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A.I.D. Project No. 621-0176
Appropriation No. 72-112/31014
Budget Plan Code: GSS2-92-21621-KG13
Project Grant Agreement No. PRO-GR-AG-NO-92-02
Amount FY92 Obligation: \$ 2,000,000
RCN: T926046

FUNDS AVAILABLE *Ja*

Office of the Controller LANDANZA, ZA

Date; 8/28/92 08/28-92

PROJECT GRANT AGREEMENT

between

THE UNITED REPUBLIC OF TANZANIA

and the

UNITED STATES OF AMERICA

for

FINANCIAL ENTERPRISE DEVELOPMENT PROGRAM

SUPPORT PROJECT

Dated: August 28, 1992

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Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

Section 2.1 Definition of Project.

The Project, which is further described in Annex 1, is designed to support implementation of reforms and other activities encompassed by the Financial Enterprise Development Program ("FED") which is the subject of a separate Program Grant Agreement. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties, which representatives shall be designated in accordance with Section 8.2, without formal amendment of this Agreement.

Section 2.2 Incremental Nature of Project.

- (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.
- (b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds provided by A.I.D. under an individual increment.

Article 3: Financing

Section 3.1. The Grant.

- (a) To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the U.S. Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Two Million United States ("U.S.") Dollars (U.S.\$2,000,000) ("Grant").

- (b) The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 of this Agreement, and local currency costs, as defined in Section 6.2 of this Agreement, of goods and services required for the Project.

Section 3.2. Grantee Resources for the Project.

The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner. Grantee resources for the Project shall include amounts contributed by Grantee in support of the FED Program, as specified in the FED Program Grant Agreement.

Section 3.3. Project Assistance Completion Date (PACD).

- (a) The PACD, which is September 30, 1997, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.
- (b) Except as the Parties may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.
- (c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D, giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Conditions Precedent

Section 4.1. Condition Precedent to First Disbursement.

Except as A.I.D. may otherwise agree in writing, prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall furnish or have furnished to A.I.D., in form and substance satisfactory to A.I.D. a written statement setting forth the names and titles of persons holding or acting in the Office of the Grantee and of any additional representatives, and

representing that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each such person certified as to its authenticity.

Section 4.2. Notification.

When A.I.D. has determined that the condition precedent specified in Sections 4.1 has been met, A.I.D. will promptly so notify the Grantee.

Section 4.3. Terminal Date for Conditions Precedent.

If the condition specified in Section 4.1 has not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 5: Special Covenants

Section 5.1. Project Evaluation.

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties may otherwise agree in writing, the evaluation program will include the following during the implementation of the Project:

- (a) evaluation of progress towards attainment of the objectives of the Project;
- (b) identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) assessment of how such information may be used to help overcome such problems; and,
- (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 6: Procurement Source

Section 6.1. Foreign Exchange Costs.

Except as A.I.D. may otherwise agree in writing, and subject to Section 6.3 below, disbursements pursuant to Section 7.1 will be used exclusively as follows:

- (a) to finance the costs of goods and services required for the Project having, with respect to goods their source and origin, and with respect to suppliers of services their nationality, in Code 935 of the A.I.D. Geographic Code Book

as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except for ocean shipping and air travel and transportation services to and from the U.S. (see below) and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance;

- (b) to finance ocean shipping services in compliance with the 50/50 shipping requirements of the U.S. Cargo Preference Act; and
- (c) to finance air travel and transportation services to and from the U.S. on U.S. flag carriers to the extent such service is available within the terms of the U.S. Fly America Act.

Section 6.2. Local Currency Costs.

Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Tanzania ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Section 6.3 U.S. Procurement.

Notwithstanding the provisions of Section 6.2, the Parties agree that all reasonable efforts shall be made to maximize procurement of goods and services from the U.S.

Article 7: Disbursement

Section 7.1. Disbursement for Foreign Exchange Costs.

- (a) Following satisfaction of the applicable conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:
 - (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services on the Grantee's behalf for the Project; or
 - (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or

(B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

- (b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. Disbursement for Local Currency Costs.

