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TANZANIA

COUNTRY PORTFOLIO PERFORMANCE REVIEW

ANNEX II

PROJECT PROFILES

April 3-4, 2003

The Government of Tanzania

The World Bank

National Agricultural Extension Project – Phase II (NAEP II)

Credit No. 2899-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
July 11, 1996	Oct. 8, 1996	Dec. 31, 2003	2	SDR 21.5m \$ 31.1m	\$ 26.1m	33.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: Support : Rural development; Agricultural Extension & Research; Decentralization; civic engagement.

Project's Development Objectives: The project aims to: improve delivery of Extension services to smallholder farmers by focusing on the enhancement of the technical and administrative capacity of the local authorities (LAs) to provide such extension services. This is intended to be achieved through: the formulation of a Vision/Strategic Framework for Extension for the next decade, consistent with ASDS and ASDP; building capacity in LAs; training of Extension staff, including in participatory skills, to deliver extension services in a demand-driven and decentralized environment; development of extension system that responds better to farmers' needs, through a variety of pilots; and, strengthening of research-extension-farmer linkages to disseminate technological packages appropriate for farmers and women.

Project Components/Activities: The project consists of five components: Institutional Strengthening, Education and Training, Communications Support, Pilot Initiatives, and Zanzibar component. After some problems in the initial years (e.g. civil service reform, decentralization), and a restructuring in early 2000, the project is now making satisfactory progress. Vision for Extension for 2010 has been finalized, and is currently being operationalized; the capacity of 56 selected LAs is being strengthened following completion of Needs Assessment reports; household surveys have been completed, which show that the project is beginning to have some positive impact (but absence of good quality rural roads seriously affects farmgate prices of crops), but capacity building at the LAs' level will take a long time. 71 staff have completed MSc/BSc degrees; several hundred front-line extension staff have been "retrained", or trained in PRA techniques; over 42,000 farmers' have benefited from residential and on-site training; project is facilitating preparation of 3-5 district agricultural development plans by LAs; research/extension/farmer linkages continue to be strengthened (e.g. research and extension projects pooled their resources to provide Grey Leaf Spot-resistant maize seed to farmers in Southern Highlands in 2001, where yields had been seriously affected in earlier years); and, Zanzibar has been provided with about US\$ 2.5 million for its extension and adaptive research activities. This project has led to closer coordination/cooperation (which IDA facilitated) between mainland and Zanzibar.

Overall Status & Implementation Progress: Satisfactory

Key Issues & Challenges for :
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| <ul style="list-style-type: none"> • Government : Consider strengthening capacity of LAs by ensuring that projects in different sectors initially provide support in same, selected districts, with initial phases of projects being in districts that are in close proximity to each other. A wide geographic spread causes a major drain on resources through Operating Costs consuming a large chunk. Bulk of funds in projects (85-90%) should be for benefit of farmers and communities. Vision for Extension 2010 – its operationalization should be consistent with Ag. Sector Dev. Strategy (ASDS), PRSP, and Ag. Sector Dev. Program (ASDP). Seriously consider merging Livestock subsector with Ministry of Agriculture and Food Security (MAFS) again, as current split is not an efficient way to handle extension research on crops and livestock. • Bank: Coordinate with donors closely, to respond to GOT's request for longer term commitment to future research and extension program, in light of current research and extension projects closing in next 14-20 months. Involve more farmers/groups in preparation of follow on projects. Keep Research and Extension as a stand-alone investment project, outside PRSC I. • Other Stakeholders: Closer coordination amongst all donors active in Ag. Sector is critical. |
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<p>Way Forward: A Workshop on the Future of Research and Extension was held by GoT in May, 2002. GoT is setting up a Task Force of officials from key ministries and local governments to initiate preparation of a follow on project for Research and Extension, in close consultation with IDA and other donors. A donor round table on ASDP was held in November 2002. The Bank, IFAD and AfDB have agreed to collaborate in the formulation of future support to agricultural research and extension (sub-program B of ASDP).</p>
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**RIVER BASIN MANAGEMENT AND SMALLHOLDER IRRIGATION
IMPROVEMENT PROJECT (RBMSIIP)**

CREDIT No. 2900

Dates			Data			
Board	Effective-ness	Closing	No. of Extension s	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
07/11/1996	12/05/1996	12/31/2003	1	26.30	\$19.5 m	26.30

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: The project supports the GOT objective to create higher growth and economic opportunities for the poor and to build capabilities through the creation of decentralized financially autonomous water boards. The project also supports the CAS objectives to improve the livelihood of the rural poor and to increase the effectiveness of public service delivery by putting in place appropriate mechanisms and incentives for transforming water from a source of conflict and stagnation, to an opportunity for poverty reduction, food security and sustainable rural growth.

Project's Development Objectives: RBMSIIP aims to (i) strengthen the GOT's capacity to manage water resources and address water related environmental concerns both at the national level, and in the Rufiji and Pangani basins; and (ii) improve irrigation efficiency of selected smallholder traditional irrigation schemes in these two basins.

Project Components/Activities: The project consists of: (i) the River Basin Management (RBM) component and (ii) the Smallholder Irrigation Improvement (SII) Component.

Overall Status & Implementation Progress: Under the RBM component, a National Water Policy (NWP) has recently been adopted by Cabinet. The NWP embraces the Dublin principles for water resources management (WRM), and prioritizes water allocation to (i) basic human needs in adequate quantity and acceptable quality (ii) the environment to protect the ecosystems (iii) international obligations based on the principal of equitable use (iv) all other uses. It further introduces the concepts of water use and discharge permits, abstraction and pollution fees and penalties, and it separates the roles of water resource management from service provision and regulation. On the basis of the NWP, a new institutional framework of the Department of Water Resources and legislation are being prepared.

With agricultural water abstractions accounting for as much as 80% of all water abstractions, increases in irrigation efficiency will likely result in significant increases in overall basin water availability. The SII component aims to increase irrigation efficiency by rehabilitating irrigation schemes. Twelve of these have so far been completed. Delays in construction have lead to a scaling down of the number of schemes to be rehabilitated from 24 to 15. Water users associations have been established, and members have received extensive training in irrigation management.

Key Issues & Challenges for:

- **Government:** With the innovative NWP now adopted by Cabinet, focus should now turn towards operationalizing the notion of water as a social, environmental and economic resource. Sound WRM requires continued efforts to establish an incentive structure for a more rational water management. Autonomous basin boards will provide credibility, legitimacy and, ultimately, sustainability to this process. In terms of irrigation, an enabling environment needs to be established to ensure that stakeholders capitalize on investments in infrastructure through higher output levels and rural growth.
- **Bank:** WRM according to the Dublin principles is relatively new in the region. As Knowledge Bank, the Bank needs to remain engaged by providing access to international experience, lessons learned and best practices.
- **Other Stakeholders:** The NWP provides a platform where stakeholders negotiate water allocations. Stakeholders need to take up this challenge and perceive these platforms as a relevant forum for defending their interests. Payment of water charges will be an important litmus test.

Way Forward: The RBMSIIP closing date is December 31, 2003. A national workshop was held at the end of January 2003 to develop a strategy for scaling up the contribution of rational WRM to poverty reduction, food security and sustainable rural growth. This will require expanding the incentive framework for efficient water management at a national level, closely involving other water related sectors.

Tanzania Agricultural Research Project – Phase II (TARP II)

CREDIT No. 3036-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
Jan. 29, 1998	June 11, 1998	June 30, 2004	1	SDR 15.9m \$ 21.8m	\$ 14.8m	23.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: Support : Rural development; Agricultural Research & Extension; Decentralization; Rural Policy and Institutions

Project's Development Objectives: The project aims to support: demand-driven, client-oriented research, focusing on needs of smallholders; institutional development of National Agricultural Research System; decentralizing financial resource management and operational decision making to Zonal Research Centers (ZRCs); privatization of research and establishing competitive Zonal Agricultural Research Funds (ZARFs); human resource development; strengthening zonal research management, and M&E.

Project Components/Activities: The project consists of three components: Institutional Development, Research Programs, and Resource Development and Management. The project continues to make good progress. ZRCs have been strengthened, and the facilities improved; a large number of staff have been trained in various fields (PhD and MSc programs), with many staff benefiting from training through short courses; ZARFs have been successfully set up in all seven zones, and Local Governments, private sector and donors are contributing to them; a number of new, high yielding varieties have been released to farmers; a number of institutional and technical studies have been completed and formulation of the Medium Term Plan (MTP), which will become the basis for future Bank/donor support for research has started. Research has been privatized for coffee, tea, tobacco and sisal.

Overall Status & Implementation Progress: Satisfactory

Key Issues & Challenges for :

- **Government :** Strengthen decentralized management of research; research-extension-farmer linkages; create endowment fund for sustainability of research activities; ensure MTP is consistent with Ag. Sector Dev. Strategy (ASDS), PRSP, and Ag. Sector Dev. Plan (ASDP). Seriously consider merging Livestock subsector with Agriculture ministry again, as current split is not an efficient way to handle research on crops and livestock.

