) and Medium Term Expenditure Framework (MTEF) process instead of conditions relating to expenditure for O&M for primary education and the like. This shift would demand increased Bank Group participation in the PER process. Likewise, it is suggested to shift from a mode of setting conditions to a reward mode, thereby recognising efforts borrowers make independently. This would facilitate effectiveness and start-up of programmes;

(v) In addition to supervision missions (ref. para. 4.8.3), the Bank should allocate more resources for preparation (including economic and sector studies) and appraisal so that staff would be able to comprehend the issues of policy action properly, consult with a wide spectrum of the society (thereby fostering participation), and articulate more meaningful policy actions (ref. para. 4.8.1);

(vi) To understand the internal working process of the other MDBs in carrying out PBL operations and to crossbreed ideas, approaches, and processes, the Bank should create an Internship and/or Exchange Program with other MDBs. These have been recommended by the Bank's policies when it introduced PBLs and Sector Rehabilitation Loans, but were never carried out on systematic bases;

(vii) Within the Bank itself, a process of information exchange on best practices (i.e. seminars, workshops, newsletters, etc.) should start so that successful experience in one country could be replicated (with the necessary modifications) in other countries;

(viii) Considering the difficulties often encountered by the borrowers (e.g. Tanzanian authorities) with respect to compliance with loan conditions, and assembling documents for disbursement, the Bank should study the possibilities and ways of reducing the number of loan conditions and the number and variety of documentary evidences for Special Accounts (ref. para. 4.7.1). Once a client follows acceptable recommendations, the Bank should effect disbursement. As a medium- to long-term solution to the problems in disbursement, The Bank should study the possibilities of shifting from BOP to budgetary and basket funding. In the interim, engage in basket funding in one sector on a pilot bases;

(ix) Record keeping at the Bank needs major improvement, as the folder(s) on SRL was not available; and the EPCP for the late 1980s could not be found (ref. para. 4.8.3). Important documents, such as Back-to-Office Reports and Aide Memoire were often incomplete. In the archives (basement), it is difficult to find documents particularly relating to older operations. It is also further recommended that the Bank should improve on its tracking system for and basic statistics on disbursements (e.g. number of disbursement applications received in the last six months), audit reports (e.g. number of outstanding audit reports), and procurement issues (e.g. procurement applications received for goods in the negative list or ineligible countries);

(x) As process already started to raise the number of supervisions, a mid-term review would not be necessary for operations, such as PBLs, whose expected life span is a year or two. Instead, it would be beneficial to increase the number of supervisions, which should be strengthened and speeded up. Staff should be granted some level of authority to take decisions on project-related issues while on the field (ref. para. 4.8.3, 4.9.6). Staff should also exercise flexibility in the implementation of policy actions; e.g. changing the sequence of conditions during implementation.

(b) **For the Borrower**

(i) Tanzanian authorities should design monitoring arrangements taking into account the existing systems in the country. Depending on the situation, setting up a separate system (or parallel system for ADB operations such as Inter-Ministerial Committee) to monitor and report on ADB operations may not be necessary (ref. para. 4.4.1);

(ii) In view of the changes taking place in Tanzania now and in line with the commitment in CSP (1999-01), The Bank and the Government should speed up setting up effective Bank representation in the country (i.e. someone with authority). In the meantime, communication between Abidjan and the client should be improved by designating one staff member as the contact person for all matters affecting the operations in the country.

(c) **For the Bank Group and the Borrower**

(i) In order to marshal continued support for the reform agenda, it would be beneficial to make the reform programme more inclusive and empowering to the endogenous Tanzanians[23]. To this end, it is suggested to conduct studies and identify ways of supporting the informal sector, and small and medium businesses (i.e. improving agricultural productivity, entreprenuership development, labour-based public works, share ownership, etc.);

(ii) GOT has recently issued an agricultural development policy (ADP) which has been shared with the Bank. The Government is also in the process preparing a rural development policy (RDP). It would be highly desirable for the Bank to review the ADP, in light of the Bank's policies in this sector and provide its comments to the Government. At the same time, the Bank could take the opportunity to assist in the preparation of the RDP. These two policy documents are central to the achievement poverty reduction, improved access to social and economic services by the poor in general and women, in particular; and to private sector development in rural areas – the three key thematic goals of the Bank. Taking a role at an early stage would also assist the Bank to positions itself better for upcoming project and other lending operations;

