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MEMORANDUM

TO: THE BOARDS OF DIRECTORS

FROM: Vasantt JOGOO
Ag. Secretary General

SUBJECT: **TANZANIA: COUNTRY ASSISTANCE EVALUATION (1996-2004)***

Please find attached the above-mentioned document.

Attach.

Cc.: **The President**

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TANZANIA
COUNTRY ASSISTANCE EVALUATION
1996 -2004

FINAL REPORT

OPERATIONS EVALUATION DEPARTMENT

.

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This report was prepared by Mr. P-A. ROCHON, Principal Evaluation Officer, OPEV. Any further matters relating to this report may be referred to Mr. Getinet W. GIORGIS, Director, OPEV, on extension 2041 or to Mr. ROCHON, on extension 3179.

LIST OF ABBREVIATIONS AND ACRONYMS

ADB	:	African Development Bank
ADF	:	African Development Fund
AfDB	:	African Development Bank
AgDB	:	Agricultural Development Bank
ARDE	:	Annual Review of Development Effectiveness
CAE	:	Country Assistance Evaluation
CIDA	:	Canadian International Development Agency
CPIA	:	Country Performance and Institutional Assessment
CPR	:	Country Portfolio Review
CSP	:	Country Strategy Paper
DAC	:	Development Assistance Committee
DANIDA	:	Danish International Development Agency
DFID	:	Department for International Development
DO	:	Development Objective
EPCP	:	Economic Prospects and Country Programming Papers
EU	:	European Union
GDP	:	Gross Domestic Product
GOT	:	Government of Tanzania
PRS	:	Poverty Reduction Strategy
HIPC	:	Heavily Indebted Poor Country
HIV/AIDS	:	Human Immune-deficiency Virus / Acquired Immune-deficiency Syndrome
IMF	:	International Monetary Fund
ISSER	:	Institute for Statistical Social and Economic Research
MDB	:	Multilateral Development Bank
MDBS	:	Multi-Donor Budget Support
MDG	:	Millennium Development Goal
MOFEP	:	Ministry of Finance and Economic Planning
NEPAD	:	New Partnership for Africa's Development
NGOs	:	Non Governmental Organization
NPV	:	Net Present Value
NSGRP		National Strategy for Growth and Reduction of Poverty
NTF	:	Nigeria Trust Fund
OECD	:	Organization for Economic Co-operation and Development
OED	:	Operations Evaluation Department (World Bank)
OPEV	:	Operations Evaluations Department (ADB)
PBL	:	Policy-Based Loan
PCR	:	Project Completion Report
PIU	:	Project Implementation Unit
PRSP	:	Poverty Reduction Strategy Paper
SWAp	:	Sector Wide Approach
UA	:	Unit of Account
UNDP	:	United Nations Development Program
USAID	:	United States Agency for International Development
WHO	:	World Health Organization

EXECUTIVE SUMMARY

1. Tanzania is making major strides with its economic reforms. The rate of GDP growth has averaged 5.3% over the past five years reaching 6.7 percent in 2004 as the Government pushes on with reforms including a program to privatize large state enterprises. Despite this progress, poverty remains widespread, deep and persistent. Moreover, there are wide disparities in the status of poverty between regions, underscoring the need for a more targeted and diversified approach to poverty reduction efforts. There is a growing understanding between Government and Development Partners that there is an urgent need to improve the efficiency and effectiveness of external resources in order for Tanzania to achieve its poverty reduction goals. In response, the government has articulated ambitious targets and comprehensive strategies for poverty reduction in the new PRSP or Mkukuta. International financial institutions, bilateral donors and a growing number of foreign private investors today view Tanzania as one of the most promising African economies.

2. For the period between 1996 and 2004, the ADB supported the Government of Tanzania through its lending strategy. Bank strategy was articulated in three Country Strategy Papers which all had poverty reduction as their overarching objective. Analysis of Bank support to Tanzania, as captured in the CSPs, produced several findings. Bank effort to limit the number sectors supporting the Bank Group strategy met limited success. This lack of selectivity was largely because the CSPs were not completed as planned. In spite of its significant interventions in Transport and in Education, the Bank does not seem to have developed comparative advantage in these sectors. It has yet to fully capitalize on its accumulated experience and expertise in these sectors. Also, none of the CSPs were supported by a set of medium-term performance indicators as well as a sound monitoring and evaluation system to help determine the effectiveness of Bank's assistance program. Another key finding is that CSPs did not sufficiently address Zanzibar considering the Bank's growing presence on the island in terms of amount of lending compared to other donors.

3. For the period under review, the ADB provided support amounting to UA 444.75 million for 34 operations, covering five sectors and policy-based support (multi-sectoral). Of this amount, 62% were for project lending (loans), 30% for policy-based lending and 8% were grants. Bank portfolio in Tanzania was characterised by slow implementation between 1996 and 2004. Out of the 34 operations, 5 were completed, of which two are Policy-Based Loans, while the other three completed operations are studies or Special Financing Mechanisms. There were no investment projects completed during the nine year period. As a result, the sectoral assessment of Bank activities relied on the expected results. The Bank portfolio is judged to be relevant and efficacious, but inefficient overall. Project objectives under each of the pillars will be achieved only if the efficiency issues hindering their timely implementation are vigorously addressed.

4. The three pillars of intervention during this period were: support to macroeconomic stabilization through reforms, acceleration of pro-poor economic growth ; and fostering human development. The evaluation had difficulty identifying overall outcome and causal chain with the three CSP pillars. This was due to slow programme implementation, the lack of a monitorable results framework as well as the absence of baseline data. Despite the significant resources dedicated to the Economic Growth pillar and to the Human Development pillar, together representing 69% of total resources for the period, inefficient implementation prevented the Bank from realizing most of its objectives in these areas. Future successes under the pillars of Economic Growth and Human Development Bank are possible, provided the portfolio is

managed more efficiently. Bank interventions in the third Pillar, Macroeconomic Stability, was successful as Bank activities made a contribution to maintaining macroeconomic stabilization and structural reforms.

5. Bank approach to Institutional Development (ID) remained piece meal largely due to insufficient ESW needed to better assess country ID needs. Regarding sustainability, Bank achievements are likely to be sustained, as the structural reforms that have been accomplished are generally accepted by stakeholders. Financial and economic viability are also likely thanks to privatisation and sectoral reforms. In terms of institutional sustainability, the Bank interventions in the education sub-sector are relatively strong as they work via existing institutions and by involving the staff already employed and thus developing the capacity of those to remain after completion of interventions. Regarding social sustainability, the focus on community supported educational institutions is very positive.

6. Looking ahead the following, recommendations are proposed:

- At the outset of future CSPs, selectivity, as well as the mix of lending and non-lending instruments used to achieve synergy among various Bank endeavours during the programming period should be a key consideration.

- Economic Sector Work (ESW) will be a strong prerequisite to enhancing the quality of Bank CSPs and ensuring the success of Bank sectoral interventions. Bank ESW effort should also include robust analysis of Zanzibar in order to provide better understanding of the island's needs and its relative weight in the Bank's overall strategy in Tanzania.

- It is also key that the Bank improve implementation efficiency in Tanzania to ensure pending project outcomes materialize and that future Bank programming is facilitated.

- Implementation delays need to addressed. Loan effectiveness delays could be minimized by requiring the fulfilment of substantive conditions before appraisal or before Board approval.

- There is also a need to better exploit the Bank's comparative advantage in the Transport and Education sectors.

On Monitoring and Evaluation, the 2005-09 CSP Framework should contain a robust evaluation framework with verifiable, objectively measurable, performance indicators for both mid-term and final CSP evaluations.

Now that a country office has been opened, this office should play a crucial role in all these areas.

1. INTRODUCTION

1.1 This Report evaluates the Bank Group assistance to the Republic of Tanzania. The Country Assistance Evaluation (CAE) provides relevant lessons to the Operations Complex by identifying good practices and shortcomings from past operations. The objective of the CAE is to assess the development effectiveness of the Bank's intervention by evaluating the contribution of the Bank's assistance towards meeting the expected outcomes in the Government's Strategic Document, the Tanzania Poverty Reduction Strategy, and eventually in meeting the Millennium Development Goals. The CAE also draws relevant lessons learned from experience over the period in order to strengthen future Bank policies and procedures and improve the quality of Bank operations.

1.2 The Tanzania CAE takes the country as a unit of analysis and attempts to evaluate the Bank Group's assistance to Tanzania from 1996 to 2004, using the Bank's country strategy as a point of reference. The evaluation covers three Country Strategy Papers. These are: Country Strategy Paper 1 (1996 - 1998) (CSP1); Country Strategy Paper 2 (1999 - 2001) (CSP2); and Country Strategy Paper 3 (2002 - 2004) (CSP3). Collectively, in the 3 CSPs, the Bank approved loans and grants totalling UA444.75 million to Tanzania. Bank Group assistance is assessed across three dimensions, namely, products and services, development impact, and contribution of the assistance to results acheived. The products and services dimension is a bottom-up approach which assesses individual Bank assistance input; the development impact dimension is a top-down analysis of the key Bank assistance for their relevance, efficacy, efficiency, sustainability and institutional development impact; the third dimension allocates the assistance results to the Bank Group, the government of Tanzania, other development partners and exogenous factors. The standard OPEV evaluation rating scales is used in the evaluation. This evaluation rates only the outcome of the Bank's Program in Tanzania, not the country's overall development outcome, although the latter is clearly relevant for judging the ADB's program outcome.

1.3 In order to compensate for the lack of self-evaluation (notably PCRs), Bank performance in Tanzania is assessed using the Sector Reports prepared for this CAE and by relating to the Bank's corporate response to agreed policies and practices. The CAE uses information from the Water Supply & Sanitation, Transport, Social, (Health & Education), Agriculture and Rural Development Reports, as well as information from Portfolio Review Reports, Mission to Tanzania during which Multi Sector lending was reviewed, and the Bank's data base on project approval and disbursement trends. This approach is required because the level of PCR coverage Bank-wide is low. It is less than 50% compared to the requirement of 100% consistent with the practice of other MDBs. Tanzania is no exception. The last Portfolio Review for Tanzania dates back to 1997 while only 4 PCRs were completed for a total number of 34 projects in the portfolio during the period.

1.4 The report is presented as follows. Chapter 2, provides a brief description of the period under review as well as a summary of the main challenges facing Tanzania in 1996 and today. Chapter 3 presents an evaluation of the strategy pursued in Tanzania by the Bank since 1996. The CSPs are reviewed and evaluated in a 'bottom-up' review of major programme inputs - loans, non-lending assistance, resource mobilization and aid coordination. Chapter 4 provides a "top-down" analysis of the principal programme objectives. This is followed by a discussion of progress made toward the achievement of MDGs and a review of key cross-cutting issues. Institutional development impact and sustainability are also addressed before presenting an overall assessment of the development impact of Bank Group assistance to Tanzania for the period under review. Chapter 5 attempts to evaluate the contribution to outcomes by the Bank, the Government, and other development partners, as well as examine how exogenous factors may have affected programme outcomes. Chapter 6 contains the lessons that can be learnt from the evaluation of Bank assistance to Tanzania and recommendations emanating from the CAE.

2. ECONOMIC AND SOCIAL BACKGROUND

2.1 Country Background

2.1.1 Tanzania came into existence in 1964 after the union of two countries (Tanganyika and Zanzibar). Since independence, Tanzania, a moderate, politically stable member of the EAC, has played a positive role in East Africa. It has served, and continues to serve, as a safe haven for Africans fleeing conflict situations throughout Southern and East Africa. Tanzania has a stabilizing influence in the region, encourages regional co-operation and sets an increasingly good example as a successful democracy. In this context, the ADB presence in Tanzania since 1971 has strived to remove key constraints to Tanzania’s development effort and to improve the welfare of its population.

2.1.2 Tanzania is one of the poorest countries in the world. Its population is growing at about 2% per year (2005 est.) with an annual per capita income is approximately $280. The economy is heavily dependent on agriculture, which accounts for some 50% of GDP and provides 85% of exports. As such, Tanzania's economy is vulnerable to climatic conditions, notably floods and drought, with some regions being particularly drought-prone. Industry accounts for some 15% of GDP, with services accounting for the remaining 35%. The tourism sector has recorded significant growth in recent years. The mining sector has good, but as yet under exploited, potential. Both the service sector and the informal sector are increasingly important sources of employment.

2.1.3 Agriculture remains underdeveloped. The sector receives relatively low levels of investment, has problem of declining access to credit, and is subjected to fluctuations in the international prices for the commodities it produces[1]. Investments in mining and other non-traditional sectors have so far not quite benefited the wider economy. There has also been large concentration of investment in a few less-poor regions (Daresalaam, Arusha, Shinyanga and Mwanza) reflecting the location sectors that received most investment (mining 40%, manufacturing 22% and tourism 22%). Less FDI went to regions with less developed economic infrastructure and social amenities, thereby impeding poverty reduction and reinforcing existing inequalities.

2.1.4 Over the past 13 years, the role of the state in Tanzania has changed dramatically. After 25 years of centralized state dominance, the government has shifted from being the main engine of growth and provider of services, to being a facilitator of growth, a standard setter, and a

[1] Coffee, sisal, tea, cotton, , cashew nuts, tobacco, cloves, corn, and wheat

provider of essential public services. While this re-orientation has been vital, both the speed and magnitude of change, in an environment of resource scarcity, have created considerable challenges for achieving coordinated implementation of new policies and reform programmes throughout Tanzania.

2.2 Economy and Poverty

2.2.1 With this new direction Tanzania has made major strides with its economic reforms and a significant improvement in macro-economic performance has been achieved as indicated in Table 1. Additional socio-economic data is provided at Annex 2. The rate of GDP growth has averaged 5.3% over the past five years. It has gone from 4.2 percent in 1996 to 6.7 percent in 2004. Inflation has fallen from 21 percent to 4 percent within the same period. The investment/GDP ratio, FDI, and level of foreign reserves also show a positive trend.

Table 1 : Trends in Selected Macroeconomic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003
Real GDP Growth	4.2	3.3	4.0	4.7	4.9	5.7	6.2	5.6
Inflation – annual average - %	21.0	16.1	12.9	7.8	6.0	5.2	4.5	4.4
Exchange Rate (Tshs/USD)- annual average	580.0	612.1	664.7	744.8	808.4	876.4	966.6	1038.6
Exchange Rate (Tshs/USD) – end of period	595.6	624.6	668.0	797.3	803.3	916.3	976.3	1063.6
Merchandise exports(mil.US$)- FOB	763.8	752.6	588.5	543.3	663.3	776.4	902.5	1142.4
Merchandise imports(mil.US$)- FOB	1212.6	1148.0	1382.2	1415.4	1367.6	1560.3	1511.3	1973.0
Export/Import ratio (Goods)- %	63.0	65.6	42.6	39.7	49.6	52.0	58.7	57.9
Current Account Balance (mil.USD)	-265.1	-403.4	-905.4	-829.5	-498.6	-480.0	-251.1	-337.2
Investment/GDP ratio- %	16.5	14.7	16.0	15.4	17.6	17.0	18.9	18.5
Foreign Direct Investment (FDI)- mil.USD	148.5	157.8	172.2	516.7	463.4	327.2	240.4	247.8
Foreign Reserves (Months of imports °	2.4	3.8	3.0	4.1	5.6	6.3	8.3	8.9

Source : President's Office –Planning and Privatization, Ministry of Finance, and Bank of Tanzania.

2.2.2 Despite these macro-economic gains, the recent growth rates have been unevenly distributed among the households and regions and insufficient to translate growth into poverty reduction. The benefits of growth must reach the rural poor in order for poverty to be reduced, given that poverty in Tanzania is mainly a rural phenomenon, although it is also gaining prominence in urban areas.

