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Executive Summary

During last year's CDSS review it was decided that a clearer picture of Tanzania's economic situation must be developed before any assistance strategy could be appropriately reviewed and approved in Washington. The Assistant Administrator for Africa at that time directed that an in-depth description and analysis of the Tanzanian economy be prepared prior to submission of the 1983 CDSS. This report was to focus on the problems which had led to the present economic crisis. That report* has been prepared (and the analysis contained in this CDSS is derived from it). Its principal findings are:

1. Tanzania has considerable long-term economic potential and a resource endowment sufficient to permit significant economic development and improved well-being for the Tanzanian population.

2. The present economic crisis is characterized by declining or stagnant physical production levels and falling factor productivity. This in turn has severely hampered the Tanzanian Government in its attempts to alleviate poverty.

3. The present crisis has resulted in part from several adverse exogenous factors: principally, the costs of the war in Uganda, increased import costs, stagnant export earnings and adverse weather conditions.

4. If the productive sectors of the economy continue to stagnate, anticipated higher costs of energy and other required imports together with population growth will be sufficient to encase the economy in a state of chronic, increasingly severe economic crises.

5. Two types of policy response are needed: a) those aimed at addressing the short-term balance of payments problems by stimulating exports and b) those aimed at stimulating longer term efficiency of production, management and distribution.

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*Tanzanian Development Performance and Implication for Development Assistance. Dated November 26, 1980. Prepared by James Mudge, Michael Crosswell and Kwan Kim.

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6. Tanzania has indicated its willingness to improve its production performance through a series of recently announced price incentives. In the recently signed IMF agreement it has indicated its resolve to put its financial house in order.

7. Agriculture is the key sector in both the short and long term. Exports are primarily agricultural, the majority of the population is engaged in agriculture and that is where the natural resource endowment resides.

Our strategy for 1983-87 aims at achieving both short-term and long-term results, but the relative size of our program dictates that we limit the number of problems we address and that we select them with care in order to maximize the impact of our assistance efforts. To this end our assistance will be directed at three objectives:

- Increased Agricultural Production

  Assistance here will help increase the average annual production of key food and export crops grown by smallholders. Both PL 480 and project assistance will be employed in the early years with gradual movement toward sector assistance beginning in 1984.

- Improved Resource Management

  The key problems addressed will be shortages of middle level technical and managerial skills and financial constraints both in foreign exchange and in local currency. A major portion of our program is devoted to skills training while other aspects will have a positive though limited impact on improving the foreign exchange situation.

- Effective Decentralization

  Here our efforts will assist the Tanzanian Government to devolve responsibility for rural development to regional, district and village level government. Assistance will be concentrated geographically in the Arusha Region where AID assistance has already been involved in regional planning and village development.

In addition, AID will make a special effort to increase the Tanzanian Government's awareness of the problems inherent in its present high rate of population growth and will provide training and supplies for an expanding population program.

The Assistance Planning Levels for 1983-87 are designed to meet the strategy detailed herein. The 1983 level is $47.6 million and 1984 is $57 million. More than 55% of these proposed levels are to fund activities initiated in prior years. Starting in 1985, increased levels reflect a shift to sector assistance modes and an increased capability on the part of the Tanzanian Government to manage these magnitudes effectively.

PART I DESCRIPTION AND ANALYSIS

A. Economic Analysis

1. Introduction: An Economy in Distress

Tanzania is an agricultural country with a population of some 18 million people inhabiting 364,000 square miles of East African countryside and Indian Ocean islands. It is a country of diverse aspects: the apparent birthplace of man's earliest ancestors; home of the largest concentration of wild game on earth; the site of majestic Mount Kilimanjaro; coffee rich highlands; a broad, insufficiently watered interior and lush, palm fringed beaches on the Indian Ocean. It has been a meeting place of cultures, a pathway for explorers and a leading participant in Africa's quest for independence during the mid-20th century.

It is, in terms of access to capital and levels of living, a poor country -- among the twenty-five poorest in the world. With a per capita GNP of $230, a declining rate of economic growth and a high (3.3%) rate of population growth, Tanzania, in many respects, epitomizes the problems which beset and characterize the least developed. As measured by levels of production, returns on investment and increases in the wealth of the nation, Tanzania has not made the progress necessary to meet its own development goals. The rate of increase of per capita food production has fallen steadily in the 1970's compared to the 1960's. The nation's supply of productive stock has deteriorated rather than grown -- the failure to allocate sufficient resources for maintenance has led to an accelerating decline in the available stock of fixed and operating capital. A combination of serious inflation, scarce consumer goods and income controls has rapidly eroded consumer purchasing power. Thousands of miles of roads lie unrepaired; the manufacturing sector operates at less than 60% of capacity; declining output of agricultural exports have led to empty foreign exchange coffers despite stringent controls on imports; and a variety

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of factors have caused peasant farmers to cease producing for the commercial market and return to producing only what is required for their subsistence.

However, "Tanzania has made remarkable progress in terms of creating an institutional and economic environment such that, if increases in real output and productivity can be achieved, the direct and indirect benefits of such growth would be fairly equitably distributed."[1/] Within the constraints imposed by the poverty of the nation, Tanzania has also made significant progress towards achievement of social goals under the framework of the Arusha Declaration. In comparison to other low income countries and even to the average to middle income countries Tanzania's performance in achieving satisfaction of basic needs is impressive. While performance with respect to food and nutrition has been less than outstanding, significant progress has been made in health and basic education. In addition, income and asset distribution within the rural sector is relatively egalitarian compared with other low-income African countries. Tanzania's performance also shows that in the area which has been accorded highest priority by the Tanzania government, equity, considerable progress has been made.

The crux of Tanzania's weakness is related to a decade of declining production levels and falling factor productivity. This is not readily evident if one looks at the official aggregate growth rate of 5% (vs 6% during the 1960's) which is better than most developing countries in Africa have done during the 1970's. However, this rate is misleading because the major components contributing to the growth rate are public administration (which reflect mainly growth in remuneration rather than output) and large percentage increases in the output of subsistence agriculture (estimates of which are based on highly uncertain data). Thus actual aggregate growth rates were probably less than 5% and with a population growth rate of more than 3%, per capita growth is probably close to 1%. Per capita agriculture production, including total food and non-food production, subsistence and cash crops, has certainly been declining in recent years. This trend is especially troublesome when compared to the relatively good performance during the 1960's.

[1/] Tanzanian Development Performance and Implications for Development Assistance, Mudge, Crosswell and Kim, November 26, 1980, p. 73.

Since 1977 the weaknesses in the underlying productive structure have become even more evident, characterized by decreasing export volumes, a low rate of growth in the monetized sector and poor maintenance of the existing capital stock and infrastructure (especially in agriculture and transport). During the past six years the monetary sector (excluding services) has grown by only 2.3% per year - a rate considerably below the 3.3% estimated population growth rate.

Published statistics indicate a very healthy annual increase in subsistence agriculture of as much as 8.6% per year. However, the figures are unreliable and actual growth in subsistence production is probably considerably less. In addition, there is evidence to indicate that this growth is in part a result of farmers withdrawing from monetized production and thereby decreasing government foreign exchange and domestic reserves. What growth has occurred in the monetized sector is largely attributable to growth in non-productive services, especially in public administration, which grew in constant terms from 11% of GDP in 1966 to 17% in 1979.

The key symptom of Tanzania's decline is its increasing difficulty in recent years to produce the volume and variety of agricultural commodities needed both to feed its own expanding population and to provide the volume of total agricultural exports required to pay for the minimal level of imports needed to keep the productive elements of the economy functioning. This represents the most crucial failing of the Tanzanian economy in recent years and, if it continues much into the 1980's, could portend near total collapse of the non-subsistence economy.

2. The Present Economic Crisis

Tanzania is now experiencing its third economic crisis of the past ten years. As in the earlier crises (1970-71, 1973-75) the causes are both external and internal.