(iii) A critical constraint for development of agriculture in Tanzania is the weak transport situation given the size of the country and the state of the existing road. Despite the liberalization of markets and pricing practices, the price differential between rural and urban areas is substantial because of excessive cost of transportation and marketing services. It is not uncommon to find many agricultural commodities rotting in rural areas despite shortages (or high prices) in urban areas. This calls for

[23] Ibid. Kaiser. Kaiser addresses the implications of adjustment to the ownership of assets and social cohesion in Tanzania.

major investment in road infrastructure. Government has recognized the Bank's comparative advantage in the area of road construction and rehabilitation. The Bank would therefore need to exploit the opportunity (ref. para. 4.2.2);

(iv) Government policies, internal mismanagement, and fraud have damaged the co-operative sector, intentionally or unintentionally. Notwithstanding the developments in the 1970s and 1980s, the Government is again reviving interest to strengthen co-ops. Considering the important role they could play to advance members interest and their instrumental role in realizing the objectives of both ADP and RDP, it would be helpful if the Bank could assist in capacity building and closely monitor the developments to avert a recurrence of the old practices (ref. para. 4.9.4);

(v) Negative effects from use of agro-chemicals should have been assessed through EIA studies before their applications (ref. para. 4.1.8).

RETROSPECTIVE LOGICAL FRAMEWORK

Narrative Summary	Observable Verifiable Indicators		Means of Verification	Risk/Assumptions at Appraisal and Verification
	At Appraisal	At Completion		
SECTOR GOALS : Agriculture and Transport Contribute to reverse the economic decline and restore a sustainable recovery of output by improving the productivity of the agricultural sector, including through improved transport services for agricultural commodities.	GDP growth at an average of 4% p.a. Agricultural sector growth of 4.2% p.a. Food crop production growth of 3% p.a. From 1987 to 1991: 4.5% import increase in current terms From 1987 to 1991: 17% export increase in current terms	GDP growth at an average of 1% p.a. (from 1987 to 1994). Agricultural sector growth of 5% p.a. (from 1987 to 1994). Maize production decline of 1.6%[24] p.a. (from 1987 to 1994). Pulses production growth of 0.35% from 1987 to 1994. From 1987 to 1991: 5.7% import increase in current terms From 1987 to 1991: 0.7% export increase in current terms.	Government Statistics, World Bank Sector Review.	Non or partial implementation of the ERP envisaged policy changes was considered to be a risk. Given the long delays in disbursing and closing the loan (almost of 10 years instead of 1), ERP envisaged changes were eventually fully implemented, and follow-up economic liberalisation policies have gone beyond the 1987 ERP targets.

[24] Main staple food, overall crop production growth date not available.

Narrative Summary	Observable Verifiable Indicators		Means of Verification	Risk/Assumptions at Appraisal and Verification
	At Appraisal	At Completion		
LOAN OBJECTIVES: Sector: Agriculture				
1. To support production and exports of: 1.1 Coffee	1.1.1 Clean coffee production = 54,000 MT in 1986/87 and 42,000 in 1987/88.	1.1 Coffee subsector benefited significantly from the loan: 1.1.1 Over the 1988/92 period, clean coffee production was as follows (MT): 1988/89: 49,208 1989/90: 57,762 1990/91: 53,449 1991/92: 43,327	1.1 Production and export statistics. World Bank Reports.	The SAR assumed that the Government had the capacity to manage such a quick disbursing loan without specific assistance/budget. Close monitoring was to be carried out by ADF. Implementation experience shows low Government capacity and weak ADF.
	1.1.2 Coffee exports = 48,000 tons in 1987 and 38,000 in 1988.	1.1.2 Over the 1988/92 period, coffee exports were as follows (Tons): 1988/89: 49,380 1989/90: 61,346 1990/91: 55,670 1991/92: 47,796		Monitoring resulting in poor loan management (including the absence of accounts and audit).
1.2 Cotton	1.2 No indicator on ginnery performance	1.2 Cotton: Repairs with loan funded ginnery spares did not materialise owing to late arrival of spares.	N.A.	
1.3 Sisal	1.3 No indicator	1.3 Sisal industry did not participate	N.A.	
1.4 Livestock	1.4 No indicator	1.4 No indicators/data to monitor use of Toxaphene and vaccine doses.	N.A.	
2. To improve village-based crop storage facilities and reduce crop storage losses.	No data reported on post-harvest losses or storage capacity. PCR mission estimated food crop post-harvest losses at 35%.	Food crop post-harvest losses still estimated around 30–35%.	MOA estimates on post-harvest losses (no provision of surveys under loan).	Steel sheets imputed under SRL would be used for storage facilities. However, no mechanisms were set up to channel the material when required.