2.2.3 The high debt burden, rapid population growth and urbanisation, the incidence of HIV/AIDS and the unpredictable influx of refugees have aggravated the problem of poverty in Tanzania. The level of human development is low, and according to the UNDP's Human Development Report of 2004, the country had a Human Development Index ranking of 162 out of 177 countries in 2002.

2.2.4 Analysis of statistical data and information from recent surveys[2], complemented by analytical studies conducted under the National Poverty Monitoring System, shows that although there has been a decline in the proportion of the population living below the food and basic needs poverty lines since the last HBS Survey of 1991/92, the improvement is small and insignificant. When population growth is factored in, the absolute number of the poor has actually increased by nearly 2 million during the period. Available data for the 1990s suggest that most poverty indicators have been stagnant, and mortality rates have risen, partly because of the spread of HIV /AIDS, but also because of declining quality of, and access to, health services.

2.2.5 The overall picture that emerges from these surveys is that the majority of the population in Tanzania has not yet started benefiting from economic growth, and that poverty remains widespread, deep and persistent. Moreover, there are wide disparities in the status of poverty between regions, underscoring the need for a more targeted and diversified approach to poverty reduction efforts. In response, the government has articulated ambitious targets and comprehensive strategies for poverty reduction.

2.3 Assessment of Progress in the Implementation of the PRSP

2.3.1 Tanzania's targets for poverty reduction are set out in a number of important documents, including: the National Poverty Eradication Strategy (NPES); and the Poverty Reduction Strategy Paper (PRSP), which link targets with resource allocation and monitoring processes. Poverty reduction is now the key focus of the Government’s development agenda. The PRSP rests on three pillars namely: the reduction of income poverty; the improvement in human welfare; and the achievement of a conducive environment for sustainable development. The longer-term poverty reduction targets set out in the PRSP are to; (i) reduce the incidence of basic needs poverty by 50%, from 48% in 2000 to 24% by 2010; and (ii) reduce the incidence of food poverty from 27% in 2000 to 14% by 2010.

2.3.2 The priority sectors and areas of intervention for achieving these targets are agriculture, health, education, water, roads, the judiciary and HIV/AIDS. The Poverty Reduction Strategy focused on three sets of outcomes and actions. These are: (i) reducing income poverty through accelerated and equitable growth; (ii) improving human capabilities, survival and well-being; (iii) containing extreme vulnerability among the poor. Tanzania had reached the decision point under the enhanced Heavily Indebted Poor Countries Initiative (HIPC) Initiative in early April 2000. GOT increased public spending in priority areas—education, health care, water, agriculture, rural roads, the judiciary, and the fight against HIV/AIDS—in the budget for 2001/02, with the benefit of donor assistance and debt relief under the enhanced Initiative for the Heavily Indebted Poor Countries.

2.3.3 The most recent PRS Progress Report (July 2002-June 2003) provides the final assessment of the implementation of the PRS. The report notes that there are successes recorded due to the implementation of the first PRSP in macroeconomic performance and in reforms in various areas including financial sector, public service and local government. In spite of the successes, the report acknowledges that more effort is still needed in virtually all areas.

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[2] The most recent poverty profile for Tanzania is based on the 2000/01 Household Budget Survey (HBS), the 2000/01 Integrated Labour Force Survey and the 1999 Health and Demographic Survey (HDS).

2.3.4 The PRSP process has recently spawned new initiatives including the Tanzania Assistance Strategy that was launched in 2002. The TAS is a unique initiative that resulted from a joint understanding between the Government and Development Partners that there is an urgent need to improve the efficiency and effectiveness of external resources in order for Tanzania to achieve its poverty reduction goals. The TAS has since proposed the development of a Joint Assistance Strategy (JAS). The JAS would be a joint strategy of the government and donors, under the leadership of the government. It would detail how external resources could be used collectively to support the NSGRP, thus combining features of a traditional country assistance strategy with a harmonized approach and better division of labour between Development Partners. The JAS would address the need for Development partners to streamline their procedures among themselves and to have an effective dialogue with the Government.

2.4 Major Constraints to Economic Growth and Development

2.4.1 Tanzania's progress toward development and poverty reduction has faced a number of constraints. These include:

2.4.2 **Macro-economic constraints**: Tanzania has sustained its macro-economic reform effort and has undertaken major fiscal and monetary reforms. However, more efforts are called for if Tanzania is to continue to provide the macroeconomic framework required for sustained growth. Despite efforts to ensure sound economic management, growth rate of the economy has not been sustained at the desired high level of 6-8 percent per annum for the past decade or so. Also there has not been sustainable progress in attracting long-term private investment. Other key macroeconomic constraints facing Tanzania include: sustaining efforts to contain inflation by pursuing prudent fiscal and monetary policies (containing budget deficits); achieving surplus in the current account of balance of payments; and continuing to strengthen tax administration and reviewing tax policy impact on revenue, growth and welfare. Additional effort is also needed in the improvement of the business environment. Authorities need to follow up on their efforts with Tanzania's East African Community (EAC) partners to harmonize investment incentives in the EAC. In addition, authorities will need to remain vigilant to avoid the granting of tax exemptions and the resulting erosion of the tax base. The current level of investment (around 18.5 percent of GDP) is not sufficient to generate the robust growth needed for poverty reduction.

2.4.3 Structural growth constraints impede the country's efforts to achieving higher growth rates and poverty reduction. These include (a) low agriculture production and productivity and (b) weak physical infrastructure.

(a) Agriculture: Low agricultural growth has been a major factor in Tanzania's slow progress towards poverty reduction, given agriculture's predominant role in the economy and its overwhelming importance as a source of livelihood for the majority of the poor. Agriculture is the mainstay of Tanzania's economy providing 80% of employment, 50% of the nation's income and 75% of foreign exchange. Tanzania also has a large agricultural potential, capable of supporting growth rates well in excess of 5 %, but this potential has not been optimally utilized. The constraints facing the agriculture sector include the use of low technology; poor land husbandry practices; limited access to credit; weak support services; poor rural infrastructure; inefficient marketing systems and excessive taxation.

(b) Infrastructure: The weak physical infrastructure base is another hindrance towards the achievement of higher growth and development. The poor condition of roads is a particularly serious bottleneck, given the large size of the country, and the fact that roads are the major mode of transport. The entire feeder road network in Tanzania is in poor condition. For example, only 8 percent and 20 percent of district and regional roads respectively are in good condition. The poor transport infrastructure and weak infrastructure services are undermining Tanzania's external competitiveness and its ability to fully exploit the growth potential in non-traditional sectors such as tourism. Improving the infrastructure is, thus, essential, if Tanzania is to attain higher growth and reduce poverty.

2.4.4 *Human capacity constraints* that hinder human resource development. These include (a) weak institutional and human capacity constraints and (b) HIV/AIDS pandemic.

(a) Weak institutional and human capacity is another major constraint to sustained growth and poverty reduction in Tanzania. The problem of weak capacity affects all sectors and levels of government, but more so at the local government level where the responsibility for delivering basic social and economic services now lies. The weak human capital base is the cumulative effect of many years of deterioration in education outcomes.

(b) HIV/AIDS: The HIV/AIDS pandemic has emerged as a major development constraint. It is estimated that 7 percent of the population may be infected with HIV/AIDS, which underlines the immense scale of the problem confronting Tanzania. The consequence of HIV/AIDS is indeed profound, as the heavy financial burden of caring for HIV/AIDS patients by households and the Government is diverting resources from productive economic activities. If the rising trend in the HIV/AIDS infection rates continue, Tanzania's GDP would decline by 15 percent by 2010.

3. BANK GROUP ASSISTANCE TO TANZANIA: PRODUCTS AND SERVICES

3.1 **Objectives of the Bank Strategy**

3.1.1 This chapter presents an evaluation of the strategy pursued in Tanzania by the Bank since 1996. The CSPs for Tanzania are evaluated in a 'bottom-up' review of major programme inputs - loans, non-lending assistance, resource mobilization and aid coordination. CSPs are also assessed in order to establish their relevance to the national poverty reduction goals. Special attention is given to Efficiency with regards to the implementation of Bank strategy.

1996-98 Strategy

3.1.2 For the period 1996-1998, the Bank for the first time prepared a Country Strategy Paper for Tanzania. Poverty reduction featured prominently in ADF-VII guidelines while medium-to-large scale directly productive projects were to be left to the private sector, whose growth had been encouraged during this period and supported by all donors including the Bank Group, under the structural adjustment programme. Consequently, the lending strategy involved interventions in the transport sector (through rehabilitation of road infrastructure); in the social sector (through rehabilitation of primary health facilities and training of health personnel and skills training for the youth); in the public utilities sector (mostly provision of water supply); and in multi-sector operations, (funding of programmes in support of the then on-going structural adjustment process and financing micro projects targeted for the poor), which were all in line with the Government development strategy for the period.

3.1.3 The strategy reflected Government's development priorities and took into account lessons from the Bank's past interventions in the country. It also raised the need to narrow down the five areas of Bank intervention to facilitate portfolio management. Accordingly, four sectors for intervention were proposed. There were no interventions programmed in Agriculture as most of the aging projects were still under implementation, while the new projects had not started disbursing. Thus, in Agriculture, the Bank's efforts were to be concentrated on consolidating the portfolio before embarking on new investments. However, in the CSP Update of October 1997 the sectoral orientation was revisited to include limited interventions in Agriculture focusing on natural resource management. Such flexibility, it was argued, was necessary to enable the Bank support the Government's natural resource conservation effort aimed at promoting sustainable development.

3.1.4 In terms of implementation of the strategy, most of the plans were implemented except in the public utilities sector where the envisaged project (for water supply) was eventually not implemented because it was not appraised and processed during the plan period.

1999-2001 Strategy

3.1.5 The Bank's Country Strategy Paper for Tanzania for the period 1999 to 2001 was to support the Government's poverty reduction efforts through interventions aimed at promoting broad-based growth and human development. The social sector, public utilities and Agriculture were the priority sectors approved for Bank Group intervention over the programme period. This CSP was later updated to be in line with the full Poverty Reduction Strategy Paper of the Government, which was endorsed by the Brettonwoods Institutions in late 2000.

3.1.6 Sectors that were allocated resources under this CSP (social, public utilities [water supply] and Agriculture) were not the same sectors that utilized the resources. Loans were approved for projects in the transport sector (which had no resources allocated) and, on the other hand, no project was approved in the Agriculture sector although it had been allocated resources in the CSP. Thus the planned operations were not adhered to.

2002-2004 Strategy

3.1.7 The 2002-2004 CSP was prepared within the framework of the Tanzania's main land PRSP, the Zanzibar Poverty Reduction Plan, the Bank Vision and the Five Year Strategic Plan of the Bank. The objective of the CSP was to assist Tanzania to reduce the high levels of poverty through interventions aimed at promoting pro-poor growth and fostering human capital development. To this end, Bank Group assistance was to focus on rural development, human capital development as well as the reform programme and capacity building.

3.1.8 The resources were utilized in five sectors that had been identified in the CSP (Agriculture, Public Utilities – Water Supply, Social – Education, Transport – Roads, and Multisector, i.e. Poverty Reduction Loan). The Poverty Reduction Support Loan was channelled in the form of budget support. All the operations were in accordance with the CSP and highly relevant to the Government's strategy as contained in PRS II.

3.1.9 All the implemented projects were within the identified sectors. It cannot be determined whether the resources were used as planned because for the first time the CSP did not allocate resources to the different sectors of the projects that were to be implemented under the program cycle. Another novelty in the 2002-04 CSP, is that for the first time the focus of the Transport sector was reoriented to rural road network in order to support agricultural growth. For the first time also, capacity building support was targeted mainly at promoting good governance. In line with the Government's preference to budget support and the shift of donors towards this instrument, part of the Bank assistance was to be channelled in the form of budget support.

3.2 Relevance

3.2.1 This section assesses the three Tanzania CSP between 1996 and 2004 in order to establish their relevance to the national poverty reduction goals[3]. It specifically assesses the Bank Group's Country Strategy Papers to guide its operations in Tanzania and examines the relevance of these strategies both at the level of the Bank and the country.

3.2.2 Poverty reduction was the Government's primary objective. As a government partner, the Bank necessarily aligned its own strategy with that of Government. This was done by intervening in various sectors grouped in three focus areas of the Bank's strategy for the period under review: (i) enhancing macroeconomic stability through reforms; ii) promoting economic growth, and (iii) fostering human resource development. The evaluation found that Bank strategy during the last three CSPs was principally articulated around these three 'pillars' using lending instruments from the following sectors:

Table 3.0
Trends in Selected Macro-economic Indincators

Pillar	Sector
Macroeconomic Stability	Policy Based Loans (Multi-Sector)
Promoting Economic Growth	Agriculture, Transport, Private Sector Development
Human Resource Development	Health, Education, Water and Sanitation

3.2.3 Since the first CSP (1996-98), there has been progress in developing and articulating Bank Strategy in the CSPs. There has also been increasing effort to consolidate the strategy into a logical framework, including indicators. This is demonstrated by the fact that CSP1 did not provide outcome indicators nor contain an Annex with a Strategic Framework, while CSP2 provided both (albeit with little rigour), whereas in CSP3 outcome indicators from the Tanzania

[3] Prior to 1996, the country strategy was based on the EPCP that argued for a program that would continue to favour the productive sectors of the economy.

PRSP were more robust and captured in a fully articulated Strategic Framework. However, none of the CSPs provided medium-term indicators distinct from the PRSP indicators which would have allowed the tracking of Bank performance separately from Tanzania's overall performance.

3.2.4 The Bank's strategies were relevant and consonant with Tanzania's development priorities as outlined in a series of policy documents such as the National Poverty Eradication Strategy (1998), Medium Term Plan for Growth and Poverty Eradication, Vision 2025 (Planning Commission 1999), etc. There was a direct linkage between the CSPs and the PRSP. Furthermore, both the PRSP and CSP processes followed a participatory approach. Meetings with stakeholders were held as part of the consultation process and to imbibe the spirit of client ownership.

3.2.5 In reviewing the three CSPs there is a net progression towards increased consideration given to the strategic dimension of the document and alignment with the PRS and other donors. With regards to the sectoral alignment of the Bank's strategy with Tanzania's PRSP, CSPs identified priority sectors consistent and aligned with the PRSP. The operations approved by the Bank were geared towards poverty reduction and, therefore, consistent with the focus of the CSP. Thus, the Bank's assistance strategy has been in congruence with that of the Government. In addition, the Bank's intermediate interventions of support to macroeconomic stabilization, acceleration of pro-poor economic growth and fostering human development provided a multifaceted strategic approach to assist the government better manage the economy.

3.2.6 However, though the CSPs were relevant and the overall strategic trend has been in the right direction, it is noteworthy that analysis relating to constraints to sustainable growth and poverty reduction in the three CSPs failed to make reference to the restrictive international trade practices as a constraint to sustainable growth and poverty reduction. Another issue relates to the Bank having recently become the number one donor to Zanzibar in terms of volume of assistance for project financing which could signify greater risks regarding the achievement of outcomes, performance and quality of the Bank's overall portfolio in Tanzania. This issue is further discussed in the following sections on Bank lending which presents a critical review of CSP design and implementation in the field.

CSP Design and Implementation Issues

3.2.7 Each CSP was prepared under separate guidelines that were continuously revised to reflect ongoing Bank strategic thinking. Taking into account this evolution, a selected group of principles are examined. These include: Strategic selectivity; Appropriateness of instrument-mix & synergic impact; Comparative advantage; Client ownership & Strategic partnership; and Outcome indicators. This approach allows for a homogeneous review of the three CSPs while providing for lessons learned for the next generation of RBSCPs.

