

UNITED REPUBLIC OF TANZANIA

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EUROPEAN COMMUNITY

COUNTRY STRATEGY PAPER

AND

NATIONAL INDICATIVE PROGRAMME

FOR THE PERIOD 2001-2007

The Government of the United Republic of Tanzania and the European Commission hereby agree as follows:

- (1) The Government of the United Republic of Tanzania, (represented by *<name and title>*), and the European Commission, (represented by *<name and title>*), hereinafter referred to as the Parties, held discussions in *<place>* from to with a view to determining the general orientations for co-operation for the period 2001 – 2007. The European Investment Bank was represented at these discussions by *<name and title>*.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the United Republic of Tanzania were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000. These discussions complete the programming process in the United Republic of Tanzania.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the United Republic of Tanzania for the period 2001-2007, an amount of €290 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EU Partnership Agreement (A-allocation) and of €65 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EU Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which the United Republic of Tanzania benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EU Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the United Republic of Tanzania, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available in the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EU Partnership Agreement (see Annexe 5 for further details).
- (7) In accordance with Article 5 of Annex IV to the ACP-EU Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of-term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EU Partnership Agreement, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of the
United Republic of Tanzania

For the Commission

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PART A

COUNTRY STRATEGY

0. Executive Summary

A new partnership agreement between the EU and the ACP countries was signed in Cotonou, Benin on 23 June 2000. This agreement foresees the preparation of a Country Strategy Paper (CSP) to provide a framework for EC development assistance towards Tanzania under the 9th EDF, covering the period 2001-2007. Based on the spirit and principles enshrined in the Cotonou agreement, and building upon the experiences with participatory approaches gained in the preparation of the Poverty Reduction Strategy Paper, the Government of Tanzania jointly with the EC has prepared such a CSP in close consultation with state and non-state stakeholders and key donors, notably EU member states. External expertise was used to assist with the analysis of some areas (roads, governance and gender). The result of this highly participatory process is a CSP squarely based on Tanzania's own policy agenda for reducing poverty and on the EC's co-operation objectives. The strategy takes account of the political, economic and social situation of the country as well as past and ongoing activities of EC and other major donors.

The CSP shows how Tanzania has considerable potential for progress and growth but remains one of the least developed countries in the world. It highlights Tanzania's vast resources as well as the stability that reigns in the country since independence. It brings to light the achievements and failures in the development process to date: In spite of massive external support over the last three decades, Tanzania's population has remained poor and social indicators have deteriorated. The main engine for growth, the private sector, and the economic base for the majority of the population, the agricultural sector, have not yet been able to generate growth levels necessary to alleviate poverty in the country. After several years of multiparty democracy, democratic culture needs to be further developed. To this picture must be added the HIV/AIDS epidemics that affects millions of Tanzanians.

To address this situation, Government has undertaken a wide-ranging reform agenda since the mid-1990s. Successful macro-economic reforms have been accompanied by reforms of the public administration and the development of a market economy. This has been followed by reforms in key sectors such as roads, health, water & sewerage and more recently, education and agriculture. Most reform processes have yet to bear fruit and intense further efforts are required to attain set results. During the year 2000, the Tanzania Assistance Strategy (TAS) and the Poverty Reduction Strategy (PRS) were developed concurrently, building on the Vision 2025 and the National Poverty Eradication Strategy (NPES). The Poverty Reduction Strategy, is considered the central strategic policy document. It aims at income poverty reduction and improvement of human well-being.

The CSP provides a comprehensive and coherent framework for future EC-Tanzania co-operation and combines, to the extent possible, all relevant resources and instruments. The overall objective underpinning the CSP is to reduce poverty through accelerating the process of sustainable economic and social development. Support will focus on the elimination of constraints on economic growth and improvements in the capacity for service delivery. It is based on an indicative allocation of 290 M€(A-envelope) to which could be added another 65 M€(B-envelope) meant to cover unforeseen needs. The CSP identifies two focal sectors, transport infrastructure (roads) and basic education, one non-focal sector - governance, and general macro support in line with the PRSP objectives. These sectors have been identified on the basis of different criteria, including each sector's poverty incidence; progress in the reform process; relevance under EC objectives; EC's comparative advantage; complementarity with Member States; and net funding requirements. Governance, gender and environmental issues have been made integral parts of all areas identified. All sectors contribute to the national Poverty Reduction Strategy. Although no new financial allocations are foreseen, certain sectors in which EC has an active ongoing programme will form part and parcel of EC's strategy for Tanzania also under this CSP. These sectors concern notably agriculture, water & sewerage and environment.

1. EC Co-operation Objectives

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- The sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000, which puts main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and the Republic of Tanzania shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement, especially the principle of encouragement of the development strategies by the countries and populations concerned, and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. The National Development Agenda

2.1 Background

Despite the preoccupation of the Government with addressing poverty since independence, today half of all Tanzanians are considered to be basically poor and approximately one-third live in abject poverty. During the first two post-independence decades national development efforts focussed on centrally directed, medium-and long-term development plans. The considerable improvements in per capita income and access to social services could not be sustained, as a result of domestic and external shocks and policy weaknesses.

From the mid-1990's onward, the policy process for poverty eradication has intensified. The National Poverty Eradication Strategy (NPES), which sets out the strategy and objectives for poverty eradication efforts through 2010, was developed in 1997. This was done together with

“Vision 2025”, the long-term national vision of economic and social objectives to be attained by the year 2025: a high quality livelihood; peace, stability and unity; good governance; a well educated and learning society; and a competitive economy capable of producing sustainable growth and shared benefits.

During the year 2000, the Tanzania Assistance Strategy (TAS) and the Poverty Reduction Strategy Paper (PRSP) were developed concurrently, building on the Vision 2025 and the NEPS. The TAS is a Government initiative aimed at restoring local ownership of and leadership in the development process. It aims at promoting partnership in designing and executing development programmes. The strategy, which has a five-year time frame, provides a broad national strategic framework within which the PRSP operates.

The PRSP, a medium-term strategy of poverty reduction was developed in the context of the enhanced Highly Indebted Poor Countries (HIPC) Initiative. The PRSP process has been marked by substantial innovations. The process has been participatory (including countrywide consultations of public and private organizations) and owned by the Government that was deeply involved in formulating the contents and setting the objectives. Through regular evolution and donor support, the PRSP is set to emerge as the central strategic policy process and has reached the most advanced stages in terms of action-oriented strategy.

2.2 The Poverty Reduction Strategy

The PRSP concludes that poverty affects over half the population and recognises that poverty is largely a rural phenomenon. It also recognises that past tendencies of centralising Government control at the expense of people’s participation, and corruption as well as the erosion of effective law enforcement and the judiciary, have negatively impacted the social well-being of the poor. Adverse weather conditions and the increasing impact of HIV/AIDS have further added to the vulnerability of the poor. The strategy is based on three considerations:

- ◆ It is an instrument for channelling national efforts towards broadly agreed objectives. The elaboration and implementation of the strategy are fundamentally ongoing processes.
- ◆ It is an integral part of ongoing macro-economic and structural reforms. Government has chosen to accelerate selected reforms that are likely to have a major impact on poverty reduction.
- ◆ It concentrates on efforts aimed at reducing income poverty; and on improving human capabilities, survival and social well-being.

The PRSP can be summarized as follows: Its overriding goal is poverty reduction for an increasing share of the Tanzanian population. The strategy covers 3 years to start with but will be extended, through a rolling process, until 2010. The focus of PRSP is twofold:

- (i) Income poverty reduction, with the following target figures derived from the NPES (years: 2000-2003-2010):
 - all population below the basic poverty line: 48% – 42% – 24%,
 - rural population below the basic poverty line: 57% – 50% – 29%,
 - food poor: 27% – 24% – 14%.

Overall economic growth (target: over 6% per year), and specific growth in agriculture (target: over 5% per year) are the main means to achieve these reductions. This will require continued sound macro-economic and new rural and private sector development policies.

- (ii) Human capabilities, survival and well-being: This comprises specific objectives in primary education and health, to be measured by output indicators, as well as efforts towards participatory development, legal reform and better governance. Specific interventions are foreseen for vulnerable groups.

PRSP notes that in two main sectors, i.e. education and agriculture, sector strategies are still being developed. Overall finance requirements are therefore provisional. Necessary budget allocations for PRSP purposes have been estimated at some 1.9 trillion TShs (\$ 2.4 billion) for the next 3 years. One third of this should come from domestic resources and two thirds from external aid resources. Resources would be spent in the following priority sectors: i) basic education; ii) primary health; iii) water; iv) roads; v) judiciary; vi) agriculture; and vii) HIV/AIDS.

Monitoring and evaluation will be used to roll the programme forward from year to year. A set of benchmarks will be developed to measure progress against objectives.

2.3. Donor Review of the Poverty Reduction Strategy

Tanzania's bilateral donors, primarily EC Member States, critically reviewed the PRSP prior to its adoption by the IMF/World Bank in December 2000. The donors recognised the participatory process and local ownership of the paper, as well as its links with ongoing poverty eradication actions. They underlined that economic growth is a necessary, but not a sufficient condition for poverty reduction, and they welcomed the idea of triggering external budget support resources for priority sectors identified under PRSP. At the same time they identified areas that require strengthening:

- The inclusion of gender issues as an element of poverty will have to be considered during PRS implementation.
- The establishment of poverty monitoring at the national level and mainstreaming in ministries to deepen their commitment to PRS.
- The continued reforms of key sectors, in particular the education and agriculture sectors, are crucial to PRS success.
- The political commitment and the institutional arrangements for the fight against HIV/AIDS, which threatens the entire development process in Tanzania.
- The fight against corruption.
- The integration of donor funds in Government's financial management system and the monitoring of commitments to donors.

Donors have also pointed to the ambitious growth targets underlying the PRSP- GDP 6% and agriculture 5% - which will depend not only on continued sound macroeconomic policies but on private sector activities. This being outside the remit of the Government, the creation of an enabling environment, as well as setting the right incentives, will require the right emphasis.

The elements for a rural development strategy are emerging. Finalisation of a comprehensive strategy requires the integration of different sector strategies (agriculture, water, education, feeder roads, local government reform, etc.) and can therefore only be completed once there is sufficient progress in the development of these sector strategies.

The administration's limited delivery capacity and the need to explore alternative ways of providing quality public services require continued attention, as does transparent and accountable budget management. The monitoring of public expenditure management and continuous evaluation on the achievement of poverty targets achieved will be crucial to the success of PRSP.

3. Country Analysis

3.1. Tanzania Today - An overview of the political, economic and social situation

Tanzania is one of the few countries in Africa with a record since independence of political and civic stability. It is a peaceful nation, forged by its founder, the late Julius Nyerere, out of over a 100 tribes, and now counts over 30 million people. Stable political leadership has kept Tanzania outside the numerous conflicts which afflict neighbouring countries, and blight their potential for development. Tanzania continues to play a leadership role in conflict prevention

and regional co-operation. It also hosts one of the largest refugee population in Africa (over 500,000), which leads to severe stress on natural resources and the host population.

Tanzania's democratic culture and representative democracy need to be further developed. Parliament should become the key forum for debate about the country's future development, and civil society must become a breeding ground for the culture of democracy.

Even though multiparty democracy was introduced in 1992, CCM, the ruling party since independence, has continued to play a dominant role in political life, including in Zanzibar. The semi-autonomous islands of Zanzibar and Pemba have traditionally been a stronghold for the main opposition party CUF. Attempts to ensure a broader participation of the opposition forces in the government of the islands have been a source of tension with the mainland over the years.

During the second multiparty election in 2000, President Mkapa, facing a divided opposition, secured a 2nd term with 71.2% of the votes. International observers declared the elections on the mainland free and fair. However there were irregularities in Zanzibar, which provoked protests among the opposition forces and subsequent violence in the country. Current talks between the opposition and ruling parties aim to conclude a comprehensive, negotiated better institutional framework that will improve governance and the conduct of future elections on the islands. The EU has welcomed the ongoing dialogue as a first commendable step and has encouraged both parties to step up their efforts to reach a timely and sustainable agreement and ensure that this is implemented.

Tanzania possesses considerable assets and vast resources, including large reserves of cultivable areas, mineral resources, a unique stock of natural assets and an abundant wildlife. Despite its potential and rich resource endowment, however, Tanzania counts among one of the poorest countries of the world with a per capita GNP estimated at about \$270 (2000). Its ranking in the Human Development Index has also declined from 126 to 156 since 1992.

Following the Arusha Declaration in 1967, Tanzania launched a socialist development agenda with broad state controls and strong investments in social sectors. Although these policies initially resulted in impressive social indicators, they provoked a long-term economic downswing and macroeconomic imbalances. Economic reforms began in 1986 supported by the Bretton Woods institutions. The economy at first responded positively and grew by 4% over the following decade, with reducing levels of poverty. However the reform programme fell off track in the mid-90s, resulting in lower growth and higher budget deficits.

The elections of November 1995 represented a turning point. The new President committed his Government to achieve macroeconomic stability and increase allocations to priority social sectors. The Government then embarked upon an impressive agenda of institutional and structural reforms, including efforts to further the transformation to a market economy, and reform the public administration and key sectors for development (education, health, agriculture, water, roads, etc.). Such efforts resulted in macroeconomic stability and re-emerged growth levels averaging 4% during the last years. A number of distortions that existed in the 90s were dealt with. Markets became freer and the public sector smaller. These achievements, together with the adoption of a new Poverty Reduction Strategy, have resulted in considerable HIPC debt relief that should enable Tanzania to free up substantial resources for spending in poverty-focussed programmes.

Progress in reforms and renewed macroeconomic stability have yet to translate into sustainable improvements in the standard of living of the people. Falling real expenditures on social programmes during the economic crisis of the 80s led to significant declines in service delivery and deteriorating social indicators. Official estimates now suggest that more than half of the population is poor, with 36% living in absolute poverty. Poverty is essentially a rural phenomenon. Almost 61% of the rural population are poor and still engaged in subsistence agriculture. Lack of economic growth and income opportunities are at the root of their

poverty. In turn, the ability of the poor to benefit from growth has been constrained by their low human development and lack of access to productive assets, inputs and credit. Ensuring real expenditure increases in social sectors services on a sustained basis has thus become one of the key objectives of the present Government. A number of sectors with large impact on poverty are being protected and funded under participatory Public Expenditure Reviews and in the PRSP. It will, however, take time to achieve improvements in social sectors. To this must be added the tragedy of the HIV/AIDS epidemic that has hit Tanzania hard and reduced life expectancy to 48 years.

Tanzania is highly dependent on external aid, which accounted for 10% of GDP and 33% of the Government's budget in 1999/2000. For development to be sustainable, and to permanently reduce poverty levels, higher rates of growth are essential. The economy is still heavily dependent on agriculture and efforts to modernise this sector have not yet yielded results. Obstacles to private sector development remain, and the private sector's response to ongoing reforms has been slow. For this sector to become the main engine of growth, continued reforms are called for. Levels of foreign investment are low (180 M\$ in 1999 compared to an aid flow of close to 1 \$ billion). The restructuring and privatisation of public utilities and large para-statal monopolies must be completed since the low quality of public services represents a high cost to both the private sector and farmers. An inadequate and inefficient legal and regulatory framework and poor infrastructure has exacerbated the situation. The fight for good governance is still to be won in Tanzania and corruption has been on the rise in the 1990s. The management of public funds needs to become fully transparent and accountable. There is however progress in this area as President Mkapa personally leads the efforts to fight corruption and improve governance.

Tanzania is cautiously moving towards regional and global integration. The revitalised East African Community and other regional co-operation arrangements, of which Tanzania is part, provide the basis for greater policy and economic co-ordination in the region in the future.

With macroeconomic stabilisation substantially complete, the Government can now focus its attention on creating the conditions for accelerated growth and poverty reduction. Recent reforms have been strongly backed by the donor community, which has pledged continued support for Tanzania to pursue its ambitious but needed reform agenda for the coming years.

3.2. Analysis of Priority Sectors in the PRS – A Review of Government Sector Policies

The EC has long been involved in five of the seven priority sectors reconfirmed in the Government's new poverty reduction strategy. These are: transport infrastructure, education, water, agriculture and HIV/AIDS. This section analyses most priority sectors of the poverty reduction strategy and related themes such as macro-economic reforms, gender, environment, governance, with an emphasis on those proposed for future EC support.

3.2.1. Macro-economic Reforms (Structural Adjustment)

Continued macro-economic reforms are a basic foundation of the PRSP. Among the reforms initiated since 1995, most noteworthy has been the success of the macro-economic stabilization programme. This programme was implemented with great commitment. As a result, GDP growth averaged 4% in 1996-2000, inflation declined from 30% to 6% (mainly through tough control of the state budget deficit and of money supply) and substantial foreign exchange reserves were built up. The big domestic and foreign debt stocks partly inherited from the past, making Tanzania one of the world's most indebted countries, have been tackled with donor assistance. HIPC will result in a net reduction of 45% in Tanzania's foreign debt, hitherto amounting to 7.6 billion US\$.

Privatisation of nearly 75% of the former state-owned enterprises has been achieved. But heavy loss makers such as public services (railways, Dar es Salaam water supply, power supply) have so far not found buyers. Foreign trade has been liberalized, recently confirmed

again at the occasion of the 2001/02 Budget Speech. However the manufacturing industry still calls for continued tariff- and non-tariff protection.

The public payroll has been trimmed from 470 000 to 270 000 employees through the Public Service Reform, but delays in pay reform and lack of management capacity still adversely affect productivity in the civil service. The reform of Public Finance Management was reviewed in 2000, to achieve better results in control, transparency and impact of public expenditure. Tanzania has started a Local Government Reform, aimed at decentralizing staff management and budgets from central to district level. This is still in its start-up phase: complementary reform programmes in education and agricultural sectors are at an early stage, and the capacity issue at local level remains to be solved.

3.2.2. Governance

The political and economic transition to a culture of decentralized multi-party democracy, after 30 years of a highly centralized one-party socialist system, is in an early stage. Even though the first multi-party elections were held in 1992, political diversity has remained limited. Decision-making is now slowly becoming more decentralised through the Local Government Reform.

Though there exist a large number of unions, co-operatives, women & youth organisations, ethnic self-help associations and religious organisations in Tanzania, civil society is not geared to an advocacy role, nor is it structured to manage funds or implement large-scale programmes. NGOs are weak in legal and financial/human resources terms and many are directly dependent on international support. Tanzanian civil society has yet to become a breeding ground for a culture of democracy, although the growing number of non-state interest groups has enhanced the political debate, recently helped by private media. Government now increasingly recognises the importance of a strong civil society.