Narrative Summary	Observable Verifiable Indicators		Means of Verification	Risk/Assumptions at Appraisal and Verification
	At Appraisal	At Completion		
Sector: Transport To support the railways and trucking sub-sectors in order to facilitate general mobility, delivery of production inputs, evacuation of food stuff and haulage of export cargo.	No indicator baseline data described in the SAR.	No baseline data to compare with	NTC and TRC Files	Lack of mobility for inputs and commodities is a major limiting factor to the development of the agricultural sector. Although specific data are not available, recent studies confirm the essential role of transport in agricultural and rural development.
OUTPUTS: ❖ Agriculture	(UA Million)	(UA Million)		
(i) Coffee: Procurement of agro-chemicals	8.51	8.85	ADB disbursement records, MOF and participating agencies, procurement records	The SAR assumed that large quantities of inputs would be used economically, for export crops, without a negative impact on the environment. Experience shows that only pesticides (worth US$ 13 million) were distributed to coffee farmers who typically did not apply the full, economically viable, technical packages, while some pesticides were used for non-export crops.
(ii) Cotton: Procurement of: - Spare parts for ginneries - Tools and parts for central workshop for ginneries - Cotton Sub-total	1.35	1.78		
(iii) Sisal: (TSA) - Rehabilitation of 28 caterpillars and purchase of filled equipment spares - Rehabilitation of 50 tractors - Rehabilitation of 30 decorticators - Procurement of 100 tons of herbicides - Sisal Sub-total	0.34	0.00		

Narrative Summary	Observable Verifiable Indicators At Appraisal (UA Million)	At Completion (UA Million)	Means of Verification	Risk/Assumptions at Appraisal and Verification
❖ Livestock:				
(i) National Ranching Company Ltd. (NARCO): Procurement of: drugs, chemicals and equipment for tsetse control.	0.90	0.00	NARCO, DAFCO, Tanzania Dairies Ltd. did not participate in the Programme owing to lack of Local cover.	The SAR assumed that all candidate beneficiaries had the capacity to raise the required cash cover to get FOREX. Some Beneficiaries failed to mobilise the required cash cover, and dropped out from the scheme.
(ii) Tanzania Dairy Company Ltd. (DAFCO): Procurement of: Veterinary drugs vehicles and tractors.	1.13	0.00	MOA Records.	
(iii) Tanzania Dairies Ltd. (TDL): Procurement of: Spares for cooling machines Refrigeration chilled water plants. Spares for steam boilers	0.73	0.00	ALAF Records.	
Sub-total				
(iv) Smallholder Livestock Farmers (through MOA) Procurement of: Chemicals and Veterinary drugs, Vehicles and motor spares.	0.74	0.68		
Sub-total				
(v) Crop Storage Steel Sheets (ALAF)	3.69	3.42		
(vi) Other Agriculture and Livestock	0.11	0.00		
Total Agriculture	**17.50**	**14.73**		
❖ Transport			TCR and BOT Records.	
(i) Tanzania Railway Corporation (TRC)				
a) Repair of 300 wagons and scrapping of 500 wagons	0.83	0.85		
b) Purchase of 75 container wagons	2.49	2.54		
c) Purchase of 87,000 Steel Cheepers	2.12	2.68		
d) Repair of breakdown Crane	0.09	0.15		
Sub-total	5.53	6.22		