External causes include the heavy financial burden of the Uganda war, adverse movement in international prices for several Tanzanian exports since 1978 and an increase in the price for many imports -- most notably petroleum. The 1978 terms of trade (the relative values of the export price and import price indices) plummeted by 20% in a twelve month period reversing the previous trend.

Internally, the demands of the Uganda war made it difficult for the Government to control inflationary pressure. Government expenditures, central bank borrowing and money supply all grew alarmingly (money supply by some 40%) in FY 1979. Meanwhile, in part due to Government agriculture production policies (discussed below), the volume of export production declined. Scarcities of consumer goods intensified and unofficial markets developed for many imported and domestically produced goods, including food grains. These trends in turn hampered Government revenue collections. Moderately severe drought conditions coupled with high losses of stored foods and earlier food sales to Zambia and elsewhere, contributed to the development of serious food shortages in urban and some rural areas. The Government responded not only by requesting food aid from the donor community but by virtually exhausting its own foreign exchange holdings to purchase food commercially on the world market.

The foreign exchange situation has now become so serious that Tanzania's short term (mostly past due) foreign exchange debt exceeds cash on hand by an estimated $500-600 million. As a result more than 80% of requested import licenses are being denied and essential equipment, vehicles, spares, construction materials, medicines and other needed development goods have become scarce or unavailable. (Gas for automobiles now costs $5.25 per gallon and is often in short supply).

Policy response: the IMF Agreement - After a series of difficult negotiations, Tanzania in September, 1980 reached agreement with the IMF for $235 million in standby credits over a fifteen month period. In return, the Government has promised to implement a two-year economic adjustment program aimed at: 1) developing a more balanced growth of domestic production including reversing the trend of declining output for export, 2) reducing excess liquidity and domestic inflationary pressures and 3) curbing the external payments deficit and further examination of the exchange rate question leading to agreement on exchange rate policy by June, 1981.

The Government's proposed program features decreased recurrent expenditures and Government borrowing, price and tax policy changes to stimulate export production (and increase revenues), increased investment primarily in agriculture and improving the functioning of parastatals.

(The growth of the parastatal network, characterized by inefficiency and apparent excess staffing, has been a heavily criticized element of Tanzania's economic policy).

While initial indications are that performance has not lived up to expectations, the agreement itself must be viewed as a signal of Tanzania's desire to improve its economic performance. As noted in the "strategy" section below, a principal component of AID's development rationale is to assist Tanzania to meet its obligations under this agreement.

3. The Agriculture Sector

Agricultural Potential. Agriculture occupies a dominant position in the economy, producing 40% of GDP and 80% of export earnings. Statistics reflecting the rates of growth in agricultural production over the past ten years are not reliable and must be cited with more than normal caution, but they do indicate that production of agricultural goods for sale has steadily declined (the index of marketed production for all major crops set at 100 for FY 1971-72 is estimated to be 87 for FY 1979-80). Total agricultural production appears, at best, to have grown no faster than average population growth.

The problems in Agriculture do not stem from deficiencies in the natural resource endowment. The country, by African standards, has a good potential for significant improvements in agricultural growth. Tanzania has a favorable population to arable land ratio. It is conservatively estimated that about ten percent of the total land area is suitable for growing crops. In 1977 only about half that amount was under cultivation. Availability of land is not, in the near term, a constraint to growth.

There are within Tanzania a number of diverse agroclimates which permit the production of a wide range of domestic food and export crops, plus providing ample opportunity for further diversification. Maize is the dominant food crop but substantial quantities of rice, wheat, cassava, sorghum, millet, edible oils and pulses are grown, plus a wide variety of temperate and tropical fruits and vegetables as well as sugar, livestock and fish. Similarly, the agriculture sector produces a number of export crops including fibers - sisal and cotton - spices, coffee, tea, cashewnuts,

tobacco and pyrethrum. Livestock and livestock products are exported and occasionally maize, sorghum, cassava and other food crops. There is considerable potential for further diversification in such crops as soybeans, pineapples and in such interesting new dryland crops as jojoba - a potential oil substitute for kerosene in lamps and cookers in rural areas.

Another advantage inherent in Tanzanian agriculture is the potential for increasing its export value. Several commercial crops grown in Tanzania can be processed prior to export (as opposed to grains for example, which tend to be more suitable for shipment in an unprocessed form). The fibers, cotton and sisal, are good examples of products with strong value-added potential; however, tobacco, coffee, oilseeds, livestock/leather and pyrethrum are also well suited to further processing. In addition to their "value-added" potential they also provide an opportunity to establish local resource-based rural industries.

Over the last decade some of Tanzania's export crops have been favored by generally rising international prices (though with periodic sharp downturns). The average export prices index (1966 = 100) for major commodities was 148 in 1972, 220 in 1976 and 244 in 1978. The medium to long-term demand prospects for Tanzania's export crops appear relatively good. For example, as oil prices increase, substitutes for synthetic materials will become increasingly competitive. Cotton and sisal which are important Tanzanian exports (26.1% of total exports in 1973, 20.8% in 1978), are direct substitutes for synthetic materials. The market for sisal has been depressed in recent years but sisal prices have been increasing (from a price index of 80 in 1972 to 234 in 1978) and are likely to continue to improve as the price of polymer resins continues to rise. In addition, there are substantial untapped or under-utilized resources in livestock production which appear to have good export potential through rising international demand.

As a final point of Tanzanian agricultural potential, the fact that much of the farming technology for food crops and livestock is rudimentary means that there is a potential for introducing more productive techniques and bringing about significant increases in real income. However, for food grain crops and meat production adequate technical packages are not available

and increases from peasant agriculture at a rate faster than population growth is to a considerable degree dependent on the development of new technical packages. While some increase in output can be achieved with better husbandry and more timely use of available inputs, such increases will be at the margin given current technology. Although it was stated earlier that in an aggregate sense Tanzania has a favorable population to arable land ratio, continuation of high population growth rates could change this situation. Past increases in agricultural production have tended to come from expanding the area under cultivation rather than from increasing yields per acre. Future increases in agricultural output at a pace faster than population growth will be dependent on the development and adaptation of improved technology which will make possible both increasing returns to land and to labor.

The case for the importance of the agriculture sector to the country's total well-being is clear, as is the good potential for growth; it is equally apparent that performance in the agriculture sector during the past ten years, in terms of actual vs potential growth has been disappointing.

Agricultural Production - Production increases have barely kept up with population growth and now appear to have fallen below the rate of population increase. There has been a shift away from cash crop production to subsistence agriculture by many smallholders. The marketed volume of all major crops actually fell during the 1970's; the 1978-80 average was 13% less than the 1971-72 average. The average combined production of maize, rice and wheat was 11,000 MT less in the 78-80 period than in the 1970-72 period. (Although marketed maize production increased by 30%, it was more than offset by declines in rice and wheat production).

In addition to declines in the total production figures, there have been some significant shifts in the composition of production. Marketed production of high demand staple grains such as rice and wheat have declined while marketing of low demand, so-called 'inferior' food crops such as cassava, sorghum, finger and bullrush millets and some pulses has increased dramatically in response to the Government's decision to purchase these normally subsistence crops. Foods with low development potential have increasingly replaced those more readily marketable and have created an

additional 'drag' on the rate of monetary sector economic growth.

In the agriculture export sector, the situation is considerably worse than in the domestic food sector. Seven commodities (coffee, cotton, cloves, sisal, cashews, tea and tobacco) account for more than two-thirds of Tanzania's total export earnings. During the period 1973-79 the value of these total export earnings (in 1976-78 prices) fell by 30%. The decline is attributed to declining production levels in all commodities except tea. As the principal generator of the country's foreign exchange, the export sector's failures are felt at every level of the economy.