Democratisation has led to stronger emphasis on human rights issues and Tanzania has ratified the most important international conventions and rules on human rights. However, traditional and national laws combined with local customs and practices still restrict the rights of vulnerable groups in society, especially poor women and youth. Apart from recent events in Zanzibar, Tanzania's human rights record is generally considered acceptable.

Corruption is a widespread phenomenon in Tanzania hampering development in all segments of society. It affects not only the judiciary system but impedes the functioning of the entire public administration. Awareness of this phenomenon and its negative impact on society is on the rise with strong support at the highest political level. Encouraged by donors, the development of national/ministerial strategies and action plans to fight corruption has progressed, but effective legal action against cases of high-level corruption needs to be enforced.

The Government is now giving increasing importance to good governance as critical to the success of Tanzania's wider development agenda. Since 1995, the Government has also accelerated the pace of governance reform. Its policy is summarised in "The National Framework on Good Governance" which emphasises a shift of management responsibilities towards the private sector; the devolution of power and resources towards local authorities; a re-organisation of public administration to make it more effective; and the need to combat corruption, fraud and mal-practice in the public sector.

This framework provides a link between ongoing reform programmes in several related areas, the most important of which are the Public Finance Management Reform, the Civil Service Reform, the Local Government Reform, the Legal Sector Reform and the development of a National Anti-Corruption Strategy. Among these, the Government's priorities lie with the Local Government Reform and the strengthening of Public Finance Management with a view to improve effective management, transparency and accountability throughout society.

The Local Government Reform Programme serves the dual goals of strengthening service delivery at local level and improving participatory democracy by involving the local population in decision-making and execution of development programmes. Participatory management coupled with transparency and accountability to the people will help foster a culture of good governance. The legal framework for the reform is in place and an action plan and budget for mid-1999 to end-2004 has been adopted. Implementation of the action plan has started. The success of this reform will ultimately depend on continued political commitment, ownership and reinforced capacities locally.

All these reform processes are a clear indication of the Government's ambition to improve delivery capacities and promote good governance in public affairs at all levels, including a more participatory approach to development. The challenge is now to ensure that these reform processes are consolidated, through wider participation of all stakeholders, and begin to show tangible results.

3.2.3. Road Sector

The Tanzania transport system comprises a road network totalling about 85,000 km; two railway systems (3,750 km) operated by the Tanzania Railways Corporation and the Tanzania-Zambia Railway Authority; major sea ports in Dar es Salaam, Zanzibar, Tanga and Mtwara and three international airports plus several major domestic ones.

The road sector is by far the dominant mode of transport in Tanzania as it represents 70% of freight and 90% of passenger total in the country. The density of the road network of 96.5 m/km² is much lower than in other East African Community member countries. Tanzania's road network is poor by international standards. According to recent road condition surveys, an average of only 16% of the total network is in good condition. The situation is particularly serious in rural areas. The situation is better for trunk and regional roads with around 30% in good condition (next to 60% of paved trunk roads).

Inadequate allocation of resources and weak legal and institutional structures have contributed to deteriorating Tanzania's roads. The poor standard of the road network impedes mobility and access to markets and services in the country. It also leads to increased transport costs. Tanzania's road network is an essential outlet for a number of nearby landlocked countries. Rwanda, Burundi and, to a lesser extent, Uganda and Zambia, are dependent on Tanzania for providing stable sea access to international markets. Further, Tanzania has the potential to play a key transport role in the newly reinvigorated Eastern Africa Community. The current state of the network has become one of the main hindrances to economic growth and hence to reduction of overall poverty in Tanzania and in the East Africa region.

The Government launched a sector-wide rehabilitation and development programme in the early 90s (Integrated Roads Project - IRP) to address these problems and to bring the majority of the deteriorating network back to good condition. Several donors including the EC financially supported IRP, with the World Bank taking the lead in policy dialogue with the Government. The first phase of the IRP was implemented with reasonable success. However, major difficulties in the implementation of the institutional components of the programme, particularly related to the mobilisation and utilisation of the Road Fund resources for maintenance, led to a slow down of donor support. After long and difficult negotiations, with the donor-side coordinated by the EC, the Government took a number of policy decisions to improve maintenance funding and road management in 1997/98. Consequently, the Roads Toll Act was amended giving full autonomy to the Road Fund and securing 90% of its revenue for maintenance and emergency repairs. Its sources of revenues were widened. The new Act also created a private/public Road Fund Board to control its operations and established a semi-autonomous road agency (TANROADS) in charge of implementing road development, rehabilitation and maintenance using private contractors and consultants. These steps allowed the 2nd phase of the IRP to resume.

In the same context, the Government initiated in 1998 the preparation of a National Transport Policy (NTP) and a new 10-year Road Sector Investment Programme, yet to be finalised. The NTP aims to develop safe, reliable, effective, efficient and fully integrated transport infrastructure and services. It specifies that the road sector should facilitate main road transport corridor development and ensure that they are furnished with all weather/bitumen roads. Nine priority transport corridors have been identified which, together with their feeder links, would interconnect most parts of the country. This would promote trade and investment by opening up areas of key economic activities and potential such as mineral deposits, tourism, agriculture, providing the required competitiveness through reduction of transport costs. This would also enhance social integration as well as inter and intra regional co-operation through trading. NTP further sets out major policy orientations for the road sector such as increased partnerships with the private sector, increased use of local capacity, consistent environmental impact assessments of infrastructure projects, etc.

The Tanzanian Government is taking concrete steps to improve the management and financing of its road network. The new NTP indicates a commitment to continued reform and spells out clear priorities. Tanzania's road sector still faces several challenges:

- To meet the objectives of development and maintenance of the primary road network would imply mobilisation of substantial additional external funding and generation of considerable internal resources;
- Rural access remains a serious problem. Transport costs remain too high and the effective demand too low in scarcely populated and low-income rural areas;
- The policy reform agenda needs to be implemented with strong political support. The legal framework and institutional set-up is yet to be completed;
- Higher funding levels, more (private sector) partners and new players in the form of new institutions will require more active, effective donor coordination.

3.2.4. Education Sector

The Government has always emphasised investment in human capital as central to the quality of lives of Tanzanians. Likewise, education has been considered a precondition for progress in development and for the reduction of poverty. The central place of education has been further accentuated in the long-term policy objectives of the Poverty Reduction Strategy and Vision 2025. Throughout, the priority goal has been to ensure that all children have access to quality education, in the first instance basic education.

Despite the focus on education in the country's development strategies and significant donor support, the sector has seen a continuous deterioration over the last two decades with stagnant or worsening basic education indicators. Although efforts in the 1970s resulted in next to universal primary education and near-universal adult literacy, policy- and structural weaknesses combined with economic shocks meant that these educational gains could not be sustained in the 1980s and 90s. Recent economic revival and growth have not been able to alter this trend. The sector faces numerous challenges, the most serious of which are:

- national literacy rate at 67% (60% female), low and declining enrolments and inequitable access with net enrolment in primary school at 57%, in secondary school at 7% and in higher education at less than 1% (2000). Non-formal and adult education also face decreasing rates;
- low quality of education resulting from low teacher qualification, shortage of appropriate teaching/learning material & tools, inadequate learning environments;
- an inefficient system with low retention rates and large regional disparities, late school entries, high drop-out rates for girls, etc.;

- low institutional capacity and poor management which has led to an inefficient, hierarchical education system weakened by inadequate funding and inefficient allocation of resources;
- cross-cutting issues related to gender inequalities in the education system and the impact of the HIV/AIDS epidemic on the same.

To address this situation, the Government adopted a new Education and Training Policy in 1995 with the design of a sector-wide approach for the entire education sector. Private sector involvement in providing education, curriculum review to improve quality and increase access, and devolution of management and administration to local levels were introduced. The Local Government and Civil Service Reform Programmes, launched in 1996, were directly linked to this process as they set further determinants for a decentralised system and redefine the roles and management of central ministries.

Government subsequently submitted a first version of an Education Sector Development Programme (ESDP), appraised in 1999, to incorporate and operationalise previous policies and plans. Its overall objective is to provide for increased gender-balanced and equitable access to higher quality basic education with the following priorities: i) priority on basic education; ii) improvement in secondary school opportunities; iii) demand-driven and market-oriented post-secondary and higher education; and iv) institutional development to improve sector management and to strengthen capacity to monitor progress. The ESDP has been followed by the elaboration of a Basic Education Master plan and sub-sector master plans for secondary education, teacher education and higher education.

The finalisation and implementation of the ESDP was hampered by the limited capacity in the ministries concerned (mainly the Ministry of Education and Culture MOEC), the slow pace of institutional reforms and the quality of the dialogue with its international partners. Recently, however, discussions have taken a new start within the framework of the PRSP and HIPC process. Also, recent progress in elaborating a basic education sub-sector strategy and work programmes has been impressive. Government's decision to abolish school fees has been particularly welcome.

The initial phase of the ESDP will focus on managing the strong expected increase in primary enrolment starting early 2002, on providing funds to schools for non-salary recurrent expenditure to improve quality of teaching and on capacity strengthening. Further phases of the ESDP will depend on progress in capacity strengthening at all levels and on institutional change in the education sector as a whole. The ambition is to manage ESDP, not as a separate programme, but as fully integrated in the education sector's normal activities. It is supposed to provide a framework for external funding to which an increasing number of donors will subscribe. Initial funding will be provided by the World Bank, EC and possibly some bilateral donors. Some donors will support the sector by providing general budget aid to fund PRSP priority sectors.

The ESDP has yet to be finalised, adopted and implemented. Further, its mainstreaming within the MOEC is crucial. It is particularly important that the sector reform process becomes fully Tanzania owned and that stakeholder participation in the formulation and implementation of the reforms replaces the traditional top-down approach. A clear poverty focus of the sector strategy is to ensure that the constraints, needs and priorities of marginalized groups and vulnerable populations are integrally addressed by the strategy.

3.2.5. Private Sector Development, Trade and Regional Integration

Private sector response to the improved macro-economic environment has been hesitant with a private investment share of GDP at 10–12% only during late 90s. Direct foreign investment stays low (150-180 million \$/year), confined to the growth sectors of mining, tourism and services. The manufacturing industry (breweries, cigarettes, soft drinks, cement, tires, simple

food processing, basic consumer goods) produces mainly for the local market and shows little dynamism.

There are many reasons for the sluggish development of the private sector: Public utilities, still mostly in public hands, render unreliable and expensive services; economic infrastructure (transport systems, power and water supply) is run down; capital markets are underdeveloped. Investors name corruption and harassment of enterprises by authorities, coupled with an unfavourable tax system, as main factors adverse to an improvement of the investment climate.

The challenge is to ensure that the private sector will be able to play the full part assigned to it in the PRSP i.e. to become the engine of growth. A growth target of 6% has been identified as a necessary condition for poverty reduction. Even if such growth occurs in mining, tourism and services sectors, the direct impact on poverty reduction may not be significant, as these sectors are capital-intensive. Indeed, the above-mentioned bottlenecks have to be tackled and structural reforms are needed if Tanzania's private sector is to become more competitive and generate the necessary growth and employment for poverty reduction throughout the country.

Tanzania's exports stem mainly from its natural resources: coffee, cashew nuts, cotton, tea, tobacco, fish and cut flowers, and, with growing tendency, gold and tourism. Imports are all sorts of capital, intermediary and consumer goods. Whilst the picture of foreign trade is generally a traditional one with an overall negative trade balance, recently Tanzania has been able to achieve a positive commodity trade balance with its main trade partner EU, with a share of about 32% of exports and 23% of imports.

Tanzania is a member of two regional trading arrangements, the revived East African Community and SADC, and participates in the Regional Integration Facilitation Forum (ex-CBI). However, with effect of September 2000, the country left COMESA. This move, officially prompted by the administrative complexity of overlapping membership in a plethora of regional trade arrangements but also for fears of losing considerable tariff revenues, points at an underlying basic issue: the very limited competitiveness of the Tanzania economy in both the regional as well as the wider international framework. The same reason governs Tanzania's cautious attitude inside the EAC. The relatively strong position of South Africa in the Tanzanian economy also impacts on the country's attitude within SADC. Important trade negotiations, both on a regional and multi-lateral basis, are now on Tanzania's agenda. As a member of both SADC and the EAC, Tanzania will have to consider how best to implement the trade aspects of both. In accordance with the provisions of the Cotonou Agreement, negotiations on future trade arrangements between the EU and ACP countries in the form of Economic Partnership Agreements (EPAs) should start in September 2002 at the latest.

PRSP, which is not very oriented towards the private sector, does not contain new ideas to develop trade and regional cooperation. To a certain extent this gap may be closed by regional instruments (RIP), multilateral schemes such as the UN/WTO – led "Integrated Framework for Trade Development" and the EIB (Investment Facility et al.). Tanzania should benefit from the recent initiative "Everything But Arms" taken by the EU in February 2001, which gives duty- and quota-free access to all products originating in the world's least developed countries, to increase its access to EU's market.

3.2.6. Agriculture, Water and Natural Resource Conservation

Traditionally agriculture has been the backbone of Tanzania's economy. 80% of the population find employment in this sector, generating 60% of the country's GDP. The sector is characterised by low productivity, low levels of technology and mainly subsistence farming. Agricultural support services (research and extension) are ineffective, credit and marketing systems are poor and rural infrastructure missing or inadequate. Vagaries of weather (droughts, floods) add to these man-made constraints. In many areas, agricultural practices are unsustainable, both in terms of crop production and livestock keeping.

Tanzania's agriculture sector is experiencing difficulties adapting to a more liberalised, market-oriented environment. The collapse of the co-operative marketing and financial systems has left an important vacuum. Liberalisation of prices, inputs supplies and marketing have not led to more efficiency or higher returns. Replacing the co-operatives with private sector interests has often implied more monopolistic practices to the detriment of the producers. As a result, Tanzania still largely lacks a conducive environment for the development of agriculture, including social and material infrastructure, an effective organisation of input and produce markets and a stable legal and regulatory framework.

The Government fully recognises the pivotal role of the agricultural sector, both in terms of economic growth and poverty reduction. The main thrust of PRSP is to increase agricultural production that provides a livelihood for the poor. The Government has set an ambitious growth target rate of 5%, compared with past average rates of 3.6%. A draft agricultural sector development strategy (ASDS) will be finalised at the end of 2001. This is now undergoing a refinement exercise in which all stakeholders including donors are involved and will be finalised in the course of 2002. The draft strategy emphasises investment in rural roads, the pursuit of macro-economic (taxation) policies stimulating investments, and more involvement of the private sector in improving access to markets, inputs and credit. Agricultural research and extension will be given increased budgetary allocations and the implementation of the new Land Act will be accorded top priority.

Water supply remains vital in Tanzania. Less than 50% of the rural population has access to clean water. Access to water is likewise fundamental for agricultural production. Water has therefore been identified as one of the priority sectors in the PRSP. Progress in reform of the water and sewerage sector did not materialise until 1997, but has since resulted in a new legislative framework for the sector. It foresees comprehensive institutional reforms including the establishment of decentralised autonomous executive water and sewage agencies at region level, a more policy-oriented role for the Ministry of Water, more emphasis on the link between environment, water and health, etc.

Tanzania is an exceptionally beautiful country with 25% of the land area protected (national parks, game reserves, marine parks). The growing number of tourists (circa 600,000 in 1999), providing 14% of Tanzania's GDP, are mainly attracted by the unique natural resources. The Government has adopted separate sector policies for forestry, the mineral sector, wildlife, fisheries, lands and tourism. Priority is accorded to implement the national action plans to combat desertification and for biodiversity conservation. However, extensive agricultural and livestock production, with associated burning, overgrazing and deforestation, as well as the felling of trees for various uses (energy, construction etc.) have resulted in rapid depletion of natural resources and destruction of the environment. Uncontrolled tourism could also jeopardise Tanzania's natural resources endowment in environmentally sensitive areas.

3.2.7. Gender, Health and HIV/AIDS

Analysis of gender relationships in Tanzania shows that women are at a disadvantage compared to men in nearly every major aspect. Gender relations are structured so that men have power and rights over women particularly as regards decision-making and assets. Areas of particular concern include inheritance laws, land ownership, decision-making powers of women, education of girls, domestic violence and women's workload.

Much work has been done by Government, donors, NGOs and various institutions to create gender awareness among decision-makers and in society at large. Civil society plays an important role in the transformation of gender relations in Tanzania through lobbying and capacity building-activities.

A Women-in-Development (WID) Policy was approved in 1992 and has been implemented since. This has provided a useful framework for incorporating gender concerns in the national planning process. WID units and focal points have been established in several ministries and

public agencies. However resources to implement the policy have been highly constrained. The WID approach is now gradually being replaced by a gender mainstreaming approach anchored in a new Gender and Development Policy adopted in 2000, based on the 1995 Beijing Platform for Action. The guardian of the policy is the Ministry of Community Development, Women's Affairs and Children. In general, the Government's current gender policies provide a good foundation for pursuing gender mainstreaming processes in all segments of society.

Health standards of the Tanzanian population, especially of the poor, are very low. The health sector, which suffered from the economic decay since the early 80s, has not been able to redress the situation. Malaria is the main killer disease, with clear poverty and gender dimensions. Mother and child mortality have increased during the 90s, whilst attendance rates at health facilities have decreased, also due to cost sharing schemes that the poor cannot afford. Malnutrition is widespread among children and inadequate access to clean water contributes to the spreading of waterborne diseases such as cholera and diarrhoea.

Like in other sub-Saharan countries, HIV/AIDS has become epidemic. It causes a serious threat to the nation with many more aspects than just the health-related issues. In 1997, the number of infected was estimated at 1.5 million, with the majority living in poor or very poor conditions. Women are generally infected at a younger age than men. The epidemic has led to income losses, food shortages, shorter life expectancy, higher child mortality and orphanages.

The Health sector has been given a very high priority under the PRSP. There has been noteworthy progress in the development of a sector strategy. A sector-wide development programme is in place, enabling major external contributions to flow into the sector, through a joint basket fund mechanism. Anticipated external assistance for the coming years in addition to the Government's own funds is substantial.

4. An Assessment of Past and Ongoing Co-operation

4.1. EC and Donor Co-operation Programmes

To learn more about the environment for future EDF programmes, EC carried out a comprehensive data collection exercise among Tanzania's main development partners. All donors who have multi-annual programmes with Tanzania made their data available. The resulting matrix therefore covers most future interventions by Tanzania's development partners (only figures for Japan, ADB, EADB and some Arabic Funds have not been captured).

The data collected are not only quantitative (expected commitments from 2001 per sector), but also of a qualitative nature (type of intervention – policy dialogue and institution building components, potential role by the donor in the sector, etc.). Whilst individual data collected can be considered as authentic, there exist methodological difficulties in compiling and comparing these. The following analysis is therefore of indicative value only. The total amount of assistance analysed is about 3.2 billion € for an average programme period of three years. This conforms to historic figures for aid to Tanzania, usually estimated at some 1 billion \$/year, which translates to over 30 \$billion of aid over the last 3 decades, more than any other Sub-Saharan African country.