Narrative Summary	Observable Verifiable Indicators		Means of Verification	Risk/Assumptions at Appraisal and Verification
	At Appraisal (UA Million)	At Completion (UA Million)		
(ii) National Transport Corporation (NTC)				
a) Purchase of 200 Trucks	4.51	2.88		
b) Spare parts to the above units	0.64	0.26		
c) Body building materials for the above units	0.37	0.00		
Sub-total	5.52	3.14		
Total Transport	**11.05**	**9.36**		
ACTIVITIES (INPUTS):				
Implement Agricultural and Transport Policy Reform Measures in the following Parastatals:			ADB, GOT Records	Stable domestic and International prices maintained.
Agriculture Sector:				A study on achieving efficient export marketing conducted.
Coffee agro-chemicals – TCB	8.51	8.85		
Cotton Ginnery Spares – TCLSB	1.35	1.78		
Farm Machinery Rehabilitation and Inputs – TSA	0.34	0.00		Stable economic and political conditions.
Hot Rolled Steel Coils – ALAF	3.69	3.42		
Livestock Drugs (Smallholders – MOA)	0.74	0.68		
Tsetse Control Drugs – NARCO	0.90	0.00		
Veterinary Drugs, Vehicles and Tractors – DAFCO	1.13	0.00		
Milk Processing Equipment – TDL	0.73	0.00		
Other Agriculture (Livestock, Sisal)	0.11	0.00		
Total for Agriculture Sector	**17.50**	**14.73**		
Transport Sector:				
75 Container Wagons – TRC	2.49	2.54	ADB, GOT Records	GOT revises intra-regional trucking tariffs to reflect costs of operations by July 1997.
87,000 Steel Sleepers – TRC	2.12	2.68		
Material for Repair of 300 Wagons: TRC	0.83	0.85		
Spares for Repair of breakdown Crane: TRC	0.09	0.15		GOT completes National Transport Policy Paper by December 1987.
200 Trucks – NTC	4.51	2.88		
Spares for 200 Trucks – NTC	0.64	0.26		
Body Building for above Trucks	0.37	--		
Total for Transport Sector	**11.05**	**9.36**		

Annex 2

SUMMARY OF RATINGS

	Evaluation Criteria	PCR	PPER
	Relevance		Satisfactory
	Achievements of objectives "Efficacy"		Unsatisfactory
	Efficiency		Highly Unsatisfactory
	Institutional Development Impact	Fair[25]	Highly Unsatisfactory
	Sustainability		Satisfactory
	Aggregate Performance Indicator		Unsatisfactory
	Borrower Performance	Unsatisfactory[26]	Highly Unsatisfactory
	Bank Performance	Unsatisfactory[27]	Unsatisfactory

[25] According to the PCR text of para.6.1 & 6.2 'poor' implies 'unsatistactory, but the Basic Data Sheet puts «Fair ».
[26] Inferred from Annex 3 of PCR, para.28 which states that Borrower Performance was generally poor.
[27] Inferred from Para.10.3 & 10.4 in the main text of PCR which implies that Bank performance was unsatisfactory.

EVALUATION CRITERIA

No.	Component Indicators	Score (1 – 4)	REMARKS
1.	**Relevance and quality at entry assessment**	**3**	**Satisfactory** SRL was relevant for the achievement of ERP, but the feasibility of individual components had not been well studied, and alternatives not explored.
i)	Consistency with country overall development strategy	3	In mid-1980s, GOT had introduced its ERP. SRL was intended to support ERP by rehabilitating key export and transport sectors.
ii)	Consistency with Bank Assistance Strategy	3	
iii)	Macroeconomic/Sector Policy	3	SRL aimed to support ERP, but the policy conditions were general; e.g. implemented ERP, improve agr. input distribution system, reviewed and implemented transport tariff, study to improve efficiency of railways, among other administrative conditions.
iv)	Poverty reduction	3	Tanzania's major export crops (excl. sisal) are grown by smallholders. To that extent, it was relevant for poverty reduction.
v)	Private Sector Development	1	SRL was intended to prop up ailing parastatals.
vi)	Quality at entry (including demandingness, complexity, riskiness, etc.)	1	Since no economic, financial and technical feasibility studies had been done in support of the different components, entry was difficult and much delayed.
vii)	Environmental concerns	1	Use of coffee agro-chemicals and their possibility of killing beneficial organisms was never assessed through EIA studies.
2.	**Achievement of objectives & Outcomes ("Efficacy")**	**2**	**Unsatisfactory** Objective may have been achieved in the case of railway, and to some extent, in the case of coffee.
i)	Coffee Sector	2	Although SRL was extended to purchase chemicals to eradicate coffee diseases, the feasibility and subsequent supervision never recognized the complexities of delivering the loan to the beneficiaries. The resources were never managed properly. The Board had to be bailed out by EU and farmers had to be pardoned, perpetuating the damage to credit delivery in rural areas, and the credibility and survival of co-ops.
ii)	Cotton & Lint Sector	1	Same problems as in the coffee sector. Additionally, the spare parts arrived too late. US$0.6 million worth of parts is now being eaten up by corrosion.
iii)	Livestock Sector	2	The State-owned livestock sector did not have the Shilling cover to access the loan. MOA&LD purchased chemicals for the small scale herders through the budget.