The declining agricultural production trends derive principally from: 1) declining levels of government investment in agriculture; 2) policies which have reduced incentives for producers to maximize output; 3) insufficient adoption of the results of in-country agricultural research; 4) depreciation in the capital stock and other agriculture assets; 5) policies which have shifted production away from export and some food crops into 'inferior' food crops and 6) a wide variety of institutional shortfalls and constraints including unclear lines of responsibility for carrying out agriculture policies, numerous problems with parastatal organizations, lack of skilled manpower throughout the system, and an extension effort which is fragmented and largely ineffective. Other contributing factors include: increasing environmental degradation in certain areas of the country, associated population pressures in many of these areas, widespread diseases such as malaria, schistosomiasis and onchocerciasis, tsetse fly infestation and cyclical recurrence of drought in varying severity in many areas of the country.

The most fundamental and intractable constraints hampering improved agricultural performance are structural, technological and institutional. New, usable technologies need to be developed; these technologies need to be transmitted to the farmers; and the institutions and organizations responsible for marketing, production, distribution and storage of farm outputs and inputs, including credit, must function in a manner which assures farmers timely access to services and materials.

4. The Industrial Sector

The Tanzanian Basic Industry Strategy (BIS) accords priority to the development of industries supplying basic producer goods like steel, cement and chemicals as well as consumer goods and services essential to meeting such basic needs as food, housing, transport, health, education, etc. Production techniques and products which use local resources including labor are emphasized. While the BIS assumes that some "minimum economic scale" of production should be aimed for in establishing basic industries, it would be misleading to associate the BIS exclusively with large-scale industrial development. According to the Ministry of Industries, the future industrial structure will consist of three categories: national, district and village industries. National industries include most large scale activities catering to the national, and, in some instances, to the export market, most to be managed under the control of parastatals. District industries would comprise mostly medium and small-scale activities concentrated in district centers and producing for the regional market. Village-level, small-scale enterprises would produce simple, basic goods for village consumption with assistance from the Small-Scale Industry Development Organization (SIDO).

Despite the emphasis of Tanzania's program on village-level development, priority has been given in the past to the development of fairly large scale manufacturing projects. Only recently, with the formulation of the Small Industry Five-Year Plan (1978/79-1982/83) in which targets for output, investment and training in small-scale activity were for the first time worked out, has the small industry sector been given a more important role in government planning.

Performance. Between 1961 and the economic crisis of 1974/75 the manufacturing sector grew at an average annual rate of 7.8 percent and

the share of manufacturing in GDP increased from less than 5 percent to 11.5 percent. During 1976/79, however, the average annual growth rate in manufacturing at constant prices dropped to less than 1%.

Latest estimates show that between 1978 and 1979 production in physical volume in ten out of nineteen industries actually declined. Among the important industries that showed a net decline were fertilizer, rolled steel, beer, cigarettes (the latter two constitute a major source of government revenues), cement, pyrethrum extract, and consumer goods (shoes, radios, etc.).

The declining growth rate of output has been coupled with declining factor productivity, a steadily increasing incremental capital output ratio and declining ratio of return on investment. In addition, underutilization of industrial capacity has increased as supplies of imported raw intermediate goods and spare parts decreased because of the latest balance of payments crisis. Underutilization is especially pronounced in the agricultural processing industries with cashew processing operating at 60% and oil seed processing at 10% of capacity. Unlike the case of other manufacturing industries, underutilization in agroprocessing industries has been caused mainly by declining output of agricultural commodities used as inputs by these industries. Among the important contributing factors to declining growth of industrial output cited by the Government have been shortages of raw materials and spare parts, frequent interruptions of electricity and water supply, managerial weakness (especially in the parastatals), lack of trained manpower, rising cost of inputs and transportation bottlenecks.

Not a great deal is known regarding the performance of small-scale industry. Most of the 4300 entities are located in urban areas, about half in Dar es Salaam. One recent report indicates that: 1) the small-scale industries sector may be at least five times as effective as its large-scale counterpart in terms of output measured per unit of investment, 2) the incremental capital-labor ratio appears lower in small entities, and 3) for every shilling worth of goods produced in a small enterprise, foreign exchange earnings through import substitution are calculated at 39 cents, assumed to be considerably higher than for large-scale enterprises.

A more rapid development of small-scale industry in Tanzania has been constrained by the obstacles individuals (as opposed to villages acting collectively) face when they attempt to engage in industrial enterprise; by the difficulty of mobilizing financial resources internally for small-scale enterprise, and the problem of government interventions in pricing which, to the extent that prices set are unrealistic, lead to disruptions in supplies of inputs and misallocation of resources.

To the extent that future growth in the industrial sector is dependent upon the availability of foreign exchange for machinery or imported raw materials, the outlook for significant growth in the near term is not bright. The relative contribution of small scale industry to total industrial production is expected to grow, however.

5. The Transportation Sector

The inadequate transportation net is a substantial impediment to improved efficiency and production in virtually all sectors of the economy. Tanzania has one of the lowest average road densities in Africa (35 km per 1000km^2) yet virtually all of the 45,000 kms of road are poorly maintained. The two railroad systems and the trucking industry have shown declines in capacity and performance during the 1970's. In early 1979, for example the Tanzania Railway Corporation (TRC) was able to load and carry only 10 percent of the agricultural tonnage it was offered for transport. Truck transport in terms of availability and utilization has deteriorated and is well below normally accepted standards for countries such as Tanzania.

Poor performance in the transporation sector is the result both of exogenous factors and domestic policies. In the case of the Tanzania Railway Corporation, the disruption caused by the breakup of the East African Railways Corporation was severe, particularly since a great deal of the human and physical capital that comprised the management and maintenance capacity of the system was located in Kenya. Secondly, the crises of the 1970's have diverted foreign exchange and other resources that might have contributed to better maintenance. Thirdly, until 1979 there existed a substantial degree of cross-subsidization of agricultural commodity freight rates, so that production (and transport) of low-value crops was unduly encouraged. Fortunately, this cross-subsidization has been largely eliminated for the TRC, and has been reduced for the Tanzania Zambia Railway Authority (TAZARA).

For road transport, factors such as breakup of the East African Community, the Uganda war, floods, etc., have also been important. However, public policies have made a significant contribution to poor performance in several respects.

The decision in 1973 to adopt a policy of substituting public transport for private has led to a decline in the size of the private trucking sector and had the effect of substituting relatively inefficient enterprises for relatively efficient ones (although 75% of the trucking fleet is still in private hands). The pattern of production and processing also puts undue strains on the transport system, by promoting flows of goods to urban centers for processing and then back to the original focus of production for retailing. The problem is related to, and aggravated by, the policy of panterritorial pricing, whereby prices of many agricultural goods and other products are not allowed to vary to reflect transport costs. This has resulted in excess production and transportation of low value, high bulk crops. In addition, the overvalued exchange rate results in substantially understated true costs of transport services.

A final important factor has been the inadequate level of maintenance of roads. This has resulted from a weak planning and administrative capacity, insufficient plant and skilled personnel, budgetary constraints and shortages of foreign exchange and spare parts and has led to the loss of a substantial amount of the fixed capital controlled by the Tanzania road system.

6. The Energy Sector

Consumption - The major component of internal energy production in Tanzania is fuelwood and charcoal used by over 95% of the population as the principal source of fuel. Annual per capita consumption of fuelwood and charcoal, (primarily for household activities such as cooking) is more than 2.5 times that in Kenya, and is the highest among sub-Saharan African countries. The continued dependence on wood and charcoal as the major source of energy raises questions about the maintenance of supply. Although the current overall fuelwood supply appears generally adequate to meet local demands, severe deforestation and subsequent soil erosion have occurred in many semi-arid regions of Tanzania where forest and bush regeneration is slow.

While the Tanzanian Government is increasingly aware of the situation and is beginning to encourage village woodlots schemes, little has been accomplished to date.