- **Bank:** Coordinate with donors closely, to respond to GoT's request for longer term commitment to future research and extension program, in light of current research and extension projects closing in next 14-20 months. Involve more farmers/groups in preparation of follow on projects. Keep Research and Extension as a stand-alone investment project, outside PRSC I.
- **Other Stakeholders:** Closer coordination amongst all donors active in Ag. Sector is critical. Contributions to Zonal research funds to sustain demand-driven agricultural research activities.

Way Forward: A Workshop on the Future of Research and Extension was held by GoT in May, 2002. The workshop recommended that a unified program for research and extension be formulated rather than separate projects. The follow up program will be based on Extension Vision 2010 and MTP for research (to be completed in April 2003). GoT is setting up a Task Force of officials from key ministries and local governments to initiate preparation of a follow on project for Research and Extension, in close consultation with IDA and other donors.

FOREST CONSERVATION AND MANAGEMENT PROJECT

CREDIT No. 3604-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
02/26/02	05/29/02	06/30/07	0	\$31.1	\$1.4m	\$40.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: The project supports the GOT objective of managing the country's forest resources sustainably to contribute to national development and towards equitable sharing of benefits between shareholders. The project also supports GOT's objectives of conserving unique ecosystems and biological diversity, considering the needs of local populations and appropriate methods of management and use. The project seeks to address the constraints of weak oversight for forest and woodland management, the need for decentralization of forest administration, to put in a sound system for revenue collection and to strengthen institutional mechanisms for forestry sector development.

Project's Development Objectives: The project aims to respond to the priorities outlined in the new forestry Policy and the National Forest Program and provide resources for implementation of the policy. In particular, the project aims to develop a framework for long-term sustainable management and conservation of Tanzania's forest resources, strengthening the role of individuals, communities, villages and the private sector in management and conservation of forests and implementing this framework on a pilot scale.

Global Environmental Objective is to develop and implement an integrated biodiversity conservation strategy for the Eastern Arc Mountains and support community based pilot interventions in priority conservation areas. The Global Environmental Facility is also supporting the establishment of a permanent conservation financing mechanism to support the long-term conservation and management of the resources of the Eastern Arc mountains. The fund will provide long-term funds for research, ecological and monitoring, community activities related to biodiversity conservation, and environmental education and awareness programs.

Project Components/Activities: The project consists of three components: (a) institutional change and improvement in service delivery; (b) private sector involvement in the management of industrial plantations; and (c) Eastern Arc forests conservation and management.

Overall Status & Implementation Progress: The Credit was declared effective in May 2002 and the project was officially launched on June 25, 2002 at a national workshop which was attended by a wide range of stakeholders from national as well as district and local level. The Project coordinator and Component Leaders have been appointed and project staff have been recruited based on a competitive process. An Annual Work and Procurement Plan has been prepared and reviewed by the National Forestry Program Steering Committee. A draft five year work plan is being finalized. The process to establish the Tanzania Forest Service (TFS) has been initiated and a nine member Executive Agency Implementation Team has been appointed. Awareness raising programs are underway to ensure ownership of the TFS. Other activities include plans for construction of TFS Headquarters and training for newly recruited project staff.

Key Issues & Challenges for :

- **Government-** The successful establishment of a TFS that is endorsed by all relevant stakeholders; effective functioning of forest and woodland operations in forest reserves within designated districts and villages
- Organizing benefit sharing arrangements with villages and communities and improving revenue collection and distribution
- Development of sustainable mechanisms for financing biodiversity conservation, including guidelines for establishment and management of trust funds and other financial mechanisms
- Acceptance by government at the highest level of principles of sustainable forest management and biodiversity conservation to complement village based forest management.
- **Bank-** Bank needs to be engaged in providing timely access to the client with international experience and best practice with effective management of forests that is also compatible with the needs of local stakeholders and compliance with environmental and social safeguards.
- **Other Stakeholders-** The National Forestry Program provides a platform where stakeholders can debate about the progress of the project and its implementation to be in line with the National Forestry Policy and recurrent issues in the districts and villages. The Participatory Forest Management supported under the first component of the project also provides input by a wide range of stakeholders.

Way Forward:

The reform of forest institutions in Tanzania is expected to improve their capacity to function as service delivery institutions, particularly to provide communities services related to the establishment of Village Forest Reserves, the strengthening of traditional natural resource management strategies and the adoption of locally appropriate tree cultivation and management strategies. GOT needs to ensure that these reforms are endorsed by stakeholders, so that reform measures will be accepted and owned by the national as well as the district and community level. Activities supported by the project should also complement local government reform measures and the broader poverty reduction agenda of GOT. With increasing interest of bilaterals in supporting the implementation of the National Forestry Program, the potential for assessing basket funding arrangements has become an attractive proposition. This will be in keeping with GOT's emphasis on greater harmonization and lowering of transaction costs.

LOWER KIHANSI ENVIRONMENTAL MANAGEMENT PROJECT

(CR 35460 - TA)

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
July 3, 2001	Sept 18, 2001	Dec 31, 2006	N/A	6.30	712,707.10	6.40

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Project's Development Objectives: The LKEMP aims to put in place a series of medium term measures to ensure the long-term conservation of the Kihansi Gorge ecosystem and upstream catchment areas; and, support the development of a coordinated and consistent legal and institutional framework for environmental and water resources management and strengthening of ecosystem monitoring and assessment functions of environmental institutions in Tanzania.

Project Components/Activities: The project consists of four components: (1) Habitat and Species Conservation and Management, (2) Establishment of the Final Water Right, (3) Implementing an Updated Environmental Management Plan, and (4) Institutional Strengthening and Capacity Building.

Overall Status & Implementation Progress: Project became effective on September 18, 2001 and actual implementation commenced in April 2002 with the recruitment of the National Project Coordinator (NPC) and annual work plan and budget for 2001/02 was finalized in May, 2002. Overall implementation progress to date has been satisfactory. Mitigation measures implemented under IREM are so far effective in maintaining the Kihansi spray wetlands and the Kihansi Spray Toad (KST). In early October, 2002 studies estimated the population of KST in the Upper Spray Wetland to be 12,185, which is the highest levels since the commissioning of the LKHP. However, there are inherent risks of failure associated with artificial sprinkler systems located in remote areas.

Key Issues & Challenges for:

(a) Government. The project poses a doubled edged challenge. On the one hand, it has to support a rationale process for establishing a final water right for the LKHP with adequate mitigation measures in a way that maintains the integrity of the provisions of the new water policy of Tanzania, and on the other hand, to do it in a manner that minimizes the impact on energy production and the economy. At the project level, the most critical problem is unavailability of the counterpart funds to cover the incremental operating costs, which is seriously impacting project implementation, particularly payments for civil works and operating costs.

(b) Bank. Given the threats to a highly sensitive ecosystem this is a high corporate risk project for the Bank. Its success will hinge on many factors including the establishment of the final water right (a legal covenant of the project to be satisfied) by December 31, 2003. A high priority must be given to the maintenance of the spray system and to the intermittent high flow studies and associated ecological studies as these will provide a rational and scientific basis for granting TANESCO the final water right.

(c) Other Stakeholders. In order to minimize disruption and loss of power generation, the high flow studies will be carried out in close coordination with TANESCO. Coordination/collaboration required to enable stakeholders to participate in updating and implementing environmental management plan.

Way Forward: In order to restore the integrity of the LKHP and the new National Water Policy, it is critical that the GOT provides appropriate support (including counter part funds) to ensure that the high flow studies, ecological studies, monitoring programs, environmental management plan and capacity building efforts are undertaken and implemented in timely manner. Close coordination between many sectors will be central to achieving a successful outcome.

RAILWAYS RESTRUCTURING PROJECT

CREDIT No. 2267-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
06/13/91	04/30/92	12/31/02	3	76.0	\$64.82m*	165

* \$11.255m also cancelled

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	U

Sectoral Context: The railways provide an essential means for long distance freight transport in Tanzania. Until Mwanza is connected by paved road to Dar es Salaam, the railways also provide essential long distance passenger services. Even with a paved road, there will be areas still largely dependent on rail e.g., Kigoma. During the 1980s, TRC's was poor and showed little improvement.

Project's Development Objectives: The project aims to create a commercially viable railway, with the capacity to meet the demands of the growing economy and to handle transit traffic. While some success was achieved, the GOT took the decision to concession TRC and the Project was amended to provide financial support for the concessioning process.

Project Components/Activities: The project consists of: track rehabilitation, equipment provision and TA. In addition, assistance is being provided for the concessioning of TRC

Overall Status & Implementation Progress: The project was closed on 12/31/01, with the exception of the support for the concessioning process being implemented by PSRC. The bidding documents were issued to the pre-qualified bidders, with bids to be submitted by January 20. However, PSRC did not move forward with associated support, such as counseling and retraining redundant staff, nor has much progress has been achieved in privatizing the Marine Services Company, which is a wholly owned subsidiary of TRC.

Key Issues & Challenges for :

Government: to complete the concessioning process, resolve the issues regarding the equitable treatment of retrenched workers, establish the Reli Asset Holding Company and the regulatory agency SUMATRA. PSRC must negotiate a new contract with CIE, for the period subsequent to the project closing

Bank: agree to PSRC's request for continuing support of the concessioning process, under the Privatization Project. Move forward with GOT on the preparation of the Railways Rehabilitation Project..