iv)	Sisal Sector	1	Never access loan because of lack of cash cover.
v)	Storage Facilities	1	ALAF used the forex, but no storage facilities were built.
vi)	Trucking Sector	1	Trucks purchased and distributed to RETCOs. RETCOs were in serious financial trouble and they are being privatized. Only a few have found buyers as on-going concerns.
vii)	Railways Sector	3	GOT raised its equity subscription to provide the shilling cover to purchase the spares. The reform in the sector is still on-going. Privatization is scheduled for 2002.
3.	**Efficiency**	**1**	**Highly Unsatisfactory** Adequate feasibility study had not been done. The lack of a clear delivery system for the credit delayed implementation, and caused some components to be dropped.
i)	Economic Rate of return	1	No ERR done for each component. Market and technical feasibilities were not done. Some components may have had economic merit, but alternatives had not been sought.
ii)	Financial Rate of Return	1	FRR had not been for each component. Key problems could have been discovered if projected financial statements (i.e. projected profit/Loss, balance sheet, and cash flow) had been done at Appraisal.
iii)	Loan delivery/recovery	1	Essentially SRL was a quick disbursing line of credit financing both fixed (movable) and working capital. But, the channels and conditions through which the credit reaches the ultimate beneficiaries had not been worked-out. No risk analysis or credit recovery plan was laid out.
4.	**Institutional Development Impact (ID)**	**1**	**Highly Unsatisfactory** No explicit ID component existed. Ex-post the impact on the private sector (including co-ops) was not positive.
5.	**Sustainability**	**2**	**Unsatisfactory** Corruption and much concentration of capital within a few hands of foreigners are already causing resentment, and these concerns undermine GOT's efforts to implement reforms on a sustainable basis.
i)	Technical Soundness (including O&M facilitation, availability of recurrent funding, spare parts, workshop facilities etc.)	2	SRL was one of several lenders for the rehabilitation of the railway company. About 5 donors have continued to work on rehabilitation of the company since the late 1980s. This would help privatize the company as a vertically integrated on-going concern. SRL's support was rather ad hoc. The technical soundness and sustainability of the other components was not properly addressed.
ii)	Continued Borrower Commitment (including legal/regulatory framework)	2	Borrower has been committed to economic reform since the late 1980s. It had abandoned central planning and parastatal-led system. Most of the operations SRL supported are in private hands or ownership will be shifted shortly. SRL did not recommend changes in institutional arrangements, such as PSD.

iii)	Socio-political Support (including beneficiary participation, vulnerable groups protection, political stability)	3	High-level of support and commitment to reforms. Tanzania has run three fairly fair and democratic elections since the late 1980s. It has been stable for most of the time since Independence. However, recent incident in Zanzibar and Pemba have tarnished its image.
iv)	Economic/financial Viability	2	Neither economic nor financial viability studies had been done. From the economic point of view many on the components may have been worth-a-while. Financially, most were not bankable. Alternative modalities should have been considered.
v)	Institutional arrangements (organizational and management)	2	Lack of a sound institutional review and proper arrangements have been the major weakness of SRL.
6.	**Aggregate Performance Indicator**	**2**	**Unsatisfactory** The relevance of SRL is not questionable. But, the Operation had serious flaw in design and implementation. No alternatives had been sought to achieving the objectives.

Annex 4

BORROWER PERFORMANCE

Component Indicators	Score (1 to 4)	Remarks
1. Quality of Preparation:	1	Preparation was rather weak or non-existent. Only LOGS (i.e. list of chemicals, equipment, and spare parts to be purchased) was provided. The feasibility of each of the components was not done and ascertained.
2. Quality of Implementation	1	Implementation was likewise weak. It took too long to disburse the loan due to the cash cover problem. Most of the loan had not been recovered from the ultimate users.
3. Compliance with Covenants	1	No quarterly or audit reports submitted. Unaccounted balance of close to US$2.5 million still exists. The PCR's proposal to conduct a final audit of the Special Account had not been done.
4. Adequacy of Monitoring & Evaluation and Reporting	1	Adequate monitoring, evaluation, and reporting had not been done. Reports submitted by beneficiary parastatals were not shared with the Bank.
Overall Borrower Performance	**1**	**Highly Unsatisfactory** Despite major progress on the macro front, the Borrower's performance pertaining to SRL was lacking.

