

621-117

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6 p.

NON-CAPITAL PRELIMINARY PROJECT PAPER (PPP)

I. STANDARD IDENTIFYING INFORMATION

Country: Tanzania Project No. 621-11-140-117

Submission Date: August 16, 1971 Original: X

Project Title: Agricultural Credit

U.S. Obligation Span: U.S. FY 1973 through US FY 1980

Physical Implementation Span: US FY 1973 through US FY 1980

Gross Life of Project Financial Requirements:

U.S. Dollars.....	\$/	600,000
U.S. Owned Local Currency.....	\$	75,000
Co-operating Country Cash Contribution		
Other Donors		

Concur:
F&A: Oless _____
PRM: F. Machner _____
Ag. DIR: CD Ward CD

II. SUMMARY DESCRIPTION

This is a Preliminary Project Proposal (PPP) for a new project which provides technical assistance to the Tanzania Rural Development Bank, a new institution established in CY 1971 to provide financial and technical assistance in rural development.

A. Justification:

The essentially rural and agricultural nature of Tanzania and of the Tanzanian economy has been established in previous project papers (see TOAID A-239, November 13, 1969 - Non-Capital Project Paper (PROP) - Project 621-11-130-092 - Seed Multiplication and Distribution).

The Second Five-Year Plan, 1969-74, envisages integrated rural development which includes the goals of appropriate land use in accordance with land capabilities, efficient production of agricultural commodities to meet national needs, and effective marketing, both internally and for export. Balanced progress is to be sought in all sectors of the economy, but "rural development receives top priority, as most of our latent wealth lies in our under-utilized land and in the energies of the rural people."

The Government of Tanzania recognizes that a number of means can be used to promote rural development, but that perhaps the two most important factors are technical assistance and credit. Technical assistance provides agricultural producers with the knowledge needed to increase production efficiently. Credit is equally important in providing producers with the means to purchase the modern inputs needed for efficient production. Prior to the establishment of the Tanzania Rural Development Bank, rural credit (was) extended by the National Cooperative and Development Bank (NCDB) through two subsidiaries. The National Cooperative Bank (NCB) specialized in financing crop marketing by cooperatives. The National Development Credit Agency (NDCA) provided development credit, almost exclusively in agriculture, through cooperatives to small holders. At its formation the Rural Development Bank took over the portfolio of the National Development Credit Agency and the latter institution was terminated.

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The Tanzania Rural Development Bank thus is established as the intended principal source of rural development credit (exclusive of marketing credit for crops) in the country. In carrying out its job of financing rural development it will need to be able to judge the economic viability of various development projects, to evaluate the ability of borrowers to repay and of projects to generate repayment funds, and generally to conduct its affairs in a financially sound manner in a rather difficult area.

B. Technical Assistance:

At present the Rural Development Bank recognizes two chief needs: (1) Money, and (2) trained personnel. This project is concerned with assisting the Rural Development Bank in obtaining and developing trained personnel. This will be done by providing four U.S. technicians to fill selected critical positions, on-the-job training of Tanzanian personnel, and participant training in the United States as required.

The Tanzania Rural Development Bank is organized into five major departments:

1. Administration
2. Finance
3. Development
4. Operations
5. Regional offices

Projected personnel requirements for these five departments for 1971 and 1974 are:

	<u>1971</u>	<u>1974</u>
Administration	2	5
Finance	17	15
Development	12	12
Operations	4	8
Regional offices	36	54

In conversations with the Bank management it was agreed that training might be required in the United States for personnel from each department. However, it is expected that technical assistance personnel will be required only for the Development and Operations Departments. The Bank

management believes that the Regional offices should be staffed by Tanzanian nationals familiar with local conditions and able to speak swahili.

The Development Department is responsible for conducting pre-investment technical studies and appraisals of all loan proposals. It will also offer technical assistance in rural development project identification and preparation to the Bank's potential clients. The Development Department is also responsible for the preparation of economic and statistical reports in order to identify areas of major constraints and advise the Bank's management of solutions. At full strength this department is scheduled to have one manager, one financial analyst, one public relations man, one rural credit expert and eight project officers. At present (August 1971) the department has one financial analyst and one project officer on board. Recruitment is underway for a department manager whom the Bank management believes should be a Tanzanian.