Other Stakeholders: TRC management to maintain effective control of operations and staff and commence the retrenchment of the identified surplus staff

**SECOND INTEGRATED ROADS PROJECT
CREDIT NO. 25980**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
04/07/1994	02/10/1995	06/30/2004	1	170.20	\$61.03m	

General:

The Bank has been supporting the road sector in Tanzania for the last 30 years. In this country, as in Uganda, the road transport is considered to be the most important sector for the development and integrity of the country. Recently completed Transport Master Plan Study confirmed that as well. At present, we are implementing **the Integrated Roads Project II Credit**, which followed the Integrated Roads Project I. Under the Integrated Roads Project IRP II, the Bank is providing assistance to Tanzania (including Zanzibar) for: (i) institutional support and strengthening of the road management capacity of the Ministry of Works (MOW) and the now established National Road Agency (TANROADS); (ii) policy and institutional support; (iii) road upgrading/ rehabilitation and maintenance; (iv) rural/village transport with transport pilot program; (v) resurfacing of Kilimanjaro airport, and as of recently in Zanzibar: (i) emergency rehabilitation of Zanzibar airport, (ii) emergency rehabilitation of Mkoani Mutahaliwa Road in Pemba island, (iii) institutional and capacity building for Ministry of Communication, and Transport. The project development objectives are to restore Tanzania's truck and regional road networks, develop MOW's institutional capacity to manage the network and to support the Government's economic recovery program by reducing transport costs and improving accessibility to economically productive areas. The overall cost of the sector program is approximately US\$600 million, out of which IDA's contribution was US\$170.2 million (IRPII Credit).

In addition, with the establishment of the National Roads Agency (TANROADS) in July 2000, the Bank has started with the preparation of an **Urgent Roads Rehabilitation Support Program (URRSP)** in magnitude of US\$ 157.5 million, out of which IDA will finance about US\$144 million. The program and its implementation are needed urgently as the road situation in the country has deteriorated rapidly and basically the network is in the same state of disrepair as 10 years ago. This is in spite of the massive intrusion of donor funds by all participating in the sector. TANROADS has taken over from the Ministry of Works (MOW) the responsibility for planning and management of national roads and related maintenance works, but its operation and functioning is not satisfactory. The major reasons are related to the concept used (against the Bank's recommendations) in recruiting its professional staff (initially by transfer of all the required staff from the MOW) and as result of huge financial gaps between the requested financing for the networks and the funds available. The funding is provided under an earmarked road users fund, which provides **only about 35% of the required funds for the sector**. To improve its operation, Government has recently established a separate and dedicated unit in TANROADS, for management and operation of IDA and other donor funded projects. **But regrettably, the Dedicated Unit still appears to be used for other services and its performance is not satisfactory. Zanzibar, on the other hand, due to its leadership and commitment, has been successful in all its operations. Lending is provided through the mainland, from the existing IRPII Credit.**

However, the new Dedicated Unit in TANROADS has completed, with delays, the major sectorial studies necessary for development of the sector: National Transportation Masterplan (all modes of transport), 10 Yr Road Sector Investment Program, Sectorial Guidelines for Environmental management and operation, Land Commission study on regulation of the sector and Transport Sector Policy. These studies will serve as basis for the already identified prioritized works under the URRSP (mentioned above), concessioning of Tanzania Railway Cooperation, Privatization of National Bus Company and of Machinery Hire

Company-PEHCOL. GOT is now planning a major donors conference, which will highlight the country's needs, country commitment for development and ask for funding for maintenance, which was initially supposed to be done entirely with GOT funds.

Following an agreement with the Bank in September 2001 and March 2002, the GOT and the Bank have cancelled an allocation of US\$ 70 million from the IRPII Credit, earmarked for financing rehabilitation of the middle sections of the country's most priority central transport corridor (Singida Shelui and Singida Babati roads) due to the impracticality of completing the civil works in the time remaining before closure of the Credit. The Credit has already been extended 2 times and will be closed, after 10 years of implementation, by June 30, 2004. Considering the great strategic importance of the central corridor for the economy of the country and the integrity of the road network, the Bank has agreed in principle to consider financing of the central corridor if and when the detailed designs and all related studies will be completed. The preparation of this new "special" **Central Transport Corridor Road Credit** have commenced and the program could be on the board by September 2003. **Total amount of this Credit will be US\$80 million. To date the detailed design for the Singida-Shelui Road have not been submitted to the Bank.**

Details:

A. SECOND INTEGRATED ROADS PROJECT, IRPII (Cr. 2598-TA)

1. The Second Integrated Roads Project was approved by the Board in 1994, made effective in 1995, restructured on August 6, 1998. The Credit Agreement was amended on August 7, 1998. The Mid-term analysis carried out in November 1999, indicated that substantial improvements have been made in management of the Credit, therefore the Bank granted the needed extension of the credit on December 28, 1999. The agreed date for the closure of the credit, set to June 30, 2004, took into consideration also implementation of the additional components added to the project as a result of saving achieved in the restructured project. In this light, the project categories were reallocated to include: Emergency Rehabilitation of Zanzibar Airport, Emergency rehabilitation of Mkoani-Mtuhaliwa Road in Pemba Island and MOCT institutional capacity building for Zanzibar; Feasibility study for Tunduma- Sumbawanga Road, Supply of culverts and pipes for use in emergency rehabilitation of trunk and feeder roads; and purchase of Revenue Accounting system and Passenger Reservation Terminals for Air Tanzania. A further amendment to the DCA on May 24, 2000 provided for reallocation of funds under category 4 of the Credit by breaking down this category to Category 4(a)- operating costs (to be financed at 90% by IDA as of May 1, 2000), and Category 4(b) - training/ workshops/institutional support (to be financed 100% by IDA).

The emerging needs in the sector expressed in a GOT's request dated July 2000 for an additional credit to finance rehabilitation of the country's major transport corridors – Urgent Roads Rehabilitation Support Program-URRSP, recent institutional development related to the establishment of the National Road Agency TANROADS, and the Government's decision on reallocating the funds earmarked for PEHCOL, created a new situation resulting in a GOT request for the new reallocation of the IRP II funds, which the bank approved on January 30, 2002.

2. The Mid Term Review (MTR) carried out in March 2002 reaffirmed viability of data provided for the recently approved reallocation of the proceeds of the Credit to enable implementation of the new components, all within the original development objectives of the project and indicated the need to cancel about US\$ 70 million from the credit as result of a substantial delay in design of one of the major component, Singida- Shelui Road rehabilitation (for which the credit had for actual implementation of civil works an allocation of US\$ 50 million with associated contingencies of US\$ 20 million).

3. Mid Term Review (MTR) also highlighted very slow implementation and low disbursement ratio all along implementation of the project, as a result of (i) numerous changes in management, (ii) changes related to institutional set up of the implementing agencies, (iii) inadequate contractual and procurement capacity of the implementers. The recent transition of management of the project from MOW to TANROADS also critically influenced implementation of the project and **unless** the recently agreed

implementation set up involving establishment of a Dedicated Unit for implementation of IDA and other specific donors funded projects **is maintained and staffed with qualified staff already identified within TANROADS**, the implementation of the project will continue to suffer and remaining parts of the credit will not be effectively used. The dedicated Unit was established on September 20, 2001 at Government request, but its efficiency is not yet fully satisfactory because the allocated staff was not fully dedicated as agreed, therefore the Government in their letter dated February 20, 2002 to the Chief Executive of TANROADS, copied to the mission, reiterated its commitment to the agreed action in this respect and confirmed the allocation of staff dedicated to implementation of IDA funded and other specific donors funded projects.

4. Further, the MTR highlighted the issue related to **substantial delays** in design of the two components of the Project; Rehabilitation of Singida-Shelui Road and Emergency rehabilitation of Zanzibar airport; which not only critically influence the timely and orderly closure of the credit by June 30, 2004, but also results in cancellation of substantive amount of the credit

5. Road Financing and Management Reforms: During FY01, the Road Fund was able to address only about 30% of the total assessed road maintenance requirements. The Road Fund Board contracted a study to review road user charges, for which the draft report was published in July 2001. The study made the following recommendations to address the financing gap:

- Increase the level of current instruments, while ensuring that they remain affordable;
- Divert revenues from existing charges not accruing the Road Fund, where justified;
- Introduce new instruments;
- Reduce the Road Fund's road network responsibilities; and
- Arrange for interim financing through donors.

The Bank suggested that the Government propose specific measures to ensure that road maintenance needs are met in light of the study recommendations, including a time-bound action plan for its implementation.

The study also identified a number of issues requiring immediate attention: (a) delays in collection of the agreed road user charges because of cumbersome procedures; (b) accumulated debts incurred by the MoW; (c) existence of a huge backlog of road maintenance; (d) inefficient practices followed in the use of funds by the Councils. The Mission would like to receive a specific proposal from the Government on how to address these issues.