Strategic Selectivity:

3.2.8 Strategic seclectivity examines the number of sectors supporting the Bank Group strategy and whether the Bank has sectoral focus in its programmed operations. Table 3.1 provides a summary of the actual versus planned sectors of intervention for the three CSPs. These all proposed continuous interventions in the Social and Utilities Sectors and a more intermittent approach to the other sectors[4].

Table 3.1
Planned vs. Actual ADB Sectoral interventions 1996-2004

Planned ADB Sectoral interventions 1996-2004

	Agriculture	**Transport**	**Social**	**Utilities**	**Multisector**
1996-98 CSP		X	X	X	X
1999-01 CSP	X		X	X	X
2002-04 CSP	X	X	X	X	X

Actual ADB Sectoral interventions 1996-2004

	Agriculture	**Transport**	**Social**	**Utilities**	**Multisector**
1996-98 CSP	X	X	X	X	X
1999-01 CSP		X	X	X	X
2002-04 CSP	X	X	X	X	X

3.2.9 The 96-98 CSP identified the need to narrow down the areas of Bank intervention to facilitate portfolio management. Accordingly, the sectors for intervention were reduced from five to four under planned interventions in the CSP. There were no interventions programmed in the Agriculture sector as most of the aging projects, it was argued, were still under implementation, while the new projects had not started disbursing. Thus, in Agriculture, the Bank's efforts were to be concentrated on consolidating the portfolio before embarking on new investments.

3.2.10 However, the sectoral orientation was revisited to include interventions in the Agriculture sector focusing on natural resource management (CSP Update of October 1997). Though the CSP Update argues that ‘such flexibility was necessary to enable the Bank support the Government’s natural resource conservation effort aimed at promoting sustainable development’ these issues were evident much earlier and should have been included outright in the initial CSP formulation[5]. This additional intervention brought the total number of sectors to four, despite efforts to limit sectoral interventions in the CSP.

[4] If Agriculture, Transport and the Social Sector remain likely areas of future Bank presence due to their crucial importance to Tanzania’s development as charted in the PRSP, the Utilities sector could receive less attention in future due to Bank tendency to reduce the areas of sectoral intervention.

[5] The fact that Agriculture is the foundation of Tanzania’s economy providing 80% of employment, 50% of the nation’s income and 75% of foreign exchange makes it *de facto* a priority sector of intervention.

3.2.11 During the second CSP cycle period, resources were allocated to three sectors (Agriculture, social, and public utilities). Agriculture had an allocation of UA 7.72 million but no project was prepared in that sector and its allocation was therefore not used. The social sector was allocated UA 34.79 million, but utilized only UA 5.56 million, an under-utilization of 84% (UA 29.23 million). Public Utilities obtained 27%, or UA 42 million, which is close to the UA 38 million planned. On the other hand, the transport sector had no allocation in the CSP but ended up in having two projects approved for a total sum of UA 62.65 million. This resulted in the overall utilization of resources exceeding the total allocation by 28% (UA 27.806 million).

3.2.12 It is of note that, contrary to the CSP format, CSP3 did not allocate amounts or percentages to the individual sectors identified in the CSP (Agriculture, Public Utilities – Water Supply, Social – Education, Transport – Roads, and Multisector – Poverty Reduction Loan). As there was no set amount per sector it is not possible to determine whether the actual allocations reflect a predetermined sectoral allocation of resources[6].

3.2.13 Overall, effort to limit the number sectors supporting the Bank Group strategy had limited success. Sectoral focus in Bank's programmed sectors was not delivered as planned. There was also limited selectivity based the previous strategy as each CSP appears a self-contained strategy with limited connections to either its predecessor or successor.

*Appropriateness of Instrument-mix and Synergic Impact***:**

3.2.14 Each CSP delivered assistance composed mostly of project loans as well as grants, and policy-based operations. The mix these instruments in the CSP is key to achieving synergy among various Bank endeavours during the programming period.

3.2.15 Table 3.2 presents the total instrument mix for the three CSPs over the period. Project lending accounted for about two thirds (61%) of resources while Policy-based operations represented 30% and Grants 8% of total. Though PBLs (Special Financing Mechanisms excluded) account for about 45% of the allocations for investment projects and grants, there nevertheless remained about UA15 million which were not utilized for PBLs during the period under review. Also an amount of UA 6.65 million (16%) of the amounts planned for grants was not utilized. These resources were eventually absorbed by Project lending as resources utilized for this purpose exceeded allocation by 6% (UA 16.21 million).

[6] While the 3rd CSP had allocated UA 167.84 million, the approved resources amounted to UA162.96 million, and therefore there was a slight shortfall of 2.9% from the projected amount of UA167.84 million that was allocated under the CSP to the actual total amount approved during the CSP period (UA 162.96). Grants were also under-utilized by 7 percent (UA 1.89 million).

Table 3.2
Appropriateness of Instrument - Mix and Synergic Impact

	Total Project Lending	Multisector (PBL)	Grants Total	Grand Total
Allocation	257.44	149.52	41.58	448.555
Actually Utilized	273.65	136.17	34.93	444.749
Shortfall (-) Exceeded (+)	+16.21	-13	-6.65	-3.806
%	+6.30%	-8.69%	-16%	-0.8%
% of total	61	31	8	100

3.2.16 There is no clear explanation in the CSPs of how projects, grants, PBLs, etc., are to work together towards the goal of poverty reduction. In addition, as the mix of lending and non-lending instruments in the CSPs was modified during implementation, it is unlikely that synergy among various Bank endeavours during the programming period was achieved as planned.

Comparative Advantage:

3.2.17 With regards to the Bank's comparative advantage based on track record, the Bank is perceived by Government and other donors to have a comparative advantage in the Education and the Transport sectors. This is largely due to the Bank being active in these sectors since 1979 and 1974 respectively. The Bank's comparative advantage in Education (especially in Zanzibar) includes expertise and innovative policies on vocational training and educational financing arrangements. Though the Bank is also viewed as having a comparative advantage in Transport, it could be more influential considering its significant interventions in this sector.

3.2.18 The Bank made significant interventions in the Transport sector in the order of 25% of total operations in Tanzania during the three CSP program period. Despite this high level of involvement, the Bank did not engage pro-actively in aid coordination and advising in institutional streamlining and overall sector reforms. Coordination in the transport sector is strong and donors and government meet regularly through the Development Project Group (DPG) that has been established to discuss policy issues, avoid duplication of efforts and decide priority areas. The Bank is not part of the Donors' Committee although it had been involved in joint financing with other donors in several projects. The Bank has yet to fully capitalize on its comparative advantage in Transport. A similar situation exists with regards to Education.

Client Ownership and Strategic Partnership:

(a) Stakeholder Participation:

3.2.19 The Bank did well with regards to stakeholder participation. During the period under review, the PRSP and CSP processes followed a participatory approach. Meetings with stakeholders were held as part of the consultation process to foster client ownership. In terms of commitments and ownership of projects, the government consistently demonstrated satisfactory performance by continued support or promotion of the projects in its regular budget policy statements. In the Agriculture sector for example, the government was the main if not the only initiator of the projects and these projects reflected its prioritisation and strategy to achieve the underlying goal of poverty reduction and food security.

3.2.20 It is noteworthy that a Bank-sponsored Seminar was held in November 1998 to seek views of participants (government officials, private sector and civil society representatives) on key development issues facing Tanzania and to suggest ways of improving ADB development effectiveness. The Bank's participatory approach proved enriching for all stakeholders and enhanced an already growing government ownership. This kind of initiative could be repeated regularly.

(b) Strategic Partnership:

3.2.21 The adequacy, coherence and complementarity of the Bank assistance programme with that of other development partners, including NGOs, is key to developing strategic partnerships. The general perception among the GOT and other donors is that the ADB has been supportive, but could be more constructive and proactive in its Tanzania program.

3.2.22 During the period under review, the ADB operations have 'followed the flow' meaning that other donors set the development agenda (notably the WBG). The ADB has not been sufficiently present in policy dialogue to influence outcomes. For example, the ADB has been lagging behind the WB and IMF in dialoguing with the Government or the Central Bank and thus it has had little impact in the areas of sectoral or macro-economic policy. The three CSPs under review for the period proposed modest policy dialogue contributions. The Sectoral Reports indicate that this transpired into marginal results on the ground in terms of policy influence.

3.2.23 Though efforts were made to ensure project financing and technical assistance be limited to rural development and the social sectors, the Bank's strategy was not in synergy with other donors. Overall, the Bank's operations did not effectively supplement the activities of the other donors and were often perceived as 'stand alone' operations, i.e. detached from the mainstream of concerted donor efforts. An exception to this trend was the transport sector where the Bank was better able to complement bilateral development partner (notably the EU) investments in roads.

Performance Indicators:

3.2.24 None of the CSPs were supported by a set of medium-term performance indicators as well as a sound monitoring and evaluation system to help determine the effectiveness of Bank's assistance program. Though CSPs presented acceptable longer-term indicators crucial to judge the success of the government's poverty reduction strategy, they did not provide monitorable medium-term outcome indicators. It is important that in future such performance indicators be identified. The sources and the data and the selected indicators for project monitoring and benefit measurement were not clearly identified and specified in the appraisal reports. Similarly, the collection of information by the Borrower was not covered by appropriate conditions in the Loan Agreements and regularly monitored by the Bank. The lack of a sound monitoring and evaluation system in the CSPs was a design defect in the development of the CSP guidelines which will hopefully be remedied with the new RBCSPs. This problem was compounded by the absence of compatible monitoring and evaluation systems within the GoT.

Addressing the issue of Zanzibar in three CSPs:

3.2.25 The CSP issues discussed above[7] illustrate the importance of the CSP and adhering to adopted strategy. Today, the Zanzibari authorities consider the Bank to be playing a very vital role in its development effort, given ADB has recently become the number one donor on the island in terms of volume of assistance for project financing. This is a striking development considering that issues related to Zanzibar have hardly been a significant subject since CSPs started in the Bank, i.e. from the first CSP for 1996- 1998 through the third one for 2002-2004. The first one hardly notes Zanzibar. The second CSP (1999-2001) mentions Zanzibar in passing, while the preparation of the third CSP involved Zanzibar at least one Zanzibari official in consultation meetings. The point is that the Bank now has a high profile in Zanzibar without having planned or perhaps even having desired such an outcome as expressed in CSPs 1 to 3.

3.2.26 Considering that the ADB is now the number one donor in Zanzibar[8], the island's resource limitations, along with its distinct social and economic characteristics, warrant additional attention when strategically planning the Bank's activities in Tanzania. For example, while the government has put a lot of effort in expanding primary education, a sector in which the ADB is significantly involved, it seems current efforts are being overwhelmed by the rapid rise in population. Each school is running double shift and still the classes and desks are not enough. With continued significant demographic pressures, the sustainability of the current approach could warrant further study.

3.2.27 Other issues to be considered include: the appropriate planning of counterpart fund use in Zanzibar requires careful consideration in developing the CSPs. Also, though the borrower is the Union Government of Tanzania, since becoming the number one donor of project funds to Zanzibar in the last year, the Bank has higher profile on the island. This could signify greater risks regarding the achievement of outcomes, performance and quality of the Bank's overall portfolio in Tanzania considering that Zanzibar has not adhered to key crosscutting issues such as Gender and that Governance issues in Zanzibar are of concern among the donor community. It should be noted that MKUKUTA (or the new PRS) does not include Zanzibar in its analysis and presentation.

3.3 **Bank Lending Activities**

3.3.1 Historically, the Bank has provided only a fraction of the total resources devoted to Tanzania's development by other donors, stakeholders, and the government itself. Between 1971 and 2003, the share of the ADB's loans and grants relative to total assistance to Tanzania was 2.4%. It was 2.8% of total assistance to Tanzania for the period between 1996-2004 (see Annex 3). During the period under review, the ADB provided support amounting to UA 444.75 million for 34 operations, covering five sectors and policy-based (multi-sectoral). Of this amount, 62% were for project lending (loans), 30% for multisector (policy-based) lending and 8% were grants. The approved operations were in Transport sector (25%) Social Sector (16%), Agriculture (15%),

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[7] Strategic selectivity; Appropriateness of instrument-mix & synergic impact; Comparative advantage; Client ownership & Strategic partnership; and Outcome indicators

[8] According to the Commissioner for External Finance in Zanzibar, the AfDB became the island's largest donor in terms of total amount of assistance since 2004-05.

Public Utilities (13%) and multisector operations (31%). Table 2.3 provides a breakdown of sectoral operations by Bank commitment in UA.

Table 3.3
Distribution of ADB Group Commitments by Sector from 1996-2004

Sector	No of projects	Commitments			
		UA Million Loans	UA Million Grants	Total	%
Multisector	5	136.17	0	136.17	31
Transport	7	108.62	1.77	110.39	25
Social Sector	10	62.78	10.07	72.85	16
Agriculture	5	64.81	1.77	66.58	15
Public Utilities	6	36.94	21.32	58.26	13
Industry[9]	1	0.499	0	0.499	0
Totals	**34**	**409.819**	**34.93**	**444.749**	**100**

3.3.2 Out of the 34 operations, 5 were completed, of which two are Policy-Based Loans, while the other three completed operations are studies or Special Financing Mechanisms. No investment projects were completed during the nine year period.. Completed and ongoing operations since 1996 have taken, on average, 14 months to become effective. In addition, the average loan outside PBLs was less than 10 million UA, which translates into significant supervision effort and may in part explain the aging portfolio. Ongoing operations are mature ageing at an average of close to 5 years and with a low total disbursement/commitment ratio around 20% (end of 2004).

Bank Lending in Support of Pillars

3.3.3 The last three CSPs were articulated around three ‘pillars’ using lending instruments from various sectors. The Bank’s assistance in achieving Macroeconomic Stabilization used mostly policy-based loans. In this regard it committed a total of UA 136.17 million (31% of all commitments). This includes two structural adjustment loans approved in 1997 and 2001 totalling UA 95 million, a Poverty Reduction Support Loan of UA 50 million approved in 2004, and two Special Financing Mechanism loans of 1.17 million.

3.3.4 With almost 36 percent of the population living below the national basic needs poverty line, Tanzania needs to maintain high growth, low inflation, and a steady pace of structural reforms for many years. Each CSP emphasized economic growth through activities that generate income for people. In this regard, the Bank has invested in the transport sector UA 110.39 million and UA 66.58 million in the agriculture sector to promote such activities. These resources constitute 40% of the total project resources committed.

3.3.5 The Bank’s human development strategy emphasized achieving universal primary education, reducing infant mortality, increasing primary health coverage, and enhancing the quality and efficiency of education and health services. In this regard, it invested UA 131.11 million (29% of total resources) in the social and water and sanitation sectors. At the country level, the Bank’s strategic focus is aligned with the MDGs and Tanzania’s emphasis on social achievements. Annex 4 contains a review of resource allocation for each CSP.

[9] The only Industry project was the *Factory to produce cotton seed project* approved in 1997, and later cancelled.

3.4 Bank Non-Lending Activities

3.4.1 Bank Assistance went beyond the delivery of financial assistance through projects and programs to include analytical and advisory services. These include Harmonizing Aid Coordination; Resource Mobilization: Policy Dialogue and Advice: and Economic and Sector Work (ESW).