- (a) In accordance with requirements of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.
- (b) The local currency needed for such disbursements may be obtained:
 - (1) by acquisition by A.I.D. with U.S. Dollars by purchase or from local currency already owned by the U.S. Government; or
 - (2) by A.I.D., (A) requesting the Grantee to make available the local currency for such costs from where trust fund and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which Dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.
- (c) The U.S. Dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. Dollars required by A.I.D. to obtain the local currency, and, in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

Section 7.3. Other Forms of Disbursement.

Disbursements of the Grant also may be made through such other means as the Parties may agree to in writing.

Section 7.4. Rate of Exchange.

Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Tanzania by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into the currency of Tanzania at the highest official rate of exchange which, at the time the conversion is made, is not unlawful in Tanzania.

Article 8: Miscellaneous

Section 8.1. Communications.

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, cable or telefax, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee: Principal Secretary
 Ministry of Finance
 P.O. Box 9111
 Dar es Salaam

To A.I.D.: USAID/Tanzania
 P. O. Box 9130
 Dar es Salaam
 Tanzania

Attention: Director

All such communications will be in English. Other addresses may be substituted for the above upon the giving of notice. The Grantee, in addition, will provide USAID/Tanzania with a copy of each communication sent to A.I.D.

Section 8.2. Representatives.

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Principal Secretary to the Ministry of Finance, and A.I.D. will be represented by the individual holding or acting in the office of the Mission Director, USAID/Tanzania, each of whom, by written notice, may designate additional representatives for all purposes other than amending the terms of this Agreement.



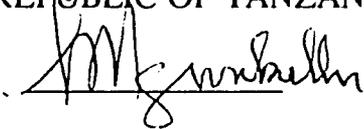
The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. Standard Provisions Annex.

A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED REPUBLIC OF TANZANIA

By: 

Name: Peter Ngumbulu
Title: Principal Secretary
Ministry of Finance

UNITED STATES OF AMERICA

By: 

Name: Dale Pfeiffer
Title: Director
USAID Tanzania

Attachments:
Annex 1 - Amplified Project Description including Illustrative Summary of Project Costs by Expense Category

A.I.D. Project No. 621-0176
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Budget Plan Code: GSS2-92-21621-KG13
Project Grant Agreement No. PRO-GR-AG-NO-92-02
Amount FY92 Obligation: \$ 2,000,000
RCN: T926046

Annex 1

Amplified Project Description

**Finance Enterprise Development
Support Project**

(FED)

August 1992

Annex 1

Amplified Project Description

I. Project Description

A. Introduction. This Project is intended to support policy reforms and other activities undertaken as part of a combined Financial Enterprise Development Program ("FED") which involves planned disbursements of \$40,000,000 in non-project (e.g. "program") assistance over a three year period, based on satisfaction of conditions precedent pertaining to the financial sector in Tanzania (which conditions precedent are outlined in a separate Program Grant Agreement), and \$10,000,000 in project funds to be obligated over a five year period for support to selected private sector organizations in Tanzania, including but not limited to those which are expected to undertake a policy dialogue with the Government of Tanzania concerning constraints to private sector development overall. This Amplified Project Description describes the project component of the overall FED Program, but refers where necessary to the non-project assistance component as well. For a more complete description of the non-project assistance component, see the related Program Grant Agreement and Annex 1 thereto.

In the case of any conflict between this Annex 1 and the Project Grant Agreement, the terms of the latter shall prevail.

B. Program Goal and Purpose. The GOAL of the FED program is to stimulate income increases in Tanzania. The PURPOSE of the FED program is to foster income earning opportunities for the un- and under-employed by stimulating private enterprise growth. This purpose will be accomplished (a) by helping to establish a financially sound and diverse financial sector capable of meeting the challenges posed by the move to a market economy; and (b) by helping to mobilize a private sector response to the opportunities created by the gathering pace of liberalization.