SUMMARY

1. The Bank has been investing considerable effort and resources in the sector. However, the implementation capacity of the TANROADS is not adequate for major investment operations.
2. The newly established IDA/Special Projects Unit, although managed with capable staff, is not adequately staffed with experienced professionals. Currently, only 2-3 staff are operating on continuous basis, the fact that seriously slow down the planned operation.
3. Current program in the road sector comprise of:

IRP-II under implementation;

Central Transport Corridor Road Credit, under preparation, in magnitude of US\$80 million, expected in FY2004; and

Urgent Road Rehabilitation Support Credit, under preparation, in magnitude of US\$160 million, expected in FY2005.

4. Major issue is related to very limited absorbing capacity of TANROADS and therefore immediate strengthening and fully dedication of its staff and the newly established IDA Project Unit are essential for timely and orderly implementation of the sector.
5. Better communication between MoW, Special Projects Unit and MOCT and TANROADS is very necessary, in trying to optimize resource use and operational capacity in the Country.

**Urban Sector Rehabilitation Project (USRP)
IDA Credit No. 2867-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
05/23/96	05/06/97	06/30/2004	None	105.00	\$78.03 m	141.3

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: Recognizing the large unfulfilled demand for urban infrastructure services, the Government initiated the preparation of the Urban Sector Rehabilitation Project in 1990 through the IDA assisted Urban Sector Engineering Project (USEP, IDA Cr. 2291-TA). The project is in line with the IDA Country assistance strategy (CAS) of 1994 and is in agreement with the three primary thematic objectives contained in the CAS of (i) capacity building and improved public sector management, (ii) private sector development, and (iii) environmentally sustainable investment.

Project's Development Objectives: The project development objectives are sustainable economic development and urban poverty alleviation through (i) rehabilitation of basic infrastructure and expansion into high priority , under-served areas and (ii) improvement of urban local government management and financing capacity by (a) strengthening the financial, technical and overall operations of the urban local authorities through training and technical assistance, and (ii) encouraging private sector and community involvement in urban service delivery and O & M.

Project Components/Activities: The project has the following four components:

- (i) Rehabilitation and select expansion of infrastructure services in the eight project towns and Dodoma*
- (ii) Dar es salaam community based infrastructure upgrading and water supply rehabilitation;*
- (iii) Institutional strengthening consisting of technical assistance, training, and equipment for the municipal councils' and UWSAs' organizational and management capacity improvements in the eight project towns, Dar es Salaam and Dodoma; and*
- (iv) Future project preparation in the urban sector.*

Overall Status & Implementation Progress: The project's development objective of infrastructure rehabilitation and expansion is being fulfilled with satisfactory completion of all planned major civil works contracts for roads and drains and water supply and sewerage. The rehabilitation of the infrastructure has a demonstrated and visible impact on improvement of services in all the project towns. Regarding the other development objective of improvement of urban local government management and financing capacity by strengthening the financial, technical, and overall operations of the Municipal Councils (MCs) and Urban Water and Sewerage Authorities (UWSAs), the implementation of a rationalized capacity building effort

that include training, technical assistance and provision of equipment is well underway through implementation of an Institutional Strengthening Strategy. The strategy is being implemented satisfactorily according to plan.

Key Issues & Challenges for :

Government: Even though the project is achieving its objective of infrastructure rehabilitation and expansion, and management and technical capacity has been/is being built through the project in the Municipal Councils and Urban Water and Sewerage Authorities in the project towns, sustainable service delivery is still a challenge that requires effective maintenance of the investments. This requires sustained enhancement of the revenue base of local authorities and improvement of overall accountability. The PO-RALG through its Local Government Reform Program (LGRP) needs to develop and implement a strategy for achieving this. Future project preparation studies being carried out under the project focus specifically on water supply and sewerage expansion in selected towns. The GOT needs to explore sources of financing for implementation of the proposals of these studies.

Bank: The Local Government Support Program, which is being prepared with support from IDA and other donors supporting the LGRP, is conceived as an appropriate vehicle for capacity building and provision of capital grants to local authorities to support improved service delivery, and is as such perceived as a logical follow on project to the USRP. The objective of this program to improve the performance and accountability of local authorities in the area of planning, financial management and project implementation. The challenge for the Bank is to ensure the proper design and successful implementation of this program.

Other Stakeholders: Donors supporting the LGRP have contributed towards the preparation of the LGSP from the common basket fund. The challenge for them is to go further and participate in the financing of the program, which is a successor program to the USRP.

Way Forward: As the government moves forward with the implementation of the Local Government Reform Program, the logical way to support local authorities in improved service delivery is through a program such as the LGSP.

**SONGO SONGO GAS DEVELOPMENT AND POWER GENERATION PROJECT
CREDIT NO. 3569-TA**

Dates			Data			
Board	Effectiveness	Closing Date	No. of Extensions	Credit Amount	Total Disb. As of 03/03/2003	Total Project Cost
10/9/01	1127/01	3/31/06	None	\$183m*	\$18.57 m	295\$m (cost savings of \$70 mn envisaged)

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: The provision of least-cost power to satisfy Tanzania's electricity requirements through the development of indigenous gas resources which will substitute for more expensive imported fuel. In addition to mobilizing US\$72 million in foreign equity, the gas infrastructure system will be constructed and owned by the private sector, and the Ubungo Power Plant will be converted to gas firing and privatized. The project will provide cheaper and more affordable electricity and fuel for industrial use and expansion.

Project's Development Objectives: to develop Tanzania's natural gas reserves to produce least-cost power generation for domestic and industrial use in an environmentally sustainable and efficient manner. It will promote private sector ownership and management in the gas and power sectors. Also, it will encourage increased access of the poor to electricity supply by developing financially and institutionally sustainable rural energy schemes to unserved areas along the pipeline corridor.

Project Components/Activities: The three main components are: (a) Songas: establishment of a private power and gas utility, and installation of a 232 km pipeline, a gas processing plant, and conversion of the Ubungo Power Plant to gas-firing (US\$273.5 mn – US\$70 mn cost savings likely due to lower bid prices than expected); (b) MEM Capacity building component (US\$8.2mn); and (c) Social and Environment Component including Wayleave Village Electrification Scheme (WVES), Resettlement Infrastructure and MEM monitoring and compliance of the main Songas component (US\$13.5 mn).

Overall Status & Implementation Progress: Satisfactory progress on implementation of main Songas component, but serious delays in MEM establishing and staffing Project Monitoring Unit (PMU) and in the provision of counterpart funding requirements, thus jeopardizing capacity building efforts and the WVES and resettlement infrastructure components; WVES being overseen by TANESCO is behind schedule (in particular finalizing the limited environmental assessment and business plans).

Key Issues & Challenges for :
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<p>Government. (a) While most all procurement packages for the main Songas component have been signed or are expected to be signed by end 2002, the MEM capacity building and WVES components are experiencing significant delays. While there has been procurement progress on the MEM component, it and the WVES components remain jeopardized without a counterpart funding budget and adequate staffing of the MEM PMU – for which urgent action is required by November 30, 2002; (b) continued improvements in TANESCO performance and satisfactory progress on power sector reform program; (c) Govt. to prepare term sheets to spell out transportation fees and booking for excess pipeline capacity use with PanAfrican Energy and Songas, and to review necessary changes to the Contractual Agreements, by December 15, 2002.</p>
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<p>Bank. To amend Development Credit and Project Agreements to take into account revised project costs and financing plan and Government booking of excess pipeline capacity and send to Govt. for countersignature by November 30, 2002.</p>
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<p>Other Stakeholders. (a) Songas/PAE/AES/CDC to review Contractual Agreements and propose amendments to take into account Government booking of gas for excess pipeline capacity use; (b) possible sale of AES stock being contemplated; AES to prepare note and justification.</p>

Way Forward: Actions sought on issues noted above, by all parties.

*Cost savings of US\$70 million is possible due to lower than expected bids.

**RURAL WATER SUPPLY AND SANITATION PROJECT
IDA CREDIT 3623-TA**

Dates			Data		
Board:	Effectiveness	Closing	Credit Amount	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
26 March 2002	26 June 2002	30 June 2006	US\$ 26.0 million	\$1.12 m	US\$ 27.7 million

Sectoral Context: The Project would support the CAS objective of reducing poverty and improving the health condition of vulnerable groups in rural settlements, and in particular the objectives of the Government of Tanzania's (GOT) Poverty Reduction Strategy Paper (PRSP) and the Tanzania Assistance Strategy (TAS) with regards to increase in RWSS services coverage. It would also support GOT's decentralization policy under the Local Government Reform Program; it is anticipated that, over time, funding of RWSS projects would be fully integrated within the overall intergovernmental fiscal framework.

Project's Development objectives: The Project development objective is to ensure access to improved and sustained water and sanitation services in rural communities in Tanzania. This would be accomplished through the implementation of the new Rural Water Supply and Sanitation (RWSS) sector policy and the preparation of a National RWSS Program.

Project Components/Activities:

- **Establishment of the district implementation model.** This component would initially start in the three districts of Rufiji (Coastal Region), Mpwapwa (Dodoma region), and Kilosa (Morogoro Region) and gradually expanding to about 12 out of Tanzania's 113 districts.
- **Construction of RWSS community sub-projects.** This component would consist of sectoral conditional grants to about 250 communities located in 12 districts to improve the WSS service; this would include the construction or the rehabilitation of existing dug or drilled wells, boreholes equipped with handpumps or powered pumps, spring tapping, piped systems, household latrines and community sanitation facilities.