As regards the sectors of co-operation, macro-economic support in form of budgetary aid has taken a clear lead, with 22% of total aid captured, followed by health with 10% (including population and HIV/AIDS). Next come education, transport, energy, private sector support, Government reform (including good governance and local government reform), agriculture, water/sanitation, natural resources, with shares ranging from 9 - 5%, in decreasing order.

Altogether, priority sectors under the PRSP will absorb some 65% of total assistance in the next years. Not surprisingly, this percentage far exceeds the share of total resources

Government intends to devote to these priority sectors in its Medium Term Expenditure Framework (33%). This illustrates two facts: (i) donors' readiness to support to the priorities set by the Government, and (ii) the other side of the coin, i.e. the persistent aid dependency of the entire PRS programme.

A striking imbalance is noteworthy within the priority sectors. Whilst health support is massive, support to education and rural development/agriculture seems to be under-proportioned, in terms of the financial requirements of these key sectors. This probably reflects the persisting constraints in absorption capacity in both sectors where formulation of consistent policies or creation of the institutional basis for sector-wide reforms have been delayed. Consequently donor response has remained hesitant. In the health sector, where these prerequisites are fulfilled, the response has been massive. These figures indicate a clear link between effective Government commitments and volume of aid flows. However in the sector of Transport Infrastructure (roads), both the number of donors and their financial support remains limited. In this case, it does not appear to be a result of missing policies or institutional capacities (both areas have seen distinct progress in last years). It rather seems that the magnitude of funds required to achieve a significant intervention in this capital-intensive sector deters donors with smaller overall programmes.

Looking at the shares of donors in total assistance, these are almost equal between EU and non-EU donors. On the non-EU side, the importance of the World Bank is dominant in nearly all sectors (27% of all grants and loans). Japan, which is expected to continue its project-type assistance amounting to some 100 million \$ in past years, has previously played only a minor part in policy issues and sector-wide approaches. It is now taking more of a lead in agriculture. UN contributions are conditioned by the permanent fund raising problems of the World Organisation. USAID concentrates on health, more specifically on HIV/AIDS. The Nordic countries hold also an important share of total aid (14%), compatible with the part they take in the overall policy dialogue between Tanzania and its development partners.

Within the EU, the EC will remain the largest single donor (13% of total aid, considering the outstanding commitments from the 7th and 8th EDF). Mainly due to the planned massive increase in budgetary aid, the UK will become the biggest bilateral donor (11%), followed by Netherlands (6%), Sweden (6%) and Denmark (5%). Germany's relative share is on the decrease (2%). Four other Member States will continue to give high priority to Tanzania (Ireland, Finland) or put in place new assistance programmes (France, Belgium). Two member states (Spain and Italy) may give some support outside such multi-annual programmes, as in the past.

The sector matrices reflect well-developed structures for dialogue between donors and the Government. Policy dialogue takes place in nearly all sectors, sometimes in organised working groups, in other cases on an ad-hoc basis. Regular working groups, however, are not always a guarantee of satisfactory progress in the policy dialogue as has been revealed in the education sector. In all sectors analysed, there is at least one donor willing to keep or take the lead in contributing to the organisation of the dialogue. The EU is well represented among the group leaders: Denmark has taken the lead in democracy and agriculture; France and Germany are potential leaders in the water sector, and the Netherlands and UK co-ordinate the macro-economic dialogue. UK has also taken the lead in the education sector. EC is prepared to continue its coordinating role in the road sector.

Not reflected in the matrix is the pervasive policy influence of the Bretton Woods Institutions. The macro-economic policy dialogue is dominated by the IMF, who has developed an open attitude towards regular information of the donor community in recent years. The World Bank is present in nearly all the important sectors with substantial loan programmes and participates in sector dialogues.

4.2. Sector-specific Assessment and Lessons learned

▪ Macro-economic Reforms (Structural Adjustment):

A large number of donors have been involved in support to macro reforms, through balance of payments aid or sector-specific interventions, mainly under co-financing arrangements. An innovative example has been the Multilateral Debt Fund initiative under which a group of donors paid large amounts of debt service due by Tanzania to international financing institutions.

EC contributed to Tanzania's successful macro reform programme with funds amounting to some 200 M€ between 1992 and 2000. The earlier programmes (SASP I, II, III) were General Import Programmes, addressing foreign exchange shortages, supporting stabilisation objectives, and, in general terms, social sector expenditure protection. The successful introduction of VAT in 1998/99 was also assisted by the EDF.

SAF IV (71 M€), conceived in 1998, was more specific in social sector expenditure protection, establishing clear benchmarks for primary education budgets. Facilitated by Tanzania's improved forex situation, it was designed as budget aid rather than as combined balance of payment/budget aid operation. The bulk of SAF IV funds (48 M€) were earmarked to clear government's arrears to suppliers. Concomitant audits of the use of such funds revealed a number of deficiencies in the management of public funds and a general weakness of accountancy, control procedures and discipline. This led to a temporary suspension of disbursements until the Government took corrective actions by end-2000, including repayment of misused funds and disciplinary and legal action against detected culprits. The lessons learned under SAF IV refer not only to issues of public funds management, but also to Government's restricted capacity to handle several macro support programmes in parallel. Hence, the second 8th EDF macro-economic support operation of 76 M€, to be disbursed in FY 2001/02 and 02/03, has been conceived as a contribution to the Poverty Reduction Budget Support facility in which Denmark, Finland, Ireland, Netherlands, Sweden and the UK, plus two non-EU partners, participate. The main purpose of PRBS is to contribute to achieving Poverty Reduction Strategy objectives through general budget support. Compared to SAF IV, PRBS 01 has been simplified both in conditionalities and disbursement procedures. The joint mechanism reduces cost for the Government of absorbing external assistance and allows for joint monitoring of expenditure plans, budget execution and financial management reforms, all in the context of PRSP.

▪ Governance:

Several donors are supporting the Government's National Framework on Good Governance through providing support to the various ongoing reform programmes related to this; Denmark supports the Legal Sector Reform programme. Sweden, the World Bank, UK and others provide support towards the Public Finance Management Programme. Ireland and Finland support capacity building at district level within the framework of the Local Government Reform Programme. UK has also extended assistance to the national Anti-Corruption Strategy.

The role of good governance in EU-ACP development co-operation has been strengthened in recent years, starting with the Lomé Convention. Concomitantly, governance was identified as a cross-sector issue in the 8th EDF with support to the 2000 elections (voter education material, training of electoral agents, civic education and observation of the electoral process). Support has also been provided for the national Anti-Corruption Strategy and ministerial anti-corruption action plans and for the establishment of the Prevention of Corruption Bureau. Additionally, human rights projects, conflict prevention actions (Burundi Peace Talks) and the international criminal tribunal have been supported through budget line initiatives. Support has also been extended to the Public Finance Management- as well as the Local Government Reform programmes.

EC support to the sector has so far been on an ad-hoc basis and at our insistence. It has enabled experience to be gained in working with public institutions in sensitive areas and in co-ordinating closely with other donors. On the part of the Government, there has been a willingness and openness to tackle specific problems and engage in sector dialogue.

▪ **Road sector:**

Transport has been at the centre of EC assistance to Tanzania since the start of co-operation in 1975. All NIPs have contained important allocations for this sector, with an emphasis on roads. Support to the rail network and port sector has been gradually phased out so as to concentrate EC's involvement to fewer areas. EDF has financed building/rehabilitation of trunk roads (800 km of paved roads), repair and maintenance programmes (e.g. the El Nino repair programme), building/maintenance of feeder roads under STABEX, as well as institutional support. Total funding for the road sector is estimated at 320 M€ which has made EC one of the major donors to the sector. In 2000, EC took all remaining funding decisions under the 8th EDF road sector programme, with a focus on the Central Corridor and the Lake Circuit Corridor: Mwanza roads (32 M€), Mwanza Region Border-Nzega/Isaka roads (85 M€), Backlog Maintenance Programme (42 M€), Institutional Support (2 M€). These projects will be implemented from 2001 onwards.

EC has also played a key role in donor co-ordination. Several lessons have been learnt from EC's involvement in the road sector. Various evaluations in the 1990s pointed at an inadequate focus on maintenance as opposed to sector investment, at too little sector reform and ineffective donor co-ordination. These findings led EC to take an active lead in donor co-ordination, strongly advocate for sector policy reform and shift certain earmarked investments towards maintenance programmes. Recent experience in the sector has reconfirmed earlier findings but also emphasised the extent to which policy changes and institutional reforms require time, are complex processes and necessitate close co-ordination between donors.

▪ **Education:**

Donor support to the education sector has been continuous and considerable. The World Bank, the Nordics, the Dutch, UK and Ireland have been the major donors to the sector. There seems to be a general willingness among donors to commit more funds to the sector and in particular towards effective implementation of the Education For All commitments via the ESDP.

EC has been involved in the education sector through a number of interventions in human resource development of both a national and regional nature. EC also took the lead in co-ordinating international support to the sector and headed a six-member government/donor group for several years. This co-ordinating role has now been given to the UK. Both financial and technical support has been provided for the preparation and appraisal of the ESDP. In addition, budget support from Counterpart Funds (9 M€) has been made available for the Textbook Programme (1999/2000). A 25 M€ contribution from the 8th EDF for the donor co-funded district-based primary education support programme was prepared in 2000 as a bottom-up approach to improve sector performance in the absence of progress with the ESDP. In view of recent progress in sector reform, it has been decided to focus these funds within the framework of the 9th EDF CSP. Many lessons can be drawn from EC's involvement in the sector:

- Basic education remains a high priority and funding requirements are substantial. Despite numerous shortcomings in the management of the sector, it merits support as education is a key factor to reduce poverty in Tanzania.
- A sector-wide programme approach is called for as the fragmented project approach and diversity of implementation modalities have proven inefficient and costly.

- ESDP progress is intermittently linked to the Local Government and Civil Service Reform Programmes. Close co-ordination among these reform processes must be ensured to maximise impact on the ground.
- Donor co-ordination has been effective and instrumental in shaping strategies to attain sector objectives, co-funding programs and improving aid effectiveness. Donors should strengthen this co-ordination and operate along the guidelines of the EU Code of Conduct model.
- Institutional reform and institutional capacity building are key to attain the long-term objectives of the sector.

▪ **Private Sector Development, Trade and Regional Integration:**

EC support to private sector development has been limited in size and success and never been a focal area for co-operation. EIB's Loan Programme of 1999 and co-financed Guarantee Fund has met with limited interest. Application of ACP-wide instruments is confined to EBAS and CDE with just a few clients in Tanzania. Other donors, even more active in direct private sector support, have gone through similar experiences. The general assessment of donors appears to be that, at the moment, it is more rewarding to establish the appropriate framework (infrastructure, governance) rather than to provide substantial direct private sector support programmes. Like for private sector development, EC has not played an active role in the field of trade and regional integration in Tanzania, but will have to consider a new approach under the Cotonou Convention.

▪ **Agriculture, Water and Natural Resources Conservation:**

EC devoted large amounts of funds to agriculture since the beginning of co-operation, as did many other donors. On average, 35% of the 4-6th EDF NIPs were allocated to the sector, mainly for area development-, coffee support- and feeder road maintenance programmes. In addition, support was given through the STABEX facility. The coffee subsector was the major beneficiary, with smaller transfers for cotton, tea, sisal and cloves. Since the 7th EDF, support to the sector has been limited to STABEX (76 M€ since the beginning of Lomé IV).

Evaluations of STABEX have shown that it has reached its objective to lessen the ill effects of losses of commodity export earnings. Since Lomé IV, it has also been used to support policy reforms and restructuring in sub-sectors. However, with the private sector unable to play its desirable role in full, there remains a risk of counterproductive interventions by Government in the cash crop sectors and a return to bureaucratic management. The significant level of amounts available from STABEX allocations (38 M€ from STABEX 1994/99 plus balances (interest)) will allow continued EC support to the sector for at least the next three years.

EC support to the water and sewerage sector was marginal prior to the 8th EDF. As one of the focal sectors in the 8th EDF, the programme suffered serious delays due to slow progress in sector reform. Funds have been provided for institutional capacity building to support the reform process with the thrust of funds earmarked for two investment projects in the towns of Mwanza and Iringa. Initially designed in 1995/96, these two projects are being redesigned due to changing parameters in both project areas. Mwanza sewerage was split from the water supply component and is under implementation, with the latter to be finalised before end-2001. The Iringa project requires a complete redesign as earlier versions have proven to be wrongly dimensioned and too costly. A total of 77.5 M€ is earmarked for these projects to be disbursed between 2001-2005 and constitute the bulk of EC resources foreseen for the sector over the coming years.

In addition, the sector benefits from substantial support by Member States and EIB. Germany and France are particularly active and have allocated respectively 22 and 23 M€ for several

urban and rural water supply schemes and for DAWASA. EIB has further earmarked 15 M€ in risk capital for DAWASA.

EC support related to natural resources and tourism has come from national and regional sources and budget lines (> 25 M€ during the past decade). The main interventions have been in the areas of community conservation and sustainable management of national parks and game reserves. A project to provide institutional strengthening of the tourism sector was launched in late 2000. It will facilitate the development and implementation of a sector policy reform, based on improved stakeholder co-operation. Additional funds of 2 M€ have been earmarked for a natural resources conservation in refugee-affected areas. Future interventions in this field will be funded under the budget lines for environment and support to tropical forests in developing countries.

▪ **Gender, Health and HIV/AIDS:**

Most of the funds for gender initiatives in Tanzania come from the donor community. Active Member States in the gender sphere are Sweden, the Netherlands, UK, Denmark and Finland. Many donors have gender focal points in their offices. An Inter-Agency WID/GAD (Gender and Development) Group has been set up with several working groups. The WID/GAD Group is active, pools resources and initiatives for joint actions and supports both Government and the civil society in enhancing gender equality. EC has not been supporting any specific gender-related activities during the last years but is an active participant in the WID/GAD Inter-Agency Group and the gender working group on macro issues.

Overall, EC has limited experience in the health sector. A contribution has been made to the Government's HIV/AIDS programme (4.6 M€ 7th EDF), mainly to control the spread of HIV through sexually transmitted diseases. This support will be continued by a further allocation of 2 M€ (8th EDF). In general, the National AIDS Control Programme run by the Ministry of Health has had limited success. This is due not only to deficiencies on the supply side but also to persistent high-risk behaviour by the population in spite of awareness campaigns, as well as to limited political support in the combat against HIV/AIDS. Recently however the President has put his personal authority behind the intensification of the campaign. The issue will now be tackled as a multi-sectoral one and through a more effective and efficient organisation. Heavy donor support, led by the World Bank and the US, is foreseen and there is hope that the issue will now receive the attention it has long deserved. NGOs have an important role to play in preventing the spread of this epidemic and merit support to co-ordinate their work in this complex area.

5. Response Strategy

In the preceding chapters, sectors and crosscutting areas relevant for Tanzania's poverty reduction strategy have been assessed. The following table summarises and compares the results of the discussions. Five criteria are used for the comparison:

- the poverty incidence of the sector/area, according to the PRSP. This could be either direct (income generation or social services rendered to the poor) or indirect (e.g. transport infrastructure, good governance);
- actual progress and potential for progress in the reform process (openness for reforms);
- relevance of sector/area under EU development policy objectives & Cotonou agreement;
- proven or potential comparative advantage of EC in Tanzania in sector/area;
- the net funding requirements of the sector/area, considering the donor matrix results.

SUMMARY ASSESSMENT BY EC

	Macro Support	Governance	Agri-Culture	Natural Resources	Private Sector	Transp. Infrastr.	Energy/ Telecom	Edu-cation	Health/ Population/ AIDS	Water / Sanitation
Poverty incidence (relevance under PRSP) -direct -indirect	H	H	H	M	H	H	M	H	H	H
Reform Process -actual progress -potential progress	H	H M	L M	M	L	H	M	M	H	M H
Relevance for EU Development policy/ Cotonou agreement	H	H	H	H	H	H	L	H	H	H
EC's comparative Advantage (in Tanzania) -proven -potential	H	M	M	M	L	H	M	M	L	- M
Net funding Requirements (after Other donors)	H	H	H	M	L	H	L	H	L	L
Rank Category	(1)	(2)	(3)	(4)	(5)	(1)	(6)	(2)	(3)	(3)
H = High, M = Medium, L = Low										

By giving (albeit subjective) marks to all sectors/areas under these criteria, it has been possible to rank them according to their relevance for future EC-Tanzania co-operation as follows:

First rank: Macro Support and Transport Infrastructure (Roads)

Second rank: Governance, Education

Third rank: Agriculture Sector Development, Water/Sanitation

Fourth rank: Natural Resources, Health

Fifth rank: Private Sector, Energy/Telecom.

The following principles apply to all sectors/areas of co-operation and guide the Response Strategy at large:

- ❑ Poverty Reduction is the overarching goal of the Response Strategy.
- ❑ Good governance will be addressed at all levels and in all sectors of the Response Strategy both as a prerequisite for support and as an area of support in itself.
- ❑ Bearing in mind that poverty is largely a rural phenomenon in Tanzania, the natural focus of the Response Strategy would be at the local level. The Strategy would therefore ultimately aim at making a difference in rural Tanzania, by improving living conditions for the rural population, regardless of the sectors to which resources are allocated and the channels through which the funds flow.
- ❑ The Cotonou Agreement has emphasised the complementary roles and contributions of the State and non-state actors in the development process and the importance of ensuring the widest possible participation of all sectors of society. The purpose of extending partnership to non-state actors in the implementation of this CSP will hence be to contribute to the consolidation of a stable and democratic environment, to increase ownership of the development processes and to ensure greater sustainability of co-operation programmes.
- ❑ Close co-operation with the donor community, particularly EU member states, to ensure coherence, impact and efficiency of EC's aid form parts and parcel of this Strategy. Co-ordination will be active both in sector policy dialogue and around specific support actions.

- Gender equality should be mainstreamed in all aspects of programming this response strategy with the ultimate aim of reaching equality between women and men. Likewise, sustainable management of the environment and natural resources is a crosscutting issue to be incorporated into all areas of co-operation. Possibilities to involve the private sector as a partner should be explored throughout.

Based on these criteria and principles, a structured package of interventions under the 9th EDF in Tanzania at macro, sector and micro level has been identified. Percentage indications are based on a resource envelope of 290 M€ and would also remain valid, should more funds be added to this base case envelope. Suggested sector allocations are indicative and mainly based on estimated needs and absorption capacities as well as on earlier levels of contributions.