C. Project Support Activities. Two main sets of project support activities are contemplated, paralleling and supporting the policy agenda outlined above. One project activity will be in support of the Bank of Tanzania, and a second will be in support of private sector development. A third modestly funded project activity will promote the establishment of a venture capital fund in Tanzania. In refining and implementing these project activities the approach will be based on the following principles: close collaboration with appropriate private and governmental organizations; all activities to be demand-driven to ensure relevance; and implementation arrangements which rely to the maximum feasible extent on Tanzanian institutional capacity.

C.1. Bank of Tanzania Support Package. In collaboration with the Bank of Tanzania,

USAID/Tanzania will provide assistance to deepen and consolidate the achievements of ongoing reforms in the financial sector. This activity will accomplish two main objectives. First, the Bank of Tanzania will be assisted in its efforts to institute an appropriate set of regulatory functions, particularly with respect to the banking sector. This activity will follow closely on the commercial bank loan classification exercise undertaken with USAID assistance. Second, the Bank of Tanzania will be assisted in its efforts to strengthen Tanzania's financial sector, by providing access to a broad array of financial sector expertise to address the issues arising in the move to a modern financial system. This includes assistance from the U.S. Federal Reserve in instituting the BOT's supervisory and regulatory functions, helping the BOT to take on additional key central bank functions, providing assistance in the development of specific new financial mechanisms, and providing support for establishing an effective interbank check-clearing system.

These objectives will require short term problem-solving technical assistance relevant to senior BOT management, in-country seminars and workshops to upgrade the skills of mid-level and junior staff, and strategically selected short-term training in the U.S. A modest level of commodity support directly related to project activities is also planned. A summary budget for the BOT activity is presented below.

Table IV.1 BOT Support Package Budget (000)

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Short Term TA	260	340	250	140	130	1,120
Equipment	100	80	80	31	30	321
Training Funds	210	420	420	420	420	1,890
Total	570	840	750	591	580	3,331

Short Term Technical Assistance. The budget provides for approximately 112 person-months of short term technical assistance. The bulk of this is planned to support the BOT's effort to strengthen the supervision and regulation of the banking sector. The funds will be used to access U.S. Federal Reserve System senior bank supervisors on a rotating basis to provide on-the-job-training and supervision for the BOT's bank supervision staff. Support will also be provided to help the BOT (a) prepare new financial sector legislation, (b) enhance monetary policy capability, (c) institute new financial instruments, (d) discontinue non-central-bank functions, (d) institute an interbank check-clearing function, (e) enhance management of the foreign exchange regime, and (f) other complementary needs.

Equipment. The budget provides for a modest level of equipment procurement, chiefly computers, software, and other equipment needed to support the BOT as it takes on the new responsibilities referred to above.

Office Expenses. The budget provides for a modest level of office expenses, chiefly for advertisements and published materials related to training seminars that require the awareness and participation of the banking institutions.

Training Funds. The budget provides approximately \$1,400,000 for a series of quarterly in-country training courses (each of approximately three weeks' duration), to be sponsored by the Bank of Tanzania. This level of funding will support both the in-country expenses as well as the costs of accessing specialized technical and training skills from overseas. The specific content of the training courses will be determined by the BOT during implementation, and is likely to address bank supervision and regulation, capital adequacy determination, loan classification and reserving, bank licensing, evaluation of off-site bank supervision reports, liquidity measurements, and so forth. The in-country seminars will address training needs at senior operational, mid-level and junior levels in the BOT as well as other banking institutions. The budget also provides for approximately 45 person-months of participant training, intended for senior policy and operational staff in the BOT. This will provide access to specific technical and policy training, such as that provided by the Federal Reserve, the World Bank, major U.S. commercial banks, and other sources identified by BOT management.

C.2. Business Services Center. The Project will support the creation of a results oriented, demand-driven entity that can address the technical and policy constraints that have been identified to private sector development in Tanzania. This entity will be known as the Business Service Center ("BSC").