Institutional strengthening and development of a National RWSS Program. This component would include: (a) the support to stakeholder consultative process on the strategy for scaling up towards a National RWSS Program; (b) technical assistance to the preparation of the National RWSS Program; (c) the development of a management information system (MIS) for tracking lessons learned from the proposed Project; and (d) assistance to the restructuring of RWSS sector institutions within MWLD and the building of the capacity of key stakeholders (MWLD, NGOs, consultants, contractors, suppliers of equipment and service providers). This would include dedicated RWSS sector capacity building support to IDA-financed Tanzania Social Action Fund (TASAF) project district.

Key Issues and Challenges for:

Government: Tanzania is a fairly large country with over 50% of the rural population without improved water supply and sanitation (WSS) services. The main challenge is establish the platform and capacity for sustained delivery of WSS services to those without services as well as maintaining the coverage of existing systems – currently 30% of existing systems are non-functional. The capacity of both local governments in planning and management is currently weak and so is the capacity of the private sector to provide goods and services on the scale that will help Tanzania meet its Millennium Development Goal of halving the number of those unserved.

Way Forward: Over the next two year, under the leadership of the Ministry of Water and Livestock Development and with support form the Water Sector Technical Advisory Committee, a National RWSS Program will be prepared under the Project. The Program will bring together all bilateral programs under a “Sector Wide Approach” implementation framework. The project will transition from the 12 districts to all the 113 rural districts largely through injection of additional HIPC linked budgetary resources. The Project will be restructured into a rural WSS sector support program for strengthen local government WSS planning and management capacity.

SECOND FINANCIAL INSTITUTIONS DEVELOPMENT PROJECT

CREDIT No. 3279-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
8/31/1999	9/6/2000	12/31/2003	0	27.5	\$11.54 m	32.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context:

The project (FIDP II) supports the Government's policy of strengthening the financial sector so that the sector can effectively support the acceleration of broad-based private sector growth that is essential to reduce poverty. A key factor in strengthening the financial sector is the Government exiting from ownership of financial institutions and allowing private investment in the sector.

Project's Development Objectives: The project aims to increase the soundness and competitiveness of the financial sector and improve access by small savers and micro entrepreneurs to the formal financial system. This is a follow-on project designed to complete the FSD agenda initiated under FIDP I.

Project Components/Activities: The project consists of: (i) restructuring and privatizing state-owned banks including transforming National Microfinance Bank (NMB) into a private microfinance bank; (ii) strengthening the supporting financial infrastructure including enhancing the capacity of BOT to supervise banks, improving the efficiency of the national payments system, establishment of a Credit Information Bureau and support for revisions to the Land Act of 1999; (iii) increasing savings and investment opportunities by promoting the development of contractual savings (pensions and insurance) and capital markets

Overall Status & Implementation Progress: The project is meeting its development objectives though the pace of implementation is slower than anticipated. The major component of restructuring and privatizing state-owned banks is progressing satisfactorily. NBC privatization was completed in 2000. NMB has been stabilized and has shown profitability beyond the business plan projections. Its microfinance loan roll out is now over Tshs 2 billion in just 2 years. A privatization advisor has prepared a privatization strategy and presented it to government. NMB sale is expected to be completed by September 2003. The GOZ has made a decision to privatize PBZ based on a diagnostic study carried out last year. Diagnostic studies are about to be carried out for TIB and TPB. Consultants have prepared recommendations on the divestiture of NIC and a government decision on the matter is awaited.

Capacity building in banking supervision, Capital Markets and Securities regulation, insurance supervision and payments system issues through training both locally and abroad is also moving satisfactorily. Over 80% of banks and NBFIs were inspected in 2001 and all insurance firms and securities/brokerage firms were inspected at least once in 2001.

Key Issues & Challenges for :

- **Government:** The need to make decisions in a timely manner on NMB and NIC privatization. Increase the rate of absorption of credit proceeds as project closing is fast approaching (faster preparation of procurement documentation). Tanzania Bankers Association to decide on the formation of a Credit Information Bureau. This has dragged on for too long. Review of the pension sector and formulation of a national policy for the sector is overdue.
- **Bank:** Increased monitoring and evaluation of project activities; faster response time on procurement requests.
- **Other Stakeholders:** Effective coordination of the various donor programs in the financial sector to ensure maximum impact and minimize duplication of efforts.

Way Forward: While financial institutions have generally been strengthened, there is still a problem of access to financial services especially for the poor and in rural areas. There is also limited medium and long term finance to support small and medium scale enterprises.

A round table of stakeholders should be organized to formulate a roadmap for a future financial sector development agenda. The following should be included among the topics for discussion:

- creation of low-cost sustainable financial intermediaries at the grass root level to act as a link between the formal financial system and the ordinary Tanzanians
- creation of economically viable institutions to provide medium and long term finance
- formulation of a national policy for the pension sector, including an appropriate regulatory framework. A well-functioning pension system is a major source of term finance funds.

PUBLIC SERVICE REFORM PROJECT

CREDIT No. 3300-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
12/02/99	03/21/02	12/31/04	None	US\$41.2	\$8.79 m	US\$91.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: Improve progress in the fight against poverty by raising growth performance and extending access to basic social and economic services through sector development programs (SDPs) and other programs aiming at improving the performance of Ministries, Departments and Agencies (MDAs).

Project's Development Objectives: The project aims to improve accountability, transparency and resource management for service delivery. The public service will deliver efficiently and effectively the Government's economic and social programs on a continuous and sustainable basis.

Project Components/Activities: The project consists of: the following components: (1) Performance Improvement; (2) Restructuring and Private Sector Participation; (3) Executive Agencies Program; (3) Management Information Systems; (4) Leadership, Management & Governance (including Ethics and Gender sub-components); and (5) Program Coordination, Monitoring and Evaluation.

Overall Status & Implementation Progress: Overall, the Government's Public Service Reform Program is moving well. Therefore the supporting IDA project is progressing well in its implementation although more slowly than anticipated. The program is ambitious but well thought through. The main component is the installation of performance management in the MDAs through a strategic planning exercise. The process has been started but has not yielded major results yet. Another important aspect is pay reform that is being carefully implemented. It could lead to better governance if it were accelerated. However, it has to be implemented in a way that is acceptable both politically and economically. Other measures to reestablish a meritocratic environment are being put in place: independent public service commission; open performance appraisal system; integrated payroll and personnel system and others. All of these elements aimed to put in place a better equipped public service that will be in a position to deliver better services to the population of Tanzania. CSD needs to pay particular attention to the monitoring and evaluation aspects of the program, monitoring particularly whether the citizens are receiving better services and whether they are satisfied with the services they are receiving. For the time being this is a weak aspect of the PSRP implementation.

Key Issues & Challenges for:

- **Government:** Need to have better linkages among the main reforms: public finance, local government, public service and legal sector. Need to bring back development partners to support the PSRP as it was the case originally. Need to pay more attention to the issue of pay enhancement. Monitoring and Evaluation of the program needs to receive greater attention. Need to align more closely PSRP with the Poverty Reduction Strategy.
- **Bank:** Continue to support the program (12-year adaptable program loan) but looking for more flexible arrangements for disbursement and procurement.
- **Other Stakeholders:** To be supportive of the reforms and provide adequate financing to help move the program forward.

Way Forward: Government needs to remain in the driving seat with the Civil Service Department clearly spearheading the program as it has done so far. More information, communication and education activities to strengthen ownership among all the Executive and also the Legislative arms of government.

RURAL AND MICROFINANCIAL SERVICES PROJECT

CREDIT No. 3278-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
08/26/1999	06/15/2000	12/31/2003	1	2.00	860,296.72	2.00

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context:

The goal of the Rural and Micro-financial Services (RMFS) Project is to contribute to the development of a diversified and sustainable rural and micro-finance system with wide outreach so as to contribute to broad-based growth and poverty reduction through expansion of financial intermediation to small scale rural and urban clients.

Project's Development Objectives: The project aims to foster the development of a common policy framework, based on internationally recognized best practices, for Rural and Micro-finance in Tanzania which will establish an enabling environment for rural and micro-finance and increase the quality and returns of the many follow-on investments planned by Government agencies and other donors. The project will also seek to increase the level of knowledge and skills within the industry and institute a program of systematic tracking and analyzing all initiatives against common criteria. The lessons derived from that analysis will be fed back to the industry and other stakeholders. The effectiveness of this initiative will be measured by monitoring Government and donor compliance with the policy framework and the quality and quantity of new investments in the sector.

Project Components/Activities: The project consists of the five following components: (i) Development and approval of a National Microfinance Policy; (ii) Design of an appropriate legal, regulatory, and supervisory framework for microfinance; (iii) Preparation of operational standards/guidelines for Government and Donor support to rural and microfinance; (iv) Capacity building to a) enable the Bank of Tanzania (BOT) to coordinate, monitor, and evaluate development activities in the microfinance industry and b) ensure that the Ministry of Cooperatives is fully equipped to engage in the policy formulation and regulatory review process as one of the key stakeholders in the industry; and (v) Microfinance industry knowledge and skills building.