3.4.2 ***Harmonizing Aid Coordination***: Interviews with donors indicate that Bank has not been active in harmonizing its aid coordination during the period under review. Donor coordination in Tanzania is considered one of the best in Regional Member Countries, but the Bank has been aloof from this effort until recently. Coordination in most sectors is already strong and other donors and Government meet regularly to discuss sector policy issues. A Development Partners Group (DPG) was established to discuss policy issues, avoid duplication of efforts and decide priority areas. The Bank was not part of the Donors' Committee although it had been involved in some joint financing with other donors. Though the Bank has been weak in aid coordination so far, it is expected that the recent opening of the ADB country office bodes well for amelioration of this situation over time. This activity is rated unsatisfactory

3.4.3 *Resource Mobilization:* As regards co-financed operations, there were 5 operations amounting to UA 166.9 million in three sectors financed by the Bank. Co-financiers contributed a total of UA 1,198.12 million for the 5 operations, but the bulk of the funds were for the SALs (UA 1,170.03). As only UA 28.09 were obtained for regular investment projects, it appears the Bank did not leverage its resources very well. Details are provided at Annex 5.

3.4.4 ***Policy Dialogue and Advice:*** In the 1996-98 CSP, Policy dialogue was limited to discussions on the EPCP paper and the 1997 Portfolio Review. Despite the expressed need in the CSP to have the GOT carry out project audits, review its investment programme and reorient the implementation of its land reform to benefit smallholders, there is little evidence of concrete developments in these directions. In the 1999-01 CSP, the problem of corruption posed a major threat to Tanzania's poverty reduction effort. Bank engaged along with other donors in close dialogue with the Government on the implementation of the Anti-Corruption Action Plan. The dialogue on policy issues was to be conducted jointly with other development partners through the PRSP/PRBS/PER/TAS processes. This is difficult to verify and based on information available is unlikely to have happened with any significance. This activity is rated unsatisfactory

3.4.5 ***ESW:*** This is key to building the information/knowledge base to underpin the Bank's lending operations and to inform the policy dialogue process. The Bank ESW include TAF grant-financed operations such as preparation of the Rural Electrification Master plan in 1999, a Road study in Zanzibar (1998), an institution-strengthening component in the Roads Upgrading Project also in Zanzibar (2004), and a capacity building component in the Agricultural Marketing Systems Development Program (2002). Though the 2002-04 CSP also proposed the Country Gender Profile, and the Country Governance Profile, more ESW is required if the Bank is to remain meaningfully engaged through active participation in the sector planning, policy dialogue and coordination processes as well as identification of new activities for possible financing in future. Despite efforts so far, the Bank is not effectively engaged in Economic and Sector Work and is highly dependent on work done by the IMF and the World Bank. Though it may be argued that the BWI have a comparative advantage in this regard, there are risks associated with a monolithic view of development issues among IFIs. In most sectors, other than financing projects and programmes, the Bank has not been sufficiently pro-active in the policy dialogue and reform efforts. The Bank rarely focused on comprehensive sector studies to develop a comprehensive long-term vision/master-plan for the sector. This would facilitate the Bank's engagement in sectors of intervention with continuity through a series of logically progressing interventions that are in conformity with the long-term vision and policy objectives, and build on previous engagements.

3.4.6 Policy-based loans are demanding in terms of analytical work, background studies and policy framework papers. PBLs typically require detailed review of numerous diagnostic background documents from which outstanding issues are derived and developed into a matrix of policy reform to be shared and owned by the government. Bank's resources for PBL operations, notably those allocated to analytical work and background studies, were not sufficient. A number of challenges still need to be addressed. Notably, there is insufficient translation of macro level achievements to the micro level, necessitating closer analytical work on growth-poverty linkages and how growth could better benefit the poor. This activity is rated unsatisfactory

3.5 Assessment of Lending and Non-Lending Activities

3.5.1 Portfolio Rating: This section assesses overall outcome of Bank lending and non-lending activities based on ratings provided in the sectoral reviews10. The ratings of the Sectoral Reports are allocated to the Bank's project portfolio to provide an evaluation of Bank lending and non-lending instruments in Tanzania. Ratings from the following reports are reviewed: Water Supply & Sanitation; Transport; Social Sector (Health & Education); and Agriculture. The Sectoral Reports focused on the lending and non-lending instruments used to achieve programme objectives. These were evaluated based on the five evaluation criteria, namely, (i) relevance (ii) achievement of objectives and outputs (efficacy), and (iii) efficiency of allocation and utilization of resources, (iv) institutional development impact and (v) sustainability of project outcomes/results. These evaluation criteria were applied to individual projects and a rating for each criteria was derived by finding the average of the individual results11. Outcomes are evaluated by considering three factors: the relevance of the intervention's objectives in relation to country needs and institutional priorities; efficacy, i.e. the extent to which the developmental objectives have been (or are expected to be) achieved without shortcomings; and efficiency, i.e. the extent to which the objectives have been (or are expected to be) achieved without using more resources than necessary. An overall rating of outcome for sectoral interventions is presented in Table 3.4.1. Institutional Development and Sustainability are presented separately in Table 3.4.2 (these two latter criteria are discussed in more detail in Chapter 4).

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[10] OPEV rating Definition of Project/Programme Evaluation Criteria and Rating scale are provided at Annex 7.

[11] These range from highly satisfactory (4 points), satisfactory (3 points), unsatisfactory (2 points) to highly unsatisfactory (1 point). Refer to Annex 7 for detailed sectoral ratings results and OPEV rating methodology.

Table 3.4. (1)
Overall Rating of Outcome for Sectoral Interventions

Criteria	Average	Rating
Relevance	3	Relevant
Efficacy	3	Satisfactory
Efficiency	2	Inefficient
Outcome	**3**	**Satisfactory**

The detailed rating are found in Annex 6.

Table 3.4. (2)
Overall Rating of Institutional Development and Sustainability for Sectoral Interventions

Criteria	Average	Rating
Instititutional Development.	2	Modest
Sustainability	3	Likely
Combined	**3**	**Satisfactory**

The detailed rating are found in Annex 6.

3.5.2 These ratings cover projects approved during the period 1996-2004. Because of the non-completion of the majority of the projects concerned, these ratings are based on the expected results as opposed to actual results observed in the field. .

3.5.3 According to the Sector Review Reports, operations in all the sectors were rated relevant and efficacious. On relevance, the education sector was given the highest rating of 4 while the Health sector, Power and Transport sectors were given rating of 3 and Agriculture received the lowest of 2.9. In the case of Agriculture, while non-lending activities received fairly high ratings, projects, on the other hand, had poor ratings that pooled down the overall rating to 3. In Education there were high ratings also for ESW, especially as it influenced the design and relevance of the ensuing projects.

3.5.4 As regards efficacy, the aggregate ratings were lower than in the case of relevance, even though the overall rating received was 3. The highest given was for the Transport sector (3) while the lowest was in respect of the Education sector. The Health sector also received low rating because of the non-functioning equipment, lack of trained midwives, poor training of staff nurses, etc. that has led to the conclusion that related MDG (e.g. reduction of maternal mortality rate) being likely not to be realized as envisaged. In the case of Agriculture, most studies and ESW received a poor rating.

3.5.5 Efficiency was low. All the sectors reviewed received poor ratings. The lowest ratings of 1.8 was given to the Health sector. A 'satisfactory' rating was awarded to the water sector based on 'expected' efficiency as the project is still ongoing. Should this be the case in future, it would mark a departure from the inefficient projects experienced in this sector previously.

3.5.6 The section on Portfolio Ratings indicates that poor performance of the aggregate portfolio for the three CSPs is partly rooted in inefficient implementation. Efficiency is the extent to which objectives have been achieved without using more resources than necessary. In other words, the extent to which project benefits/output are commensurate with resources/inputs (funds, expertise, time etc.). Given the weak portfolio, the Bank was to work closely with the Government in order to bring about an early and sustained improvement in project implementation. In this regard, the implementation of the Country Portfolio Improvement Plan that was jointly developed with the Government was to be closely monitored. Today, there is a joint understanding between Government and Development Partners in Tanzania, including the ADB, that there is an urgent need to improve the efficiency and effectiveness of external resources in order to achieve its poverty reduction goals.

3.5.7 Three sources of information were used to review efficiency of Bank interventions during the period under review,. These include: sectoral reports, ADB files and field interviews. It is noteworthy that the last Portfolio Review for Tanzania dates back to 1997, so no CPPR data was available for this evaluation. Also, only 4 PCRs were completed for a total number of 34 projects in the portfolio during the period. Key efficiency issues identified in the sectoral reports, ADB files and confirmed during meeting with GoT officials include the following:

Disbursement:

3.5.8 Overall, 68% of the approved amount under CSP I has been disbursed. This is not a satisfactory rate given the age of the projects (7 to 9 years). Disbursement under CSP II is 36% and is also unsatisfactory, given the timeframe. For CSP III, it stands at 0.05% at the time of writing this report. For the entire portfolio, overall disbursement constitute 32% of the commitments. The ratio for ongoing projects is 21% disbursed while for completed projects the disbursement ratio is 99%, indicating that nearly the entire amounts were disbursed as costed.

Long turnaround time:

3.5.9 The portfolio is characterised by slow implementation. Out of the 34 operations, only 8 have been completed. They constitute 20% of the approved commitments, both in terms of loan amount and disbursement. Of the 8 completed operations, there are no investment projects. Two are fast disbursing SALs. The other 6, are studies (3), Special Financing Mechanism (SFM) (2) and the Special Food Security pilot program. None of the normal projects has been completed over the three CSP cycle period of 9 years. In fact 4 of the uncompleted projects are 8 years old – and were approved in 1997 (first CSP cycle).

3.5.10 Analysis shows that the slow pace of implementation usually started from the time a project was approved by the Board and stretches over long periods. Delays were usually due to protracted procedures in fulfilment of loan conditions by the Borrower, contracting and procurement processes, disbursement problems, and inadequate communication among the parties involved. For instance, all completed and ongoing operations since 1996 have taken, on average, 14 months to become effective.

Box 2.1

Slow Implementation
▪ Out of the 34 operations committed during the period, 8 have been completed. ▪ None of the investment sector projects has yet been completed over the three CSP cycle period of 9 years. ▪ Completed and ongoing operations since 1996 have taken, on average, 14 months to become effective.

3.5.11 The ongoing (uncompleted) operations are 20 in number and constitute 57% of the approved commitments. Two operations were cancelled and constitute 0.5% of the commitments.

3.5.12 The overall impacts of these long-drawn out processes were cost overruns due to inflation, under-achievement of targets as budgets are cut due to increasing cost of items, and cancellations of contracts or undisbursed funds. These cost overruns affected almost all Bank investment projects in Tanzania. Development effectiveness was also negatively impacted.

3.5.13 For example, in the Education and Health Sector Reports, 'delays' are mentioned 41 and 66 times respectively. Implementation and performance in all components and sub-components of the interventions were less than satisfactory, due to significant time run-overs[13] (a situation which exists in the other sectors as well). The main reasons are:

(a) Inadequate communication between the Bank and lending institutions;
(b) Bureaucratic tendering and procurement procedures and;
(c) Staggered disbursements due to co-financing by several financing institutions on the same project[14].

3.5.14 While the performance of the policy-based loans in terms of achievement of the objectives has generally been satisfactory, the start-up implementation has been fraught with delays. For example the third tranche release of SAL I was delayed by almost 18 months due to slow fulfilment of conditions by the borrower.

Poor Communication:

3.5.15 A key factor leading to long turn around time is poor communication. GoT officials and PIU officers complain increasingly about poor communication with ADB staff at HQ. ADB staff in HQ lack of sensitivity to issues faced by project coordinators in the field is not conducive to efficient operations. Some of the issues raised include:

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[13] For example, the interventions of the Bank regarding the First Health Rehabilitation Project were not very cost effective due to the delay of 3 years (1997-2000/2001) between the two appraisal reports and the implementation of the project during which the loan was subject to inflation. Due to the delays described above the general picture of the health sector projects is that they have not been efficient. One example is in Zanzibar, where the procurement of drugs through WHO has reportedly added to the costs and delayed timely arrival of anti malarial drugs.

[14] In one Health sector project this led to activities being delayed by between 12 and 18 months.

a) Unnecessary delays due to unavailability of HQ staff (missions, etc.)
b) Lack of flexibility with ADB procedures and rigid conditionalities for loans and grants;
c) High turnover of project staff resulting in projects being left without Task Managers for long periods;
d) Lack of field experience on some HQ staff. Extended disbursement delays; and
e) Poor mission supervision effectiveness.

3.5.16 Because the majority of projects are still ongoing, the sectoral assessment assumes that project outcomes are likely to be achieved in future provided the efficiency issues hindering their timely implementation are vigorously addressed. Hence, the sectoral assessment provides an overall Satisfactory Outcome for sectoral interventions based on projected future results. It indicates that the portfolio has been relevant, efficacious, but inefficient overall.

4. BANK GROUP ASSISTANCE – MEASURED AGAINST HIGHER ORDER OUTCOMES

The evaluation identified three intermediate goals pursued by Bank strategy to achieve poverty reduction in Tanzania during the period under review. These goals or 'pillars' of Bank intervention are: improve macroeconomic stabilization, accelerate pro-poor economic growth; and fostering human development. This Chapter evaluates the outcomes of these three pillars, i.e. the extent to which their developmental objectives have been achieved. This is followed by a discussion of progress made toward the achievement of MDGs and a review of key cross-cutting issues including gender, governance, environment and economic integration. Institutional development impact and sustainability are also addressed before presenting an overall assessment of the development impact of Bank Group assistance to Tanzania for the period under review.

4.1 Macroeconomic Stabilization Through Reforms

4.1.1 The Bank's assistance in achieving Macroeconomic Stabilization used mostly policy-based loans. In this regard it committed a total 31% of all commitments. The Bank also used ESW to achieve its Macroeconomic Stabilization objectives, notably in the development of the three CSPs. However, resources for PBL operations, notably those allocated to analytical work and background studies could have been more substantial to ensure Bank was on equal footing with BWI in the design and delivery of these PBLs.

4.1.2 A PCR for the first SAL shows that generally, the SAL had a positive impact on Tanzania in respect of those components that had been targeted by the SAL. These include improvements in expenditure allocations, progress in reforming the economic system re-establishing macro-economic stability, strengthening social service delivery through empowering local authorities and communities in service delivery, declining of telecommunication service costs, etc.

4.1.3 According to the PCR for SAL I, most of the targets set were met. These include achieving a budget balance of 0.9% of GDP for 1996/97 on annualized basis, setting the 1997/98 development budget at T.Shs. 20 billion for priority sectors, reducing the number of investment projects, increasing the share for education in the budget, etc. SAL II was an improvement on the first SAL in terms of the mechanism for implementation. The trend is that the economy and the reforms are on course and are likely to stay that way given the commitment of the Government to steer the reforms through and the acceptance of the reforms by the stakeholders. On this basis therefore, the Bank's intervention in this pillar is judged to be Satisfactory as it has achieved at least half of its objectives with some shortcomings notably with regards to the use of ESW.

4.2 **Promoting Growth Acceleration**

4.2.1. Tanzania needs to sustain high growth, low inflation, and a steady pace of structural reforms to address poverty in the country. Each CSP emphasized economic growth through activities that generate income for people. In this regard, the Bank has invested in the transport sector and in the agriculture sector to promote such activities. These resources constitute 40% of the total project resources committed.

4.2.2. As ongoing Bank projects make progress in their implementation, they should eventually contribute to the existing growth of the sector. For example, in Zanzibar, the Bank's road project that involves rehabilitation and upgrading of five roads (total of 88 km) and four bridges has just commenced. Projects are envisaged to improve transport services in Unguja Island of Zanzibar and achieve better management of the road network. The Bank's assistance in the Transport sector is expected to strengthen in the coming years in the light of the Millineum Development Goals and NEPAD initiatives that have recognised the significant role of transport in the economic development of regional member countries through regional integration.