5.1. CSP Areas of Co-operation

Focal Sectors of Co-operation:

Transport Infrastructure (Roads) (40% of overall envelope)

The preceding analysis has underlined the importance of an improved road network for Tanzania's economic and social development. Moreover because of the country's population dispersal and geographic distribution, an adequate road network is one of the key factors to ensure economic growth and trade, population integration and inter and intra-co-operation in Tanzania and the East Africa region. Its importance is further spelled out in all national development plans and in the PRSP. In view of the substantial financial needs for Tanzania's road development and the key role EC has played in this sector, a continued active presence in the road sector seems well justified. This approach is further in line with the Commission's overall development policy objectives.

The road sector component of this CSP will support the Government's National Transport Policy to improve access to local, regional and international markets and services. An improved road network is expected to contribute to reduced transport costs and travel time, which in turn would facilitate economic growth, trade, investment, social integration and inter- and intra regional co-operation in Tanzania.

Four strategic areas are proposed to reach this objective:

- Support the road sector policy reform programme and strategy implementation. EC will continue to play an active role in the definition of the road sector management policy - stressing accountability, transparency and efficiency - and provide support to build up the capacities of all road sector institutions, in particular TANROADS;
- Finance backlog, periodic and routine maintenance to bring the network to a maintainable condition, with a focus on reducing existing backlog of maintenance as well as emergency repairs;
- Continue to support the development of the main road network defined by the Government with a focus on high priority corridors having benefited from earlier EC support;
- Active donor co-ordination has played a key role in pursuing sector reforms. EC has traditionally taken a lead among donors in this regard and will do so also in the future.

The Road Fund would serve as the main vehicle for channelling funds for maintenance purposes. This would presume that the necessary planning and implementation capacity is available in the institutions in charge of the management of the funds. Financing would be provided in the form of project funding in the case of development of major road sections. Support towards institutional capacity-building and sector policy issues would primarily be provided through existing basket funding mechanisms. Environment considerations will be consistently addressed throughout the programme. Further, funding decisions should, where

feasible, be preceded by a gender analysis to assess the needs, interest and roles of men and women in the project areas.

The history of co-operation in the road sector has revealed the importance of sound sector policies and institutional reforms as the base for long-term sustainability of all other proposed actions. The proposed allocation from 9th EDF to road network maintenance and development is therefore closely related to further progress in these areas.

Basic Education (15% of the overall envelope)

Broad-based basic education plays a key role in strengthening human capabilities and reducing poverty in Tanzania. Correlatively, lack of education and a low-skilled workforce are identified as two of the structural factors causing constraints to growth. All national development plans including the PRSP therefore give prominence to investment in human capital and to the creation of a well-educated nation. Education is also identified as one of the priority intervention areas for the Commission's development policy in ACP countries.

Tanzania's education sector is in urgent need of reform and financial support to reverse the negative trend of deteriorating indicators and to attain the overall objectives established for the same. Lately, the Government has shown firm commitment towards sector reform with the preparation of an Education Sector Development Programme and by re-launching policy dialogue with donors. EC has actively contributed towards reforming and improving the country's education sector both financially and in its role as lead donor co-ordinating international support. The Government wishes to see EC continue play an active role in the advancement of this key sector and contribute to the implementation of its new strategy.

In light of this, it is proposed that the education sector component of this CSP will support the Government's Education Sector Development Programme to attain increased gender-balanced and equitable access to higher quality basic education in line with the overall objectives identified for this sector. The ESDP should seek to integrate the universal Education For All goals. A better-educated population is then expected to result in higher standards of living and higher levels of social and economic development. It would further promote gender equality and advance the position of women and the girl child.

The thrust of EC's support to the sector will be provided in the form of sector-specific budget aid, channelled either directly via the education budget or through a basket fund mechanism, to be set up. This contribution would incorporate available funds earmarked for this sector under the 8th EDF. Provided the necessary management capacity is in place, support to institutional capacity building and monitoring/evaluation activities would also be provided as budget or basket funding support. Alternatively, these areas could be supported through conventional project support.

It is expected that a core group of other donors will also contribute budget aid towards the sector. EC, which has considerable experience in co-operation with donors both at HQ level and in the field, will continue to take an active part in donor co-ordination to dialogue with Government on policy issues but also to increase efficiency and impact of external assistance.

It is of vital importance to mainstream gender concerns in the new education strategy. Particular efforts should be made to address gender issues in areas such as curriculum design, teacher training, teaching & learning materials and basic education administration. Support to NGOs active in providing gender training and awareness building for teachers and local administrators should form part of the future strategy.

The Local Government Reform Programme (LGRP) has a direct impact on the ESDP as it envisages the devolution of school and teacher management to local levels and a more active participation by the local population in the management of facilities and control of funds. It is therefore imperative to link the two reform programmes and ensure consistency in the design

and implementation of these processes. EC's forthcoming support to the LGRP and towards capacity building at local levels should hence be coherent with its support to the ESDP.

Macro support:

Macro Support (34% of the overall envelope)

Government will allocate significant funds to priority sectors identified in its Poverty Reduction Strategy, with the objectives to reduce income poverty, to improve quality of life and the social well-being of the poor whilst maintaining macro-economic stability. EC will support the Government in its efforts to combat Tanzanian poverty by contributing to the general budget, together with a number of other donors. Donor support to the budget will then permit substantially higher levels of allocations to priority sectors than without such support: It is expected that donors will finance about 55% of the priority recurrent expenditure or 30% of the overall budget, as in the past for the coming years.

The instrument for channelling funds would be the newly established Poverty Reduction Budget Support Facility (PRBS) put in place in 2000 to accommodate external budget aid (other than from World Bank and IMF) to the general budget. PRBS will be co-financed by nine donors, of which EC and six Member States. This will considerably reduce aid transaction costs. A significant allocation of 76 M€ for fiscal years 2001/02 and 2002/03 has already been extended through this facility under the 8th EDF. The new allocation proposed would keep the EC contribution at a sustainable level, for the subsequent three years.

The Cotonou Agreement allows for general budgetary aid as long as public expenditure management is transparent, accountable and effective. The prerequisite for any budget support, therefore, would be that Tanzania ascertains the necessary standards in the management of such funds. The expected strong increase of untied financial flows through the public sector system will raise major issues in terms of "buying value for money" as well as of transparent financial management and accountability. Efficiency of public spending therefore needs to be ascertained through improved performance in budget planning and execution, expenditure control, auditing, procurement (these will be covered by the Integrated Financial Management System) and fight against corruption. This includes decisiveness on the Government's side to sanction identified wrongdoers. A set of joint performance indicators, applicable by all donors involved, will allow monitoring progress in these key areas. Disbursement of yearly tranches of EC support will depend on the achievement of satisfactory results. A package of accompanying measures aimed at strengthening capacity in accounting, procurement and internal auditing through technical assistance and training, as well as for improving the production of macro-economic and financial statistics will be designed and supported by the EC.

Non-focal sector of Co-operation:

Governance (10% of the overall envelope)

Based on the emerging democratic culture in Tanzania together with the enhanced emphasis at EU-ACP policy level of good governance, it is recommended to provide support to this area within the framework of this CSP. Furthermore, recognising the key role good governance is meant to play in Tanzania's reform programme as well as within its national poverty reduction strategy, the CSP will give special attention to this theme throughout. Good governance will be promoted in all areas of co-operation, both as a central element for the success of the country's development efforts but also to improve the efficiency and the effectiveness of 9th EDF programme funds. A three-pronged approach is proposed.

Firstly, the governance component would be embedded within the identified areas of co-operation at both macro and sector-specific levels so that issues of proper management of public funds, financial accountability and dissemination of information would be brought to the fore. Specific support actions to improve governance will be considered in this regard.

Such a crosscutting approach would be complemented by a component targeted at promoting good governance at the local level, close to the majority of the population and the highest incidences of poverty. The objective would be to improve service delivery at local level and to encourage a culture of participatory management where local societies can gain influence in decision-making and access to development opportunities.

Such support could best be conceived within the framework of Government's current decentralisation efforts via its Local Government Reform Programme. It would focus on capacity building. The beneficiaries would primarily be district-level administrations and key district agencies, local councils and wards. An important additional dimension is capacity building for the local population itself. Capacity is required to participate in planning, implementing and monitoring of development activities, either in co-operation with the local authorities or through complementary arrangements such as NGOs/CBOs and the private sector. Participatory mechanisms to ensure that the population's needs and priorities are integrated into the district planning process should be established. Support to women and gender activist organisations and networks could be envisaged in this regard.

This component has strong relations to all areas of co-operation: Macro support through the national budget will result in increased funds to the districts, enabling them to provide better basic services to the population. The same holds for education and roads sector programmes where primary education services will fall largely under the responsibility of local governments, as do parts of the roads. Capacity building at district level is therefore a key to success of the intended sector support and also a key instrument for poverty reduction.

EC support could take two forms: a contribution to the LGRP basket fund on a "silent-partner basis", and a participatory development- and capacity building programme at local government levels. The former would allow EC to play a role in the wider development of policy and participate in the forum for donor co-ordination set up. Of particular significance would be to promote gender mainstreaming in the LGRP preparations with a view to ensure gender equality at local level. The latter programme component could be conducted through NGOs/CBOs and the private sector, in parallel to and co-ordinated with the government delivery mechanism. It would require some geographical focus.

It is important to incorporate budget line-funded actions within the suggested framework. The NGO co-financing and democratisation & human rights budget lines are of particular relevance, as they can contribute to participatory development and participatory democracy at local levels.

As a third dimension of this non-focal sector, the EC would also consider supporting other reform efforts pursued by the Government related to promoting good governance in Tanzania, in particular in relation to the implementation of the national anti-corruption strategy.

5.2. *Non-state actors*

As indicated earlier, non-state actors are important partners in the realisation of the CSP objectives to ensure the widest possible participation of all sectors of society and increase ownership of the process. It would also ensure greater sustainability of the strategy. Ultimately, a more participatory approach would contribute to the consolidation of a stable and democratic political environment in Tanzania.

Non-state actors have been involved in the programming process at different levels; the PRSP process has been praised for its participatory approach including countrywide consultations with representatives of public and private organizations. Likewise, extensive consultations were conducted with civil society and stakeholder groups in the preparation of the CSP. Modalities to involve non-state actors in the forthcoming review process of the CSP will be developed.

Non-state actors will be involved in the implementation of the CSP in all sectors with an emphasis on those that directly concern them and where they have a comparative advantage, notably in basic education and governance. Together with local government actors, they will play a key role in the implementation of EC's support to the ongoing decentralisation process and the Local Government Reform Programme both as partners and beneficiaries of aid. It is further suggested to provide general capacity building support to non-state actors to reinforce their capabilities as regards organisation, analysis, communication, networking, lobbying and advocacy activities. Eligibility criteria for support are to be agreed between EC and the NAO, including e.g. the extent to which they address priority needs of the population and whether they are managed democratically and transparently. It is suggested to provide up to 2% of total available funds of the CSP in support of non-state actors.

5.3. *On-going Areas of Co-operation*

8th EDF suffered heavy delays due to slow progress in agreed reforms in focal sectors. Once progress was made in sector reforms, the commitment rate improved dramatically. Nevertheless, the remaining pipeline from earlier EDFs amounts to some 139 M€ to be committed in 2001- 2002. When this is added to the amounts committed in 2000 (some 144 M€) it is clear that the implementation of the 8th EDF will reach far into the 9th EDF period, with a direct implication on the workload of both the Government and the Commission.

As indicated earlier, EC is currently active in a number of sectors that do not form an explicit part of this Response Strategy: agriculture, water & sewerage, tourism and natural resources conservation, HIV/AIDS. Although no new financial allocations are foreseen for these sectors within the framework of this CSP, EC will continue to take an active part in sector policy dialogue to promote sector-wide strategies and programmes, in donor co-ordination and through concrete project investments.

The EC is actively supporting the drawing up of a new agriculture development strategy, and continued substantial support for coffee, tea, cotton and other cash crops (some 40 M€) will be programmed within this new framework. Comprehensive support has been provided to the water & sewerage sector of both institutional and investment nature. This will continue over the coming years with two major investment projects in the pipeline (72 M€). Ongoing assistance towards environment and natural resource conservation, with a certain emphasis on tourism-related natural conservation, will be supplemented by support from relevant Commission budget lines.

5.4. *Coherence and complementarity*

The programme of EDF-funded interventions proposed under this CSP will seek coherence and complementarity with all other existing community instruments from which Tanzania could benefit, the most important of which are discussed below. Further, coherence between development policy and other EC policies (notably fisheries and trade but also agriculture, environment, etc.) will be permanently assessed during project or programme identification and appraisal. In this context, National Indicative resources may be used to complement resources from the Regional Indicative Programme or from trade specific operations, according to needs and availability of funds. Such possibilities will be further explored in the framework of the forthcoming regional programming of 9th EDF resources. In particular; this may refer to support for efforts by Government departments and Non State Actors to prepare for the establishment of a coherent trade policy framework, with emphasis on preparing for the EPA and on WTO, and assistance for capacity-building for carrying out negotiations in a regional and multilateral context and in implementing the accompanying trade policy and structural reforms, including fiscal reform.

5.4.1. *All-ACP 9th EDF Funds*

Support to private sector development in Tanzania will mainly stem from co-operation with the European Investment Bank and its newly established Investment Facility, along with

finance available from the bank's own resources as outlined in annex 5. Apart from the EIB resources, the EC can provide other complementary, global facilities for private sector development: Private sector operators will be able to make use of facilities like EBAS (support to improve business environment) and Pro-Invest (institutional empowerment and sector promotion), which are programmes accessible to all ACP countries, companies and institutions. Another possibility relates to the Centre for Development of Enterprises which provides direct support for feasibility studies, market surveys, financial diagnosis, start-up assistance, etc. All-ACP funds could further be sought for support to regional and international trade policy formulation and implementation.

All-ACP programmes in other sectors/areas can also be explored as long as they fall within the overall framework of this CSP.

5.4.2. Budget Lines

Tanzania has traditionally benefited from substantial budget line funding in areas like food security, NGO co-financing, democratisation and human rights, environment and tropical forests. The budget lines usually provide an average contribution of 5.5 M€ per year, with NGO co-financing corresponding to 3.5 M€. The availability of budget line resources for Tanzania in the target areas is likely to continue in the future, with a certain emphasis on NGO co-funding and environment. It is possible that the HIV/AIDS budget line will become of increasing importance in Tanzania in the future. It is essential that all resources from budget lines are programmed in accordance with the country strategy and to a large extent supplement EDF supported actions.

5.4.3. EDF Funds for Regional Programming

The 9th EDF earmarks 1.3 billion € for regional co-operation. Regional Support Strategies, yet to be negotiated, will be developed for groups of countries to be determined by the ACP countries, but should correspond to existing regional groups with a mandate for economic integration. Coherence between regional and national programming objectives must be ensured. Given the regional context in which Tanzania is placed and the history of EC regional co-operation in East Africa, it is to be expected that trans-border infrastructure will play an eminent role in a future regional strategy. Such a focus would clearly be in line with Tanzania's national strategy and would imply access to additional resources to a key sector identified in this CSP. Support for economic integration through further trade development will also be high up on the regional agenda. This is of particular significance as regional integration is an important stepping stone for Tanzania to integrate the world economy. As a contribution to further regional integration in Southern Africa, National Indicative resources may be used to complement resources under the Regional Support Strategy or from trade specific resources, according to needs and priorities.

5.4.5. ECHO

With the longstanding conflicts in neighbouring countries and the subsequent continuous influx of refugees to Tanzania, primarily from Burundi, Rwanda and DRC, emergency assistance through ECHO is likely to continue for a foreseeable future. Tanzania currently hosts one of the largest refugee population in Africa and consequently benefits from ECHO's second largest programme of emergency relief. This increased from 26 to 32 M€ between 2000 and 2001. Resources made available under art. 255 of the Lomé Convention to meet needs not covered by emergency assistance will be programmed in close co-ordination with ECHO. EC will continue to support the Burundi peace process and the peace process in DRC to create the conditions for a return of refugees.

PART B

INDICATIVE PROGRAMME

6. Presentation of Indicative Programme

6.1. Introduction

Within the Country Strategy presented in part A, and in accordance with the provisions of Article 4 of Annex IV to the Cotonou Agreement, the indicative programme has been drawn up in a series of tables presenting the intervention frameworks for each focal sector, the indicative commitment and expenditure schedules, detailed activities chronogramme, for all activities during a two-year rolling period.

6.2. Financial Instruments

Several financial instruments will be used to finance the EC co-operation with Tanzania. The following is an indication of their mobilisation as presently envisaged.

1. *EDF 9 - Envelope A (290 M€)*. This envelope is to cover long-term development operations within the Country Strategy. The indicative allocation of this envelope to the elements of the strategy is proposed as follows:

- Transport infrastructure (roads), 116 M€
- Basic education, 43.5 M€
- Macro support, 98.6 M€
- Other programmes (governance, non-state actors, reserve), 31.9 M€

2. *EDF 9 - Envelope B (65 M€)*. To cover unforeseen needs as indicated in the Cotonou Agreement, Annex IV, Article 3.2 (b).

3. *EC budget lines* could be used to finance specific operations. Finance from this instrument will be decided in accordance with the procedures for the budget line concerned and will depend on availability of funds.

Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the "Investment Facility" as a financing instrument managed by the European Investment Bank (see details in Part A, chapter 5). The Investment Facility does not form part of the Indicative Programme.

6.3. Focal sectors

► Transport infrastructure (roads)

The main purpose of EC's support to the road sector is to improve access to local, regional and international markets and to services in Tanzania. An indicative allocation of 116 M€ is proposed, to undertake three major interventions: (i) rehabilitation of high priority corridors; (ii) support to road maintenance; and (iii) institutional support to improve the management of the road sector.

The major policy measures to be taken by the Government as a contribution to the implementation of EC's strategy for this sector are:

- Tackle the sector's financial shortcomings by developing, adopting and starting to implement (by 2003) a strategy to close the financial gap for maintenance of all road classes as per the 2001 PER as well as a strategy to address the sectors debt problem;
- Continued commitment to institutional and policy reform, particularly related to rationalisation of the institutional set-up and strengthening of TanRoads's implementing agency role, the Road Fund's resource mobilisation role and local governments' capacity for maintenance.

► Basic education

EC support to the sector will aim at increasing gender-balanced equitable access to higher quality basic education for Tanzania's pupils. An indicative allocation of 43,5 M€ is proposed, to be provided in the form of sector-specific budget aid for the implementation of the Education Sector Development Programme. A specific intervention to strengthen institutional capacity and monitoring/evaluation is also foreseen.

The Government is expected to promote channelling donor funds through the budget and implement a new system of transferring funds to local school levels (Capitation and Investment Grants). Further, a pre-service and in-service teacher training reform will be implemented together with a new strategy to ensure rational teacher distribution within the country. A decentralised service delivery system should be put in place. Overall, non-salary budget allocations and expenditure for primary education must be in accordance with PRBS targets.