Commercial energy use in Tanzania accounts for less than ten percent of total usage. Annual per capita consumption of non-traditional forms of energy varied between 36 to 97 coal equivalent kilograms (c.e.k.) during the period 1967 and 1975.[2/] Per capita consumption of electric power over the same period rose by 20%. Domestic production of commercial energy was 6.0% in 1978 with the remaining 94% supplied primarily by imported oil. In 1980 an estimated 45 percent of Tanzania's export earnings will be required to pay for its relatively modest oil requirements. In 1976 the figure was 22 percent.

Potential - Tanzania's potential in commercial energy supply has not yet been completely explored. Natural gas has been discovered in offshore trial bores near Kilwa and a major U.S. firm has tentatively agreed to construct a large urea plant utilizing these Tanzanian natural gas deposits. The prospect for discovering oil is still uncertain. Financial and economic constraints have so far inhibited a full scale search although the IBRD is to provide assistance for further exploration. Coal deposits of mixed quality exist in the Southwest and are estimated at 1.3 billion tons. Currently, only a few thousand tons are produced annually with fair to good potential for future increases.

The country also possesses good hydroelectric potential with 1,400 MW of output possible. Current output, however, is not sufficient to meet domestic needs and generators are used nation-wide to supplement the supply. Currently, two important multipurpose hydropower plants are being considered. Stiegler's Gorge on the Rufiji River with a possible installed capacity of 800 MW is the largest, with an estimated price tag of $1 billion. Rusumu Falls on the Kagera River is the other. Actual construction of either in the near future is not likely. The possible contribution of non-traditional renewable energy including geothermal resources is also being assessed by the government.

7. The Special Case of Manpower

As in other developing African countries, the human resource constraint to development in Tanzania takes the form of a general shortage in skilled

2/ This compares to a consumption level of 143-174 c.e.k. for Kenya - the higher level being attributed to higher levels of industrialization.

personnel both quantitively and qualitatively. The extent of the shortage however, is somewhat more severe in Tanzania than elsewhere since the complex network of its decentralized structures and the proliferation of parastatal enterprises has placed increasingly heavier demands on the need for administrators, managers, extension workers and technicians.

Since independence, the main objective of the Government has been the attainment of manpower self-sufficiency at all skill levels, intended both to replace expatriate workers and to provide the additional personnel required to operate a decentralized political/economic system. Tanzanians serving in high and middle level posts, increased from 26 percent in 1961 to 60 percent in 1974.

However, in spite of this achievement, there is little evidence to suggest that the gap between total manpower supply and demand has been narrowing. The demand for skilled manpower has continued to exceed supply as the economy has expanded and changed character.

In addition, there is evidence to suggest that large numbers of inadequately trained personnel have contributed greatly to generally poor performance in the parastatal sector. For instance, in estimating training needs of the National Milling Corporation (NMC), a report on NMC operations pointed out that, as of 1979, University diploma graduates accounted for only 1.5 percent of total employees within NMC with an additional 16 percent of personnel having "other training". This left 81.7 percent, an extremely high percentage, without specific training geared to their jobs.

Tanzania needs more and better manpower to meet its development needs. Enormous demands are being made by the parallel (and in some cases redundant) systems of the centralized and decentralized government; by the myriad of institutions in the public sector; and by the manpower-intensive social services sectors. All of these demands can not be effectively met.

In an attempt to deal with these diverse demands the Ministry of Manpower Development and Administration was formed in 1977. This Ministry is the principal agency responsible for advising the Government on matters of human resources development and utilization. More specifically, the Ministry's mandate includes establishing manpower policy and planning strategies; formulating operation and allocation guidelines to effect a

matching of manpower supply with demand; and coordinating training resources and opportunities between Ministries. In practice the Ministry of Manpower has had difficulty carrying out its mandate. As an institution, it is young, thinly staffed and organizationally weak, and in its role as interministerial broker of severely limited human and training resources it is at times neglected or side-stepped by the other, well-established ministries. Recently it has been included organizationally within the Prime Minister's Office which should both strengthen its position in the Central Government and provide it a broader, more rural based focus on manpower needs. As a step towards looking realistically at Tanzania's human resource requirements over the long term, the Ministry is currently undertaking a comprehensive, donor financed, twenty-year manpower projection study with initial results expected during 1981. As the Ministry of Manpower starts to operate within a better organizational setting and from a broader, more valid statistical base, it should be better equipped to deal with Tanzania 's human resources problems.

8. Other Donors

Tanzania's strategy of self-reliance and "growth with equity" and President Nyerere's leadership on Southern African issues coupled with internal political stability, have made the country a favorite with donor agencies. As a result donor resources play a key role in the formulation of Tanzania's development plans: the 1980/81 budget projects that 58% of its development budget will come from donor agencies (U.S. $235 million in loans plus $259 million in grants) and early indications from Tanzania's Fourth Five-year plan (now being prepared) are that 55% of the development budget is expected from foreign sources.

Five major donors, the World Bank, Sweden, Netherlands, Norway and the Federal Republic of Germany provided approximately 55% of total assistance to Tanzania during 1979/80. These five will continue to be major donors during 1980/81 with the addition of the $235 million IMF stand-by agreement for the period 1980/82.

Donor involvement is evident in almost every aspect of the Tanzanian development program. All twenty regions are recipients of donor assistance in one form or another. The major emphasis is in agriculture, but there is

also involvement in industry, energy, transport, education, health, food security, and housing and urban development. Appendix A provides a detailed listing of donor involvement by sector.

While assistance has been plentiful, large amounts of donor assistance in recent years have not been fully utilized. Assistance earmarked for particular activities frequently has been underspent and carried over from year to year. During 1979/80, Ministry of Finance records indicate that actual disbursements for development projects ($228 million) was only 42% of that which was expected ($540 million). Many projects are seriously behind schedule due to Tanzania's inability to absorb and effectively utilize the levels and types of assistance being provided by the thirty-four bilateral and multilateral donors. As Tanzania's ability to cover the local or recurrent cost elements of donor programs has declined, the local cost financing provided by donors has grown from 5 percent in 1978 to an estimated 30 percent in 1980.

Coordination between donors and the government is less than desired. National development plans have not included guidelines for foreign assistance negotiations and project proposals which can be fully financed under agreements with foreign donors are often approved without reference to national priorities in terms of self-reliance, equity, rural development, labor versus capital, manpower availability, etc. Donors who have strongly supported the Tanzanian development model are increasingly concerned that it has not made much progress in creating the foundation for self-sustaining growth: the public service sector is the fastest growing element of the economy, exports are declining and productivity is lagging. Many completed foreign-financed development projects, fail to cover recurrent expenses, let alone generate surpluses with which to recoup investment and stimulate further growth. Foreign donors are increasingly expressing concern over these problems and recent World Bank discussions and IMF agreements have focused explicitly on these issues.

To date, levels of development assistance have remained fairly constant, however, there is evidence that donors are beginning to tie proposed assistance levels to indications by the government that corrective measures are being taken. The Government is aware of these concerns and has begun to undertake selective corrective actions. As an example, recent Government guidelines for preparing the Fourth Five Year Plan stress that proposed projects should take prevailing conditions into consideration (i.e. level of investment,

capital requirement, technical know-how and source of foreign capital component) as well as the actual and potential ability to implement them. Emphasis is also given to the concept of "consolidation" and of fully implementing ongoing projects before embarking on new ones.

B. Tanzania's Development Goals and Strategies

1. Goals

Tanzania has adopted an agrarian socialist model of development aimed at achieving both economic growth and equitable distribution based on the principles of self-reliance and democratic participation. The model envisions a society capable of providing an adequate level of material welfare for all Tanzanians. This basic philosophy wasenunciated by President Nyerere in the Arusha Declaration of 1967 which provides the framework for Tanzanian social, political and economic development. The major components are:

Commitment to African Socialism. The principal manifestation of this is the national system of "Ujamaa" villages, based on the concept of the African extended family system in which productive activities and their returns are shared communally and equitably. The objective is the creation of a society in which the individual functions without exploiting or being exploited by others.