Strategic Objectives. The BSC will have four principal strategic objectives, each of which contributes to the overall purpose of the FED program of fostering private enterprise growth. Specifically, these objectives are:

-- Raising Public Awareness. Using print media, radio, and publications, publicize the BSC project and its achievements. These efforts will draw attention to such areas as project objectives, business development opportunities, and policy constraints identified, as well as to the technical assistance provided by the BSC and its impact, once the work program is fully underway.

-- Responding to Demand. The BSC will be a demand-driven service organization, reflecting the needs and concerns of the Tanzanian business community as they are voiced by firms, individuals, and industry representatives. The role of the BSC will be to propose, rather than dictate, project activities, so as to ensure that private sector views are reflected in the design and implementation of the technical assistance and training provided.

-- Strengthening and Broadening the Business Community. The BSC will be nondiscriminatory in the services that it provides, aiming to reach and assist the Tanzanian business community as a whole. Eligibility criteria for project assistance will be established that are straightforward and reflect the differing capabilities of the intended beneficiaries. Particular attention will be devoted toward phasing in of technical assistance and training outside of Dar es Salaam through linkages with institutions in other population centers (Moshi, Arusha, Mwanza, Zanzibar).

-- Enhancing the Policy Environment. A final objective of the BSC will be to identify and assess the key policy issues impeding Tanzanian business development, and to promote the greater understanding and awareness of these issues. A key element in the BSC approach to these policy-related activities will be to develop the capacity of the business associations to serve as effective advocates of private sector interests to the GOT.

BSC Overall Approach. A competitively selected U.S. contractor, in collaboration with a Tanzanian subcontractor, will bear primary responsibility for design, implementation, and management of the BSC. The contractor will provide both long and short term technical assistance in support of project activities, and will identify and coordinate support that is available from other sources. A summary budget for the BSC is presented below.

Principal Functions of the BSC. BSC functions include general promotion activities as well as three service modules. Each is summarized below.

-- BSC Promotional Activities. Working with business associations, trade groups, and other interested parties, the BSC staff will publicize the full range of its activities and the business development opportunities, technical assistance, and training resources that it offers. The public awareness campaign will be crucial to the provision of technical assistance to a broad and diverse spectrum of organizations, businesses and individuals. Representative activities to be conducted over the five-year period will include: (a) publication of pamphlets, newsletters, and other promotional materials; (b) a public media campaign to draw attention to such areas as project objectives, business opportunities, and key policy issues, as well as to the technical assistance provided by the BSC; and (c) promotional events, such as trade fairs featuring exhibitions of locally produced goods, national and regional business conferences, as well as informal gatherings for persons interested in learning more about the BSC and its services.

-- Module 1: Basic Business Services. Module 1 activities are those which are intended to reach the broadest spectrum of firms and individuals. Basic Business Practices will have the widest audience, and is essentially an element of the public awareness campaign described above. Many of the services encompassed will be delivered by the BSC staff, e.g., establishing a library, preparing/procuring publications, providing basic business advisory services, and conducting workshops for small audiences. These types of services will be among the first to be offered by the BSC, and will introduce the Center and its staff to the public at large. The services included under Applied Business Skills are also general,

but will nevertheless reach out to a more experienced audience, including small businesses that are already operational but are in need of assistance to adopt more businesslike practices or upgrade their productivity. It is anticipated that most of the technical assistance required to deliver these services can be made available either by the BSC staff, established programs (IFM, CBE), or offered by local firms. In special instances, firms or individuals may be selected for overseas training under fellowships offered by NGOs or similar programs. Cost for these services would be nominal, to the extent that they are provided by the BSC or its affiliates. The BSC will conduct followup work to establish deeper commercial and investment relationships where feasible. The third and final category, Specialized Management and Technical Training, has as its target audience established firms and business associations. The intention is to provide access to information and training to support innovation in, and upgrading of, established capacity. While some topics such as inventory control and productivity management may fall within the BSC staff or Tanzanian firms and institutions, others will rely on bringing in short-term consultants to conduct specialized seminars. For this reason, services provided will be coordinated closely with the activities of the business associations, to determine which areas are of most interest, and to clearly identify the probable clientele. One or more associations might also assist in organizing and convening the sessions. The minimum level of participants required to warrant holding the sessions will be determined by the BSC, and attendance would require payment of a registration fee to at least partially cover their cost.