6.4. Macro support

EC will support the national poverty reduction strategy by contributing to the general budget through untied macro support. Together with other external support, EC support will hence permit substantially higher levels of allocations to priority social sectors within the budget, which is expected to have a direct positive impact on the reduction of poverty in Tanzania. An indicative allocation of 98,6 M€ has been made available for two interventions: one general budget aid contribution to be disbursed on an annual basis over a three year period; and, support for strengthening capacity in accounting, procurement and internal auditing as well as for improving production of economic statistics through technical assistance and training. A set of joint performance indicators, applicable by all donors involved in this area, will monitor progress. In particular, the Government is expected to fully implement the Public Financial Management Reform and make concerted efforts to increase domestic revenue collection. Overall, future budget submissions and reviews must reflect PRS priorities whilst approved allocations for priority sectors within the same must be protected in case of revenue shortfall.

6.5. Other programmes:

An indicative amount of 29 M€ has been reserved to promote good governance in Tanzania. In addition to promoting good governance in all areas of co-operation at both macro and sector-specific levels, a particular effort is proposed to advance good governance at local levels to improve delivery of public services and ensure participation of all stakeholders in the development process. Three areas of intervention have been identified. These include a capacity-building programme at local government levels, a contribution to the ongoing Local Government Reform Programme, whilst support will also be provided for the implementation of the National Anti-Corruption Strategy.

In exchange, the Government is expected to increase transfer of funds to local governments, fully implement the National Anti-Corruption Strategy at all levels, approve the Public Service Act and operationalise the Performance Improvement Fund.

Non-state actors will be actively involved in the realisation of this CSP both as implementing partners and as beneficiaries of support for capacity-building purposes in the order of a maximum of 2% of total available funds.

6.6. Indicative Work Programme Tables:

- Logical framework per sector**
- Government undertakings for all sectors**
- Chronogramme**
- Commitment and Disbursement tables**

ROADS

NARRATIVE	PERFORMANCE INDICATOR	SOURCES OF VERIFICATION	ASSUMPTIONS
PRSP Objectives			
i. Income poverty reduced through increased economic growth	<ul style="list-style-type: none"> * Population below PL halved from current level by 2010 * Rural Poor population halved from current level by 2010 * Food Poor population halved from current level by 2010 	Household Budget Survey	
EC Intervention Objectives			
1. Access to local, regional and international markets and services improved	<ul style="list-style-type: none"> * Road user costs * Travel time * Freight and passenger rates * Volume of trade 	Road User Magazine Freight Forwarders, Bus companies Trade statistics	Macro-economic stability maintained Investment climate improved Income distribution does not worsen
Expected Results			
1.1 Increased use of high priority corridors	* Road conditions on priority corridors	TanRoads quarterly report	RIP funds available for priority corridors
1.2 Increased periodic and routine maintenance	<ul style="list-style-type: none"> * Roads passable throughout year * Timely periodic and routine maintenance of road network * Length of roads maintained increased 	RALG reports PER, RFB disbursement and collection reports Road Fund Technical & Audit reports	Continued Government support for sector reform Continued donor support for sector reform
1.3 Road sector management enhanced	<ul style="list-style-type: none"> * Performance monitoring systems in place for TanRoads and Road Fund * Data-base for road conditions and utilisation available * Expenditure planning based on road conditions surveys & traffic counts * Efficiency & transparency in procurement process * Faster road project planning and implementation * Overhead costs of TanRoads * Unit costs for road construction and maintenance * Enhanced capacity of local contractors * Community level involvement in rural road maintenance 	TanRoads quarterly report PER, RFB disbursement and collection Reports Contractor Registration Board RALG reports	

BASIC EDUCATION

NARRATIVE	PERFORMANCE INDICATOR	VERIFICATION SOURCES	ASSUMPTIONS
PRSP Objectives			
	By 2003:		
i. Achieved gender equality in Primary & Secondary Education. (2005)	* 100% 7-8 y.o. girls & boys in Std 1&2 * Equal decrease in dropout for girls and boys		
ii. Increased proportion of school age children (girls and boys) successfully completing primary education	* Increased GER to 93% * Increased transition rate from primary to secondary from 19% to 25% * Ave. annual drop out reduced from 6.6 % to 3% * Increased NPER from 57 % to 70 % * Increased secondary enrolment from 15% to 21%	Annual Basic Statistics in Education (MoE) NBS Household Budget Survey	
iii. Increased % of students passing Std 7 examination at specified score (girls & boys)	* Number of students passing at 61/150 in Std 7 exam increased from 20% to 50 %	CWIQ Surveys	
iv. Increased % of youths and adults w/o formal schooling (both male and female) accessing alternative education.	* % of out of school youth in NFE increased from <1% to 4% * Adult literacy increased from 68 % to 82%		
EC Intervention Objectives			
1. Increased gender balanced equitable access to higher quality basic education	ESDP performance indicators will be the same as the PRSP indicators		ESDP approved, funded and implemented HIPC completion achieved and approved by end 2001. Decentralisation process progresses as planned Public Service Reform Programme progresses as planned. Donors ready to channel funds through basket/budget.
Expected Results			
1.1 Expanded equitable enrolment achieved	* Std 1 enrolment (7 y.o.) 715,000 (1999); 1.6 million (2003); 1.04 million (2005) * GER at 93 % 2003 and 119 % (2005) * Additional Teachers 11,639 (2003); 10,552 (2004); 7,208 (2005) * Additional classrooms 13,396 (2003); 14,203 (2004); 6,000 (2005)	Annual Basic Statistics in Education (MoE)	Schools and local authorities implement abolition of school fees Cost constraint removal generates anticipated enrolment increase Existence of variable incentive package is sufficient condition for equitable teacher distribution
1.2 Quality of education improved for all	* All schools inspected every 2 yrs (2003) * Book/pupil ratio maintained at 1:3 (2003) * 10 INSET days for all teachers (2003)		
1.3 Appropriate institutional arrangements (including stakeholder participation) established at all levels	* All schools have annual development plan & functioning School Committee (2003)	Zonal Education reports	
1.4 Institutional capacity strengthened			
1.5 Adequate funds provided to appropriate education service delivery level	* 2003 Capitation grant to schools 6US\$	Regional Education reports	
1.6 Improved Financial Management System (IFMS) in place at all levels	* FM manual in all schools by 2002 * All school accounts audited annually 2003	Annual Expenditure Tracking Survey and Controller & Auditor General's Report	
1.7 IFMS capacity strengthened at all levels	* Clean audit reports (2003)		

MACRO-SUPPORT

NARRATIVE	PERFORMANCE INDICATOR	SOURCES OF VERIFICATION	ASSUMPTIONS
PRSP Objectives			
i. Income poverty reduced	* Population below PL reduced from current level by 6% 2003 * Rural Poor population reduced from current level by 7.5% 2003 * Food Poor population reduced from current level by 3.5% 2003	Household Budget Survey	
ii. Quality of life and social well-being improved	* Improvement in key social indicators	Poverty Monitoring Master Plan, Census and Surveys	
iii. Macro-economic stability maintained	* Single digit inflation * Stable effective "market determined" exchange rate	NBS CPI, Monetary Surveys BoT monthly bulletins and annual report	
EC Intervention Objectives			
1. PRSP fully funded through Government Budget	* Priority items within priority sectors funded in line with PRSP expenditure targets	PER	Budget deficit (net of grants and concessional loans) will be kept below 1% of GDP
2. Public Finance is sustainably managed, with effectiveness and transparency	* Retention levels of qualified personnel * Variance between Out-turns and Budget * Disbursements are published quarterly	Human Resources data-base at Civil Service Department News media	Performance-based management of public service Foreign reserves >4 months imports
Expected Results			
1.1 EDF budget support sustained and predictable	* Objectively verifiable release criteria * Continuous annual level of support	MoF EDF/PSU	Sufficient budget support from other donors
1.2 Aid transaction costs reduced	* Joint donor support functional	Joint Review report	
2.1 Effectiveness of Integrated Financial Management System (IFMS) enhanced	* Reports produced within stipulated time * Increased % of Government financial operations covered	IFMS Reports	Audits by Controller and Auditor General effective and acted upon
2.2 Accounting, procurement & internal audit cadres restructured and upgraded	* Number of personnel trained	Progress reports	Pay reform brings Civil Service pay to "near market" level
2.3 Production of macro-economic and financial statistics improved	* Timely availability of improved statistical reports and information	Reports NBS, POPP, MoF	

GOVERNANCE

NARRATIVE	PERFORMANCE INDICATOR	SOURCES OF VERIFICATION	ASSUMPTIONS
PRSP Objectives			
i. Effectiveness and efficiency of delivery of public & private services to public improved	* Increase in quality rating of public services	Satisfaction surveys	
ii. Effective participation of all stakeholders in formulation and implementation of development strategies ensured	* Community based meetings and planning methodologies executed	Council and Zonal/Regional Reports	
EC Intervention Objectives			
1. Strengthened institutional capacity at regional and local level for service delivery responsive to popular interests	* Increase in number/ percentage of communities/ people provided with services from poverty relevant sectors	NBS Household Budget Survey Qualitative statistical surveys (CWIQ)	Performance-related management of Public Service with effective intersectoral coordination
2. Functioning autonomous and accountable Local Government Authorities and Municipalities	* Realistic plans and budgets	Reports from RALG	Sufficient financial resources (revenues, grants) made available in line with PRSP targets
3. Spread and magnitude of corruption reduced	* Improved confidence by population in the Government Agencies and para-statal organisations	Own surveys or investigations, Hansard, Newspapers and media	National Anti-Corruption Strategy Action Plan (NACSAP) leads to general anti-corruption climate
Expected Results			
1.1 Improved service delivery performance of Public/Non-state institutions in deprived regions	* Council development plans and budgets prepared and implemented timely	Council Budgets	Public Sector ability to retain qualified staff
1.2 Strengthened planning & implementation capacity of local CSOs and CBOs	* Council development plans/budgets incorporate CSO/CBO's priorities * Direct support to "Grassroots" organisations	Minutes of Councils Programme reports / MoF EDF/PSU	
1.3 Initiatives of local CSOs & CBOs funded	* Mechanism for funding Local Initiatives established and operational	MoF EDF/PSU	
2.1 Local Government Reform Programme (LGRP) fully and timely implemented	* To be defined after review	To be defined after review	
3.1 Implementation of National Anti-Corruption Strategy strengthened	* Increased number of effectively completed : - Investigations/prosecutions - Disciplinary/administrative sanctions - Increased % prosecution to successful investigation and sanctions to successful prosecution	PCB Reports, Special DPP Reports Ministry's ACAP progress reports	Effective Legal Sector Reform Programme being implemented

GOVERNMENT UNDERTAKINGS FOR THE IMPLEMENTATION OF THE 9TH EDF INDICATIVE PROGRAMME

ROADS

1. Government will develop, adopt and by 2003 start to implement a strategy to close the financial gap for maintenance of all road classes as per the 2001 PER.
2. Government will continue its commitment to Institutional and Policy Reform in the Roads Sector and in particular:
 - Strengthen TanRoads' implementing agency role, to fully assume responsibility for development and maintenance for all trunk and regional roads;
 - Support the Road Fund to strengthen and stabilize the resource base and simplifying fund flows to implementing agencies;
 - Strengthen Local Government's capacity for maintenance of district and feeder roads;
 - Rationalize the institutional arrangement for sector management; and
 - Promote Private Sector involvement in delivery of services.
3. Government will adopt and start to implement a strategy to tackle the sector's debt problem and introduce an effective commitment control system.
4. *The following issue will require further elaboration and discussions between Government and EU:*

Government will develop a "Road Sector Development Programme" covering all sub-sectors (trunk, regional, district and feeder roads), mainstreaming individual projects/programmes within this sector wide programme.

MACRO SUPPORT

1. Government will implement a comprehensive programme of Public Financial Management Reform, based on the recommendations of the Country Financial and Accountability Assessment 2001.
2. The Medium Term Expenditure Framework (MTEF) and Annual Budget submissions shall reflect the PRSP priorities, as periodically updated.
3. Approved budgets for PRSP priority sectors will be protected during budget implementation in case of revenue shortfall.
4. Government will make a sustained effort to increase domestic revenue collection

BASIC EDUCATION

1. Government will continue to urge its development partners to channel most of financial support through the budget.
2. The Government will mainstream the existing discrete projects into ESDP by the year 2003/04.
3. The Government will approve and implement the System of Capitation and Investment Grant by the year 2002.
4. The Government will implement Reform of Pre-service teacher training by the year 2003.
5. The Government will implement Reform of In-service teacher training by the year 2003.
6. The Government will adopt a Strategy to ensure rational teacher distribution (recruitment, employment, mobility) by the year 2002.
7. The Government will establish decentralised service delivery system (School Committee) by the year 2002.
8. The Government will implement Non-salary budget allocation and expenditure for Primary Education in accordance with PRBS Targets.

GOVERNANCE

1. The Government will approve the Public Service Act by year 2002 and operationalise the Performance Improvement Fund.
2. Block grants to Local Governments will be extended to cover Personal Emoluments and will be based on objective criteria and after consultation with Local Government Authorities.
3. Public Revenue Sources will be redistributed to significantly increase Local Government Authorities' own funding.
4. The National Anti-Corruption Strategy will be implemented at all levels and in all sectors.
5. The Anti-Corruption Strategy will be integrated into sector strategies.
6. The institutional relationship between Central Government and Local Authorities will be further elaborated.

ACTIVITY PIPELINE CHRONOGRAMME

TANZANIA	Instrument	% NIP	Amounts M€	Amounts +15%	Target dates		
					Identification	Appraisal	Financing decision
EDF Co-operation Programmes							
FOCAL AREAS							
1. Basic Education		15	43.5	50.0			
♦ Support to Education Sector Development							
- SESDP I (ex EDF 8)	SBS		[25.0]		May-01	July-01	January-02
- SESDP II	SBS		43.5	50.0	January-02	July -02	January -03
2. Road Transport Infrastructure		40	116.0	133.4			
♦ High priority road corridor development	PS		85.0	97.8	July -01	December-03	June-04
♦ Support for road maintenance	PS/BFS		26.6	30.6	January -02	January -03	July -03
♦ Institutional Support Road Sector Management	PS/BFS		4.4	5.0	December -01	June -02	November-02
MACRO SUPPORT		34	98.6	113.4			
♦ Poverty Reduction Budget Support (PRBS II)	GBS		94.6	108.9	Agust-02	November -02	March-03
♦ Support for Public Finance Management	PS		4.0	4.5	September -01	June -02	October-02
NON-FOCAL AREAS							
Decentralisation/Governance		10	29.0	33.4			
♦ Capacity Building for Participatory Development (including support to non-state actors)	PS		17.4	20.0	January -02	June -02	January -03
♦ Support for LGRP	BFS		8.2	9.4	October -01	December -01	April-02
♦ Support for Anti-Corruption Strategy	PS		3.5	4.0	March-02	September -02	February-03
RESERVE		1	2.9	3.3			
TOTAL		100.0	290.0	333.5			

PS Project Support
 SBS Sector Budget Support
 GBS General Budget Support
 BFS Basket Funding Support
 Amounts +15% include contingencies for over-programming

All amounts are in million €

COMMITMENTS TIMETABLE FOR THE 9TH EDF CSS 2002-2006

Cumulative Commitments

TANZANIA	€290 m	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	Total
EDF Co-operation Programmes												
FOCAL AREAS												
1. Basic Education												
♦ Support to Education Sector												
- ESDP I (ex EDF 8)		[25.0]										[25]
- ESDP II				43,5								43.5
2. Road Transport Infrastructure												
♦ High priority road corridor development							85.0					85.0
♦ Support for road maintenance					26.6							26.6
♦ Institutional Support Road Sector Management				4.0								4.0
MACRO SUPPORT												
♦ Poverty Reduction Budget Support (PRBS II)				94.6								94.6
♦ Support for Public Finance Management			4.0									4.0
NON-FOCAL AREAS												
Governance												
♦ Capacity Building for Participatory Development				17.4								17.4
♦ Support for LGRP			8.2									8.2
♦ Support for Anti-Corruption Strategy				3.5								3.5
RESERVE											2.9	2.9
SUB-TOTAL		0.0	12.2	163.0	26.6	0.0	85.0	0.0	0.0	0.0	2.9	289.7
EC Budget Lines												0.0
												0.0
EIB												0.0
SUB-TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRAND TOTAL		0.0	12.2	163.0	26.6	0.0	85.0	0.0	0.0	0.0	2.9	289.7
CUMULATIVE TOTAL 9TH EDF		0.0	12.2	175.2	201.8	201.8	286.8	286.8	286.8	286.8	289.7	
% NIP 9th EDF		0.0%	4.2%	60.4%	69.6%	69.6%	98.9%	98.9%	98.9%	98.9%	99.9%	

All amounts are in million €

DISBURSEMENTS TIMETABLE FOR THE 9TH EDF CSS 2002-2006

Cumulative disbursements

TANZANIA	€290 m	2002/1	2002/2	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	Total
EDF Co-operation Programmes												
FOCAL AREAS												
1. Basic Education												
♦ Support to Education Sector												
- ESDP I (ex EDF 8)		[10]		[15]								[25]
- ESDP II					14.5		14.5		14.5			43.5
2. Road Transport Infrastructure												
♦ High priority road corridor development								10.0	10.0	10.0	10.0	40.0
♦ Support for road maintenance						4.0	4.0	4.0	5.0	4.0	4.0	25.0
♦ Institutional Support Road Sector Management					0.5	0.6	0.6	0.6	0.6	0.6	0.5	4.0
MACRO SUPPORT												
♦ Poverty Reduction Budget Support (PRBS II)					31.5		31.5		31.5			94.5
♦ Support for Public Finance Management			0.4	0.8	0.8	0.8	0.8	0.4				4.0
NON-FOCAL AREAS												
Governance												
♦ Capacity Building for Participatory Development					1.3	2.2	2.2	2.2	2.2	2.2	2.2	14.5
♦ Support for LGRP			2.2	1.2	1.2	1.2	1.2	1.2				8.2
♦ Support for Anti-Corruption Strategy				0.5	0.8	0.5	0.5	0.5	0.4	0.3		3.5
SUB-TOTAL		0.0	2.6	2.5	50.6	9.5	55.3	18.9	64.2	17.1	16.7	237.4
EC Budget Lines												0.0
												0.0
EIB												0.0
SUB-TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRAND TOTAL		0.0	2.6	2.5	50.6	9.5	55.3	18.9	64.2	17.1	16.7	237.4
CUMULATIVE TOTAL 9TH EDF		0.0	2.6	5.1	55.7	65.2	120.5	139.4	203.6	220.7	237.4	
% NIP 9th EDF		0.0%	0.9%	1.8%	19.2%	22.5%	41.6%	48.1%	70.2%	76.1%	81.9%	