Annex 5

BANK PERFORMANCE

Component Indicators	Score (1 to 4)	Remarks
At Identification & Preparation	3	Project was supportive to ERP. It address key sectors such the exportable agricultural sector and transportation.
At appraisal	1	Quality of technical, economic, financial, institutional, social, environmental analyses was weak (almost non-existent). Except the intended quick disbursement, the Operation was more like a line of credit for capital and working expenditure. There a long delay in implementation since ehat had not been done at Appraisal had to be done in due course of implementation. No monitorable indicators were given.
At Supervision	2	Supervision missions were launched in Dec. 1988, March 1989 (Mid-Term Review), Oct. 1992, and May 1997. The last three supervisions were conducted after an interval of 3 and 5 years, respectively. Supervision Report was found only for the last mission. The report is very informative. The discussion about the 1992 report indicates that that mission was very much oriented to problem-solving. The mission assisted GOT to assemble and submit reports on the first disbursement, which made it possible to release the second.
Overall Assessment of Bank Performance	**2**	**Unsatisfactory** The Appraisal was weak. The main problem (i.e. cash cover) would have been uncover if proper feasibility had been done.

Annex 6

FACTORS AFFECTING IMPLEMENTATION PERFORMANCE AND OUTCOME

Factors affecting positively (+) or negatively (-) the implementation and achievements of major objectives

Factors	Substantial	Partial	Negligible	N/A	Remarks
1. Not subject to Government Control					**SRL financed chemicals to eradicate coffee diseases; but repayment affected by decline of international coffee price.**
1.1 World Market prices	-				Collapse of coffee price in late 1980s & early 1990s.
1.2 Natural events	-				Coffee disease; erratic weather
1.3 Bank Performance			-/+		Weak and incomplete Appraisal.
2. Subject to Govt Control					**Gov't started implementing sound policies, but governance problems followed suit.**
2.1 Macro policies	+				Sound Marco policies introduced through ERP
2.2 Sector policies	+				Privatization of agr. output & input marketing
2.3 Gov't commitment		+/-			Commitment to policy reforms; but high level of corruption
2.4 Cash Cover	-				Single most constraint
3. Subject to Executing Agency Control	**-**				**SRL was not properly monitored.**
3.1 Monitoring & Evaluation	-				MOF did not monitor the operation.
3.2 Others (Financial Reporting)	-				Periodic financial reports neither done nor submitted.
4- **Factors Affecting Implementation**					
4.1changes in project scope/scale/design			+		Funds reallocated without supporting justification; some beneficiaries dropped.
4.2 Unrealistic implementation schedule			+		Implementation Schedule revised in 1992 but not followed.
4.3 quality of management including financial management	-				Projection of financial statement such as profit & Loss, cash flow, & balance sheet not done.
4.7 Delays in accumulating cash cover	-				Weak financial study at Appraisal.
4.8 Inexperience with Bank practices	-				Second disbursement delayed until 1992.

PUBLIC ENTERPRISES THAT BENEFITED FROM SRL FUNDS

1. Introduction

The next paragraphs will outline the life histories of each of the Marketing Boards and Parastatals that benefited from SRL. Except ALAF, which was a financially healthy operation and privatized by raising the share of the other private shareholders, the remaining Parastatals exited from the public sector under heavy financial strain.

2. Agricultural Sector Component

Out of the eight entities that were expected to benefit from SRL, only four, namely Tanzania Coffee Board (TCB), Aluminium Africa Ltd. (ALAF), Tanzania Cotton Lint and Seed Board (TCLSB), and small-holder livestock farmers (through the then Ministry of Agriculture and Livestock Development - MOALD) accessed the resources. These four accounted for 86 percent of the disbursement. The non-beneficiaries were excluded due to their inability to raise the cash cover. According to the PCR, the remaining 14 percent (mainly the Special Account) was unaccounted for. Although the PCR suggested to undertake an audit of the account, nothing has been done so far.