-- Module 2: Specialized Business Services. In Module 2 activities, the BSC will draw more extensively on outside sources of technical assistance. With regard to the first focus area, Project Development, the BSC staff would be expected to provide guidance in the key elements of pre-investment analysis, business plan development, and identifying and assessing alternative sources of finance for local entrepreneurs. Equipped with this fundamental information, the client would be in a position to discuss with the BSC whether or not to proceed with the project, areas in need of further definition, and the potential for qualifying for outside assistance through programs such as the APDF. For projects in specialized industries or services, or for assistance in identifying potential joint venture partners, short term technical assistance would be utilized to supplement in-house expertise. As with the Module 1 services extended to emerging entrepreneurs, for basic information at most a nominal fee would be charged. Project-specific assistance and consulting services would be costed based upon the practices of the cooperating organization and/or an assessment by the BSC of the client's ability to pay. The spectrum of services and the scope of potential users covered under Business Operations are broad for two reasons: (a) they reflect the diversity of the clientele that the BSC will endeavor to serve; and, (b) until the BSC is actually underway it is difficult, if not impossible, to narrowly define the potential service needs of operating businesses in Tanzania. When devising the means to improve the performance of an operating firm, be it well established or newly minted, an individualized approach is required. As problems are brought to the attention of the BSC staff, either directly, or through the business and industry associations, action plans will be developed. Alternative delivery options will then be evaluated, and their relative merits discussed with the client. Where possible, foreign consultants that are brought in will be teamed with local

counterparts to assess and resolve the problem. This strategy will offer the client the benefit of top-notch international expertise, promote skill transfer, and provide for local continuity and support once the foreign advisor has left Tanzania. Potential mechanisms and sources of technical assistance and training are myriad in this focus area, as well as in Business Expansion. The services provided by Entrepreneurs International, the International Executive Service Corps, the APDF, local and foreign NGOS, and other donor agency programs can all be channeled through the BSC, after an assessment has been made of the precise characteristics of the needs of the client. In such areas as market strategy, new market development, and export assistance, the BSC staff should be qualified to serve as the initial source of expertise and to recommend whether more specialized assistance is warranted. The BSC can also serve as a resource for up-to-date information on international and regional trade, including both trade policies and programs.

-- Module 3: Policy Dialogue/Institutional Support. The activities that will be undertaken by the BSC in Module 3 are perhaps the hardest to define, but hold the potential to have an important impact on the business community as a whole. The BSC can contribute to association strengthening across the board, working with the leadership of key organizations to help them define their objectives, identify their needs, and adopt a workable strategy to address them. Subsequently, particular attention will be directed to such areas as encouraging and expanding member support, consensus building, and organizational growth, perhaps by cosponsoring association participation in short courses overseas. Under this module the BSC will also help associations and their members (a) identify and assess the key policy issues impeding the development of businesses in Tanzania, and to promote the greater understanding and awareness of these issues; (b) conduct or commission periodic analyses on the identified policy constraints; and (c) propose concrete approaches for the modification of existing policies, design new strategies to overcome the identified policy constraints, and propose methods to support their implementation. The specific analyses that will be conducted in relation to formulating a private sector policy agenda will be identified by the business community itself.

Table IV.2 Business Services Center Budget (000)

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Long Term TA	224	187	179	187	203	980
Short Term TA	10	30	30	30	10	110
Equipment	40	2	2	2	0	46
Office Expenses	43	44	44	44	28	203
Travel/Per Diem	5	5	5	5	5	25
Overhead/Fee	251	210	202	210	212	1085

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Training Funds	120	168	168	168	168	792
Total	693	646	630	646	626	3,241

Implementation Methods. The contractor will make use of the services of four types of technical assistance providers in the implementation of the BSC: (a) the Chief of Party, who will define the program activities and provide ongoing technical guidance and support; (b) an in-country Project Coordinator and in-country Technical Specialists, who will provide targeted support for project activities; (c) Short Term Technical Advisors, drawn from the core contracting team as well as other foreign and local sources, as needed; and (d) complementary organizational and institutional resources and programs, planned or already in place in the country or in the region.