To achieve African socialism, the government established state ownership and control over the major means of production and distribution; organized the rural population in 8000 villages to encourage popular participation in decisionmaking, communal productive activities and social services; and set-up a decentralized administration at the regional, district and village levels.

Rural Development. Self-sufficiency in foods has been the explicit target with emphasis on increased agricultural productivity.

Self-reliance. The concept has several connotations. The process by which villages formulate and place their demands on the system is increasingly handled by expanded participation within the political party (Chama Cha Mapinduzi - CCM) operating at the village level. The mechanisms by which the government then attempts to respond to those demands also function increasingly at the regional and district level, thereby (in theory at least) reducing centralized control.

Another aspect of self-reliance is reducing the level of Tanzania's economic dependence on the outside world. The Basic Industrial Strategy (See Part I, section A.4) has had as a long-term objective the transformation of Tanzania's production and consumption structure into a self-sustainable socialist system based on the use of domestic resources for domestic needs.

Output growth. This is considered a precondition for the attainment of the other objectives. The type of growth envisioned, however, is equity-oriented, in which the benefits accrue across the board rather than to select segments of society.

2. Institutional Setting

In the attempt to accomplish these four development objectives numerous institutional changes were undertaken. First, key sectors of the economy such as banks, insurance companies, external and wholesale trade and important manufacturing firms, were nationalized. As the system of state control grew, numerous public sector firms (parastatals) were created and the parastatal sector quickly assumed considerable importance in the economy. By the mid-1970's the public sector accounted for about 60 percent of the total fixed capital formation.

The institutional shift toward socialism in rural areas was initiated by launching a program to establish Ujamaa villages to make possible communal production and service activities. "Villagization" moved the scattered rural population into smaller, more compact units and the vast majority of rural Tanzanians now live in some 8000 villages.

Decentralization has been a major component of Tanzania's self-reliance strategy and it is designed to place the planning and control of development at the local level. Its aims are:

1. To democratize and decentralize the planning and development activity of the country;
2. To confer spending authority and project development capacity on regional staff;
3. To expand and integrate local self-help activities into the development process;
4. To promote inter-regional equity.

Regional government authorities have been given the responsibility for local planning and implementation in all areas of rural and town development within their region. The central development ministries continue to be responsible for overall development policies, determining allocation of the Nation's development resources among regions, carrying out development activities of national level interest, (e.g. research) and supervising parastatal organizations. General guidelines for planning are set by the Ministry of Planning and Economic Affairs and the Prime Minister's Office, but development projects are initiated at village, district and regional levels.

All taxing authority remains with the central government, to provide a more balanced pattern of regional growth as well as reducing the cost, inequalities and inefficiencies of multiple levels of taxing authority. Since all major social services administered by local governments are free (and hence there is no opportunity for imposing charges or fees) the regions depend on the central government for nearly all recurrent and development revenues.

The processes of villagization and decentralization are aimed at promoting distributive equity - giving each Tanzanian, within the limits of the local environment and resource base, an equal opportunity to improve his or her well being. It is President Nyerere's intention that women share this opportunity. In this regard he has said:

> "It is impossible to deny that the women did, and still do, more than their fair share of the work in the field and in the homes. This is certainly inconsistent with our socialist conception of the equality of all human beings and the right of all to live in such security and freedom and is inconsistent with equal security and freedom for all others. If we want our country to make full and quick progress now, it is essential that our women live in terms of full equality with their fellow citizens who are men."

Although progress has been made along these lines, traditional practices are still strong. Women remain limited in their opportunities and do not enjoy the same returns to labor as do their male counterparts. In the wage earning sector they lag behind due to lack of educational opportunities, (only .5% of graduates from Dar es Salaam University are

women) and in the rural areas they carry the burden of caring for the needs of the family (which includes raising subsistence crops) while the men assume responsibility for cash crops and other wage producing employment.

3. The Five-Year Plan

Tanzania is presently in the last year of its third Five-Year Plan (1976-81).[3/] The first two plans covered the period from 1964-74 with planning curtailed during 1974-76 as a result of the drought. Neither of the first two plans achieved targeted growth rates (6.7% and 6.5% respectively) and as noted earlier the average annual growth rate for the third year plan will certainly also fall short of its projected 6%.

Guidance for the preparation of the Fourth Five-Year Plan (1981/82-85/86) has recently been issued by the Ministry of Planning and Economic Affairs and is based on production and development targets set by the CCM. This guidance is directed to the Ministries and Regional authorities who are now developing sectoral and regional plans.

The Fourth Five-Year Plan covers the first part of a 20-year, long term strategy (1981-2000). The 20-Year Plan and the Fourth Five-Year Plan aim at an average annual growth rate of 6% and stress industrial, agricultural, mining, communications and transport development. Achievement of self-sufficiency in manpower is also a long range goal.

For the agricultural sector the Fourth Five-Year Plan will emphasize programs which (a) make Tanzania self-sufficient in basic food-stuffs (maize, rice and wheat) and which will provide for the production, storage and distribution of these country-wide; (b) strengthen farmer training programs at village and district levels; (c) train Tanzanians to plan and implement development activities and (d) develop natural resources, including reforestation.

The goals set forth in the Five-Year Plan guidelines are not unrealistic on the surface but may very well be over-ambitious for a country which will need a few years to get back on it's feet before being able to grow. Until the Plan itself is developed however, we will refrain from further analysis.

3/ A detailed analysis of the Third Five-Year Plan can be found in Annex C of the FY 1982 CDSS.

4. Social Services

The gains made under villagization and decentralization have been greatest in the health and education sectors. In order to meet the health needs of the mostly rural population Tanzania established a health policy which emphasized preventive rather than curative services, expansion of rural health facilities, training of paramedical personnel and strengthening of programs to control major communicable diseases. The results are impressive. Life expectancy has risen to 51 from 42 in 1960, and child mortality has decreased from 32/1000 to 20/1000 during the same time period. Rural health centers have increased from 105 (1967) to 195 (1978) and dispensaries from 1491 to 2547.

While the spread of rural health delivery services has been impressive and accomplished at a low cost compared to other developing countries much remains to be done in training para-professionals, equipping rural medical centers and spreading the preventive health message to the majority of Tanzanians.

In basic education progress has been even more commendable. The adult literacy rate has risen from 10% in 1960 to 72% in 1980; universal primary education has essentially been achieved with 70% of the primary school-age children enrolled in schools (vs 25% in 1960); the vast majority of the 8000 registered villages have primary schools with curricula attuned to local needs. While the female enrollment rate in the primary schools is not yet equal to males (60% vs 79%) it is a considerable improvement over the 18% of 1960. Secondary education has lagged behind, however, as emphasis was given to achieving universal primary education. Only 5% of secondary school age children are able to attend; of these only 28% are female. Support to the formal education sector is being provided by the World Bank, Sweden, Denmark, West Germany and the Netherlands.

The Government has not made family planning a major issue. The official Tanzanian position is that:

> "...the government has no intention of restricting population growth in view of the vast areas of uninhabited land that are available for exploitation and the need for large numbers of children to provide support for aging parents, ensuring family continuity and providing sufficient family labor. The Government believes the rates of infertility, miscarriage and stillbirths are still too high to begin restricting family size. 4/

4/ UNFPA, Tanzania, Report of Mission on Needs Assessment for Population Assistance, Report No. 11, May 1979.

While this is the official policy there are indications of change. Recent newspaper articles and private conversations have indicated an awareness that economic growth is adversely affected by a population growth of 3.3%. The Government does promote child spacing for the improvement of maternal and child health, and family planning services and education are provided through the Maternal and Child Health (MCH) system. The Government has also undertaken other measures which encourage limitation of family size. Both tax policy and subsidized housing regulations discourage more than four children per family. The very liberal policy of 85 days paid government maternity leave is given only if at least three years have elapsed between births. However, these policies tend to effect only the relatively small urban sector of the population.