2.1 Tanzania Coffee Board (TCB)

2.1.1 Tanzania Coffee Board, named then Tanzania Coffee Marketing Board at the time of Appraisal, used UA 8.83 million – higher than what was earmarked for its use at Appraisal. However, due to the way the credit was channeled, the Board does not recognize having used any resources from SRL. At Appraisal, TCB, like other supposed beneficiaries of the Loan, did not have the T.Shillings cover to access the credit. Considering the seriousness of the coffee disease that ravaged the crop in the late 1980s, Treasury authorized National Bank of Commerce (NBC) – through Bank of Tanzania (BOT) – to extend a credit of TSh 1.7 billion to TCB. Upon a guarantee from Treasury, NBC extended the credit, and TCB used the loan to purchase foreign exchange from BOT to import the necessary chemicals and other supplies. The chemicals were distributed to farmers through their co-operatives, as was the case traditionally.

2.1.2 In 1989, when the coffee was ready for the market, international prices plummeted significantly. At the same time, the cooperatives collapsed as a result of gross mismanagement and severe competition from the private sector. In the early 1990s, the Government pardoned farmers from repaying the debt. The debt that TCB owed to NBC, however, continued to accumulate interest in addition to the principal. EU settled the outstanding balance in 1993 when the role of TCB changed from one of marketing to regulatory so that TCB would start its new mandate on a stronger financial footing.

2.2 Tanzania Cotton Lint and Seed Board (TCLSB)

2.2.1 The role and functions of TCLSB, as mentioned above, have changed as per the 1993 amendment to the legislation establishing marketing boards. At appraisal in 1987, TCLSB was expected to import equipment and spare parts to supply the ginneries owned and operated by the co-operatives. Due to liquidity problems of TCLSB, it was unable to access the loan or pay port service charges or import duties until 1996. When the parts ultimately arrived, the cooperative ginneries had collapsed due to competition from private ginneries (using different technology) and internal mismanagement. As a result, there was no need for the parts imported by TCLSB. Since 1996, TCLSB has held inventory of ginnery parts worth over US$0.6 million.

2.2.2 Considering the possibilities of loosing the parts completely through corrosion, the mission would suggest that TCLSB undertake a study of options that will identify ways and means of clearing the inventory soon.

2.3 Livestock Sub-Sector

The livestock sub-component catered both to small-scale herders, and State run ranches and dairy farms. Veterinary supplies and chemicals were purchased and distributed to small-scale herders through the former Ministry of Agriculture and Livestock Development (MOALD). The state-run ranches and dairy farms, such as Tanzania Dairy Ltd. (TDL – a holding company for dairy processing Parastatals), Dairy Farm Company (DAFCO – a holding company for dairy farms), and National Ranching Company (NARCO – a holding company for ranches) failed to access the loan owing to failure to raise the TSh cover to purchase the foreign exchange. At the time of the mission, TDL and some of the dairy farms under DAFCO had been privatized. A study is underway to determine the various options of privatizing the remaining dairy farms under DAFCO and the ranches under NARCO. The major concern on the part of GOT is transferring large tracks of land (over 630,000 hectares) to the private sector.

2.4 Aluminium Africa Ltd. (ALAF)

ALAF is a manufacturing enterprise, which deals in galvanizing and corrugating steel sheets for roofing purposes and making structural and water pipes and tubes. At Appraisal, it was a parastatal (with 62 percent GOT ownership) reporting to and managed by the National Development Corporation (NDC) until it was privatized in 1997. It benefited from SRL on the grounds that it would make (or provide the materials for making) crop storage facilities. ALAF used the foreign exchange and imported rolled steel sheets, but no storage facilities were built.

3. Transport Sector Component

Of a total allocation of UA 11.05 million for the transport sector, about UA 9.36 million was utilized by the time the project closed. About two-third of the disbursement was devoted to Tanzania Railways Corp. (TRC) and the remaining one-third to the National Transport Corp.

3.1 **Tanzania Railways Corp. (TRC)**

3.1.1 TRC was slated for privatization and the preliminary preparations started in 1997. The non-core activities, such as roads and marine services, were delinked from TRC. Consultants commissioned to provide privatization options for the core activities of TRC have recommended offering the Corporation as a vertically integrated concession. The relevant Government departments are addressing the outstanding issues, including financial and personnel matters. It is expected that concessioning would be concluded by 2002.

3.1.2 Among the non-core activities, the repair and maintenance responsibilities of the roads have been transferred to TANROADS, and the Marine Services Company would shortly be privatized as a single entity serving Lakes Victoria, Tanganyika and Nyasa.