Whenever possible, local expertise -- consultants, trainers, technicians, policy analysts -- will be utilized by the BSC. One of the principal objectives of the FED program is to develop and enhance national capabilities to carry out technical assistance independent of outside support. In this context, the BSC team will work with regional and national technical centers, educational institutions, firms, and other sources of professional services, to identify qualified candidates to assist in program implementation.

BSC Staffing. The project staffing structure outlined below should be viewed in light of the breadth of the activities that are encompassed by the BSC, and the premium which this places on hands-on project management skills.

-- Long Term Advisors. The Chief of Party will be the in-country manager of the BSC and will serve as the principal contact point between the contractor, BSC staff, USAID, the local business community, and other entities. The COP will be charged with establishing the office and facilities of the BSC, hiring personnel, and setting up requisite data collection and information management systems. He/she will also bear responsibility for developing the project workplans, defining and maintaining communications channels, and addressing technical assistance needs as they arise. The Project Coordinator will serve as the principal liaison between the Tanzanian firms and individuals seeking, or in need of, BSC assistance and the service providers under the BSC. Additional full-time staff will also be required to fill Resident Technical Specialist positions in business and finance, training, and overseas investment/commercial linkages.

-- Short Term Advisors. These individuals may be drawn from the contractor, as well as from other local and foreign sources, as appropriate to the needs at hand. The activities of these individuals may be targeted to a general business audience; directed toward a

particular product, sector, or function; or may be firm-specific, as determined by the BSC staff. Short term advisors may also be used in the area of policy analysis and the provision of tailored assistance to local business associations.

-- Support Staff. A receptionist/secretary and driver/messenger will be required to provide requisite administrative support. Other services will be accessed through the facilities of the counterpart Tanzanian firm on an as-needed basis.

BSC Links to Local Business Associations. Tanzanian business, industry and trade associations are anticipated to play a pivotal role in the BSC's activities and achievements. Working with the contractor, the associations will be responsible for the promotion of the project to their constituencies, the identification and preliminary evaluation of technical assistance needs, the dissemination of information made available through the project, and, in accordance with their capabilities, assisting in provision of the technical assistance.

The associations will be used as a resource in the development of the work programs prepared by the COP, and will be expected to make capable staff available to assist in the BSC's implementation. They will be an especially important element in the communications network established, by serving as a conduit between the BSC and the business community at large.

To the extent that commonalities of sectoral and functional needs are manifested through effective communication with the business associations and their memberships, significant economies can be achieved by bringing in short term technical experts that will travel to several locations and plants throughout Tanzania as a part of their assignment. Through close collaboration by the BSC staff with the associations, the most cost-effective means of delivering technical assistance will be determined and the assignment configured and scheduled accordingly.

Finally, the associations will be asked to play an active role in setting the policy agenda for the BSC. Drawing upon the input of their memberships, the associations will bring to light policy issues of key concern for which technical analysis is warranted. As with the training and technical assistance provided in business development, the policy assessment and advocacy activities undertaken or supported by the BSC will be determined by the expressed needs of the businesses which the Center endeavors to serve.

BSC Links to Tanzanian Institutions/Service Providers. The BSC will also work closely with established technical and training institutions that are developing, or have in place, programs to assist in private business development. Summaries of the potential areas of cooperation between the BSC and two premier institutions are presented below.

-- Institute of Finance Management (IFM). Based in Dar es Salaam, the IFM enjoys perhaps the best reputation of the training/education organizations reviewed. Its courses range from degree programs to Executive Development short courses, and it is especially

equipped to provide training in accounting and business management. IFM links to the BSC could be established for businesses seeking to improve their financial planning and management capabilities. In addition, with a large faculty of professors and lecturers, the IFM is likely to be the most appropriate Tanzanian institution for developing tailored courses to meet training needs evidenced in specific areas, e.g., productivity enhancement, quality control, and production process strategies.