4.2.3 Much of Bank contribution to growth is yet to materialize as most projects have not begun, are in early stages of implementation[15], or have encountered significant delays. For example, the Agricultural Marketing Systems Development Programme which covers Rural Marketing Infrastructure became effective on 25 February 2004. No substantial activities have started[16]. Where projects have begun, outcomes have yet to be achieved. In Selous Game Reserve there was considerable under-achievement in roads, airfields, etc. For example, out of 25 airfields only 3 were rehabilitated. The special Programme for Food Security (SPFs) was to end in March 2005, but no concrete information was available during the evaluation to determine whether evaluation benchmarks would be met. At the country level, Agriculture registered average annual growth rates of 5 percent in recent years compared to the average growth of 3.1 percent for the years 1998 to 2000. Largely due to inefficient implementation, Bank cannot claim a significant contribution to this success for the period under review. Bank-financed projects in the transport sector also faced significant delays in implementation. The Mutukula-Muhutwe (approved in 1997) was cancelled after disbursing 15%. The Shelui-Nzega road (approved in 1999 and to be closed in 2003) was expected to promote regional integration under East African Cooperation. It is still ongoing after a contract extension which has since lapsed.

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[15] The District Agricultural Sector Investment Project (DASIP) is a recently approved project (November 2004). The loan agreement was signed on 11th February 2005, hence, pre-project activities are only just starting.

[16] Except for US $80,000 from the grant element has been received by the PMU.

4.2.4 Despite the high level of involvement in Transport (25% of total operations in Tanzania during the three CSP program period), the Bank has yet to fully capitalize on its comparative advantage in Transport[17]. The Bank's intervention in the Economic growth pillar is judged to be Unsatisfactory considering the limited achievements for the period under review.

4.3 **Human Development**

4.3.1 The Bank's human development strategy emphasized achieving universal primary education, reducing infant mortality, increasing primary health coverage, and enhancing the quality and efficiency of education and health services. In this regard, it has invested 29% of total resources in the social and water and sanitation sectors. At the country level, the Bank's strategic focus is aligned with the MDGs and Tanzania's emphasis on social achievements.

4.3.2 There are promising signs that Bank Health policy is moving towards making action plans to enhance gender mainstreaming and inclusion of vulnerable groups in health projects. The Education portfolio could contribute to improving quality of formal public education and of alternative skills development for out-of-school youth. Likewise in the Water sector, the fact that utilities are now expected to operate on commercial lines, that a privatisation options under Management Contract are being introduced, and a regulatory body is being set up bode well for the future.

4.3.3 However, as none of the projects have been completed it is difficult to asses Bank outcomes for this pillar for the period under review. In addition, lack of comparative statistics makes it arduous to allocate progress notably in areas such as quality and efficiency of education and health services. In Education, problems of construction supervision and implementation speed were identified during the sectoral review. The Bank's limited health interventions have been relevant, but delays plagued projects. For example, Bank-financed equipment delivery was delayed or was not delivered at time of evaluation. Other issues relate to the Bank support to National HIV / AIDS Control Programme that did not seem to have produced visible results. Bank participation has been lacking in health sector reforms, in particular, the Donor Roundtable which worked out the Resource Allocation Formula, and the Joint Rehabilitation Fund for Primary Health Care facilities, using basket funding. In the water sector, projects were approved in 2001 and 2003 and remain practically undisbursed at time of evaluation.

4.3.4 Though the Bank also used ESW to enhance achievement of its human capital development objective it did not sufficiently focus on Zanzibar where it has recently become the largest donor with a significant in the social sector. Also, the Bank has not participated a Sector Wide Approach in Health, nor in Education. There is a problem with possible duplication of efforts in some areas due to the Bank portfolio not having been included inside the sector wide planning approach. As with the previous pillar, the evaluation finds the Bank achieved limited success in attaining its objectives set out for Human Development. Despite Bank and other donor support, Tanzania remains unlikely to meet most the MDGs by 2015. Bank intervention in the Human Development pillar is judged to be Unsatisfactory considering none of the projects has been completed as planned, the lack of comparative statistics and the dearth of ESW notably with regards to Zanzibar.

[17] The Bank did not engage pro-actively in aid coordination and advising in institutional streamlining and overall sector reforms.

4.4 Institutional Development

4.4.1 The institutional development impact measure evaluates the extent to which the Bank programme improved the ability of Tanzania to make more efficient, equitable and sustainable use of its human, financial, and natural resources. The Bank met limited success in fostering such changes. The evaluation finds the Bank had a modest ID impact largely due to inefficiencies in program delivery. Education sub-sector provides an example of how inefficiency impacts on ID. ADB has supported capacity strengthening of Education staff by provision of grants to train municipal health officers, under the in-service training component of the FHRP. Unfortunately there have been delays in disbursing the funds to allow key district health staff such as Medical Officers to go on courses. Applications for funds sent to ADB HQ are reportedly not acknowledged and delays of more than a year in receiving confirmation and follow up action were noted during interviews.

4.4.2 Limited capacity building components were included in projects financed in 2001 and 2003. As stipulated in the Country Strategy Paper for 2002-2004, institutional strengthening is now one major component of Bank interventions. However, the approach has remained piece meal and not designed and funded to bring sustainable outcome.

4.4.3 Overall, Bank had a modest impact on ID in Tanzania mainly due to inefficiencies in program delivery. It is noteworthy that ADB has a unique chance compared to most other donors in being appreciated as an African development partner. If this opportunity is seized more systematically to support institutional development in terms of systems and procedures plus HRD and facilities, the improvements in terms of institutional capacity could be significant. Where such opportunities are not taken up, there will be no comparative edge, as the institutional impact of more "static" interventions will tend to prolong a status quo and rather deter institutional development. One example where ADB interventions could play a more proactive role in terms of institutional development is in vocational training where the Bank is perceived to have a comparative advantage, notably in Zanzibar. The Transport sector also holds potential.

4.5 Sustainability

4.5.1 The sustainability measure reflects the resiliency to risks of Bank interventions as measured by their likelihood of being self-sustaining after funding ceases. The risk associated vulnerability to international developments is mitigated by Tanzania's demonstrated ability to manage political uncertainties by forging close relations with, and obtaining confidence from, the international donor community while maintaining social and macroeconomic stability. The progress achieved in this regard is likely to be sustained. Structural reforms that have been accomplished, having been generally accepted by stakeholders, are likely to endure. The absence of major policy reversals and continued borrower commitment to objectives are evident as the Government demonstrates a strong commitment to Bank/donor-funded reforms. There is also a greater sense of ownership of the reform process. Strong ownership of the reform program has greatly enhanced the likelihood of success of the adjustment support being provided by the Bank in conjunction with the international donor community.

4.5.2 Financial and economic viability are also likely. In the Water Sub-sector, the institutional reforms have facilitated the utilities to perform on commercial lines with the participation of the private sector. Management contract has been given to a private operator to manage the Dar es Salaam utility and the Dodoma utility is now run on commercial lines. Metering is now effectively installed to facilitate revenue collection and reduce unaccounted for water (UFW). Without financial sustainability, achievements in educational development cannot be sustained. GOT will have to remain strongly in the education sector and at the same time the positive trend of community funded secondary schools will have to continue. In addition, the donors in the sector will have to contribute for a long period to sector development in areas where generalized, deep poverty remains. In the health sub-sector, sustainability of training and infrastructure and equipment donations will only be guaranteed if a culture of preventive maintenance and an increase in government fiscal revenue with sufficient budgetary allocations to recurrent and capital costs at district level can be improved and maintained. For this to happen, the government will need to continue improving its track record in strengthening district / municipal health management capacity.

4.5.3 In terms of institutional sustainability, the Bank interventions in the education sub-sector are relatively strong as they work via existing institutions and by involving the staff already employed and thus developing the capacity of those to remain after completion of interventions. Regarding social sustainability, the focus on community supported educational institutions is very positive. If support also includes decentralisation with further involvement and ownership at local level, social sustainability is more likely to succeed. In health projects, the Bank has included training for preventive maintenance. As long as fiscal revenue allocated to the local government authorities and the municipal health districts is allocated in time and in full, in theory preventive maintenance and retrospective and rehabilitation work can begin to be undertaken by ward and district health staff. Unfortunately, there is still a long way to go. A culture of preventive maintenance both in education and health sectors is lacking. In several health facilities there is evidence of a total lack of a culture of simple maintenance that, if carried out, could have prevented a lot of the decline and degrading of infrastructure that now has to be put right. Transport infrastructure is also likely to be sustainable because there is strong commitment on the part of the authorities to provide routine maintenance to the infrastructures in place and to streamline the institutional arrangements to ensure the development of the sector and sub-sector in an integrated manner.

4.6 Cross-Cutting Issues

Poverty Reduction Strategy: Performance with respect to other Millennium Development Goals:

4.6.1 Poverty reduction is at the core of all developmental interventions funded by the Bank in Tanzania. Policy documentation of both the Bank and Tanzania emphasize this aspect. In recent appraisal reports, poverty issues are briefly covered qualitatively with no clear objectives and indicators that could facilitate monitoring and evaluation. Leads could, however, be taken from sectoral activities. For example, transport projects create a source of income for daily labourers working in the area of the projects. In one of the projects financed by the Bank, it was estimated in the appraisal report that 10 percent of construction expenditure and 5 percent of maintenance expenditure are in labour costs, which provides continuous income and skill development to communities. The fact that the transport systems facilitate the movement of goods and people have a positive impact on end users including the rural population in the region served.

4.6.2 Like most other sub-Sahara African countries, Tanzania falls short of achieving MDGs. Only two (Enrolment of children and Reduction in infant mortality rates) MDGs may be met in Tanzania, should the current trend continue. The absences of concrete guidelines for making operational pro-poor interventions often failed to address and incorporate them with desired explicitness and focus aimed at achieving MDGs. Thus, the poverty alleviation impact of interventions regarding MDGs was often the result of the general nature of the intervention rather than by conscious design.

Gender

4.6.3 The Bank's gender policy document of 2001 stresses gender mainstreaming as a means of fostering poverty reduction, economic development and gender equality. The Government of Tanzania has adopted a progressive National Gender Policy that emphasizes removal of gender disparity and gender sensitivity in the development process. For the period under review, most projects have not been gender sensitive during their design, implementation and operational phases. Appraisal reports since 1997 cover cross cutting issues including gender, but impact on women has been discussed in these reports mainly in general terms without clear objectives and performance indicators. This limits monitoring and evaluation of the projects on gender issues. As a result, the PCRs and PPER prepared on completed projects did not capture the aspect of gender. In the Transport sector for example, women are usually involved at construction sites in provision of food supplies for construction workers and get employed as daily labourers at construction sites. The fact that there are many women Transport contractors in Tanzania is an indication that women have benefited from these projects in construction and maintenance of the networks. Bank could seize this opportunity. This also constitutes an opportunity going forward. The Evaluation team finds that the Small Entrepreneurs Loan Facility project has contributed to reducing poverty for poor and underprivileged populations, especially women, although the assistance has had a predominantly urban bias as a result of the weakness of rural micro-finance institutions which do not yet have sufficient capacity to manage credit and train women's groups and other clients wishing to access credit through the African Development Bank.

4.6.4 Adequate attention should be paid to gender mainstreaming and gender specific targets[18]. This should be a critical feature of major guiding documents such as the PRS II, the Bank CSP, the budget support initiatives and the Policy Based Lending Programmes, and SWAPs.

Environment:

4.6.5 To address various environmental problems, Government developed a National Environmental Action Plan in 1994. This was followed by the National Environmental Policy of 1997. Subsequently in 2002, Government approved an Institutional and Legal Framework for Environmental Management to improve and mainstream environmental management in the planning processes and ensure coordination across sectors.

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[18] These include monitoring mechanisms and reporting in policy and legal framework, programmatic interventions specifically such as the ASDP, the Water Sector, Infrastructure, and Finance sectors, which have a high impact on gender related poverty reduction, institutional accountability on gender mainstreaming issues in their respective work, and staff development on awareness to gender sensitive planning and implementation.

4.6.6 Most transport rehabilitation projects fall under Category II in the Bank's environmental classification. Such projects usually have positive impact. The rehabilitation or upgrade of the network will facilitate the movement of goods and people more effectively and efficiently. Positive impact is also likely due to the comfort on driving improved road network and reduced wear and tear of vehicles. A full-fledged Environmental Impact Assessment Study was carried out for the Zanzibar Road Upgrading Project approved in June 2004. Summary of the EIA study for this project was submitted to the Board. The Appraisal Report has sufficiently summarized the positive and adverse impact of the project with mitigating measures. At country level, progress in environmental management is being hindered by weak institutional and technical capacity as well as insufficient public awareness of environmental issues. To tackle this problem, the Government is providing the necessary technical support and is building the capacity of district authorities in order to integrate environmental issues at the local development processes.

Governance:

4.6.7 Tanzania has been making a determined effort to promote good governance, as part of the implementation of its Poverty Reduction Strategy. In recent years, several initiatives have been undertaken in this direction including reforms in public financial management, civil service, legal sector, anti-corruption and decentralization.

4.6.8 Although the Bank has yet to implement an institutional support project in Tanzania in the area of governance, the issue has been addressed in some policy based operations[19]. The reforms supported by SAL II have been fully implemented. The Government of Tanzania (GoT) has since embarked on further reforms and is laying greater emphasis on capacity building to ensure that the reforms remain sustainable.

Private Sector Development :

4.6.9 The Bank is successfully implementing the Small Entrepreneurs Loan Facility to improve access of the poor in rural areas to micro finance services. The project is expected to strengthen the capacity of at least 30 micro-finance institutions, provide credit to at least 23,000 informal sector operators; and strengthen the capacity of the Office of the Vice President in overseeing poverty reduction programmes and projects.

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[19] The Institutional Support Project for Good Governance was signed mid-December 2004 but is not yet effective. However, the second Structural Adjustment Loan (SAL II) approved in December 2001 aimed at supporting measures to (i) enhance transparency in the use of public resources; (ii) combat corruption; (iii) strengthen the performance of the public sector and the judiciary. The specific actions that were to be monitored included (i) the extension of the Integrated Financial Management System (IFMS) to all 19 sub-treasuries and 22 district authorities; (ii) the issuance of regulations for the implementation of the new Public Finance Act, as well as the new procurement law; (iii) development and implementation of anti-corruption action plans in the Ministries of Works, Health, Education, Home Affairs, Attorney General Chambers and the Tanzania Revenue Authority; (iv) enactment of the Public Service Act; and (v) preparation of 3 detailed action plans for strengthening the judicial system, including the computerization of the case filing and registry system.

4.6.10 The consultative process with the private sector in evolving appropriate and effective macro and sector policies has been institutionalised. The private sector participates in the Government Tax Task Force and the Public Expenditure Review Working Groups. The private sector has also evolved institutional mechanisms for interaction and consultation with Government through bodies like the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA), Confederation of Tanzania Industries (CTI), the Tanzania Private Sector Foundation (TPSF) and the National Business Council (TNBC). TNBC will provide the main forum for public/private sector consultations on strategic issues of economic growth and economic development.

4.6.11 As part of the reform effort, the Government has redefined the role of the State to be one related to policy making, maintenance of law and order, provision of basic social and economic infrastructure and facilitation of economic growth. Government policy recognises the importance of facilitating the private sector and various economic agents to invest in productive and commercial activities to accelerate economic growth.