Overall Status & Implementation Progress:

Implementation of most project components is progressing satisfactorily. Tanzania's adoption of a National Micro-finance Policy that is internationally recognized as best practice has been a major achievement under the project. The establishment of an appropriate legal, regulatory, and

supervisory framework, and development of monitoring and tracking capacity within BOT are progressing. The design of operating guidelines for Government and donors, as well as operational guidelines and standards for Savings and Credit Cooperative Societies (SACCOs) are, however, substantially behind schedule in their implementation. Thus far, only terms of reference have been drafted for both activities.

Key Issues & Challenges for :

- **Government:** The need for BOT and the Directorate of Microfinance (DMFI) to be more proactive with other stakeholders, and especially the Ministry of Cooperatives, as well as other donors and practitioners in implementation of project activities.
- **Bank:** Increased monitoring and evaluation of project activities.

Other Stakeholders: The need for the Ministry of Cooperatives to be more actively engaged so as to benefit from the technical assistance included under the project.

Way Forward:

The project is setting the foundations of what micro-finance will look like in the future in Tanzania. It is, thus, extremely important that all stakeholders including Government, donors, and practitioners be actively involved in its implementation.

Access to finance by the poor remains one of the key goals of the project and can be greatly enhanced with a legal and regulatory framework that is supportive and will contribute to rather than repress the development of sustainable rural and micro-finance in Tanzania.

TANZANIA TAX ADMINISTRATION PROJECT

CREDIT No. 3128-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
March 30, 1999	November 3, 1999	December 31, 2004	0	40.0	\$12.18 m	40.0

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context:

Project's Development Objectives: The project aims to assist the Government of Tanzania in raising its tax revenues without increasing tax rates by: (1) improving the legal framework; (2) broadening the tax base; (3) strengthening the Tanzania revenue Authority (TRA) to increase the efficiency and effectiveness of tax administration; and (4) improving the administrative infrastructure.

Project Components/Activities: The project consists of: five components as follows:--

1. Improving the Legal Framework by updating, amending, consolidating and, where necessary, enacting laws and regulations for taxes and customs; introducing a regulatory framework for the Taxpayer Identification number (TIN) and supporting the establishment of harmonized appeals machinery.
2. Broadening the Tax base by increasing the number of registered taxpayers, rationalizing the number of deductions, exemptions and concessions granted by the tax laws; and identifying new sources of revenue and new areas expanding the tax base.
3. Strengthening TRA by introducing modern management systems to all departments, improving training and revisiting the incentives and performance structure.
4. Improving the Administrative Infrastructure by rehabilitating, refurbishing and equipping existing tax offices/customs facilities and by constructing a limited number of new facilities.
5. Project Coordination and Implementation.

Overall Status & Implementation Progress: Tax Administration has been improving steadily with TRA slightly exceeding its revenue targets for FY02. Implementation has been progressing steadily though with a lag compared to original projections.

Key Issues & Challenges for :

- **Government.** To quicken the pace of project implementation and to enhance the capacity within Ministry of Finance and TRA to analyze and revise tax policy so as to strike the appropriate balance between the revenue needs of Government and the development of the Tanzanian economy.
- **Bank** To enhance the efficiency of our support to project implementation, to provide stronger technical input into tax policy issues, and to strengthen coordination and collaboration among the many donors supporting tax reform.
- **Other Stakeholders.** Donors to strengthen their collaboration in supporting tax reforms in Tanzania.

Way Forward: A Mid-term review for the project will be carried out early in 2003. This will provide an opportunity for all stakeholders to take stock of the effectiveness of their efforts to date and to improve on both policy reform and project implementation in the future.

HEALTH SECTOR DEVELOPMENT PROJECT

CREDIT NO. 3380

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
06/15/00	09/29/00	12/31/03	0	22	\$11.88 m	22

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context:

The 1997 CAS aimed at stabilizing and reversing the downward trend in the social indicators through measures that this project undertakes- decentralize responsibility, increase local resource mobilization and rational expenditures. Health-specific objectives supported by the project are to: i) increase effectiveness of public sector health expenditures by shifting resources to preventive and primary care including maternal and child health care. Through a sector-wide approach (SWAP), the project supports the government's role in priority setting and coordination of donor activities, to strengthen government's leadership and ownership of the health development agenda, as well its desire to re-design partnership relationships for more effective and efficient use of aid resources, moving towards budget support.

Project's Development Objectives: The project aims to improve resource management and quality of health services through sector reforms and institutional capacity building.

Project Components/Activities: The project consists of:

1. Strengthening health service delivery (\$12.9):
 - a) strengthening district health services
 - b) strengthening level 2 and 3 hospitals
 - c) strengthening public/private mix
2. Strengthening MOH and central support systems (\$4.7)
3. Health care financing (\$2.4)
4. National HIV/AIDS Fund (\$2)

Overall Status & Implementation Progress:

1. **Strengthening of health service delivery:** The health sector reform program has been extended to 82 of 114 or 73% of all councils with noticeable improvements in district health services planning /budgeting, capacity building and delivery of an essential health package.
2. **Strengthening of MOH and central support systems:** The MOH has: i) revised health policy (draft) ii) implemented HSR program of work (POW) 1999 - 2002 iii) instituted common working arrangements to improve coordination of the sector program under the SWAP

iv) established a Basket Fund for central and district funding iv) Strengthened planning at the central level to consolidate information of external resources v) developed legal and regulatory framework for decentralization and private practice vi) developed strategies to rationalize training institutions to improve efficiency and quality of human resources with appropriate skills mix vi) strengthened the capacity of pharmaceutical procurement, management and distribution and vii) established joint account, disbursement/reporting mechanisms including joint monitoring and evaluation systems

3. Strengthening of health financing: The MOH has i) established health PER/MTEF process and ii) introduced modest cost-sharing but protecting the poor and vulnerable groups (community health fund, drug revolving fund and national health insurance fund).

4. National HIV/AIDS Fund: The MOH has: i) agreed for TACAIDS to coordinate the national HIV/AIDS multi-sectoral response ii) to have TACAIDS manage the \$2 million under the project iii) restructured its internal organization to undertake HIV/AIDS coordination and management in the health sector iv) has started preparing its health HIV/AIDS strategy to be finalized by March 2003 and vi) prepared a draft health/medical waste management plan

Key Issues & Challenges:

- i) The urgent need to strengthen the regions to support districts effectively under a decentralized arrangement to improve the quality of service delivery ii) further strengthening resource management to get a health MTEF to cover all sources of funds coming to the sector iii) strengthening performance measurement in terms of developing a HMIS that will provide timely and reliable information on availability of resources at facility level, utilization of the facilities and service delivery coverage rates for the essential interventions iv) addressing the impact of HIV/AIDS on the health personnel and on the workload in the health sector v) assessing the impact of the cost-sharing initiatives on the poor and the vulnerable groups vi) revision of health sector targets (eg performance indicators on maternal/child deaths, immunization coverage, health service coverage etc) for realism and in line with the PRSP.

Way Forward:

- i) Provide support to MOH to prepare the next health sector program of work (2003- 2006)
- ii) Support the MOH to finalize the health HIV/AIDS strategy
- iii) Support MOH to prepare the next health PER/MTEF (2003-2006)
- iv) Support MOH to prepare the next phase of the health sector development program (2003-2007)
- v) Assess progress made in implementing actions during March 2002 joint health sector review
- vi) Finalize preparations for the next joint health sector review scheduled for March 2003
- vii) Support MOH/PORALG to extend the health sector reform program to the remaining local government authorities (31 councils)
- viii) Review the impact and benefits of the cost sharing arrangements on the poor

HUMAN RESOURCES DEVELOPMENT PROJECT

CREDIT No. 29910-TA

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 0303/2003	Total Project Cost (\$m)
10/07/97	02/98	06/05	0	20.9	\$17.91m	24

	Last	Now
D.O. Rating	S	S
I.P. Rating	HS	HS

Sectoral Context:

At the time when this project was prepared the main sector issues were low enrollments and poor quality of primary schooling, low secondary school enrollments, low spending on education, and inadequate school-level management and little accountability to parents and communities.

Project's Development Objectives: The project aims to strengthen the GOT's education sector by (a) raising enrollments and learning outcomes of primary education by increasing parental and community participation, school-based planning, and improved support for schools at the district level; and (b) expanding educational opportunities at secondary level for girls from low socio-economic background; and (c) building through these programs at the district and school level.

Project Components/Activities: The project was developed as a pilot and consists of the following components: A) Community Education Fund (CEF), a matching grant program for primary schools, designed to increase enrollment, improve the quality of schooling and increase parental and community involvement in school performance and management. Implementation of the component phased out in 2001. B) A Girls Secondary Education Scholarship (GSES) program, to support girls from poor households to complete their secondary education. (O levels and A levels, depending on their achievement levels). C) Capacity Building, aimed at developing capacity to implement CEF and GSES at all levels and to help MOEC formulate and implement innovative solutions to problems in primary and secondary education; and D) Policy Development, Planning and Research, aimed at strengthening MOEC's capacity to plan for the sector, improve statistics systems and management of student achievement testing at MOESC Statistics Unit and the National Examination Council of Tanzania, respectively.