3.2 **National Transport Corp. (NTC)**

3.2.1 NTC was a technical services and management consulting parastatal in the transport services industry. Through ADB's resources, it procured vehicles and distributed them mainly to Regional Transport Companies (RETCOs), Parastatals and others. RETCOs were autonomous Parastatals with independent Boards and management, and operated by the Local (Regional) Governments to provide transport services in their respective regions. The RECTOs are now being privatized. Of the 10 RETCOs, two have already signed Memorandum of Understanding with the prospective buyers. The others are at different stages of the process and the modalities of their privatization are under review by NTC.

3.2.2 NTC itself is being privatized through a management-cum-employee buy-out. NTC would be transformed into as a consulting services provider in the transport sector, and would be known as Transport Resources Center Ltd.

LIST OF DOCUMENTS CONSULTED/USED

ADB / ADF Documents:

Tanzania: Proposal for ADF Loan for the Financing of the Sector Rehabilitation Loan, ADF/BD/WP/87/101, 23 September 1987

Tanzania: Sector Rehabilitation Loan (Agriculture and Transport), Answers to Questions Raised by Directors ADF/ BD/WP/87/101/AQ, 23 September 1987

Loan Agreement between ADF and Government of Tanzania, F/TZ/SRP(AGR-TR)/87/17, 30 November, 1987

OPEV, Revised Guidelines of Project Completion Report (PCR) Evaluation Note and Project Performance Evaluation Report (PPER), ADB/ADF/OPEV/2001/01, January 2001

Tanzania: Sector Rehabilitation Loan– Project Completion Report, Country Department – East, November 19, 1998

Tanzania: Sector Rehabilitation Loan, Supervision Report, Country Department – East, June 16, 1997

Tanzania: Proposal for ADF Loan for Financing of the Structural Adjustment Loan, ADF/BD/WP/97/129, October 20, 1997

Tanzania: 1999 – 2001 Country Strategy Paper (ADB/BD/WP/2000/45 and ADF/BD/WP/2000/50), 7 April 2000

Tanzania: Country Portfolio Review Report (ADB/BD/WP/97/140 and ADF/BD/WP/97/192), November 21, 1997

Government of Tanzania Documents:

National Accounts of Tanzania 1988 – 1999, National Bureau of Statistics, December 1999

Tanzania Railways Corporation, Railways Restructuring Project (RRP) 1992 – 1996, Progress Report for January – December, 1999, January 2000

Tanzania Railways Corporation, Railways Restructuring Project (RRP) 1992 – 1996, Joint Donor Supervision Mission Aide Memoire – October, 2000

Tanzania Coffee Board, Accounts for the Years Ended 30th September, 1994, 1995, 1996, 1997, and 1998 by Tanzania Audit Corporation.

Tanzania Cotton Lint and Seed Board, Accounts for the Years Ended 30th June, 1999, and 2000 by Tanzania Audit Corporation.

Completion Report of the Sector Rehabilitation Programme by National Transport Corporation, December 1997

Other Sources:

Draft Report on the General Data dissemination System (GDDS) Multisector Statistics Mission (Vol.II), International Monetary Fund, October 24, 2000

President's Report: Proposal for IDA Structural Adjustment Credit of SDR 93.2 million to Tanzania, World Bank, May 07, 1997

Booth, David, Timing and Sequencing in Agricultural Policy Reform: Tanzania, Development Policy Review, Volume 9, Number 4, December 1991

Kipokola, Jonas P., Structural Adjustment: A Treasury Experience, Institute of Development Studies, Vol.25, No.3, July 1994

Dr. Kaiser, Paul J. (Assistant Professor of Political Science, Mississippi State University), Structural Adjustment and the Fragile Nation: The Demise of Social Unity in Tanzania, The Journal of Modern African Studies, Volume 34, No.2, June 1996

McKay Andrew, Morrisswey Oliver, and Vaillant Charlotte, Aggregate Supply Response in Tanzanian Agriculture, The Journal of International Trade & Economic Development, Vol.8, No.1, March 1999

Brian Van Arkadie, Economic Strategy and Structural Adjustment in Tanzania, World Bank, Oct. 1995

Lugalla Joe L.P., Impact of Structural Adjustment Policies on Women's and Children's Health in Tanzania, Review of African Political Economy, Vol.22, No.63, March 1995

Waters Tony, Beyond Structural Adjustment: State and Market in a Rural Tanzanian Village, African Studies Review, Vol.40, No.2, September 1997