ANNEXES

1. Donor matrix

2. Analysis of focal sectors:

-Transport (roads infrastructure)

-Education (basic education)

3. Major ongoing EC projects and programmes

4. EIB

5. Socio-economic profile

ANNEXE 1

Donor matrix

DONOR MATRIX - SUMMARY SHEET (in MEUR)

Donor/ Programme period	Macroec/ Debt Relief (1)	Govern. Reform (2)	Democracy (3)	Agriulture (4)	Natural Resources (5)	Private Sector (6)	Transp. Infrastr. (7)	Energy/ Telecom (8)	Education (9)	Health/ Populat./ AIDS (10)	Water/ Sanitat. (11)	Other or Unspecified (12)	Total
Belgium * 01-03		2.0	2.0	12.0	8.0				5.0	6.0			35.0
Denmark 00-02	4.0	1.0	13.5 L	19.1 L	17.7	26.8	46.4			33.0			161.5
Finland 01-03	2.0	2.6	2.0	8.5	3.8				6.0				24.9
France 01-03				6.9	1.6			3.4	1.0	0.5	23.0 (L)	2.0	38.4
Germany 00-01		4.9			7.3					6.7	21.1 (L)		40.0
Ireland 00-02	15.6	5.6	0.4	11.2	1.1				5.7	11.0			50.6
Italy * 01-03												9.0	9.0
Netherlands 01-03	53.3 L	32.0				12.4			23.4	27.0		50.6	198.7
Spain *									X	X			X
Sweden 01-04 (3 y)	27.1	14.7	19.3	13.6		7.9		38.2	43.0 (L)			21.5 (L)	185.2
United Kingdom 01-03	254.0 (L)	34.7	4.5		3.9	14.7	2.2		3.1 L	21.1	1.3	1.3	340.8
EIB * (3 years)											15.0	40.0	55.0
7/8 th EDF 01-02	76.0			41.2	4.0		11.6 L		25.0		72.0		229.8
9 th EDF * mid 01- mid 04												174.0 **	174.0
TOTAL EU	432.0	97.5	41.7	112.5	47.4	61.8	60.2	41.6	112.2	105.3	132.4	298.4	1543.0

Amounts are expected primary commitments, as figuring in Country Programmes. Commitments made before Jan. 2001 are not included (among those 129 millions Euros by EDF in the road sector)

Donor/ Programme period	Macroec/ Debt Relief (1)	Govern. Reform (2)	Democracy (3)	AgriCulture (4)	Natural Resources (5)	Private Sector (6)	Transp. Infrastr. (7)	Energy/ Telecom (8)	Education (9)	Health/ Populat./ AIDS (10)	Water/ Sanitat. (11)	Other or Unspecified (12)	Total
Canada 01-04		2.2 (L)		3.3	1.3	6.5 (L)			8.7	8.7		4.1	34.8
Japan *				X					X	X			X
Norway 01-03	12.5	0.7 (L)		4.6	6.4		22.2 (L)	7.6	22.9	4.4			81.3
USA 01-03		7.2			11.1	11.8				51.9 L (AIDS)			82.0
Switzerland 01-04	24.1	5.0	3.7	1.7			18.5			22.7		1.3	77.0
IMF 00-03	240.4												240.4
W/Bank 01-03		87.0		21.7	87.0	119.6	87.0	184.8	141.3	21.7	54.3	54.3	858.7
UNDP 01-03												45.7	45.7
UNICEF 01-03										84.8 (L)			84.8
UNFPA 01-03										11.4			11.4
WFP 01-03												16.3	16.3
WHO 01-03										9.7 (L)			9.7
FAO 01-03				48.9									48.9
UNIDO 01-03						7.6							7.6
UNESCO 01-03												6.0	6.0
TOTAL NON-EU	277.0	102.1	3.7	80.2	105.7	145.5	127.7	192.4	172.9	215.3	54.3	127.7	1604.6
TOTAL	709.0	199.6	45.4	192.7	153.1	207.3	187.9	234.0	285.1	320.6	186.7	426.1	3147.6

Notes : X = amount unspecified
L = actual. (L) = potential leader on donors side of dialogue in selected areas

* no agreed programme

**

9th EDF = 3/5 of base case allocation

Bold sectors are priority sectors under PRSP

ANNEXE 2

Analysis of focal sectors:

Transport (roads infrastructure)

Education (basic education)

ANALYSIS OF THE TANZANIA TRANSPORT SECTOR WITH AN EMPHASIS ON ROADS

Tanzania is located on the coast of the Indian Ocean. Its land surface area is 880,700 km² on the mainland plus 3,600 km² on Zanzibar and several other islands. The mainland also includes 58,100 km² of water representing a part of Lake Victoria, Lake Tanganyika, Lake Nyasa and several other smaller lakes. The 1999 population is estimated at 31.9 million, which represents an average density of 35 h/km². This population is unevenly distributed, the density reaches 147 h/km² in Kilimanjaro region and is only 12 h/km² in Lindi region. Dar es Salaam, the capital, has a population of about 2 million.

1. THE TRANSPORT SECTOR

The transport sector's role in any economy is critical because it is what allows the other sectors to generate added value. In Tanzania, where the major existing (agriculture) and emerging activities (mining and tourism) are increasingly dependent on an efficient transport infrastructure and services, the influence of the transport sector is readily apparent. Moreover, because of Tanzania's population dispersal and geographic distribution, transportation is one of the key factors that ensures economic development and trade, population integration and hence the political stability of the country. Rural roads and access are as well crucial for the supply of basic social services such as health care and education to the entire population. Tanzania's transport system is further an essential outlet for a number of nearby landlocked countries where Rwanda, Burundi and, to a lesser extent, Uganda and Zambia, are critically dependent on Tanzania for providing stable sea access to international markets.

The average direct contribution in terms of added value of the transportation/telecommunications sector to Tanzania GDP was 4% during 1988-98. But the indirect contribution of the transport sector to the economy greatly outweighs its direct contribution. Compared to other modes of transport, road traffic contributes the most to GDP with 2,5% (end 1990s).

Tanzania's transport system comprise:

- Road transport with roads network totalling about 85,000km;
- Railway transport with two railway systems totalling about 3,570 km of trunk lines operated by the Tanzania Railways Corporation, TRC (2,600 km) and the Tanzania-Zambia Railway Authority, TAZARA (970 km within Tanzania). Together, the railways link 14 of the 20 regions on the mainland, and several neighbouring countries. TRC is fully owned by the Tanzania Government, while TAZARA is owned jointly by Tanzania and Zambia on a 50/50 basis. TRC is essentially a freight railway whereas TAZARA also transports a significant number of passengers. The provision of rail service faces many problems resulting in irregular services operating at low levels of safety and speed. Both providers operate at a loss while efforts are underway to bring in private sector to put in capital and skills in the operation of these systems. Private concessioning of the TRC has been underway since 1997 and is about to start for TAZARA;
- Maritime transport, with major sea ports in Dar es Salaam, Tanga and Mtwara, managed and operated by the Tanzania Harbour Authority, THA, and inland water transport with ports on the lakes Victoria, Tanganyika and Nyasa managed by the Marine Services Company Ltd which is presently a TRC subsidiary. Maritime port traffic shows potential but lacks management capacities to operate effectively. The modalities of a THA privatisation are being studied. Inland water services face problems of old vessels offering unreliable and low safety services for both freight and passengers. Tanzania depends largely on foreign companies for international shipping;
- Air transport with 3 international airports in Dar es Salaam, Kilimanjaro and Zanzibar, several major domestic airports including Mwanza, Mtwara, Dodoma, Tabora and numerous smaller aerodromes and air strips, as well as an ailing national airline Air Tanzania Corporation which Government is trying to privatise. Domestic air travel is important due to the long distances between major regions in the country. The aviation sector was liberalised in 1992 and the number of domestic charter operators has increased accordingly. New regulatory bodies for the sector were established in 1999 – the Tanzania Civil Aviation Authority and the Tanzania Airport Agency. A study to define a strategy for the privatisation of airports management is underway;

- A 1,750 km pipeline which conveys crude oil products from Dar es Salaam to Zambia.

The current underdevelopment and poor condition of Tanzania's transport system is limiting economic and social development in the country. This limitation is particularly visible in the infrastructure but also with transport operations still run by parastatal corporations.

2. THE ROAD SECTOR

The road sector is by far the dominant mode of transport in Tanzania as it represents 70% of internal freight traffic, 64% of transit cargo and 90% of total passenger transport in the country. It also dominates other modes of transport in terms of job creation. The density of the Tanzania road network of 96.5 m/km² (5.0 m/km² for paved roads) is much lower than in the other East African Community member states, Kenya and Uganda with respectively 261.9 m/km² (15.2 m/km² for paved roads) and 330.8 m/km² (14.5 m/km² for paved roads). Since the late 80s, the network has sharply deteriorated, constraining economic growth, especially for agriculture.

2.1 The road network

The review of the Highways Ordinance, initiated in 1997, recommends the classification of the road network in the following categories :

- Trunk roads: National and International through roads which link several regions and provide access to important border posts;
- Regional roads : Roads connecting Regional and District Headquarters in a region, or connecting important centres to a trunk road;
- District roads : Roads linking Districts Headquarters to higher class roads, or connecting divisional centres and important locations in the district to the District Headquarter;
- Feeder roads : Village access roads connecting village centres to district or regional roads;
- Urban roads : Roads within a city, a municipality or a township. They are further sub-divided into: arterial, collector, local collector and access roads. Most arterial roads, especially those corresponding to the urban sections of trunk or regional roads, are considered as part of these in order to maintain a single responsibility for them.

In addition there are numerous unclassified roads which include paths and tracks, national park roads, estate roads, private roads. Despite some uncertainties, the total length of the classified road network in Tanzania is estimated at 85,000 Km. Their distribution between the five classes is as follows (km):

	<u>Paved</u>	<u>Unpaved</u>	<u>Total</u>
Trunk Roads	3 830	6 470	10 300
Regional Roads	100	24 600	24 700
District Roads	30	19 970	20 000
Feeder Roads	0	27 550	27 550
<u>Urban Roads</u>	<u>470</u>	<u>1 980</u>	<u>2 450</u>
TOTAL	4 430	80 570	85 000

The latest road condition information available is summarised in the table below.

	<u>Good</u>	<u>Fair</u>	<u>Poor</u>	<u>Total</u>
Trunk Roads				
- Paved roads	2 317 (59.1%)	1 163 (29.7%)	441 (11.2%)	3 921 (100%)
- Gravel roads	773 (21.9%)	2 098 (59.5%)	655 (18.6%)	3 526 (100%)
- Earth roads	<u>3 (0.1%)</u>	<u>779 (27.3%)</u>	<u>071 (72.6%)</u>	<u>2 853 (100%)</u>
	3 093 (30.0%)	4 040 (39.2%)	3 167 (30.8%)	10 300 (100%)

Regional roads

- Paved roads	22 (10%)	156 (70%)	45 (20%)	223 (100%)
- Unpaved roads	6 564 (26.8%)	17 913 (73.2%)		24 477 (100%)
	6 586 (26.6%)	18 069 (73.2%)	45 (0.2%)	24700 (100%)
District/Feeder				
Urban Roads	4 000 (8%)	9 750 (19.5%)	36 250 (72.5%)	50 000 (100%)
TOTAL	13 679 (16.1%)	31 859 (37.5%)	39 462 (46.4%)	85 000 (100%)

It is also estimated that :

- 60% of the district and feeder roads are impassable because of lack of bridges or culverts
- 90% of these roads are not accessible during the rainy season.

2.2 Vehicle fleet and traffic flows

Registered vehicles are estimated at 130,000 nation-wide in 1999 and traffic grew at a rate of 6% a year for the last five years. The commercial vehicle 1999 fleet was estimated at 35,700 out of which freight vehicles were 22,800, or about 64%. Vehicles with less than 5 ton capacity dominate with 70% of total commercial vehicles. About 93 % are one vehicle owner/operator. These small operators are known to have a low level of technical and managerial expertise and a limited financial capacity to adapt to changes in market conditions and economic downturns

2.3 Management and financing of the road sector

The Roads Tolls Act approved on October 21, 1985 imposed a toll on the use of vehicles on public roads in Tanzania. This toll was payable either upon vehicles passing through a point along a public road or upon the purchase of fuel. The administration of the tolling system was placed under the responsibility of the Principal Secretary to the Treasury.

The Amendment N°2 to the Road Tolls Act which was approved on December 23, 1998 established a fund, the Roads Fund, *“into which shall be paid all monies collected as roads tolls imposed on diesel and petrol, transit fees, heavy vehicle licences, vehicle overloading fees, or any other source at the rate or rates to be determined by Parliament from time to time.”* This amendment specifies that the Roads Fund shall be administered by a Board composed of a Chairman appointed by the President of the United Republic of Tanzania, and eight members, four of which representing the private sector.

Under the same amendment it was decided to transform the Directorate of Trunk Roads and of Rural Roads of the Ministry of Works into an executive agency named Tanroads which will have the responsibility of the development and maintenance of trunk and regional roads.

1) The Road Fund. The Road Fund Board was inaugurated on August 27, 1999. The Fund’s resources include :

- The fuel levy. The rates of the fuel levy since it was instituted in 1991 increased from 7 TSh per litre in 1991 to 80 TSh to date. Expressed in US dollars the rate varied between 2.0 cents in early 1992 and 10.6 cents in late 1998. Since this peak, the rate followed more or less the depreciation of the Shilling. During the last three years the fuel levy generated TSh 36.4 billion a year or US\$ 45.4 million¹.
- The Transit fees. Foreign vehicles pay transit fees when entering into Tanzania. The rates are US \$ 6 for each 100 km travelled in Tanzania for vehicles having up to 3 axles and US \$ 16 for the larger ones. Transit fees generate about TSh 800 million (US \$ 1 million) a year for the Roads Fund.
- The heavy (goods) vehicle licence fees. This fee is collected by the Central Transport Licensing Authority, an agency presently under the Ministry of Communications and Transport. This fee generates about TSh 650 millions (US \$ 0.81 million).

¹ Everywhere in this paper the current exchange rate of T Sh 800 = US \$ 1.0 has been utilised.

- The vehicle overloading fees. This fee is a fine to be paid by the owners of transport vehicles which exceed the maximum total weight limit of 56 tons or having axles which exceed the limit of 10 tons, or 8 tons for the steering axle. This fee generates about TSh 815 million (US \$ 1.02 million) for the Roads Fund.

The total of the resources presently available to the Roads Fund amounts to TSh 38,665 million/year (\$ 48.3 M).

2) Tanroads. The Tanzania National Roads Agency (Tanroads) was created by the Amendment N°2 to the Road Tolls Act in December 1998. Its structure and basic management rules are these specified in the 1997 Executive Agencies Act. Tanroads Chief Executive was appointed in November 1999 and began work in February 2000. The Framework Document which defines precisely Tanroad's role and responsibilities as well as its operation procedures and Tanroads Financial Management System were approved shortly after.

Tanroads officially took over from the Ministry of Works the management of trunk and regional road maintenance in July 2000. However the ministry will remain in charge of the development (design and construction) of the road network as long as Tanroads has not fully developed its organisation. The Regional Engineer Offices, branches of the Ministry of Works in all Tanzania regions, were transferred to Tanroads in July 2000.

The 1997 Executive Agencies Act actually fixes quite a rigid framework for the management of Tanroads. The most constraining rules are :

- The Permanent Secretary of the Ministry of Works is responsible for the strategic management of the Agency. He may give directions to the Chief Executive of the Agency.
- The Permanent Secretary is responsible for the discipline and control of the Chief Executive.
- The Chief Executive shall prepare and submit to the Permanent Secretary for his approval strategic and business plans that include the estimates of income and expenditure for the next ensuing year. No expenditure shall be incurred from the funds of an Executive Agency unless that expenditure is part of the expenditure approved by the Permanent Secretary.

These specifications mean in practice that the Tanroads Chief Executive is actually subordinated to the Permanent Secretary of the Ministry of Works and that Tanroads is barely semi-autonomous. They also mean that the Roads Fund Board has no real power on the road maintenance planning and priorities, as only the Permanent Secretary will have the power to approve and control the implementation of the Tanroads programme and budget. A real autonomy for Tanroads will only be achieved through a change in legislation.

3) District, feeder and urban roads. The Ministry of Regional Administration and Local Government (MRALG) took over the responsibility for all other classified roads and of unclassified roads from the Prime Minister Office in 1998. It has however almost no technical capacity and relies on the District Engineers to plan and manage the maintenance of these roads. Unfortunately most District Engineers are not technically qualified to carry this type of work and they all have very limited resources to finance it. The condition of these tertiary roads is therefore very unsatisfactory. It has been proposed that Tanroads also take the responsibility of these roads. However this could only be effective when it will have fully developed its organisation and have demonstrated its capacity to efficiently manage the trunk and regional road networks.

2.4 Sector issues and problems

The Tanzania road sector faces several challenges of different types:

The development of the primary road network is the largest of these challenges. It implies not only to mobilise substantial financial resources from the donors, but also to generate enough internal resources to be able to properly maintain an extended network. Given its current state of growth, Tanzania should devote a larger share of its development budget to improving its road infrastructure. Further, prospects for private funding of roads investments in terms of BOT, etc., are slim with too high project risks and too low traffic demands to generate adequate returns.

There may be a need to limit the development of the primary road network to a core and sustainable network. There may also be a need to adopt less ambitious standards and appropriate staged methods for the progressive improvement of the roads which would reduce and spread capital costs over time to make infrastructure development more affordable.

Rural access is a serious problem in Tanzania. With sparsely populated areas and low income subsistence farmers in rural areas, the cost of providing adequate transport services is high and the effective transport demand low. In some districts the issue is connecting people with nearby trunk roads, in others, the problem is more severe

as no trunk road passes through or even near the district. The prevailing poverty in rural areas makes the raising of funds from the users an unrealistic approach.

On the institutional side, the challenge is also quite serious. Tanzania launched an ambitious and multi-focused reform of the planning, management and operation of all its transport systems. The development of the legal framework to provide a proper definition of the role of each party involved in the new structures remains to be done and will require time. Not all these reforms are fully accepted yet by civil servants. Careful management and scheduling procedures of the institutional reform process will therefore need to be defined and implemented in order to minimise the risks for the economic development and for road users, and also to limit the negative social impacts this type of reform generally generates.