C. Analysis of Poverty in Tanzania

1. Characteristics of the Poor

The majority of Tanzanians are poor and rural. They are poor because the nation is poor, not because wealth is inequitably distributed. Ninety percent of the Tanzanians live in the countryside, principally in the more productive relatively disease-free areas located around the periphery of the country. Population distribution is largely determined by rainfall, soil fertility and the occurrence of tsetse fly. Much of the interior plateau has population densities under $5/KM^2$ while areas of the Lake Victoria basin and the northern highlands are characterized by overpopulation.

Tanzania has a multiplicity of ethnic groups in which no group dominates either numerically or politically. Tribal conflicts have never been a serious problem. The majority of the population is Bantu-speaking and Swahili is both the lingua franca and official language of Tanzania. The existing religious diversity (1/3 Christian, 1/3 Moslem and 1/3 indigenous religions) is not a source of conflict.

Tanzania's per capita GNP ($230) is almost identical with the average of low income countries in sub-Sahara Africa ($229). Tanzania's PQLI[5/] compares quite favorably with other low income sub-Saharan African states in such

5/ See Appendix B for more detailed information.

social indicators as life expectancy at birth (51 years vs an average of 45.3); child mortality (20/1000 vs 27.7/1000); literacy (72% vs 25.5) and in primary education where 70% of eligible primary school age children are actually in school (vs an average of 57.7). Female primary school enrollment is also above the average.

The population growth rate for 1970-78 is 3% as compared to an sub-Saharan average of 2.7%. However, recent data indicate that this has increased to 3.3%, which if continued would double the population by the year 2002. While selected PQLI indicators for Tanzania are superior to the average for countries at this income level - the PQLI is, in absolute terms, still among the world's lowest. Tanzania has done a commendable job in improving the quality of life for the vast majority of the population but the continuing poverty of the nation severely limits the magnitude of these benefits to the general population.

2. The Distribution of Income/Level of Well-Being

Farmers vs Wage Earners. In Tanzania, equitable access to productive resources, to basic consumer commodities and to essential government services has been a primary national goal since 1967. The government has employed a variety of political instruments to achieve this goal, including nationalization of major industries, banks and wholesale firms; implementation of progressive fiscal policies in taxation and expenditures; regulation of wages and salaries; regulation of prices and services for an expanding range of consumer goods, particularly farm produce; and villagization. However, the traditional African values on which the Arusha Declaration was based do not envision absolute equality:

> "Equity in Tanzanian terms does not mean complete equality. Income and social differences will remain. It is poverty on the one hand and excessive individual wealth on the other that are to be eliminated, as is dominance of one individual over the other."[6/]

Perhaps the most important current income disparity is between farmers and urban wage earners. In 1978 the ILO concluded that while the proportion of the farm to wage income has remained constant, the absolute income gap between agricultural families and wage-earning families had been increasing for a decade.

6/ Development Assistance Program FY 1976, Tanzania, USAID/Tanzania, January 1975, p. 14.

TABLE 1: Average Annual Incomes: Farm vs. Wage Earners

(TShs. per family)

	1964	1970	1973-5
Average Wage Family*	3331	4798	7160
Average Farm Family	1847	2633	3917
Absolute Income Gap	1484	2165	3243

*Primarily non-agriculture; includes 10-15% of total population.

In addition, more recent information indicates that real cash income per farming household (corrected for inflation) has actually declined by approximately 21%-26% since 1970. Thus, the rural farm population is poor when compared to the wage-earning population; but more disturbingly, farmers are poorer today -- by a substantial margin -- than they were ten years ago.

Variations in Poverty Among Farmers. Although the farming population is generally poor, the rural producers do not constitute a homogeneous "poor majority" with uniform problems and development needs. There is considerable variation in income and physical well-being among farming households in different geographic areas of the country. In those regions identified as "high income" in a 1977 World Bank study, total monthly income was estimated at TShs. 359 per month or about twice that (TShs. 181) of the "low income" regions. Of course, these regional figures disguise a great deal of variation between districts within any given region. Arusha Region, for instance, scores relatively high with regard to overall income, but contains districts as poor as any within Tanzania. Even within districts -- and within communities -- variations in household labor force and access to land result in broad disparities.7/

3. The Causes of Poverty

The two major causes of poverty among farm families are the productivity of the land and technology.8/ Of lesser significance but nevertheless

7/ See Table 1 and Annex A, FY 82 CDSS for Tanzania for a quantative assessment of inter-regional variations of poverty-linked variables.

8/ For a full and detailed discussion of constraints to increased farm output and farmer's income see Development Assistance Program FY 1976, Tanzania, January 1975, Appendix 1, pp. 2-13.

important are the adverse effects of certain policy decisions and a suboptimal marketing and distribution system.

Land Capability. Land capability determines farm income in two ways, quantitatively and qualitatively. In the quantitative sense land capability determines how much of a crop or crops can be produced at any given level of technology; in the qualitative sense, land capability determines the kinds of crops that can be produced. Absent such inputs as fertilizer and irrigation, land capability is largely determined by agro-ecological variables such as the quantity and distribution of rainfall, soil characteristics and fertility, altitude and the slope of the land.

Tanzania may be demarcated into four major agro-ecological zones, highland, coastal, western and central. These are distinguished primarily on the basis of the export crops which are grown there. In the generally wealthy highland zone are grown tea, coffee and pyrethrum; in the generally poor central zone no export crops to speak of are produced; the intermediate coastal and western zones produce cashews, coconuts and oilseeds; and tobacco and cotton respectively. The zones are also distinguishable on the basis of dominant food crops, on the extent to which these food crops (as well as supplemental food crops such as vegetables, fruits and legumes) are sold commercially, and according to how livestock (cattle and small ruminants) fits into the local farming system.

Compared to urban minimum wage earners, the peasants in the Highland Zone are on average "better-off" provided they have access to the average farm size and provided they can grow the high-value crops that are dominant in that Zone (e.g., coffee, pyrethrum, tea). The peasants in other zones are all less well-off than the urban "minimum wage" earner. The gap between them hinges critically on farm prices and the quantity and quality of farm output. Additional information on agricultural and economic variation is located at Annex C.

Land use and availability act to determine the type and level of productive enterprise the small holder can engage in. The significance of these determinants becomes evident when we consider the returns to land and labor which are associated with various crops.

TABLE 2: Returns to Farmer: Food and Export Crops

Food Crops	Returns to Land (T.Shs/ha)	Returns to Labor (T.Shs/day)
Maize	824	7.7
Sorghum/millet	590	4.9
Cassava	910	6.4
Paddy	3690	9.9
Groundnuts	1000	6.3
Export Crops		
Coffee	1740	12.4
Tea	4934	19.7
Cashew	443	7.9
Tobacco (Flue)	4839	8.1
Pyrethrum	1467	5.6
Caster	250	4.5
Cotton	860	5.1

As this table indicates the variations are wide -- farm family income is highly dependent upon what crops can be grown.

Technology. About 83% of Tanzania's 2.5 million farm holdings are less than two hectares in size. In some cases this small size is due to land scarcity; the very productive highland areas, for instance, are generally overpopulated and holdings are small and fragmented. In other cases the small size of holdings is based on labor technology constraints at the time of planting, weeding or harvesting, which lead families to cultivate smaller areas than they might otherwise wish. In nearly all small holdings a variety of crops are grown - several different food crops and perhaps one or two crops grown primarily for cash. (This reduces the level of risk associated with overdependence upon a single food or cash crop.) The avoidance of risk strategy makes it necessary for most households to continue to produce much of the food needed for basic subsistence. Because most farm families in Tanzania rely almost exclusively on human energy for farm power the capacity to produce additional crops for sale is extremely limited.

Emphasis on subsistence agriculture implies continued poverty for the household. This situation has endured because:

1) Despite some success with high-yielding composite and hybrid varieties of sorghum and maize, most localities in Tanzania still lack

access to economically rewarding food production packages including satisfactory tools which would increase their ability to expand the quantity of land cultivated.