-- College of Business Education. Also in Dar es Salaam, the College of Business Education has proven to be an especially responsive educational institution in that its faculty is drawn, in part, from practicing professionals, thereby exposing students to the practical application of business skills, in addition to the academic material. The CBE has also been particularly adept at tailoring its courses to suit the needs of particular clients or business categories.

To expand the geographic coverage of the BSC, courses could potentially be run through such institutions as the Arusha Technical College, the Arusha School of Accountancy, and the Moshi Cooperative College. Once the BSC is operational, effort will be directed toward identifying the current activities and capabilities of these and other institutions in Tanzania to determine potential areas of cooperation, and to broaden the reach of the BSC's services.

C.3. Other Project Activities. The Bank of Tanzania Support Package and the Business Services Center constitute the main project activities to be funded through the FED program. One additional activity remains to be described. USAID/Tanzania will promote the establishment of a small venture capital fund in Tanzania, and \$210,000 in project funds have been set aside for this purpose.

D. Buy America Effort. To raise the percentage of U.S. sourced procurement under the import financing facility which will be funded from the non-project assistance disbursed under the FED Program (see Program Grant Agreement), the following services will be offered by the Business Services Center:

-- The BSC will offer a one-person Commercial Investment and Procurement Support Service with a library of current U.S. equipment and supplies catalogues and a fax line. This Service will, on behalf of Tanzanian firms, identify possible U.S. suppliers for commodities required, and fax requests for price/quality/delivery information to the Procurement Liaison Service discussed below.

-- In the U.S., the BSC will establish a Commerce, Investment, and Procurement Liaison Service (a part-time employee affiliated with our institutional TA contractor). After receiving faxed requests from the BSC, this Liaison Service will contact the appropriate U.S. suppliers, and actively pursue the required information on price/quality/delivery. Once the information has been obtained, it will be faxed back to Tanzania, and made available by the BSC to the potential Tanzanian private sector client.

This process will be monitored closely to determine what proportion of the program is used for U.S. sourced commodities, and if necessary the commodity positive list will be adjusted or other steps will be taken to increase the proportion of U.S. procurement.

E. Private Sector Policy Agenda. Through the above mechanisms, the FED Support Project will pursue private sector policy issues indirectly. The substantive content of the private sector-sponsored policy analysis and policy advocacy will focus on the issues outlined below.

- A complex exchange rate policy which results in multiple effective exchange rates and market distortions, depending on the foreign exchange window utilized.

- Inadequate and partial access to foreign exchange to finance import requirements, coupled with delays in profits and capital repatriation.

- Export and import licensing and other controls, which significantly slow and complicate import/export activities.

- Complex procedures and institutional deficiencies which make the process of registering or incorporating a business extremely time consuming and difficult, especially for small enterprises.

- High indirect taxes and other charges which raise ex-factory prices and promote tax evasion.

- Lack of adequate and coherent export incentives to counter-balance the anti-export bias of trade policy, which erodes the competitiveness of Tanzania-based export manufacturers.

- Complicated and time-consuming procedures to acquire land for industrial and commercial building development.

Technical analytic support required by the Tanzanian private sector to address this policy agenda will be made available through the Business Services Center.

II. Responsibilities of the Parties. Three sets of responsibilities are discussed here: (a) joint GOT/USAID responsibilities, (b) GOT responsibilities, and (c) USAID responsibilities.

- Joint GOT/USAID Responsibilities. Management of overall FED Program implementation will be the responsibility of two Committees. At the principal secretary or policy level, the FED Steering Committee will include the Permanent Secretary of the Ministry of Finance, the Governor of the BOT, the Economic Advisor to the President, and the USAID/Tanzania Mission Director. This committee will monitor progress of FED implementation, including progress toward achievement of conditionality. It is expected that this committee will meet twice annually. At the senior operational level, the FED

Implementation Committee will include the Deputy Permanent Secretary for External Finance in the Ministry of Finance, the Director of Economic Research and Policy of the BOT, and the USAID/Tanzania Project Development Officer. This committee will monitor program implementation on a more regular basis, and will deal with implementation matters which require broader discussion and resolution. It is expected that this committee will meet four to six times annually. Both of these committees will serve an advisory and coordination function. They are not decision-making entities.