The management and proper co-ordination of various donor aid programs is also a task of major importance. The amount of financing to be mobilised, the management of all corresponding project agreements and conditionalities, the integration of Government capital projects with private sector investments and with institutional and operational reforms will require a clear vision of end targets and an unusual volume and combination of skills.

3. GOVERNMENT POLICY AND STRATEGY FOR THE ROAD SECTOR

Since 1997 the Government made a special effort to formulate its policy objectives and strategies. Several major policy documents were published during 2000 including Vision 2025, the Tanzania Assistance Strategy and the Poverty Reduction Strategy Paper, which describe the Government medium term strategy for poverty reduction.

In the same context, the Ministry of Communications and Transport initiated in 1998 the preparation of a National Transport Policy (NTP), which followed an earlier attempt in 1987. Numerous discussions with government and other stakeholders and review by the donors resulted in the drafting in September 2000 of a final version which is being submitted to Cabinet for approval.

NTP generally aims to “*develop safe, reliable, effective, efficient and fully integrated transport infrastructure and operations which will best meet the needs of travel and transport, improve levels of service at lower costs in a manner which supports government strategies for socio-economic development whilst being economically and environmentally sustainable*”. It soundly endorses the national goal of poverty eradication and strongly emphasises the importance of investment in transport infrastructure to achieve this.

As far as the development of road infrastructure is concerned, NTP objective is to “*Facilitate road transport corridor development and ensure that they are furnished with all weather/bitumen roads*”. This would ensure that main road corridors with their link sections are accessible and contribute to the growth of economic activities. Nine Road Transport Corridors have been identified. They embrace a total road network of about 10,300 km, 40% of which is presently paved. The NTP objective is to pave the remaining 60% within the next ten years. These corridors and their feeder links interconnect most parts of Tanzania. They would promote trade and investment by opening areas of key economic activities, providing the needed competitiveness through reduced transport costs. They would also provide connections to areas with potential such as mineral deposits, tourism, agriculture and manufacturing. Finally they would enhance social integration and inter- and intraregional co-operation through trading. NTP sets major policy orientations for the development and management of the road sector :

- (i) *Promote private sector participation in investing and financing the road sections which have potential commercial viability to further enhance.*
- (ii) *Enhance public investment in partnership with private sector or as PSO for non commercial road infrastructure.*
- (iii) *Strengthen infrastructure planning and resource mobilisation to clearly indicate relationship between the same and economic potential.*
- (iv) *Enhance availability and utilisation of infrastructure construction equipment*
- (v) *Ensure local capacity in design, supervision, execution of infrastructure works.*
- (vi) *Promote intra and inter-modal integration.*
- (vi) *Incorporating gender perspective in corridor development and management.*
- (vii) *Carry out an Environmental Impact Assessment (EIA) for all transport projects and ensure that construction and maintenance works adhere to environmental protection guidelines.*

4. PAST ROLE OF THE DONORS IN SUPPORTING THE ROAD SECTOR

4.1 The Integrated Roads Project

In the late 80's a ten-year road rehabilitation and development programme - the Integrated Roads Project (IRP) - was developed to address the situation of a rapidly deteriorating road network. The World Bank co-ordinated the design and the management of this programme which was financed by numerous donors including the EU, JICA, ADB, DANIDA, USAID, SIDA, NORAD, FINIDA, KfW and several smaller bilateral donors.

The objectives of the IRP were to bring 80% of the trunk- and 50% of the regional roads back to good condition by the year 2000, strengthen the administration and management of trunk and regional roads in order to maintain the rehabilitated network, improve mobilisation of financial resources and allocation for adequate maintenance of the road network and enhance the road maintenance capacity through promotion of local private contractors.

The first phase of the IRP was implemented between 1991-1996 with reasonable success in the achievement of targets for paved roads, fair success for the completion of the unpaved roads programme and major difficulties in the implementation of the institutional components, particularly in the mobilisation and proper utilisation of the Roads Fund resources for maintenance. The later point resulted in serious discussions between donors and Government which held the implementation of the IRP 2nd phase for 3 years. After long and difficult negotiations an agreement was reached and an Amendment to the Roads Toll Act was approved by Parliament in late 1998. The approval and launching of this major reform of the road sector allowed the second phase of IRP to resume. The main projects presently being initiated or implemented under the second phase of IRP include:

- under World Bank financing :
 - Paving of the Singida – Shelui section of the Central Corridor CC (110 km)
- under EU financing :
 - Paving of the Mwanza Shinyanga border–Tinde and Nzega–Isaka roads on the CC (169 km)
 - Rehabilitation of the Wazo Hill – Bagamoyo road (43 km)
 - Reconstruction of the Mwanza – Nyanguge road (35 km) on the lake circuit
 - Backlog maintenance of the Dodoma – Morogoro paved road (256 km) and of the Dar es Salaam port access roads on the Central Corridor
 - Kigoma – Nyakanasi unpaved road backlog maintenance
- Under ADB financing :
 - Paving of the Nzega – Shelui section of the CC (110 km)

4.2 Other road projects

a) *Urgent Roads Rehabilitation Support Programme*

The World Bank began in August 2000 the identification of a new road project which will complement IRP actions, including upgrading and reconstruction of several road stretches and preparation of feasibility studies for others.

b) *South Corridor Road Project*

The Saudi Fund, Koweit Fund and OPEC Special Fund fund the paving of the road between Kibiti and Nangurukuru on the South Corridor plus construction of a bridge on the Rufiji river.

c) *Regional maintenance initiatives*

As part of projects in the agricultural sector some donors (Denmark, Switzerland, Netherlands, JICA, USAID) have organised support to the regional branches of the Ministry of Works in charge of the maintenance of roads in each region. This generally includes technical assistance, rehabilitation of roads to a maintainable level and support to maintenance works. EU funding was extended to the Ruvuma and South Iringa regions. EU Stabex funds also financed with mediocre success improvement of feeder roads in four districts under the “Spot Improvement of Coffee Feeder Roads Project”.

d) *Village travel and transport programme*

The objective of this programme is to encourage local communities to plan, manage and provide by themselves basic transport infrastructure. It is implemented in eight districts with funding from Norway, Denmark, Finland, UK, Ireland, Switzerland and the World Bank.

5. SUPPORT TO THE ROAD SECTOR PROVIDED BY 7th AND 8th EDF

5.1 7th and 8th EDF projects

A number of initiatives have been funded under the last two EDFs of different scope and nature, the most important of which are:

i) Road Maintenance in the South Iringa & Ruvuma regions; ii) Technical Assistance to the Ministry of Works; iii) Human Resources Development Programme; iv) Central Corridor (road/rail) Economic Viability Study; v) Mwanza region border – Shinyanga – Nzega road upgrading project; vi) Rehabilitation of the Waso Hill – Bagamoyo road; vii) Institutional Study on the road sector; viii) Completion of the Reconstruction and widening of the Ibanda – Uyole road; ix) Emergency El Nino Road Repair Programme; x) Mwanza Region Transport Programme; xi) Backlog road Maintenance; xii) Mwanza region border – Shinyanga – Nzega road upgrading project; and xiii) Road Sector Institutional Support.

5.2 Lessons learned

- **Policy changes and reform of existing institutions take time and are difficult process.** The beginning of the second phase of IRP to which EDF had the largest financial contribution, was conditioned by a reform of the management of the Roads Fund and the creation of Tanroads. Discussions between Government and donors, led by the EC, to develop the new organisation and management procedures took almost three years. It required major pressure from all donors which jointly put on hold all financing scheduled under the programme. A first legal amendment to the Roads Toll Act which was voted by Parliament before being accepted by the donors had finally to be modified by a second amendment which was eventually approved late 1998.
- **Co-ordination of donors and sector approach are essential.** The implementation of a major sector programme such as IRP requires close co-ordination between donors, particularly in the dialogue with Government on institutional reforms. During the critical stages of the IRP, a Working Group led by EC was established to discuss reforms with Government. The decisions reached were not unanimously approved by the donors, particularly the World Bank, which led to misunderstandings when the project resumed.

6. OPTIONS FOR ROAD SECTOR SUPPORT UNDER THE 9th EDF

The road sector component of the 9th EDF should aim to support the Government's National Transport Policy to enhance the country's economic development and to alleviate poverty, particularly in rural areas. Four options, non-mutually exclusive, are proposed to reach this :

- **Continue the support to the definition of the road sector management policy and to the development of the new road sector institutions**

Under previous EDF programmes, the EU played a lead role in the revision of the road sector management policy and in the reform of its financing. It is proposed to continue to fulfil this role in order to complete and fully establish the organisation of the corresponding structures and management systems. This would especially require :

a) As far as the policy is concerned

- Revision of the road related legislation in order to provide a comprehensive and consistent framework for the operation of the new institutions;
- Support a study of a network development and maintenance strategy which will inter alia define the core road network to be developed and maintained, define priorities between road construction and rehabilitation, define affordable standards for construction, rehabilitation and maintenance, and define affordable strategies for the staged development of road links which require high investments;
- Support the study and the implementation of new resource mobilisation methods to finance the maintenance and the development of the road network.

b) As far as the sector institutions are concerned

- Support Tanroads by adequate consultancy services, technical assistance and training, as well as by support to the development of required planning and management systems. The most efficient way of doing so would be to participate with other donors in Tanroads "basket funding";
- Support the technical capacity of the Ministry of Regional Administration and Local Government at central and regional levels to develop capacity to manage the development and maintenance of district, urban and community roads. This capacity could later be transferred to Tanroads when this organisation is capable of handling the responsibility of these roads.

- **Contribute to the development of the road corridors.** 8th EDF significantly contributed to the development of the Central Corridor and to the Lake Circuit Corridor. The 9th EDF should continue to finance the development of the priority road corridors defined by the Government. The Central Corridor which also receives the support of other donors could constitute a priority in order to ensure the completion of the paving of the Dar es Salaam – Mwanza route in the shortest possible time.
- **Finance backlog, periodic & routine maintenance including spot repairs and improvements.** Bringing the road network to a maintainable condition and financing maintenance and spot repairs were also a major focus of previous EDF programmes. Clearly the 9th EDF should pursue these activities. 3 types of actions are proposed :
 - Finance paved roads backlog maintenance as during 7th and 8th EDF;
 - Finance repair of road projects which were implemented under previous EDF programmes;
 - Contribute funding to Tanroads to carry out emergency repairs or stabilisation actions on the road network before more resources required for full scale improvement could be mobilised.
- **Participate in the development of a sustainable district and community roads network.** Provide funding for the development and maintenance of the district and community road networks using small contractors and labour intensive methods to maximise income distribution in rural areas. Pilot projects in selected regions with the aim to bring these roads to minimum standards (e.g. minimum drainage and stream crossing systems or improvement of rolling surface in steep or bad soils areas) would be appropriate for this.

7. EXPECTED IMPACTS OF THE OPTIONS FOR ROAD SECTOR SUPPORT

- **Improvement of the accessibility and reduction of road transport costs.** This is always the most significant impact of any road project. However, in the case of Tanzania it is expected to be even more important due to the present underdevelopment of the network and the poor quality of maintenance done to date. Better access to rural areas is of specific importance as it represents a major constraint to the marketing of agricultural production. The combined improvement of primary and rural roads will contribute to a dramatic reduction in transport costs of products. This will increase the income of the farmers.
- **Improvement of the performance of the road maintenance operations resulting in an overall improvement of the condition of roads.** Efficiency improvement in managing the resources of the Roads Fund will increase the volume of maintenance works done every year. Their supervision by private consultants will result in better quality control. All this will greatly improve the overall condition of the road network.
- **Development of appropriation of the road network by the users.** Participation of private sector representatives in the Roads Fund will develop the sense of ownership of the infrastructures by the users. It may be expected that, if in addition the users note an improvement of the overall quality of the road network, they will be less reluctant to accept to increase their contribution to the Roads Fund and the enforcement of control measures to protect the roads such as limits on the weight and condition of vehicles.

ANALYSIS OF THE EDUCATION SECTOR

1. General background and introduction

Since independence in 1961, the Government of Tanzania has been preoccupied with three development obstacles: illiteracy, disease and poverty. National efforts to tackle these problems were initially channelled through centrally directed, medium-term and long-term development plans, and resulted in a significant improvement in access to education, health and other social services. During the 1970s, the total number of pupils in primary school, together with the total number of workers in the education sector, increased by nearly four-fold. The majority of the 11,409 primary schools currently in operation were constructed during the '70s, with primary schools expanding to provide coverage to a vast majority of Tanzanian communities. Most of the teacher-training colleges were also established during this period. As a result of these efforts, the primary gross enrolment rate reached 98 percent by 1981. By contrast, the development of secondary education lagged behind, as the government gave priority to primary education during this period. A highly selective process for secondary-school entry was established, resulting in only about 4 percent of the children of the relevant age cohort entering secondary school. Thereafter, gains in primary education could not be sustained. Falling real public expenditures on social programs led to significant declines in service delivery against the backdrop of a growing school age population. By 1985, the primary gross enrolment rate had dropped to 84 %.

Since the mid-80s, Tanzania's economy has been undergoing a major transition from a state controlled system to a market economy. Except for a short period during the mid-90s, the economy responded positively to these changes. GDP growth is now at 4-5% p.a., inflation is down to 6%. However mainly due to fiscal constraints and inadequate sector policies, performance of the education sector further deteriorated during the 1990s. Primary gross enrolment is now at 77% and secondary at 8%; only about 60% of the relevant school age children complete primary school.

With an estimated GNP/capita of US\$280 (2000), and about 50 percent of a population of 31 million living below the poverty line of 1 \$/day, Tanzania remains one of the poorest countries in the world. At the same time, Tanzania's economy is largely market oriented and has in place many elements required for private sector-led growth. However Tanzania does not have an adequately qualified and trained work force necessary to attain higher economic growth and to ensure the sustainability of developments for poverty reduction. A robust education sector is therefore essential to generate the better-qualified and skilled Tanzanian work force needed for accelerated economic growth and poverty reduction. In this regard, education is key to raising productivity and enhancing the capacity of the poor to earn a decent income, as well as improving their welfare and social mobility.

Currently, the education system in Tanzania performs far below what is required to meet its development needs. Poor education quality in primary schools is the result of insufficient inputs and related low access and retention. These issues are further linked to insufficient public funding, and thus high costs imposed on households. At the secondary level, access is still limited. Low public provision, together with increasing demand is resulting in expanded private provision and rising costs at this level. Increased public financing of the sector is therefore essential to improve sector performance with regard to both quality and coverage. As Tanzania is expected to reach HIPC completion point by September 2001, it is anticipated that 55 billion Tsh of HIPC fund will flow annually to support Tanzania's national efforts in poverty reduction. The education sector has been given priority in the context of government's overall poverty reduction strategy, with a focus on the primary education sector.

2. Main sector issues

2.1 Primary Education

Quality. The quality of primary education as measured by Primary School Leaving Examination (PSLE) results is low. The average score during 1997-99 was just above the minimum passing score of 40 percent. Urban-rural and gender disparities are large. While the average teacher-pupil ratio is lower than the benchmark of 1:45, there are large regional variations. At the same time, primary school teacher qualifications are low. 54% of the primary teachers only have minimal training beyond primary schooling while 46% have the required A grade qualification. Learning materials and educational inputs are in short supply. Textbook shortage exists in almost all subjects. Library facilities are practically non-existent, and the curriculum content is not highly relevant or flexible.

Internal efficiency. Only 58% of each age cohort obtain a complete primary education, mainly due to high dropout rates. This rate is highest in grade 4, which to a large extent is related to poor performance in grade 4 exams. Over 81% of school entrants start school later than age 7. Late school entry is highly correlated with higher likelihood of dropping out. Overcrowded classrooms limit entrants to grade 1. Early marriage forces girls out of school. Long distances to schools also affects school entry age, as children need to be able to cope with the long distances. There are also safety concerns associated with girls commuting long distances.

School access. The current entry rate at grade 1 is reasonably high and gender disparities do not appear to be significant. However, regional disparities in enrolment are prevalent. Scarcity of schools and classroom facilities are major obstacles. On average, there are two teachers and 76 pupils per classroom. Toilets, desks, chairs and other school inputs are also in short supply. Direct monetary cost of school (school fees and levies, expenditure on textbooks, uniforms etc.) and high opportunity cost adds to the burden of households with school-age children.

2.2 HIV/AIDS and School Health Issues

An important and growing threat to the education system is the HIV/AIDS pandemic. Currently, some 1.5 million people are living with AIDS. HIV/AIDS affects both education coverage and quality. It dampens the demand for education as affected households have fewer resources to spend either because of reduced income due to illness of income earners or diversion of scarce resources for health care. Children in these households are often pulled from school to care for ill parents or work to make up for lost household income. Furthermore, there are an estimated 1.1 million cumulative orphans in Tanzania, many of whom are out of school. At the same time, the epidemic affects the supply of educational services at all levels through increased mortality, morbidity and absenteeism among teachers and education personnel. Currently, there are many health programs under implementation to reduce HIV transmission for both children and teachers. However, the momentum of the epidemic will continue to cause decreased supply and demand.

There are also other health and nutrition problems that constrain the learning of school age children. Poor physical condition and malnutrition are important underlying factors for low school enrolment, absenteeism, poor classroom performance and early school dropout. Some recent school health pilot programs have proved to be quite effective. However, a national school health and nutrition program has yet to be developed.

2.3 Education Sector Resource and Private Costs

Public Finance. Tanzania's education sector is underfunded while public spending on education constitutes only 2.3% of GDP. This mainly reflects the government's weak fiscal capacity with tax revenue averaging only 11% of GDP during 1997-1999. In 1999, 62% of the education recurrent spending was devoted to primary education, in line with government's priorities.

Resource allocation and utilisation. Within primary education, the resource allocation pattern is largely inequitable and inefficient. As teacher salaries represent the bulk of the resources allocated to primary schools (96%), the deployment and utilisation of teachers generally underlies the pattern of resource allocation, which reflects regional variations in teacher:pupil ratios and teacher qualification levels. A mere 4% of total government recurrent expenditure on the primary level is left for all other recurrent expenditure. Current opportunities for efficiency gains are limited. Therefore, additional resources are essential for PE development.

Private cost. In the mid-1990s, the government instituted cost sharing in primary education through various fees and levies. As a result, households with children in primary or secondary schools now pay over half of the total costs per student.

2.4 Institutional Arrangements and Management

Historically, the Ministry of Education and Culture (MoEC) was responsible for policy formulation as well as the delivery of education. However, the centrally controlled system proved to be unsustainable and started to crumble by the mid-80s, when the central government was no longer able to plan and monitor effective delivery of education service. In consequence, responsibility for education delivery and operations has been decentralised. However, education delivery at local levels have not yet been carried out effectively. Efforts at the school and community levels to address the issues of coverage, quality and efficiency of primary education have largely been

ineffective, due to the inadequate training and insufficient resources for staff. In addition, in spite of the change, MoEC's current organisation structure remains oriented to programs and education delivery. To address this, the ongoing Public Service Reform Program, ministries' roles and mandates have been redefined from direct service delivery towards strategic, policy and regulatory functions. Invariably, staffing at the MoEC has yet to reflect the re-orientation to policy and regulatory functions. There is a dearth of professionals with skills and experience in policy analysis and formulation, planning and monitoring and evaluation.