Overall Status & Implementation Progress:

The project started with a few districts – 5 for CEF and 8 for GSES, and expanded to 16 districts in 1999. The Project had a slow start, but after the mid-term review its implementation improved considerably. To date 87% of the credit has been disbursed, and the CEF and GSES programs have had a highly satisfactory performance. The Project has also created capacity for the implementation of both programs at the district and school level in the 16 districts where it has been implemented. As a pilot, the project has fully met its objectives and lessons learned from the CEF program have been taken into account in the design of the PEDP.

Key Issues & Challenges for :

- **Government**
Lessons learned from the CEF were integrated in the PEDP design. The issue now is how to integrate lessons from the GSES to Secondary Education within the ESDP context. An ongoing impact study of the project will provide recommendations for this.
- **Bank**
To disseminate lessons learned from the impact evaluation of the project
- **Other Stakeholders**
To integrate lessons to be learned from the project into current and future sector programs

Way Forward:

The results of the impact evaluation will be available in June 2003.
A supervision mission conducted in October 2002 agreed on a work program for 2002-2003, taking into consideration the phased out CEF Component and continuation of support to GSES until 2005 when the last group of girls currently enrolled in the program finish their A levels.

**PRIMARY EDUCATION DEVELOPMENT PROGRAM (PEDP)
CREDIT No. 3570-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
10/9/2001	01/02/2002	10/31/2004	None	US\$150	\$50.00 m	US\$

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: Education is one of the priority sectors specified by the Government of Tanzania towards poverty reduction. Within this context, an Education Sector Development Program (ESDP) is being prepared by the government in close collaboration with all stakeholders. Within the ESDP context the Government of Tanzania developed the Primary Education Development Program (PEDP) which started to be implemented in January 2002.

Project Development Objectives: PEDP aims at contributing to poverty reduction by reforming the delivery of primary education within the broader context of Education Sector Development Program (ESDP). Specifically, PEDP seeks to improve education quality, expanding school access, and increasing school retention at the primary level. The objectives would be achieved through measures to increase resource availability, improve resource allocation and utilization; to improve educational inputs; and to strengthen institutional arrangements for effective primary education delivery

Project Components/Activities: The PEDP includes (a) payment of capitation and development grants to primary schools; (b) further development of educational inputs for quality improvement in the areas of Pre-service and In-service Training of Teachers to include community based professional development of teachers; reviews of the examination and curriculum system, increased textbooks and teaching materials, (c) institutional capacity building at central, district, and school levels for efficient operation of primary education system.

Overall Status and Implementation Progress: The IDA operation is providing the Government, in the form of Sector Adjustment Credit, with three tranches of USD.50 million each between fiscal year 2002 and 2004 to support the reform of primary education system through PEDP. First tranche was released on January 16, 2002. The second tranche of 50 Mill. USD is expected to be released as soon as we receive from the Government progress report of implementation of the Agreed Actions.

In addition to the IDA Credit of 150 million USD, the United Republic of Tanzania and the International Development Association (acting as administrator of grant funds provided by The Netherlands Minister for Development Cooperation) has signed a Grant Agreement of USD. 50 mill. provided by The Netherlands Minister for Development Cooperation dated October 4, 2002 . IDA is the administrator of the fund. First tranche of the Grant amounting to US\$ 10,000,000 was released to the Government in November 2002.

PEDP has been well received at school and community levels and progress of implementation is highly satisfactory. Government has provided necessary guidelines and support for implementation at community and all levels. By March 2002, actual enrolment of children aged 7-10 years to grade I was 1,659,847 pupils compared to 1,140,554 pupils of the same grade in March 2000. The enrollment in 2002 was above the planned target of 1,500,000 indicated in the PEDP. Right after the first tranche release became effective, the Ministry of Finance disbursed funds directly to the Education Account number 5 of each district Council . This followed immediate disbursement of Development and Capitation Grants to all school accounts in February 2002. In general, Development and Capitation Grants seem to be progressing effectively. 16,000 new classrooms have been built out of the 13,868 target for 2002. This has included construction of school toilets and purchase of school furniture, teaching and learning materials. The funds were also used for constructing some teacher houses in hard to reach areas towards effective implementation of teacher deployment. In order to cope up with enrollment expansion, 6,000 new primary school teachers were recruited by June 2002. Teacher deployment was implemented and a total of 3,422 teachers were transferred to places that had serious shortage of teachers. The Government introduced an

Issues and Challenges:

In order to strengthen and sustain the gained momentum in implementing PEDP it is important that:

- A Capacity Building Strategy at all levels is in place. Initial preparations of the strategy has started and need to be finalized for implementation
- More effort be provided towards finalizing the quality designs for immediate implementation

TANZANIA SOCIAL ACTION FUND (TASAF)

CREDIT NO. 34049

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
08/22/00	11/09/00	06/30/05	0	60	\$29.42 m	70

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Sectoral Context: The major goal of CAS is to reduce poverty, stimulate growth, and protect vulnerable groups – these objectives are supported by this project. The project supports CAS’s objective by (i) strengthening community participation and resource mobilization at local level; (ii) improving the social and economic infrastructure and (iii) creating a social safety net through a self-targeting, low-wage public works-program

Project’s Development Objectives: To increase and enhance the capacities of community and stakeholders, to prioritize, implement and manage sustainable development initiatives and in the process improve socio economic services and opportunities. This will lead to poverty reduction by (a) providing extra resources for the creation of community assets at the village level (schools, bridges, clinics, water points, etc.), (b) targeting incomes to very poor households working on public assets like roads, forest lots, and small dams, and (c) addressing institutional development issues at the community level, districts, and central government for sustainable poverty reduction interventions.

Project Components/Activities: The project consists of: i) Community development initiatives ii) Public works Program and iii) Institutional Development

Overall Status & Implementation Progress:

1. community Development Initiatives (CDI) component (S). To date 896 applications from communities have been received, 639 are under implementation, with 48 completed. Slow progress under this component has been caused by (a) the inadequate size of the Special Account (SA), and (b) differing interpretations of both the Development Credit Agreement (DCA) and the Operational Manual. However, the DCA has been amended to increase the SA to increase the SA amount from \$1 million to \$4 million

2. Public Works Program (PWP) component (S). To date 142 sub-projects have been approved, 103 are under implementation, and 20 have been completed. Good work in progress.

3. **Institutional Development** component (S). A working group has been constituted to review the institutional arrangements, including the functions of TASAF staff; once this has been agreed to, changes to the functions will be implemented. The management information system (MIS) is producing good data which is being used to monitor progress with respect to indicators that need to be tracked. The information, education and communication (IEC) activities have been successfully integrated into the CDI and PWP components.

4. **Pilot Support to Cope with Rising Vulnerability:** Four districts have been identified for the piloting of a program aimed to respond to the vulnerable (orphans, chronically ill, etc.). TACAIDS has provided funding to support extended-PRAs in these districts, and the facilitation will clearly describe that support will have to go through CBOs/CSOs/NGOs that have experience tackling the problem, and are endorsed by the community. US\$1 million will be notionally allocated from the CDI budget once a strategy has been prepared and approved by the Bank.

Key Issues & Challenges for :

- i) Need to speed up pace of implementation
- ii) The need for TASAF to provide support to vulnerable groups and the HIV/AIDS response
- iii) Lack of clarity in operational manual leading to a lot of misinterpretations
- iv) Need for more transparent dissemination of information about the project funds to districts and communities.

Way Forward:

- i) Revise operational manual in line with the DCA and experiences from the pilot phase and the completed sub-projects
- ii) Review the institutional arrangements, including establishing a personnel performance management system (PPMS).
- iii) Allocate funds to districts, so that districts know the funding limitations with clear indicators for intra-district allocations.
- iv) Develop a strategy within TASAF principles to address vulnerable groups including community HIV/AIDS response
- v) Pilot some activities for vulnerable groups including community HIV/AIDS response.

**PROGRAMMATIC STRUCTURAL ADJUSTMENT CREDIT (PSAC I)
CREDIT NO. 3379-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/032003	Total Project Cost (\$m)
07/15/00	08/01/00	06/30/03	1	190	\$107.65 m	

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

Macro Context: The PSAC is based on the Government's medium term strategy for policy and institutional reforms aimed at supporting private sector development in Tanzania. This strategy seeks to reduce poverty through accelerating economic growth more generally and private sector development more specifically. PSAC supports the Government's efforts to sustain macroeconomic stability, deepen the implementation of the privatization program, improve competitiveness and transparency of markets, strengthen the state environment, and further reduce barriers to internal and international trade.

Development Objectives: The principal objectives of the PSAC are to encourage increased private investment; induce greater efficiency of the private sector by reducing the cost of doing business and enhanced competition; increase private sector participation in the economy through faster divestiture of key public enterprises particularly in infrastructure services; and improve the effectiveness in the delivery of supportive public services.