Regional economic integration

4.6.12 The Bank is financing transport projects in Tanzania to strengthen regional integration. For instance, the ongoing Mutukula-Muhutwe (112km) and Shelui-Nzega (108km) roads are envisaged to promote regional integration under East African Cooperation. However, regional integration through grid interconnection projects has been markedly absent in the Bank's interventions in the Tanzania power sector. This is particularly not optimal, given the large number of countries in the region and the very unequal distribution of energy endowment across them. Potentially the Electricity IV project can be the building block for inter-connection with Kenya. The Bank is now pursuing the Zambia-Tanzania-Kenya Interconnection project under auspices of NEPAD.

4.7 **Overall Outcome**

4.7.1 For the period 1996 and 2004, the Bank was the 11th largest donor in Tanzania out of a total of 44 donors. It is therefore a relatively small player in terms of overall resource flows to Tanzania. Considering the large number of donors in the country, the AfDB provided an average of 3% percent of the total resource flows to Tanzania during the period under review. Bank projects, policy advice and dialogue in Tanzania therefore complement a multitude of other initiatives led by different countries/donors. This variety contributes to the difficulty in identifying overall outcome and causal chain with CSP pillars. The challenge is compounded by slow programme implementation, the lack of a monitorable results framework as well as the lack of baseline data and counterfactuals. Nevertheless Bank interventions notably in Pillar 1, Macroeconomic Stability, PBLs which were delivered in collaboration with other IFIs, enabled policy/other reforms. The Bank's assistance, made a contribution to maintaining macroeconomic stabilization and structural reforms. However, despite the significant resources dedicated to the other two pillars (69% of total resources for the period) inefficient implementation constrained the Bank from realizing its objectives in contributing towards Economic Growth and Human Development. Viewed together, the three programming cycles have been characterised by slow implementation. None of the investment project has been completed over the three CSP cycle period of 9 years. In fact 4 of the uncompleted investment projects are 8 years old and were approved in 1997 (first CSP cycle). This slow pace starts from the time a project is approved by the Board. For instance, analysis shows that all completed and ongoing operations since 1996 have taken, on average, 14 months to become effective. As at the time of writing this report, there are 4 operations that are not yet effective. They were all approved in 2004, between June and December. There are twenty ongoing (uncompleted) operations which constitute 57% of the approved commitments. For the entire portfolio, overall disbursement constitute 32% of the commitments. On the basis of the above discussion, the overall outcome of Bank programme assistance is rated Unsatisfactory. Table 4 provides the summary rating of outcomes by objective.

Table 4.1
Summary of Outcome Rating by Objective

Development Objective	**Rating**
Macroeconomic Stability	Satisfactory
Promoting Economic Growth	Unsatisfactory
Human Resource Development	Unsatisfactory
Overall Outcome	**Unsatisfactory**

4.7.2 There is a discrepancy between the overall Satisfactory sectoral rating presented in Chapter three and the Unsatisfactory Development Objective rating above. This is attributable to the more narrow focus of the individual sectoral rating compared to the broader perspective afforded at the pillar level. Indeed, the sectoral ratings (bottom-up) considered only one sector at the time whereas the pillar perspective encompasses up to three sectors at the time. The sectoral ratings were based on promises of what is expected to happen and therefore discounted delays and non-adherence to CSPs. To the contrary, these are key considerations for programme based evaluation which led to the unsatisfactory ratings by objectives (top-down) as they have resulted in limited actual outcomes for the period under review. In addition, the sectoral ratings do not factor in the fact that Sectoral focus in Bank's programmed sectors was not delivered as planned in the CSPs while this is a key consideration of the outcome rating by objective. Indeed, the programmes were assessed against the CSP objectives expected to be realized during the period.

4.7.3 The evaluation also shows that with regard to lending, one out of three outcome criteria (efficiency) was rated unsatisfactory. With regard to non-lending, the three out of four non-lending activities are rated unsatisfactory: harmonization, policy dialogue, and ESW. On this basis, four out of seven are unsatisfactory outcomes. In addition, only one of the three Development Objectives or pillars of the Bank's program is judged to have been satisfactory. The objectives were largely not achieved for the other two pillars representing over two thirds of total resources used.

5. CONTRIBUTORS PERFORMANCE

This Chapter attempts to evaluate contribution for programme outcome to the three categories of actors—the Bank as contributor to country outcome, the Government, and other development partners, as well as examining how exogenous factors may have affected programme outcomes.

5.1 ADB Performance

5.1.1 The Bank focussed its interventions on three areas: Macroeconomic Stabilization through Reforms, Promoting Economic Growth and Human Resource Development. The poverty alleviation impact of Bank interventions in these three areas was often the result of the general nature of the intervention rather than by conscious design. Poverty issues had no clear objectives and indicators that could facilitate monitoring and evaluation. The absences of concrete guidelines for making operational pro-poor interventions often failed to address and incorporate them with desired explicitness and focus.

5.1.2 Throughout the period under review, the Bank strived to let ownership remain with the borrower considering the limited number of staff, including Task Managers available to cover a substantial portfolio. Yet at the same time, the project-centred approach and the relatively strict Bank procedures obliges Task Managers to be heavily involved in the implementation process. In terms of optimal use of resources on both the side of the borrower and the Bank, this represents a major challenge.

5.1.3 The three programming cycles have been characterised by slow implementation. None of the investment sector projects has yet been completed over the three CSP cycle period of 9 years. Allocation of resources within CSPs was often not according to plan. Nevertheless, Bank has contributed positively to sector developments where projects were implemented. But opportunities of fostering policy dialogue and influencing policy outcomes were not grasped. The Bank could have a larger contribution to Tanzania's development if the Bank decides to actively participate in policy dialogue.

5.1.4 The net contribution of Bank Group interventions in Tanzania is difficult to determine because BG performance is closely intertwined with the local and international practices. The responsibility would be shared with GOT as well, and perhaps with other donors. While an attempt is made to isolate the contributions of the Government and the Bank Group, the overall performance should be seen against the background of long drawn-out time lags and lead times, which characterized most of the projects reviewed in this study. An explanation for the lagged time between the approval and effective dates is the delay by the Government in meeting some of the conditions precedent to the loans, but several instances were also reported of delayed responses by the Bank Group. Lagged effective dates continue to affect project implementation, and it is an issue that must be addressed by the Government and the Bank Group.

5.1.5 The evaluation shows that with regard to lending, one out of three outcome criteria (efficiency) was rated unsatisfactory. With regard to non-lending, the three out of four non-lending activities is rated unsatisfactory: harmonization, policy dialogue, and ESW. On this basis, four out of seven are unsatisfactory outcomes (bottom-up). The outcome of the Bank's program for only one of the three objectives (macroeconomic stabilization) is judged to have been satisfactory (top-down). This is evidenced in Table 4.1, which reflects the objectives were largely not achieved for 69% of total resources used. On the basis of these findings, the performance of the African Development Bank is rated Unsatisfactory.

5.2 Government Performance

5.2.1 Government’s commitments and prioritization of development needs, and the quality of preparation and implementation of projects that constitute the development efforts, were considered important factors in assessing the Borrower's performance. The other factor was the adequacy of supervision, monitoring and evaluation. In terms of commitments and ownership of projects, the government consistently demonstrated satisfactory performance by continued support or promotion of the projects in its regular budget policy statements. The government was the main initiator of the projects and these projects reflected its prioritization and strategy to achieve the underlying goal of poverty reduction and food security. The overall quality of the preparation of projects was satisfactory.

5.2.2 The real issue had been the translation of these commitments into realistic budgetary allocations, which affected the performance of many projects where counterpart funds were needed to be committed and provided promptly. Because of the severe budgetary constraints of the Borrower, the share of the agriculture and rural development sector in the National Budget was generally low and counter-part funds were either released late or minimal. The GoT often had an overstretched budget with too many counter-part funding commitments and having to spend even more as the exchange rate depreciated (where the proportion of counter-part funding was designated in foreign exchange). In the face of large counter-part funding commitments and a severely constrained budget, the government prioritization of the budget became ambiguous at times. In some cases the GoT resolved the problem of counter-part contribution by allowing projects to retain all or part of the statutory revenues collected by the projects.

5.2.3 Government's macroeconomic reforms that were first introduced in 1986 with the Economic Recovery Programme and deepened during the past ten years have, however, vastly improved the environment for investment. Government has also undertaken considerable sectoral analysis to identify constraints to growth and development. In the Agriculture Sector, for example, the GoT adopted a sector-wide approach to involve stakeholders in a participatory process aimed at designing the Agricultural Sector Development Strategy (ASDS). This is a major positive undertaking of the GoT that will guide both domestic and external investment in the agriculture and rural development sector in the medium term. In Transport, Government has established the Road Fund to ensure sustainability of the infrastructure. There is now increased commitment to come up with ways of strengthening the Fund and managing it effectively. Though environmental management is being hindered by weak institutional and technical capacity as well as insufficient public awareness of environmental issues, the Government is providing the necessary technical support and is building the capacity to integrate environmental issues at the local level.

5.2.4. However, without financial sustainability, achievements cannot be sustained and GOT will have to remain strongly in sectors. In addition, the donors will have to contribute for a long period to sectoral development in areas where generalized, deep poverty remains. Sustainability will only be guaranteed if a culture of preventive maintenance and an increase in government fiscal revenue with sufficient budgetary allocations to recurrent and capital costs notably at district level can be improved and maintained. For this to happen, the government will need to continue improving its track record in strengthening management capacity overall but notably at district / municipal levels.

5.2.5 Looking ahead, Tanzania is moving forward inclusively to the next step on rationalization and harmonization. The Tanzania Assistance Strategy (TAS) launched in 2002, is a unique initiative that resulted from a joint understanding between Government and Development Partners that there is an urgent need to improve the efficiency and effectiveness of external resources in order for Tanzania to achieve its poverty reduction goals. The TAS is now in a transition phase with the development of the Joint Assistance Strategy (JAS). In light of these developments a number of bilateral donors (Canada, Sweden, etc.) and the World Bank have postponed developing strategic frameworks or CAS awaiting the drafting of the JAS. These developments may require a re-thinking of how the ADB conducts its business in Tanzania over the next few years.

5.3 **Other Development Partners**

5.3.1 Like the Bank, other donors benefited from the positive policy and macro environment created by the GOT. Japan (agriculture, transport) and the United Kingdom (public sector finance, agriculture) together provide more than one-third of bilateral assistance. Other bilateral donors include Denmark (health); Sweden and Germany (information technology, wildlife); Norway (energy); and the Netherlands (rural development). The United States is the lead bilateral donor for HIV/AIDS and for wildlife and coastal resource management.

5.3.2 Multilateral donors include the World Bank and the International Monetary Fund, which provide over 50% of all multilateral financing; the United Nations agencies; the African Development Bank and the European Union (rural roads, basic education). The Development Assistance Committee donors have created an Independent Monitoring Group. The Group periodically assesses coordination as well as the donor relationship with government, and recommends improvements.

5.3.3 Donors' conditionality and reporting requirement in financing projects put some pressure on the Government to fulfill differing requirements of donors particularly in the past. For example, in order to harmonize the requirements and coordinate their activities in the Transport sector, donors have established 'Donors Coordination Office'. Most of the donors are actively engaged in donors meeting and coordination functions through this office. However, the Bank was not represented. The recent opening of the ADB country office bodes well for amelioration of Bank presence at these important meetings over time.

5.3.4 The health sector in Tanzania has been given a very high priority under the Poverty Reduction Strategy Programme. 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 Tanzanian government's own funds are substantial. The United Kingdom, the Netherlands, Denmark, Ireland and Germany are amongst the European Union Member States who provide significant support to the health sector. Other large donors are Switzerland, the United States, the World Bank, UNICEF and UNFPA. The Bank was solicited to participate in a Health Sector SWAp in order to avoid possible duplication of efforts due to not being in sector wide planning approach.

5.3.5 Overall, other donor alignment and coordination have become exemplary on Tanzania and the Bank would gain much from participating more closely with the donor community than it has done so far.

5.4 **Exogenous Factors**

5.4.1 Droughts represent the main exogenous risk factor to the Bank program in Tanzania. Droughts occur approximately every four years in Tanzania. They have occurred eight times during the period 1991-2001, which covers most of the period under review, affecting more than 3.5 million people. Substantial emergency relief has been provided to drought-affected populations, in response to these natural disasters since 1996. Both the frequency and scale of its interventions, particularly in the central regions of Tanzania, have increased significantly during this period, reflecting not only an increase in drought frequency, but also a decline in the capacity of the populations in the affected areas to cope with climate related shocks, and a concurrent increase in their levels of vulnerability. Though they have not directly impacted the Bank program for the period under review, Bank some projects developed prior to 1996 outside the drought area were helpful in supplying food crops to drought-stricken region.

5.4.2 A terms of trade shock is another important exogenous factor. A characteristic common to commodity-exporting developing countries like Tanzania is that movement in its terms of trade is a key determinant of macroeconomic performance and has an important impact on real national incomes. The duration of terms of trade shocks has been about two years during the period 1960-1996 in Tanzania and their size has been relatively small compared to other commodity exporting countries such as Ghana or Uganda.

5.4.3 Both these exogenous factors posed risks to the successful implementation of the Bank's program in Tanzania's. The Bank would do well to align its strategy with aspects of PRS II which outline strategic interventions for improving the food security situation of the most vulnerable groups as well as ameliorating the macro environment in the event of terms of trade shocks.

6. FINDINGS, LESSONS LEARNED AND RECOMMENDATIONS

6.1 **Findings**

Zanzibar

6.1.1 Analysis relating to constraints to sustainable growth and poverty reduction in the three CSPs failed to make sufficient reference to Zanzibar. The increasing importance of Zanzibar in Bank interventions could signify greater risks regarding the achievement of outcomes, performance and quality of the Bank's overall portfolio in Tanzania considering that Zanzibar has not adhered to key crosscutting issues such as Gender and that Governance issues in Zanzibar are of concern among the donor community. Given Zanzibar's resource limitations, along with its distinct social and economic characteristics, there is a need for additional attention to be paid to Zanzibar when strategically planning the Bank's activities in Tanzania.

Selectivity:

6.1.2 Overall, effort to limit the number sectors supporting the Bank Group strategy had limited success. Sectoral focus in Bank's programmed sectors was not delivered as planned. There was also limited selectivity based the previous strategy. Each CSP appears a self-contained strategy with limited connections to either its predecessor or its successor strategy.

Comparative advantage

6.1.3 With regards to the Bank's comparative advantage the Bank seems to marginalize itself in spite of its significant interventions in certain sectors. For example, despite high level of involvement in Transport (25% of total operations in Tanzania during the three CSP program period), the Bank did not engage pro-actively in aid coordination and advising in institutional streamlining and overall sector reforms. The Bank has yet to fully capitalize on comparative advantage in Transport, as perceived by the GoT and other donors. A similar situation exists with regards to Education.

Synergetic Impact and Portfolio Size

6.1.4 The mix of lending and non-lending instruments in the CSP was key to achieving synergy among various Bank endeavours during the programming period. Each CSP delivered assistance composed mostly of project loans as well as grants, and policy-based operations. There is no clear explanation in the CSPs of how projects, grants, PBLs, etc., are to work together towards the goal of poverty reduction. In addition, as the mix of lending and non-lending instruments in the CSPs was modified during implementation, it is unlikely that synergy among various Bank endeavours during the programming period was achieved as planned. With regards to porfolio size, as the average loan outside PBLs was less than 10 million UA, these required significant supervision effort which may in part explain the aging portfolio. Out of the 34 operations, 8 have been completed (PBLs and studies). None of the sectoral projects has been completed over the three CSP cycle period of 9 years. Completed and ongoing operations since 1996 have taken, on average, 14 months to become effective.

Sector Wide Approach

6.1.5 The Bank has not participated a Sector Wide Approach in Health, nor in Education (notably vocational training, adult and non-formal education). Also, there is a problem with possible duplication of efforts especially regarding construction of maternal and child health units in some areas due to the Bank portfolio not having been included inside the sector wide planning approach.