The Operations Department is responsible for the overall implementation of the Rural Development Bank's lending program. This department gives advice and assistance in implementing projects financed, including supervision of borrowers and projects, procurement of supplies, and ensures that implementation and procurement are carried out in accordance with the lending agreements and disbursement schedules. At full strength this department is presently scheduled to have one manager and seven project officers. The Bank management believes that this may not be sufficient and the number of project officers may have to be increased. At present (August 1971) this department has two project officers on board. Recruitment is underway for a department manager whom the Bank management believes should be a Tanzanian.

All personnel projections are preliminary and subject to revision as the Bank's business increases and requirements for personnel develop more fully.

Two Senior Project Officers will be provided under this project for the Development Department and two Senior Project Officers will be provided for the Operations Department. Detailed job descriptions and qualifications are to be worked out for the Project Paper (PROP).

Training of Tanzanian personnel will include on-the-job training and participant training. The exact number of participants and the fields of training will await detailed analysis of personnel requirements and availabilities by fields of specialization. It is expected that training for about 20 men will be required in the areas of project preparation and analysis (including economic analysis), loan supervision and implementation, accounting, and administration.

Consultant services may be required by the Bank management for appraisal of proposed loan projects or for analysis of special management problems.

Vehicles will be provided for U.S. project technicians and a moderate amount of commodities for training purposes.

It is expected that U.S. technicians provided under this project will be stationed in Dar es Salaam, and housing will be required at an estimated \$12,000 per unit.

The Rural Development Bank has also applied to UNDP for technical assistance and requested the assignment of six technicians. No action has yet been taken on this application. The technical assistance to be provided by AID will be coordinated with any provided by UNDP to avoid duplication and to maximize the effectiveness of both.

C. Goals and Objectives:

The overall goal or objective is to develop a strong and effective rural credit organization staffed by trained and qualified Tanzanians and able to contribute effectively to the agricultural development of Tanzania by making and collecting, sound loans for developmental purposes. For this purpose technical assistance is provided in certain critical areas of the Tanzanian Rural Development Bank's organization. A parallel objective is to develop an organization that through competent management can attract both domestic and foreign capital.

It is expected that in preparing the Project Proposal (PROP) some quantitative goals in terms of volume of loans, increase in capital, ratio of collections to loans made, and similar matters will be developed.

Other

Under the Tanzania Rural Development Bank Act, 1971 the Bank has an authorized capital stock of one hundred shares, each having a par value of one million shillings. Fifty shares have been issued, divided equally into paid in shares and callable shares. All capital stock is subscribed by and allotted to the Government of Tanzania. Other local sources of funds include Shs. 17 million in bank advances and Shs. 28 million in short term deposits.

The Bank's present borrowings from external sources include Shs. 77 million from the World Bank (IDA) and from the Swedish International Development Authority (SIDA). The World Bank funds are for crop development, mainly tobacco, coffee, tea, and cotton, while the SIDA loan is for financing storage facilities.

Eligible borrowers from the Bank have been defined as:

1. Co-operative Unions
2. Co-operative Societies
3. District Development Corporations
4. Ujamaa Villages, including Ranching Associations
5. Persons engaged in activities associated with rural development

It is expected only large farmers will qualify for individual loans. Loans to small and medium-size farmers will be made through co-operatives.

Of the loans taken over from the predecessor agency, the National Development Credit Agency, some 82 percent of the amount ^{was} for crop production. About 86 percent of the funds loaned went to co-operatives, 13 percent to individuals, and 1 percent to district development Corporations.

The Tanzania Rural Development Bank has made a preliminary request to USAID for a loan of \$3,000,000 and AID/W has replied that this loan "may have possibilities in view of our concentration on the agriculture sector". (See AIDTO Circular A-1387, 6-26-71). This PPP, however, is presented as a purely technical assistance project and is not conditioned upon favorable ultimate action on the loan request.