-- GOT Responsibilities. The GOT, through the Ministry of Finance, will have overall responsibility for implementing the FED program. The Bank of Tanzania will be the implementing agency for the FED financial sector policy reform program and related project support activities. This includes undertaking the necessary reform actions and providing direction for the project activities in support of the BOT reform program. Based on actions taken, the BOT will be responsible for submitting to USAID/Tanzania evidence that the conditionalities have been met. The GOT, through the Ministry of Finance and the BOT, will ensure that covenants included in the program agreement are met. The FED private sector support activities will be implemented directly by USAID, with and through the Tanzanian private sector. Hence there will be no separate or substantive GOT implementing agency. The Ministry of Finance will perform that function when required.

-- USAID Responsibilities. USAID/Tanzania will have responsibility for (a) maintaining a substantive dialogue with BOT and relevant agencies regarding progress in implementing the FED policy agenda, (b) arranging the contracts and/or grants required to implement the BOT support package in accordance with BOT technical direction, and (c) arranging the contracts and/or grants required to implement the Business Services Center and other related project activities in accordance with the policy and operational guidance of the FED Steering Committee and the FED Implementation Committee.

III. Financial Plan. See Illustrative Summary of Project Costs by Expense Category and Source of Funding, attached as Annex 2 to the Project Grant Agreement and incorporated herein by this reference.

IV. Financing Methods.

Table IV.3

Item	Implementation	Financing	Est. Amount
BOT Package	AID Direct Contracts	Direct Payment	3,330,842
V. Capital	AID Direct Contract	Direct Payment	210,000
BSC Package	AID Direct Contract	Direct Payment	3,241,294
Management	AID Direct Contract	Direct Payment	1,326,650
M&E/Audit	AID Direct Contract	Direct Payment	925,000
Inflation	AID Direct Contract	Direct Payment	875,876
Contingency	AID Direct Contract	Direct Payment	90,338
Total			10,000,0000

V. Evaluation

The FED monitoring and evaluation plan will be embedded within the overall USAID/Tanzania monitoring and evaluation program, it will contribute directly to the Mission's annual Assessment of Program Impact, and it will encompass four levels of program activity: inputs, outputs, purpose-level accomplishments, and goal-level accomplishments. Input monitoring (that is, monitoring the disposition of policy-linked dollar resources, technical advisors, training funds, and the like) will take place as part of the routine process of program/project implementation. Output monitoring (primarily tracking progress in implementing policy reform conditionalities, and secondarily tracking progress in implementing the financial sector support activities and the private sector support activities) will be documented in semi-annual program/project implementation reviews. Both input and output monitoring can thus be accomplished as elements of routine program/project management activities, and will be the responsibility of the PSC program/project manager, supervised by a USDH project officer.

VI. ILLUSTRATIVE SUMMARY OF PROJECT COSTS BY EXPENSE CATEGORY AND SOURCE OF FUNDING

Project Costs by Expense Category and Source of Funding 1/

	This	Obligation	Life of	Project
Expense Category	A.I.D.	Grantee	A.I.D.	Grantee
Technical Asst.	818		3422	
Training	330		2682	
Commodities	140		385	
Evaluation/Audit	190		925	
Other Costs and Contingency	522		2566	
TOTAL:	2000		10000	

- 1/ The Parties may unilaterally, by written notice to the other, adjust line items in this budget to a maximum of 15% per line item provided that the total obligated amount is not increased, and the total GOT contribution and amounts allocated to evaluation and audit are not reduced.
- 2/ Subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the parties to proceed at the time of each subsequent increment.
- *** Local currency counterpart generations from the cash transfer program constitute grantee contributions. See Program Grant Agreement.