Monitoring and Evaluation

6.1.6 None of the CSPs were supported by a set of medium-term performance indicators as well as a sound monitoring and evaluation system to help determine the effectiveness of Bank's assistance program. Though CSPs presented acceptable longer-term indicators crucial to judge the success of the government's poverty reduction strategy, they did not provide monitorable medium-term outcome indicators. It is important that in future such performance indicators be identified. The sources and the data and the selected indicators for project monitoring and benefit measurement were not clearly identified and specified in the appraisal reports. Similarly, the collection of information by the Borrower was not covered by appropriate conditions in the Loan Agreements and regularly monitored by the Bank. The lack of a sound monitoring and evaluation system in the CSPs was a design defect in the development of the CSP guidelines which will hopefully be remedied with the new RBCSPs. This problem was compounded by the absence of compatible monitoring and evaluation systems within the GoT. Poverty issues had no clear objectives and indicators that could facilitate monitoring and evaluation.

ESW

6.1.7 The evaluation also shows that ESW plays an important role in formulating and supporting reform programs that underline Bank lending, particularly in improving institutional development. In this regard, diagnostic work such as sector work, would help Bank to position itself when it has significant interventions in sectors where it has not yet fully capitalized on its comparative advantage.

6.2 **Lessons Learned**

6.2.1 The Bank's move from EPCP to CSPs entailed higher initial adjustments and transaction costs, but these seem to have paid off over time. Moving forward, harmonization, alignment, and managing for results will also mean real changes in established ways of doing things. They require time, perseverance, and patience. As they get woven into the succeeding CSPs starting with the 2005-2010 CSP, they may also initially entail adjustments and higher transaction costs, but there is some evidence that these pay off with time.

6.2.2 GoT still encounters difficulties with disbursement of funds due to institutional capacity limitations. Equally important is the need to strengthen the Bank's participation in the policy dialogue processes at the country level, especially on key issues of governance, budget management, public service delivery and cross-cutting issues of environment and gender.

6.2.3 There is a need to carefully consider the borrower's implementation capacity when designing conditionalities to avoid slippages in programme implementation that can hold back the flow of resources and undermine the credibility of the programme if the interruption is prolonged.

6.3 **Recommendations**

6.3.1 At the outset of future CSPs, selectivity, as well as the mix of lending and non-lending instruments used to achieve synergy among various Bank endeavours during the programming period should be a key consideration. Operations should pursue efforts to limit the number of sectors supporting the Bank Group strategy with a view to increasing the average loan amount. CSPs should also clearly demonstrate how projects, grants, PBLs, investment projects, etc., are to work together towards the goal of poverty reduction.

6.3.2. Economic Sector Work (ESW) is key to building the information/knowledge base to underpin the Bank's lending operations and to inform the policy dialogue process. ESW should become a prerequisite to enhancing the quality of Bank interventions. It is imperative that the Bank Group initiate Economic Sector Work, which could be carried out solely or in conjunction with other development partners (World Bank/IFAD). To this end:

6.3.3 Bank should seek to leverage funding and augment its own resources devoted to ESW (i.e. surveys, studies, programme design, etc.) for sector interventions. In addition, the next CSP should include robust analysis of Zanzibar to provide a better understanding of the island's needs and the island's weight in the Bank's overall strategy. It should include risk analysis of further investing in Zanzibar.

6.3.4 With regards to PBLs better partner with BWI in setting the tone of programme design and preparation. Special attention should be paid to policy issues linked to ongoing and/or planned sectoral interventions in the CSP. The Bank should increase and raise the level of its dialogue with the government to remove a persisting perception that the Bank is playing second fiddle to other donors (notably the World Bank).

6.3.5 The Bank should pursue its Multi-donor Budget Support (MDBS) and participate in SWAPs with other donors while ensuring its intellectual contribution to these types of interventions is well founded in ESW. For example, to further enhance Gender mainstreaming, the CSP should adopt recommendations from the recent *Tanzania – Multi-Sector Country Gender Profile*, notably with regards to Bank CSP development, budget support initiatives, Policy Based Lending Programmes, and SWAPs.

6.3.6 Efficiency is key to Bank programme delivery. A special meeting between the Tanzania Country Director and ADB Project Coordinators in Tanzania (along with Ministry of Finance) be held in the next three months in order to hear first-hand and address the numerous efficiency issues. This should be expressly mentioned in the next CSP. In particular, to minimize implementation delays the following measures should be implemented.

6.3.7 Disbursement schedules should reflect Tanzania's historical experience for each sector with an appropriate (modest) "improvement factor". Major departures from historical patterns would then require special justification.

6.3.8 Training in the Bank's procurement and disbursement procedures should be made an integral part of project processing and should be offered to officials who require such training, for each project ideally before approval. Undertaking project launching missions for all projects will also help in getting projects off to a good start.

6.3.9 Loan effectiveness delays can be minimized by requiring the fulfilment of substantive conditions before appraisal or on Board approval. Effectiveness conditions would then be limited primarily to legal requirements.

6.3.10 PCRs are not carried out in time or systematically and thus there are no useful lessons learned from PCRs. This can be remedied by carrying out PCRs without delays so that good lessons learned from what are considered success stories can be used elsewhere on timely basis. CPPR also need to be carried out on a regular basis. There is also need to ensure adequate budget for preparation of PCRs. The Country Director should draw an action plan to be current on PCRs and CPPRs.

6.3.11 The current 2005-09 CSP Framework should contain a robust evaluation framework with verifiable objectively measurable performance indicators for both mid-term and final CSP evaluations.

Map No. 3667 Rev. 5 UNITED NATIONS
January 2005

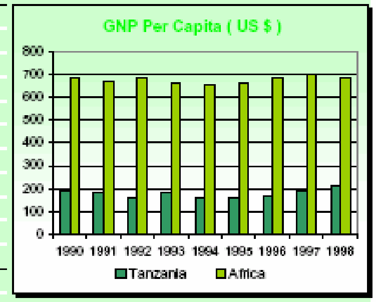
Department of Peacekeeping Operations
Cartographic Section

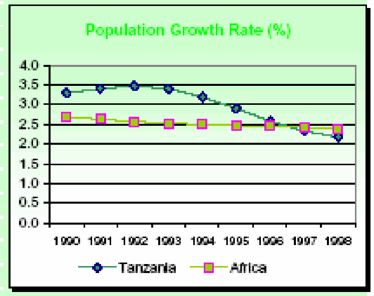
Annex 2

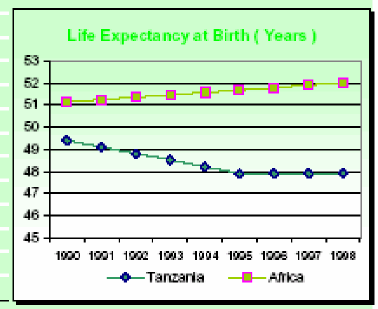
TANZANIA : BASIC DATA SHEET

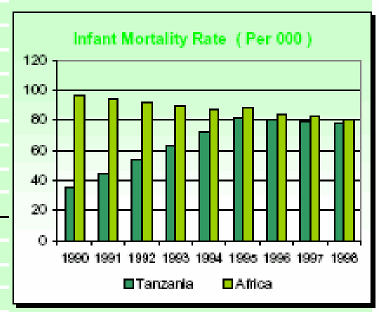
COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Tanzania	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)		945	30,061	80,976	54,658
Total Population (millions)	1998	32.1	748.0	4,718.9	1,182.2
Urban Population (% of Total)	1998	26.6	38.2	39.6	75.6
Population Density (per Km²)	1998	34.0	24.9	58.3	21.6
GNP per Capita (US $)	1998	210	687	1,250	25,890
Labor Force Participation - Total (%)	1998	51.0	43.7	...	...
Labor Force Participation - Female (%)	1998	25.1	37.0	...	...
Gender -Related Development Index Value	1997	0.4	0.5	0.6	0.9
Human Development Index (Rank among 174 countries)	1997	156	n.a.	n.a.	n.a.
Population Living Below $ 1 a Day (% of Population)	1989-94	...	45.0	32.2	...
Demographic Indicators					
Population Growth Rate - Total (%)	1998	2.2	2.4	1.6	0.3
Population Growth Rate - Urban (%)	1998	5.2	4.3	3.1	0.6
Population < 15 years (%)	1998	45.7	42.9	33.2	18.8
Population >= 65 years (%)	1998	2.6	3.2	19.7	26.7
Dependency Ratio (%)	1998	83.6	86.9	61.7	48.8
Sex Ratio (per 100 female)	1998	98.2	99.3	103.3	94.8
Female Population 15-49 years (millions)	1998	7.4	176.2	1,213.4	296.8
Life Expectancy at Birth - Total (years)	1998	47.9	52.7	64.0	75.4
Life Expectancy at Birth - Female (years)	1998	48.9	53.4	65.8	79.1
Crude Birth Rate (per 1,000)	1998	39.8	37.7	23.8	11.0
Crude Death Rate (per 1,000)	1998	15.1	13.7	8.4	10.3
Infant Mortality Rate (per 1,000)	1998	77.5	80.7	58.9	9.0
Child Mortality Rate (per 1,000)	1998	117.6	116.1	76.2	10.4
Maternal Mortality Rate (per 100,000)	1996	530	698	488	30
Total Fertility Rate (per woman)	1998	5.2	5.0	2.9	1.6
Women Using Contraception (%)	1996	18.4	...	56.0	70.0
Health & Nutrition Indicators					
Physicians (per 100,000 people)	1990-96	4	23	76	253
Nurses (per 100,000 people)	1988-96	46	89	85	780
Births attended by Trained Health Personnel (%)	1986-91	53	...	54	99
Access to Safe Water (% of Population)	1990-97	49	55	72	100
Access to Health Services (% of Population)	1995	42	60	80	100
Access to Sanitation (% of Population)	1990-97	86	45	43	100
Percentage of Adults (aged 15-49) Living with HIV/AIDS	1997	9.4	5.7	...	...
Incidence of Tuberculosis (per 100,000)	1995	187	201	157	24
Child Immunization Against Tuberculosis (%)	1996	82	77	88	93
Child Immunization Against Measles (%)	1996	69	63	79	90
Underweight Children (% of children under 5 years)	1990-97	31	26	31	...
Daily Calorie Supply	1996	1,999	2,406	2,650	3,222
Public Expenditure on Health (as % of GDP)	1995-97	2.5	1.4	1.8	6.3
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	1996	66.1	79.5	100.0	103.0
Primary School - Female	1996	65.5	73.0	93.8	103.2
Secondary School - Total	1996	5.3	28.3	50.4	100.3
Secondary School - Female	1996	4.9	25.7	45.3	101.8
Primary School Female Teaching Staff (% of Total)	1996	43.7	45.0	51.0	82.0
Adult Illiteracy Rate - Total (%)	1997	28.4	43.5	28.2	1.3
Adult Illiteracy Rate - Male (%)	1997	18.3	33.0	19.6	1.0
Adult Illiteracy Rate - Female (%)	1997	38.0	51.6	35.8	1.5
Percentage of GDP Spent on Education	1995	...	3.5	3.9	5.9
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	1996	3.5	5.9	9.9	11.6
Annual Rate of Deforestation (%)	1990-95	1.0	0.7	0.4	-0.2
Annual Rate of Reforestation (%)	1980-90	13.0	4.0	...	...
Per Capita CO2 Emissions (metric tons)	1996	0.1	1.1	2.1	12.5









Source : Compiled by the Statistics Division from ADB databases; UNAIDS; World Bank Live Database and United Nations Population Division.

Notes: n.a. Not Applicable
... Data Not Available

Last update : May 2000

Annex 3

BANK ASSISTANCE PROGRAM TO TANZANIA

Historically, the Bank has provided only a fraction of the total resources devoted to Tanzania's development by other donors, stakeholders, and the government itself. Between 1971 and 2004 the share of the ADB's loans and grants relative to total assistance to Tanzania was 2.4%. It was 2.8% of total assistance to Tanzania for the period between 1996-2004.

Up to the end of 2004 the total Bank Group financial approvals for Tanzania by sector stood close to UA 900 million. The sectoral distribution of approvals for Tanzania in percentage terms is given below:

Sectoral distribution of approvals for Tanzania

SECTOR	%
Agriculture and Rural Development	17.8%
Social Sectors	9.3%
Power/Energy	8.4%
Telecommunications	3.5%
Water Supply & Sanitation	11.2%
Transport	26.3%
Industry and Mining	3.9%
Financial Sector	1.2%
Multisector	18.4%
Total	**100%**

Together, the sectors which are the object of Sectoral Reviews, (i.e. Agriculture, Transport, Utilities and Social Sectors) represent 76.5% of total approvals since 1971

CSP ALLOCATIONS AND IMPLEMENTATION

Under CSP I, the resources allocated to Tanzania amounted to UA 154.25 million, of which UA 93.76 million was for projects and UA 9.07 million, from TAF resources, was to finance studies, and UA 51.42 million was allocated for policy based lending. By December 1998, twelve (12) operations were approved totalling UA 127.533 million of which UA 79.159 million was in respect of investment projects, UA 2.75 million were grants and UA 45 million for the Structural Adjustment Loan. In addition, one SFM loan of UA 0.624 million were approved. The sectors that benefited from these resources were Agriculture 5% (UA 5.910 million), social sector 34% (UA 43.91 million), Public Utilities 0.6% (UA 0.780 million), Transport 24% (UA 30.81 million), and multisector (policy based) operations 36% (UA 45.624 million).

Under CSP II, the original indicative allocation for Tanzania amounted to UA 74.93 million for project loans, UA 6.72 million for TAF operations and an additional 50 percent for adjustment lending, bringing the total to UA 122 million. In 2001, the country allocation was revised upwards to UA 126.45 million, made up of UA 77.3 million for project lending, UA 7 million for grants and UA 42.15 million for policy based lending. However, approved commitments amounted to UA 154.256 and went to Agriculture 0.5% (UA 0.770 million), Social sector 5% (UA 8.32 million), Public Utilities 27% (UA 41.97 million), Transport sector 41% (UA 62.65 million) and multisector (policy-based) operations 26% (UA 40.546 million).

The third CSP recommended a basic case lending scenario by which Tanzania was to benefit resources amounting to UA 111.89 million of which 27% (UA 25.51 million) would be grants, and up to UA 55.95 million would be for policy-based operations, thus all totalling UA 167.84 million. There was also no sectoral allocations. In the event, the Bank approved loans amounting to UA162.96 million (including UA50.00 million for policy-based operation) and grants of UA 3.31 million. The approved resources were distributed as follows: Agriculture 37% (UA 59.9 million), public utilities 9% (UA 15.510 million), social sector 13% (UA 20.62 million), transport sector 10% UA 16.93 million) and multisector (policy based) operations 31% (UA 50 million).