Credit Components/Activities: The PSAC consists of the effectiveness tranche (\$30 million) and four floating tranches (\$40 million each) namely: (1) Economic governance tranche; (2) Business environment tranche; (3) Short term tranche; and (4) Privatization and regulation tranche.

Overall Status & Implementation Progress: The overall performance and progress with the implementation of the program supported by the credit is rated as highly satisfactory. USD 29.32 million was released upon effectiveness in August 2000 and the economic governance tranche (USD 39.17) was released in August 2001. The Government has also achieved satisfactory progress towards meeting conditions for the release of the remaining three floating tranches. Four out of five actions required for the release of the short term tranche are done. The remaining action which relates to bringing DAWASA to the point of concession is in progress and conclusion of the concessioning is expected in November/December 2002. Similarly, six out of the seven conditions required for the release of the business environment tranche have been done. The release of this tranche is being held back by partial fulfillment of the agreed action to approve and implement a proposal to relax restrictions on foreign portfolio investment in the Dar es Salaam Stock Exchange, with appropriate safeguards. The release of the business environment tranche is also expected during November/December 2002. In the case of the regulation and privatization tranche there have been significant delays in meeting the related conditions partly because of a too optimistic schedule for privatization of some key parastatals which involve difficult legal processes and serious social issues/concerns. The conditions for the release of this tranche are expected to be met by April 2003.

Key Issues & Challenges for :

- **Government:** (i) Need to pay particular attention to the fact that the next Bank operation (PRSC I) aimed at providing support to the implementation of the Poverty Reduction Strategy (PRS) and expected to disburse at the beginning of 2003/04 upon effectiveness, is conditional on prior full disbursement and closure of the PSAC. It is therefore important to increase attention to the remaining actions under the privatization and regulation tranche, particularly the decision on the multi-sector regulatory framework to cover the balance of the sectors still to be decided upon; seeing to it that concessioning of TRC proceeds as scheduled and putting in place sector laws for regulating electricity; and (ii) Commitment to sustaining the reform drive and continuing to build and consolidate a national consensus for reform to avoid back-tracking as the country moves toward the 2005 general elections
- **Bank:** (i) Scale up budget support to underpin Government implementation of the PRS; and (ii) Ensure proper coordination and consistency in the policy reform advice given by the Bank across sectors, while continuing to work very closely with “champions of reform” within the Government.
- **Other Stakeholders:** (i) Acknowledge good progress made by the Government so far and continue to support the reform drive; (ii) Development partners need to honor their promised resource commitments and disbursement schedules in support of the Government budget and implementation of the PRS; and (iii) more coordination among donors.

Way Forward: Continued dialogue between the Government and the Bank to resolve outstanding issues in the way to timely closure of the PSAC.

**PRIVATIZATION AND PRIVATE SECTOR DEVELOPMENT PROJECT
CREDIT No. 3304-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/032003	Total Project Cost (\$m)
12/14/99	07/20/00	09/30/04	0	45.90	\$12.67 m	

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S

**REGIONAL TRADE FACILITATION PROJECT
CREDIT No. 3491-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
04/03/01	02/05/02	06/30/11	0	15.00 M	\$3.75 m	

	Last	Now
D.O. Rating	S	U
I.P. Rating	S	U

Project's Development Objective

The Regional Trade Facilitation Projects (RTFP) principal objective is to contribute to poverty alleviation through private sector led growth in participating countries by improving access to financing for productive transactions and cross-border trade.

The Common Market for Southern and Eastern Africa (COMESA) initiated the RTFP as an important complement to its regional integration activities, in particular the introduction the of a free trade area on October 31, 2000. The project will initially cover seven countries (Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia), and can be extended to cover all African countries, in order to broaden the development impact of the project as much as possible.

Financing for productive activities in Africa is presently severely constrained by a perception of high risk in the region as a whole, and in individual countries in the region. Interviews with market players indicate that a significant element of this perception is associated with risks cause by caused by government behavior and political events, significant element of this perception is associated with risks caused by government behavior and political events, such as war and civil commotion. In many countries, however, this perception is not justified by current circumstances. The same is true for the perception that Africa as a region would be inherently more risky than other regions or continents.

There are significant gaps in the private political risk insurance market when it comes to the assumption of political risk in cross-border transactions involving African countries, which hinders growth of productive activity in Africa. Political risk cover from commercial sources or export credit agencies is not available at all for some African countries, and where cover is available it is usually very costly and on unfavorable terms. In particular, import of essential capital goods into African countries.

The project aims to address this problem by bringing together a group of countries that are willing to address the market perception by setting up a credible insurance mechanisms against losses caused by political risks. The governments of these countries would agree to be the ultimate risk takers in the insurance mechanism, thus creating a strong disincentive to cause

claims. This type of insurance is currently not available from the private market, particularly for medium-term transactions (over one year)

As a result of the public sector addressing political risk through the RTFP, the private insurance sector will have the ability to extend its activities in the region. International export credit insurance, in cooperation with local financial institutions, will use the political risk insurance facility to offer commercial risk insurance, which will result in comprehensive export credit covered being available to the private sector in Africa.

The project will thus widen the scope for private sector activity, in particular by extending the maturities at which credit is available, creating a more stable business environment by ensuring the availability of coverage on a consistent and predictable basis, and, by improving the risk, lowering the risk premium. Participating countries will reap earlier and more substantive benefits from improved policies, as the private sector will increase its activity without having to wait for long track of policy and political stability.

Achievement of the overall Development Objectives must be assessed in relation to progress registered in the other 6 country credits.

Implementation has been delayed due to downturn in the insurance market following the events of September 11, 2001 and in the volume of trade flows to African countries. However, the demand on ATI's produce is still much lower than months after all DCA under the project became effective. The lack of performance is the consequence of (i) a lack of correlation between the product and the demand, (ii) poor management of the project (i.e. poor marketing, lack of management of the underwriters team by ATI's chief Executive, lack of drive by ATI's team to achieve results since no insurance policy has been issued over a ten months period) and (iii) the consequence of the macro economic downturn. It is not yet clear which contributes the most to the observed shortcomings, but all will be addressed in the context of the next meeting with stakeholders.

To this effect, the outlook for achievement of the Development Objectives translates into a change from "S" to "U". Similarly, the lack of demand lowers the probability to meet the Performance Indicators. Consequently, the IP rating is changed from "S" to "U", with the Low demand risk changed from "S" to "H". Since Project Management is one of the causes of the slow take-off of the facility, the rating is changed from "S" to "U".

In considering a possible upgrade of the DO ratings, the following factors will be looked at: (i) materialization of the demand, (ii) issuance of insurance policies. Upgrade of the IPs would be triggered by a clear business plan issued by ATI leading to efficient marketing of the product. Implementation has been delayed due to downturn in the insurance market following the events of September 11, 2001 and in the volume of trade flows to African countries. However, the demand on ATI's product is still much lower than expected, and no insurance policy has been bound yet. This trend was still confirmed as of December 2002, i.e. 9 months after all DCAs under the project became effective. It is not clear at this stage whether this lower demand is the consequence of (i) a lack of correlation between the product and the demand (ii) poor management of the project (i.e.: poor marketing, lack of management of the underwriters team by ATI's Chief Executive, lack of drive by ATI's team to achieve results) or (iii) the consequence of the macro economic downturn.

To this effect, the outlook for achievement for achievement of the Development Objectives translates into a change from “S” to “U” Similarly, the lack of demand lowers the probability to meet the Performance Indicators. Consequently, the IP rating is changed from “S” to “U”, with the Low demand risk changed from “S” to “H”. Since Project Management (that of the Implementing Unit which is ATI) might be one of the causes of the slow take-off of the facility, the rating is changed from “S” to “U”.

GENERAL PROGRESS AND OPERATIONAL ISSUES

ATI has been successful in setting up an institution in a difficult post-September –11 business environment. ATI is now fully staffed.

ATI has been operational and able to receive inquiries and issue policies of insurance since end of March 2002. However, it was not until the 5th June that the first formal application for cover was received from an applicant.

This result is significantly below expectations as projected during the appraisal, and the trend was confirmed as of December 2002.

While other institutions such as MIGA and Investment Guarantee Facility in Bosnia also experienced slow take –offs (MIGA took two years before the first policy was issued and nine months for IGA to issue it first policy), the situation is now calling for emergency measures.

An emergency meeting – to be held in Nairobi in February 2003 – has been called by WB. This meeting invites all borrowers under the respective DCAs to reflect on the poor results registered by ATI and to make suggestions as to (i) an improvement in the product and/or (ii) possible changes in the governance structure. This meeting will be supported by results of demand survey currently carried out in France and the UK assess the correlation between the product and the demand.

**LAKE VICTORIA ENVIRONMENTAL MANAGEMENT PROJECT
CREDIT NO. 2908-TA**

Dates			Data			
Board	Effectiveness	Closing	No. of Extensions	Credit Amount (\$m)	Total Disb. As of 03/03/2003	Total Project Cost (\$m)
07/30/96	03/05/97	06/30/04	1	10.10 m	\$8.95 m	

	Last	Now
D.O. Rating	S	S
I.P. Rating	S	S