2.5 Availability of funds

One of the major factors of resource deficiency is how funds flow to the school level. Currently, subventions are made to meet personal emoluments and other charges from the Ministry of Finance (MoF) to district councils to fund recurrent expenditure requirements of primary education. Development expenditure financing releases are made via the regional administration. Presently, there is significant diversion from the local priority areas for the funding of central requirements. At the same time, the system suffers from intermittent disbursement of development funds from the central government to the districts. This constitutes one of the major obstacles for strategic planning of school development.

Fund flow from the district to the school level is another serious issue. Currently, few districts fund education activities from their own sources. Moreover, the district councils retain close to 60 percent of UPE fees contributed by parents, in spite of a 1997 directive from the MoEC requiring that these fees be retained at the school level. A number of ad hoc initiatives with donor support are currently underway to help increase the fund flow to the community or school level. However, to establish a more sustainable system, clear criteria for regular and adequate releases of funds directly to the school level have to be established, along with capacity building at the district and school levels for fund utilisation in order for the process to be sustainable.

2.6. Decentralisation

As noted above, the government has reformed the system for primary education provision. This effort forms part of the nation-wide process of a comprehensive reform of local government, and its relationships with other agencies at the central and regional tiers of government. However, decentralisation is a complex and slow process demanding considerable technical and financial resources at all levels. Resources were neither ample nor readily available at the launch of the reforms. In addition, many perceived risks by stakeholders plus resistance to changes at technical levels have resulted in significant delays.

2.7. Donor Issues

The donor community has made considerable efforts to support the decentralisation process and to ensure that resources are devolved to the school and community level. However, as a substantive part of these aid inflows do not pass through the Government budget, government's capacity to carry out policy formulation, planning and implementation of its development programs is reduced. Further, given the complexities and delays involved in decentralisation, donor-supported efforts are not yet fully harmonised with the government's decentralisation policy and programs. Some projects are too donor-driven, costly and unsustainable and appear to favour districts with better-established capacities. Additionally, each donor has unique processes and modalities, making donor co-ordination a taxing task for government agencies. Establishment of clear procedures for managing the delivery of education at the decentralised level with respect to funds allocation, utilisation and auditing would also facilitate better use of donor resources and bring these within the regular government and administration structure.

3. Government Strategy

Social sector development is regarded as one of the most important elements within the overall poverty reduction and development framework. In 1995, the MoEC prepared an *Education and Training Policy* that emphasised liberalising the education sector in step with the rest of the economy and increasing the accountability of service providers to clients. The Government's cost-sharing policy of the late 1990s has been reversed in recognition of declining quality and enrolments due to the inability of poor parents to pay. Beginning in January 2002, UPE fees will be abolished.

3.1. Education Sector Development Programme

Discussions on developing an Education Sector Development Programme (ESDP) are on since 1996. An appraisal took place in 1999, but did not result in a programme which could be supported by donors active in education (World Bank, UK, EC, Sweden, Finland, Ireland, Netherlands). During most of 2000, the dialogue between government and donors was stalled mainly due to conflicts between the various ministries involved (MoEC being perceived as marginalising others). Since February 2001, dialogue has resumed under the leadership of the Prime Minister's office, and considerable efforts have been made to develop a Basic Education Sector Development

Programme (comprising primary, secondary and adult education). Such a programme is also a condition to reach the HIPC completion point.

Overall, the programme aims at improving access, quality and equity of educational services. Objectives have been developed in the PRSP document in some detail. The content and implementation modalities for the basic education programme are still under discussion. Neither a final programme nor a formal agreement between government and donors exist at this stage. The following reflect the present stage of discussion but may still be subject to – even major – modifications and amendments. A tentative date for a joint appraisal mission (including the World Bank, EC and probably some donors like Ireland or the Netherlands) is July 2001.

The immediate challenge for the education system in Tanzania, and for the initial phase of the sector programme, is to manage the strong increase in primary education enrolment rates expected for early 2002. This increase will be the result of the recent abolishment of primary education school fees, and government's intention to absorb the large number of children at school age (8-12 years) who are presently out of school (some 3 million). Two scenarios are under discussion to reintegrate them into the education system; one giving priority to 7-8 year old children (which would however risk to permanently exclude older children); and secondly also enrolling older children as of next year. Both scenarios will lead to the same level of enrolment increase for the next 3-5 years. Based on the above assumptions, it is expected that stage 1 enrolment will increase from 750.000 to 1.500.000 children for a period of three years, after which it would stabilise at around 1.000.000 (only 7 years old).

The challenge is to manage such an increase in enrolment while avoiding a negative impact on the quality of education, and at the same time achieve an improvement in quality. The enrolment increase has a direct impact on teacher recruitment and classroom construction. It is estimated that for the next three years, about 10.000 teachers p.a. would have to be recruited, after which the figure would stabilise at around 7.000. Issues linked to teacher recruitment are regional deployment of teachers, use of double shifting, curriculum adjustment, school management etc. It is also estimated that about 14.000 classrooms p.a. have to be constructed during the same period, after which the figure would stabilise at 6.000. This implies high levels of double shifting of classrooms.

Present proposals imply a strictly decentralised structure for the financial and technical implementation of the programme. Firstly, to compensate schools for the abolishment of school fees, which for most of them represents the only source of revenue to cover non-salary recurrent expenditure, schools would obtain a capitation grant of 3-10 US \$ per pupil. These funds would be transferred to schools either directly or through districts. They would be used for textbooks, teacher training, infrastructure maintenance, etc. This should have a direct impact on the quality of primary education. Secondly, schools or districts would receive a development grant of 5.000 US \$ per building for the construction of classrooms. Detailed modalities for the implementation of this component have yet to be agreed upon.

The above concerns the initial phase of ESDP, which focuses on managing the enrolment "backlog" and the transition to a situation where enrolment in grade 1 is permanently higher and drop-out rates are lower. This initial phase would be preceded and accompanied by capacity strengthening activities on the level of individual schools, districts, regions, and national ministries, to enable them to assume their new roles in a structure of decentralised service delivery. Individual schools will be phased in and their level of capitation grant will increase pending their capacity to manage such funds, as documented by their school development plans and budgets. While expenditure planning would take place at the level of individual schools, district administrations and regional offices of the Department for Regional Administration and Local Government would be in charge of monitoring and co-ordination. The role of the Ministry would eventually be confined to policy making, quality standards, system wide planning and monitoring etc.

Funding for the implied strong increase in budgetary expenditure for primary education would in the short to medium term come from additional government funds released under the enhanced HIPC initiative, redirected (bilateral) donor funds and new donor funds (World Bank, EC). In the longer term, sustainability of the programme mainly depends on sustained high GDP growth and improved revenue collection.

ANNEXE 3

Major ongoing EC projects and programmes

TANZANIA
Summary of Ongoing Programmes/Projects 7th and 8th EDF

SECTOR/PROJECT	Financing source(s)	Allocations (M€)		Implementation status	Indicative completion date	Comments	
		EDF 7	EDF 8				
Transport Sector							
1. TRC Restructuring	NIP+RIP EDF 7	34,2		Ending	12/01	Italian Co-financing	
2. S. Highlands Telecommunications	NIP EDF 7	25,0		Ending	12/01		
3. Rehabilitation Wazo Hill-Bagamoyo Road	NIP EDF 7+IT/COF	17,5		On-going	02/02		
4. Road Maintenance South Iringa & Ruvuma Regions	NIP EDF 7	21,8		On-going	10/04		
5. Mwanza Regional Transport Programme	NIP+RIP EDF 8		35,0	On-going	12/02		
6. Backlog Maintenance Project Central Corridor	NIP+RIP EDF 8		42,0	Start up	06/04		Tendering
7. Mwanza-Tinde & Nzega - Isaka Roads	NIP+RIP EDF 8		85,0	Start up	03/06		Tendering
8. Institutional Support Roads Sector	NIP EDF 8		2,0	Start up	02/02		Tender
Sub-total		98,5	164,0				
Social Infrastructure and Services							
1. Institutional Strengthening Water Supply in 4 Towns	NIP EDF 7	2,0		On-going	12/01	Extended	
2. Mwanza Sewerage Rehabilitation	NIP EDF 8		5,5	On-going	12/02		
3. Support for Tanzanian STD and AIDS	NIP EDF 8		2,0	Start up	05/03	Re-design	
4. Mwanza Water Supply	NIP EDF 8		42,0	Preparation	12/04?		
5. Iringa Water Supply	NIP EDF 8		30,0	Preparation	12/04?		
6. Support for Education Sector Dev. Progr. (SESDP)	NIP EDF 8		25,0	Preparation	12/03		
Sub-total		2,0	104,5				
Macro-economic/ Structural Adjustment							
1. Support for Introduction of Value Added Tax (VAT)	NIP EDF 7	2,0		Ending	06/01		
2. Structurall Adjustment Programme (SAF IV)	SAF EDF 8		72,1	Ending	12/01		
3. Poverty Reduction Budget Support (PRBS)	SAF EDF 8		76,1	Start up	07/03		
4. Tax Administration Project	NIP EDF 8		7,0	Ongoing	12/02		
Sub-total		2,0	155,2				

TANZANIA
Summary of Ongoing Programmes/Projects 7th and 8th EDF

SECTOR/PROJECT	Financing source(s)	Allocations (M€)		Implementation status	Indicative completion date	Comments
		EDF 7	EDF 8			
Agriculture and Rural Development						
1. Support Coffee Research	NIP EDF 7	2,0		Ending	11/01	Tendering Evaluation
2. Stabex Cotton 1991/92/ Support Cotton Research	Stabex EDF 7	2,2		Start up	06/04	
3. Stabex Coffee 1992/93	Stabex EDF 7	20,8		Ending	12/01	
4. Stabex Coffee 1994	Stabex EDF 7	2,8		Preparation	12/04	
5. Stabex Tea 1996/ Support Tea Research	Stabex EDF 8		3,0	Start up	06/03	
6. Stabex Coffee 1999 (incl. Supplement)	Stabex EDF 8		27,7	Preparation	12/04	
Sub-total		27,8	30,7			
Tourism and Natural Resources						
1. Serengeti Conservation Programme.	NIP EDF 7	9,0		On-going	06/02	NIP component of Reg. Progr.
2. Institutional Stengthening Tourism Sector	NIP EDF 7	1,8		On-going	10/03	
3. SADC Wildlife Management Training	NIP+RIP EDF7	8,0		Ending	06/01	
4. SADC Monitoring/Surveillance of Fishing Activities	NIP EDF 8		2,2	Start up	06/06	
Sub-total		18,8	2,2			
Miscellaneous						
1. Support for S & E African Minerals Dev. Centre	NIP+RIP EDF7	5,0		Ending	07/01	Coordination Unit Closed 7/01
2. Inst. Support for East African Statistical Tr. Centre	NIP+RIP EDF7	5,0		Ending	07/01	
3. Special Progr. Refugee Affected Areas (SPRAA)	NIP+RIP EDF7 +EME	23,9		On-going	09/03	
4. Support to Prevention of Coruption Bureau (PCB)	NIP EDF 8		2,0	On-going	12/03	
5. Programme Support to NAO	NIP EDF 8		2,0	On-going	12/03	
Sub-total		33,9	4,0			
TOTAL ONGOING EC/EDF PROJECTS BY EDF		183,0	460,6			
TOTAL ONGOING EC/EDF PROJECTS		643,6				

ANNEXE 4

EUROPEAN INVESTMENT BANK

EUROPEAN INVESTMENT BANK

1. Under both protocols of the Lomé IV Convention the Bank has contributed to the financing of infrastructure rehabilitation and expansion (energy, port, air transportation) and to the development of small and medium scale enterprises (through several lines of credit to the Tanzania Development Finance Company and other commercial banks). Total commitments under the Lomé IV Convention currently amount to 76 M€
2. The new Cotonou Agreement focuses on the promotion of private initiatives. It provides that the Bank will make financing available for projects in the ACPs from its own resources and the Investment Facility, essentially to foster the development of the private sector. The Bank has the further mission to help mobilise domestic and foreign capital for this purpose, either directly or indirectly through eligible financial intermediaries. It will dispose of a large variety of financial products: funding in the form of equity, quasi equity, loans both in local currency and foreign exchange, providing guarantees when necessary. It can operate in all sectors of activities (productive and infrastructure sectors plus private health and education), with domestic and foreign entrepreneurs.
3. The Bank is aware of the various reforms undertaken by the Government as well as the results achieved both on the macro economic- and institutional fronts. The Tanzanian Government has focused on improving tax revenue and structural reforms. Overall, the result has been satisfactory as regards macroeconomic stability with an average GDP growth rate of 4 % during the last four years and inflation below 6 %. However, improvements are still called for in certain areas :
 - Development of the private sector, which remains at a disappointingly low level, mainly as a result of poor infrastructure and lack of qualified labour;
 - Improvement of public administration. Its lack of reliability represent a major obstacle to private sector growth;
 - Reinforcement of the legal system, which is perceived as deficient;
 - Financial sector development with a diversification of available monetary instruments.
4. These are important measures that should help reduce the constraints and enhance the stimuli for the development of private initiatives. The pace of implementation of the reform program will undoubtedly have a determinant impact on the volume of activities of the Bank, as it will affect investors' confidence in the country. This will require a continuous and sustained effort by the Authorities.
5. As of today, the Bank has identified a number of possible interventions for projects that it would implement either alone or in cooperation with the European Commission and other institutional (bilateral and multilateral) and commercial financiers. The Bank could focus inter-alia on:
 - the development of agricultural and agro-industrial activities, the main pillars of the Tanzanian economy, and all the related services and activities, combining both export oriented and import substitution operations;
 - the upgrading and expansion of infrastructure such as telecommunications for which the privatisation is well advanced; energy production, transmission and distribution, energy generation being already opened to private operators; water production, distribution and sewerage;
 - the commercial exploitation of mineral resources such as gold, gemstone, gas and oil; and
 - service industries including tourism.

6. It could also, in collaboration with the European Commission (using the various instruments developed to foster private sector activities i.e. Diagnos, EBAS, Proinvest) and the Centre pour le Developpement de l'Entreprise (CDE), assist in the reinforcement and diversification of the financial sector and the development of the private sector, including SMEs and micro enterprises through microfinance institutions, which generate employment and play a key role in poverty alleviation.
7. Based on the assumption that the Government will pursue its efforts to improve good governance, complying with the recommendations of the donors in the context of the Poverty Reduction Budget Support facility (improved tax collection, budget processing and auditing as well as continued fight against corruption), the Bank could certainly be able to contribute to the financing of a number of projects. The needs for investments and external financing are significant considering the insufficient capacities and slow development in many sectors, in particular in the infrastructure sector, as well as Tanzania's non-negligible potential for growth. Regional projects could also be considered.

ANNEXE 5

Socio-economic profile

GENERAL

◆ Area	Total	945,000 km ²	
	▪ Mainland:	881,000 km ²	
	▪ Zanzibar:	2,000 km ²	
	▪ Water:	62,000 km ²	
◆ Location:	Latitudes 1°-12° South, Longitudes 29°-41° East		
◆ Political System	Multi-party democracy		
◆ Administration	Mainland:	20 administrative regions	
	Zanzibar:	5 administrative regions	114 administrative districts
◆ Population	Estimated at 31 million people		
	- Women:	~ 51%	
	- < 15 years old:	~ 46%	
	- Growth rate:	~ 3.1%	
◆ Poverty incidence	Population below poverty line (PL): ~ 48%		
	- Rural poor:	~ 57%	
	- Food poor:	~ 27%	
◆ Human Development Index (1999)	-	HDI 0.421	
	-	Rank 156 out of 174	

THE ECONOMY

GDP (1999)

- Nominal	US\$ b	8.3
- Per capita	US\$	270
- Growth Rate		~ 4.7%

GDP by origin (% in 1999)

- Agriculture	49.3
- Trade	16.1
- Manufacturing	8.3
- Construction	4.5
- Transport/Communication	5.4
- Mining	2.1
- Public Adm.& other services	7.7
- Others	3.6

◆ **Agriculture**

<i>Land</i>	Arable land	43,000, 000 hectares
	Cultivated (2000)	16 %
<i>% of active population</i>	Food crops	70%
	Livestock	20%
	Export crops	10%
<i>Contribution to Agricultural GDP</i>	Food crops	55%
	Livestock	13%
	Export crops	8%

◆ **Natural Resources**

<i>Minerals</i>	Gold, diamonds, tanzanite, other gemstones, natural gas, iron ore, coal, spring water, phosphates, soda ash and salt.	
<i>Wildlife and Tourism</i>	12 National Parks; the Ngorongoro Conservation Area; 31 Game Reserves; 38 Game Controlled Areas; ~120 National Cultural Heritage Sites	
<i>Fisheries</i>	Three large lakes: L. Victoria, L. Tanganyika and L. Nyasa	
	Estimated annual potential fish yield: 730,000 MT	
	Present catch:	350,000 MT.
	Gazetted forest reserves	1,252 km ²
<i>Forestry and Beekeeping</i>	Non-reserved forestland	1,900 km ²
	Forest/woodlands w/I national parks etc.	200 km ²

SOCIAL

◆ **Refugee situation**

Regions most seriously affected with the influx – Kigoma, Kagera and Rukwa

² Sources: TAS Draft II (Feb. 2001) and UNDP Development Cooperation Report - Tanzania (Dec. 1999)

Estimated total population of refugee (2001) – 700,000

◆ **Health**

Life expectancy at birth (year)	47.9 (1997)
Infant mortality rate (per 1000)	92 (1997)
Under-five mortality rate (per 1000)	143 (1997)
Crude death rate (per 1000 population)	16 (1996)
Maternal Mortality rate (per 100,000)	592 (1997)
Total fertility rate	5.6 (1999)
Population per health facility	6,391 (1997)
Immunized children (<2 years of age)	71% (1999)

◆ **Education**

Gross Primary School Enrolment Ratio	79 % (1999)
Net Primary School Enrolment Ratio	57 % (1999)
Gross Secondary School Enrolment Ratio	5 % (1999)
Adult Literacy	68 % (1997)

◆ **Access to clean and safe water** (1998)

Rural population	– 46%
Urban population	– 68%

◆ **Currency**

Tanzania Shilling: Indicative Exchange Rates (January 2001)

US\$ 1 = TSh. 803

Euro 1(€) = TSh. 745