TANZANIA: LIST OF APPROVED OPERATIONS FROM JANUARY 1996 TO 31 DECEMBER 2004 BY SECTOR AND BY CSP

SECTOR/PROJECT TITLE	FUNDS SOURCES	DATE APPROVED	AMNT (UA Mill.)	DATE SIGNED	DATE EFFECTIVE	AMNT DISB.	UNDISB. AMNT	DEADLINE FINAL DISB	STATUS
TRANSPORT									
Mutukula-Muhutwe Road Project	ADF	08.10.97	20.000	17.11.97	27.01.99	11.830	8.170	29.06.04	On-going
El Nino Road Rehabilitation	ADF	16.12.98	9.750	05.01.99	01.10.00	3.310	6.440	31.12.04	On-going
ZANZIBAR ROAD STUDY	ADF	09.09.98	1.060	20.11.98	19.09.00	0.300	0.760	31.03.03	Completed
PUBLIC UTILITIES									
Monduli Rural District Water Study	TAF	16.07.97	0.780	17.11.97	13.06.00	0.750	0.030	30.09.02	Ongoing
SOCIAL									
First Health Rehabilitation Project	ADF	03.12.97	15.000	08.05.98	10.09.99	5.700	9.430	31.12.05	On-going
Education II Project	ADF	1012.97	20.000	08.05.98	06.01.99	10.680	9.320	30.06.06	On-going
Zanzibar Health Dev. Requirement Studies	TAF	03.12.97	0.910	08.05.98	24.09.99	0.880	0.030	30.06.04	Ongoing
Small Enterprises Loan Facility	ADF	11.11.98	8.000	12.04.98	29.07.99	4.140	3.860	31.01.05	On-going
INDUSTRY									
FACTORY / COTTON SEED & LINT	ADB	21.03.97	0.499	17.10.97		0.00		31.12.98	Cancelled
AGRICULTURE									
Selous Game Reserve	ADF	26.11.97	5.910	08.05.98	16 .11.98	3.560	2.350	31.12.05	On-going
MULT-SECTOR									
SUPP FINANCING MECHANISM	ADF	04.12.99	0.624	05.01.99	27.08.99	0.624	0.000	30.06.01	Completed
STRUCT. ADJUSTMENT LOAN I	ADF	05.11.97	45.000	17.11.97	24.12.97	45.000	0.000	31.12.99	Completed
TOTAL CSP 1996-1998			**127.533**			**86.774**	**40.390**		
TRANSPORT									
Shelui-Nzega Road Project	ADF	17.06.99	24.000	19.11.99	07.03.00	7.770	16.230	30.11.05	On-going
Road Rehabilitation / Upg. Project	ADF	03.09.01	38.650	28.09.01	06.06.03	4.040	34.610	31.03.07	On-Going
SOCIAL									
Three Regions Health Studies	TAF	14.07.99	1.750	19.11.99	06.04.01	0.330	1.420	28.06.05	On-going
Alt. Learning & Skills Dev. Project	ADF	31.10.00	5.560	30.01.01	24.12.01	0.700	4.860	30/06/07	On-going
Alt. Learning & Skills Dev. Project	ADF	31.10.00	1.010	30.01.01	24.01.01	0.410	0.600	30/06/07	On-going

SECTOR/PROJECT TITLE	FUNDS SOURCES	DATE APPROVED	AMNT (UA Mill.)	DATE SIGNED	DATE EFFECTIVE	AMNT DISB.	UNDISB. AMNT	DEADLINE FINAL DISB	STATUS
PUBLIC UTILITIES									
Rural Electrification Master Plan	TAF	28.06.01	1.870	28.09.01	21.10.03	0.760	1.110	31.12.05	On-going
Dar es Salaam Water Supply	ADF	17.12.01	36.940	29.05.02	19.11.03	0.580	36.360	31.12.07	On-going
Dar es Salaam Water Supply	TAF	17.12.01	1.310	29.05.02	19.11.03	0.00	1.310	31.12.07	On-going
Urban Centres Water Supply Study	TAF	20.10.99	1.850	19.11.99				31.12.02	Cancelled
AGRICULTURE									
Special Prog. for Food Security	TAF	17.05.00	0.770	30.01.01	30.01.01	0.770	0.000	31.08.03	Ongoing
MULTISECTOR									
SUPP FINANCING MECHANISM	ADF	14.07.99	0.546	19.11.99	27.08.99	0.546	0.000	30.06.00	Completed
STRUCT. ADJUSTMENT LOAN II	ADF	03.09.01	40.00	28.09.01	08.12.01	40.000	0.000	30.06.04	Completed
TOTAL CSP 1999-2001			**154.256**			**55.906**	**96.500**		
AGRICULTURE									
Agric. Marketing Systems Dev. Prog.	ADF	18.09.02	15.900	12.05.03	15.12.03	0.000	15.900	31.12.08	On-going
Agric. Marketing Systems Dev. Prog.	TAF	18.09.02	1.000	12.05.03	15.12.03	0.060	0.940	31.12.08	On-going
Agric. Marketing Systems Dev. Prog.	ADF	24.11.04	43.000	11.02.05			43.000	30.06.12	NYE
PUBLIC UTILITIES									
Monduli Rural District Water Project	ADF	27.11.03	15.510	10.02.04	14.07.04	0.02	15.490	31.12.08	On-going
SOCIAL									
SAP for Vocational Ed & Training	ADF	08.07.03	14.220	15.09.03	13.02.04	0.00	14.220	31.12.08	On-going
SAP for Vocational Ed & Training	TAF	08.07.03	1.600	15.09.03	13.02.04	0.00	1.60	31.12.08	On-going
Governance	ADF	13.12.04	4.800	11.02.05		0.000	4.800	31.12.08	NYE
TRANSPORT									
Zanzibar Roads Upgrading Project	ADF	09.06.04	16.220	24.06.04	11.02.05	0.000	16.220	31.12.07	On-going
Zanzibar Roads Upgrading Project	TAF	09.06.04	0.710	24.06.04		0.000	0.710	31.12.07	NYE
MULTISECTOR									
Poverty Reduction Support Loan	ADF	27.10.04	50.000	09.12.04		0.000	50.000	31.12.05	NYE
TOTAL CSP 2002-2004			**162.960**			**0.080**	**161.280**		
Total approved operations 1996-2004			**444.749**			**142.76**	**298.17**		

***** (NYE = Not Yet Effective)

<u>**Annex 5**</u>

TANZANIA CAE - CO-FINANCED PROJECTS

	Project	Date Approved	Loan Amount (UA)	Other Donors	Amount (UA)	Amount (US$)	GOT	Total Cost (UA)
1	Agriculture Marketing Systems Development Program (AMSDP)	18-09-02	16.90	IFAD Ireland Aid Other Donors	12.89 0.86 3.54 **UA 17.29**	16.34 1.08 4.49 **US$ 21.91**	5.08	39.24
2	First Health Rehabilitation Project	12-03-97	15.00	OPEC Fund BADEA Total	7.20 3.60 **UA 10.8**	10.00 5.0 US$15.0	3.11	28.91
3	SAL 1		45.00	IDA IMF Norway Total	90.00 169.00 2.48 **UA 261.48**	125.00 235.00 3.38 **US$ 363.38**		306.48
4	SAL 11		40.00	World Bank MDF/PRBS [20] IMF Others Total	147.25 343.96 129.36 20.48 UA 641.05	190.00 446.70 168.00 26.60 **US$ 831.3**		731.13
5	Poverty Reduction Support Loan		50.00	IDA DFID European Union Netherlands Sweden Norway Canada Denmark Ireland SDC KfW Japan Finland Total	103.7 74.0 24.9 11.7 10.4 9.6 7.9 7.6 4.8 4.1 4.0 3.4 1.4 **267.5 UA**	US$ 183.50		317.6
	Total		UA 166.9		UA 1,198.12			
			UA 1.00		UA 7.18			

The Bank co-financed 5 out of 21 projects (i.e. 24%) during 1996-2004. The Bank attracted UA 1,198.12 million in co-financing against UA 166.9 million of its own commitments. Thus the leverage was UA 7.18 for every UA 1 of the Bank.

[20] The PRBS donors are UK, Netherlands, Sweden, Finland, Denmark, Ireland, Norway, Switzerland and European Union.

RATING SCALE AND RATINGS FROM SECTORAL REPORT

The Bank uses a 4-point rating scale in its operations and this practice has been carried over to post-evaluation. These range from highly satisfactory (4 points), satisfactory (3 points), unsatisfactory (2 points) to highly unsatisfactory (1 point). It is important to continue the use of the 4-point rating scale in order to ensure consistency in ratings throughout the project cycle in the Bank. As for the CAE, it is important to give consistent ratings to each of the elements making up the three dimensions. The followings capture the performance of each of the elements.

Relevance of strategy

- Highly relevant (4 points)
- Relevant (3 points)
- Irrelevant (2 points)
- Highly irrelevant (1 point)

Efficacy

- Highly satisfactory (4 points)
- Satisfactory (3 points)
- Unsatisfactory (2 points)
- Highly unsatisfactory (1 point)

Sustainability

- Highly likely (4 points)
- Likely (3 points)
- Unlikely (2 points)
- Highly unlikely (1 point)

Institutional Development

- High (4 points)
- Substantial (3 points)
- Modest (2 points)
- Negligible (1 point)

Efficiency

- Highly efficient (4 points)
- Efficient (3 points)
- Inefficient (2 points)
- Highly inefficient (1 point)

Definition of Project/Programme Evaluation Criteria

- *Relevance:* evaluation focuses on consistency of project with (i) the needs of (a) the project's beneficiaries, (b) a country's development strategy and (c) the (Multi-lateral Development Bank's — MDB's) assistance strategy for that country, as reflected in a Country Assistance Strategy or equivalent document, and (ii) MDB's statutory requirements, comparative advantage and policy priorities. "Relevance" refers to current circumstances, i.e., it is based on (i) and (ii) as they stand at the time of evaluation. If there have been significant changes under (i) or (ii) since Board approval, the evaluation will reflect these. Since evaluations cover both accountability and lesson learning, restructuring of project objectives in response to the operating environment is itself a feature that deserves careful evaluation.

- *Achievement of Objectives ("Efficacy"):* Evaluation against objectives enhances accountability. Different categories of objectives are normally specified, such as physical, social, economic, financial, institutional, and environmental, as well as policy changes. Often there are multiple objectives: the evaluator will have to make judgments about the weight to be placed on the separate objectives in determining a sound evaluation under this criterion.

- *Efficiency:* Economic and financial rates of return should be used where feasible. Special care will be necessary when treating costs and benefits for projects restructured during implementation. Transparency in evaluations is essential so as to avoid the introduction of doubtful sunk cost assumptions. Where calculation of economic and financial rates of return is not feasible, the evaluation should address explicitly cost-effectiveness (considering the cost of alternative ways to achieve project objectives; or unit costs for comparable activities), and timing (were objectives achieved on time; what were the benefits of early completion, or costs of late completion). Such evaluation may not be feasible in the case that project design or monitoring did not provide for cost indicators.

- *Sustainability:* for a systematic application of this criterion, the following factors should be considered (their priorities/weights will vary according to the nature of the project): (i) technical soundness, (ii) government commitment, including supportive legal/regulatory framework, (iii) socio-political/stakeholder support, (iv) economic viability, (v) financial viability, (vi) institutional, organizational and management effectiveness, (vii) environmental impact, and (viii) resilience to exogenous factors. MDBs will give special attention to the continuation of project benefits over time and after external financing ceases. Sustainability, together with institutional development impact discussed next, may already be included under the preceding three criteria, especially for projects that are subjected to an economic and financial rate of return assessment. Nevertheless given the need to take account of risks in a generally volatile operating environment, and the emphasis given by MDBs on environmental impact and other factors underlying project sustainability, the *explicit* assessment of these factors is essential for a high quality evaluation – though, as already noted, attention will have to be given to prevent double counting.

- *Aggregate Project Performance Indicator:* This is not an independent evaluation criterion. The goal sought by this criterion is to aggregate, through a single indicator, overall project performance. The challenge for the evaluator is to (i) ensure completeness, i.e., to account for all the projects' effects that can be measured under any of the core evaluation criteria (listed above), and (ii) weigh the relative importance of all effects in a fully transparent fashion.

- *Institutional Development:* evaluation encompasses, as applicable, the project's effects on (i) the broad scope of institutional development: the formal laws, regulations and procedures, and informal norms and practices that govern social and economic interactions and exchanges between people, and on (ii) the organization that operates within these broader institutional arrangements.

- *Other Impacts:* learning from the experience with past operations, MDBs have introduced special areas of focus to improve their development effectiveness. At this stage, several areas have been identified and recognized on a sufficiently broad basis so as to require a good practice standard, e.g., *poverty reduction*. This will require further deliberations among its members before a general good practice standard can be developed.

- *Borrower Performance:* conceptually, this criterion (and the following one on MDB performance) is treated separately from the foregoing criteria that address project performance. It focuses on processes that underlie the Borrower's effectiveness in discharging its responsibilities as the owner of a project. This includes, importantly, the Borrower's efforts and success in establishing a lasting support for a project by its beneficiaries, thereby laying the basis for project sustainability.

- *Bank Group Performance:* evaluation encompasses (separately) the quality, benchmarked against corporate good practice, of the MDB's at entry-screening, appraisal and supervision work, its role and contribution (the need for the MDB's participation relative to other available financing, and the quality of the MDB's delivered additionality over the operation's life from inception to evaluation). It considers compliance with basic operating principles, the operation's client capacity building objectives (as relevant), consistency with furtherance of the MDB's corporate, country and sector strategies, and its client service satisfaction.

DETAILED SECTORAL RATINGS[21]

	RELEVANCE	*EFFICACY*	*EFFICIENCY*	*OUTCOME RATING*
SECTOR				
Agriculture	2.9	2.8	2.7	2.8
Transport	3.0	3.0	2.0	2.7
Social Sector	3.5	2.5	1.9	2.6
Multi-Sector	3.0	3.0	2.0	2.7
Water and Sanitation	3.0	2.0	2.0	2.3
OVERALL	3	3	2	3
COMMENTS	***RELEVANT***	***SATISFACTORY***	***UNSATISFACTORY***	***SATISFACTORY***

	INSTITUTIONAL DEV.	SUSTAINABILITY
SECTOR		
Agriculture	2.5	2.5
Transport	2.0	2.0
Social Sector	2.2	2.5
Multi-Sector	3.0	3.0
Water and Sanitation	2.0	3.0
OVERALL	2	3
COMMENTS	***MODEST***	***SUSTAINABLE***

[21] Sectoral Report ratings were allocated to the Bank's project portfolio to provide an evaluation of Bank lending and non-lending instruments in Tanzania. Ratings from the four following reports are reviewed: Water Supply & Sanitation; Transport; Social Sector (Health & Education); and Agriculture. The Sectoral Reports focused on the lending and non-lending instruments used to achieve programme objectives. These were evaluated based on the five evaluation criteria, namely, (i) relevance (ii) achievement of objectives and outputs (efficacy), (iii) efficiency of allocation and utilization of resources, (iv) institutional development impact and (v) sustainability of project outcomes/results. These evaluation criteria were applied to individual projects and a result was derived by finding the average of the individual results. Overall ratings are rounded numbers.

TANZANIA - SUMMARY OF PERFORMANCE RATINGS

Evaluation Criteria	Activity	Rating
Relevance	Strategy	Satisfactory
Efficacy	Transport Social Sector Water and Sanitation Agriculture Multisector	Satisfactory Satisfactory Unsatisfactory Satisfactory Satisfactory
Efficiency	Transport Social Sector Water and Sanitation Agriculture Multisector	Unsatisfactory Unsatisfactory Unsatisfactory Satisfactory Unsatisfactory
Sustainability	Transport Social Sector Water and Sanitation Agriculture Multisector	Unlikely Likely Likely Likely Likely
Institutional Development	Transport Social Sector Water and Sanitation Agriculture Multisector	Modest Modest Modest Substantial Substantial
Overall Sectoral Outcome		**Satisfactory**
Pillars	Macroeconomic Stabilisation Economic Growth Human Development	Satisfactory Unsatisfactory Unsatisfactory
Attribution	Bank Performance Government of Tanzania Performance	Unsatisfactory Satisfactory
Overall Programme Objective Outcome (Pillars)		**Unsatisfactory**
Overall Outcome		**Unsatisfactory**