2) Inadequate attention has been given in Tanzania agricultural research to the smallholder's need to intercrop, despite accumulating evidence that, for example, intercropping cereals and legumes leads to higher total yields per unit of land, relieves labor bottlenecks during the cultivation cycle, and improves the total supply of food to the household.

3) Many Tanzanian smallholders, particularly those in the Central Zone, do not produce commercial crops which can be relied upon to improve household income. The value of subsistence production as a component of total household income is nearly constant across Regions; most of the observed variation in total incomes is based on the ability to produce crops for commercial sale. This includes production of a surplus of crops which are consumed domestically (maize, groundnuts), as well as export crops. Household poverty in Tanzania is very closely related to the inability of households to produce more than needed for subsistence. When farm output is limited by the muscle power of the farm family the opportunities for expanding farm output will always be narrowly limited.

Marketing. During the period 1975/76 because of dissatisfaction with the cooperative system the Tanzania Government completely reorganized the marketing system for purchase of farm products and distribution of farm inputs. In 1975 the functions of the National Milling Corporation were expanded from manufacturing and processing of agricultural products to include purchase, procurement, transportation, storage and sale of all food grain and staples offered for sale. In 1976 with the abolition of cooperatives, NMC became responsible for direct procurement from the villagers and parastatals were established for each crop with responsibility for procurement, transport, storage, processing, export sale, research and extension. Also in 1976, the Tanzania Rural Development Bank was assigned responsibility for delivery of farm inputs to villagers in addition to its normal function of providing farm loans and credit. The major objectives sought by the changes were to increase marketing efficiency through economies of scale and better supervision and to attain greater control of the marketing system.[9/]

9/ Agricultural Pricing Policy in Tanzania 1970-79. Implication for Agricultural Output, Rural Incomes and Crop Marketing Costs, Frank Ellis, July 1980, p. 34.

These institutional changes in marketing and distribution were made because of basic dissatisfaction with the operation of the cooperative system. Unfortunately, these institutional changes have not resulted in the improvements anticipated. Marketing margins have increased, particularly for export crops, with adverse effects on farm gate prices. The provision of farm inputs is still less than desirable with respect to allocation and timely delivery of supplies.

The problem of the marketing and distribution institutions is further complicated by the continuing deterioration of fixed and operating transport capital as well as by shortages of equipment and spare parts due to foreign exchange problems. Improvement in management, logistic support, input allocation and reductions in marketing margins are needed to assure adequate functioning of marketing and distribution systems.

Food Production Policies. Agricultural production, especially of food, is affected periodically by drought and flood and occasionally by severe insect and bird predations. The Government's food production policies during the period since the severe drought of 1973-75 have sought to insure the country against these afflictions by increasing the production of major food crops, especially the more drought resistant crops (cassava, sorghum, millet) and by developing a national Strategic Grain Reserve (SGR). The mechanisms employed have increased incentives for smallholders to grow these crops vis a vis others, especially export crops. The food production emphasis has succeeded in stimulating production of traditional subsistence crops (some of which were for the first time, purchased by NMC for the SGR). The economy and farmers have been adversely affected by a reduction in the production of other cash crops, principally exports.

TABLE 3: Changes in Price Terms of Trade for Smallholders (% Change)

Time Period	Export Crops	Food Crops	All Crops
1969/70-1973/74	-24.0	-23.9	-23.9
1973/74-1978/79	-11.3	+29.0	- 2.1
1969/70-1978/79	-32.6	- 1.8	-23.2

The overall result has been a decline in real returns to farmers over the last decade, despite substantial increases (in current terms) in the producer prices of food crops following the '73-75 drought. There are two reasons for this. First, the price increases were aimed primarily at the relatively drought-resistant secondary food crops which are comparatively low in absolute value and for which demand (domestic and foreign) is normally very limited. Second, the contribution of high-value export crops to smallholder earnings has always been quite high - at least 80% over the last ten years, despite volatile price movements. Thus, a primary cause of declines in smallholder real incomes (i.e., increased real poverty among Tanzanian farmers) has been the de-emphasis of the export sector, combined with the strengthened focus on low value secondary food crops.

Health/Population. Poor health is both an indicator of poverty and a contributing cause. Much of Tanzania is infested with the disease vectors which transmit malaria, trypanosomiasis, schistosomiasis, filariasis and onchocerciasis, and most of the country suffers from unclean water and inadequate sanitation.

With respect to morbidity and mortality, the population groups at greatest risk are women of reproductive age and children under five. With the exceptions of malnutrition (some 50 percent of all Tanzanians suffer from malnutrition at some time in their lives), these groups suffer most from infectious or communicable diseases resulting from 'tropical' disease vectors (such as mosquitos and flies), contaminated water and other phenomena of poverty such as pollution and poor sanitation.

The February, 1980, "Tanzania Health Sector Strategy" document presents a detailed portrayal of the relative health status of the population in each of the country's twenty administrative regions. The index of health status clearly demonstrates a high correlation between those areas of Tanzania in which the people are least healthy and the areas where the people are least well off economically.

Population in Tanzania is currently growing at a rate of 3.3% per year. Average family size is seven, and nearly half of the population is under the age of 15. About 25% of the population provides support for the remaining 75%.

The most productive highland zones are overpopulated, while large areas in the west and south are thinly populated. Rapid rates of population growth in Tanzania have not only resulted in high dependency ratios and skewed population distribution towards the productive regions, but have also had a debilitating effect on mothers and high birth order children as a result of repeated child births. In addition, the environmental stress caused by high population densities not only produces a negative impact on agricultural production, as soil structure and fertility are weakened, but at the same time it reduces labor availability as women and children spend ever larger amounts of time searching for fuelwood and obtaining water.

PART II STRATEGY

A. Strategy Overview

There can be little doubt regarding the severity of Tanzania's economic difficulties or of the serious nature of the problems which have created the situation. It poses for the U.S. economic assistance effort the obvious question: What can we, or should we, do about it? The remainder of this CDSS attempts to provide that answer.

1. The Present Situation

First, a review of the present circumstances which have influenced the development of our strategy.

a.) AID is a minor donor in Tanzania. The average development assistance level for the past five years has been $11.6 million with an average growth rate of 16%. When PL 480 is added the average increases to $24 million. Among all donors, U.S. assistance ranks 15th. Nevertheless, in key sectors and subsectors of the economy AID's resources have played a significant part - agricultural research, manpower development and food assistance are examples. To the extent that the sectors which we will assist in the future are seen by the Tanzanians as critical, the potential influence of our program on policy and improved implementation will be larger than the totals would otherwise indicate.

b.) The AID program, as it has been implemented over the years, has been of considerable benefit to Tanzania. The accomplishments - largely of an institution-building nature - are known and appreciated by large numbers of Tanzanians. This institution-building effort, by its nature, is a long term endeavor. Tanzania, like all sub-Saharan countries, gained independence with a very weak institutional resource base. To create and sustain the institutions necessary to confront a host of development-related problems is a task of decades. AID has been, and in a more selective mode will continue to be, involved in strengthening national institutions which are critical to improving agricultural production by smallholder farmers.

c.) USAID's portfolio of on-going projects is composed of too many small activities dealing with a wide variety of problems. There are more than 60 such activities - bilateral, regional, centrally funded - requiring some form of in-country management, supervision or monitoring. The contributions of many of these to Tanzanian development do not appear sufficiently focused on key problems to warrant continuing this scattershot approach to development. The numbers of individual assistance projects will be considerably reduced during the period 1982-84.

d.) The history of AID's attempts to develop its economic assistance strategy for Tanzania amply demonstrates the difficulty of achieving, within U.S. foreign assistance circles, a concensus on why we should be providing assistance, what form U.S. assistance ought to take, and what the levels ought to be. There are those who favor Tanzania's self-reliance with equity philosophy and there are those who fault its lack of pragmatism. There are numerous reasons for this dichotomy of views. By African standards, the level of corruption within the government is low. Its Parliamentary elections, while conducted within the single party framework, are hotly contested. (In the 1980 elections nearly half of the Parliament were turned out by the electorate). Tanzania has been more willing than many developing countries to exhaust its own resources to assist its citizens before turning to the outside donors for help. The National Milling Corporation has borrowed heavily (some would say too heavily) from the banking system to continue to pay small farmers for their crops. On the other hand the economy has been driven to the edge of bankruptcy and inefficiency throughout the system grows alarmingly.

e.) The strategy proposed in last year's CDSS would have focused AID resources on the problems of Tanzania's poorest geographic area -- the vast central plateaus. This approach which at the time seemed to fit well into AID's Basic Human Needs mandate has now been abandoned. To focus scarce U.S. and Tanzanian resources on the most difficult area of the country in terms of achieving significant development (and one in which the potential return to the entire economy in terms of growth is so low) is now, within the context of this present crisis, determined to be inappropriate.

Basic determinants of the proposed strategy. Working with the above "givens" the following considerations were taken into account in developing our strategy:

a.) The AID program over the 1982-87 period will focus on increasing production and productivity in the agricultural sector for both domestically consumed food crops and commercial export crops grown by smallholders. The overall objective is increased food availability throughout Tanzania. A second objective will be to expand smallholder participation in the monetized agriculture sector.

b.) The AID program will emphasize, more than in the past, activities intended to yield significant returns to the productive elements of the economy in the short term (2-5 years). The program will continue a reduced number of institution-building projects aimed at long term structural growth and improvement in selected subsectors. The Agriculture research and extension system is the most important of these.

c.) The program will focus on fewer problems. The "one problem - one project approach" will be abandoned. All activities will be grouped to focus on not more than three or four problem areas. The AID Mission will accept special interest AID proposals only when they address essential elements of our reduced set of problems.

d.) AID will seek more actively to promote donor coordination. There is a concensus among many donors in Tanzania regarding the nature and magnitude of the problems facing the country. Little has yet been achieved, however, in concerting donor responses to these problems. AID will push vigorously for improved coordination and increased opportunities for program or project-level collaboration.

e.) Although the CDSS planning horizon is for five years, through 1987, the proposed strategy requires that we look beyond that period. It suggests planning and appraisal activities during the middle 1980's which would preface the evolution of our program into new modes of assistance and into new geographic and functional areas in the late 1980's and early 1990's. The focus on absorptive capacity discussed below is aimed not only at improving the efficiency by which Tanzania is able to direct and utilize its own and donor resources for productive growth, it will also enable our program to shift gradually but at an accelerating rate from project to

sector and program modes of assistance. To the extent that our efforts and those of other donors are successful in expanding absorptive capacity, with the increased administrative/management capability and sophistication which that implies, we will be able to shift to more efficient means of resource transfers through sector support and other forms of non-project assistance. This process will begin in a limited way in 1982-83 but is envisioned to grow as a proportion of our total assistance effort until by 1990 most U.S. assistance flows will be of a sector support nature.

Geographically, we are proposing that the Arusha region be, as it already is, our principal geographic focus for the next several years for the reasons stated below. Over the longer term, we envision that the approaches and technologies which are tested and proven in Arusha will be expanded, with our and other donor assistance, first to the other relatively productive and heavily populated areas of northern Tanzania and later into the area which holds the largest potential promise - the south and southwest. The use of scarce government resources to expand these programs into the central zone would wait upon the development of the more productive areas of the country. This, then, represents a significant shift in our strategy over those previously proposed.

2. The AID Strategy

The AID assistance program in the 1983-87 period will focus on a limited number of problems - agricultural production, resource management and effective decentralization. Our broad objectives are as follows:

-- Increased Agricultural Production: To increase agricultural productivity thereby expanding food and export crop production, increasing food availability and enhancing economic returns to smallholder producers and to the economy as a whole.

-- Improved Resource Management: To increase the government's capacity to utilize effectively its own and donor resources for its highest priority development programs.

-- Effective Decentralization: To test, demonstrate and replicate effective approaches to rural development (improved well being of the rural population) which are operated through Tanzania's decentralized system of government (regional, district and village levels operating in a coordinated fashion).

Achievement of these objectives is essential for economic growth and improved well being in Tanzania. They are clearly interrelated and their selection follows logically not only from the analysis presented earlier in this document but from the framework provided by our present and past programs in Tanzania. Most important, as evidenced by the Fourth Five-Year Plan Guidance, increased agricultural production, improved resource management and effective decentralization are priority concerns of the Tanzanian Government.

B. Major Components of the AID Strategy

1. Increased Agricultural Production

The objective of U.S. assistance in agricultural production is to increase the average annual volume of agricultural output in key food and export crops produced by smallholders in order to provide increased income for rural households, increased food self-sufficiency and food availability, increased raw materials for agro-based industry and increased agricultural exports. The components of this assistance can be grouped into: 1) those activities intended to achieve measurable production increases in the short-term and which are thus designed to respond to Tanzania's present economic crisis, and 2) activities addressing the longer term structural impediments to improved production.

Activities designed to achieve significant returns in the short-term. A major instrument available in the early part of the period will be the PL 480 Title III program to begin in FY 82 for an initial three year period. As presently envisioned, this program will generate the local currency equivalent of $10-15 million per year to help ministries and parastatals (including crop authorities) to improve the performance of the Government's agricultural production programs. The program will aim at reducing inefficiencies in providing inputs to farmers (including credit), extension and marketing. This food assistance effort is intended to help selected organizations to better implement programs that are already underway and to consolidate their efforts where possible. It will reinforce the proposed IDA agriculture sector undertaking and crop specific programs of the EEC, the Netherlands and FAO. In addition it will assist the Tanzanian

Government in continuing to meet its commitments under the IMF standby agreement to improve export performance.

The Title III program will also provide assistance, if required, to the national food security program which aims at having food stored and available for use whenever and wherever cyclical food shortages occur.

The food assistance efforts will, in sum, bolster pragmatic agriculture production and food storage efforts being implemented by the Government to reverse declining production trends.

U.S. assistance to the Tanzania Rural Development Bank (TRDB) in making credit available to several hundred individual villages for procurement of improved farm implements, village storage, simple milling machinery and other non-seasonal needs will have an important impact on production in the 2-4 year term. The program will, by 1984-85, have expanded rapidly into the high production areas of the country. Other assistance to TRDB from IDA for seasonal and term lending and improved management capability will support our own efforts.

The U.S. will continue assistance to producing foundation seed on Government seed farms and possible assistance to the national seed grading and distributing parastatal (TanSeed) in order to help overcome present problems hampering wider distribution of the improved seeds grown on the seed farms. Production improvements stemming from wider availability of improved seed can occur relatively rapidly. It is envisioned that assistance to seed production, grading and distribution would be subsumed within a proposed sector assistance activity during the planning period.

We have considered an agriculture sector assistance package in 1982 or 1983 but the nature of the IDA sector assistance credit now being developed, problems of absorptive capacity and our budget constraints compel us to postpone full scale introduction of such assistance until 1984. It is our intention however that U.S. assistance, generally, will evolve toward increased use of sector assistance packages and other forms of non-project assistance as Tanzanian agencies develop the administrative capability to better manage these modes of assistance.

Activities focused on longer term structural improvements. As has been stated elsewhere in this document we explicitly recognize Tanzania's need and desire to achieve sustainable equity-oriented economic growth and an

institutional capability to plan, manage and coordinate its own development. This need exists no more or less in Tanzania than in most present-day African states, and is a characteristic of both those socialist and non-socialist governments which, with less than 20 or 25 years since independence, have not had the time or the resources to develop the skills or institutional capacity necessary to deliver the services required by their populations. U.S. assistance has for many years focused on problems of institutional and structural development in Tanzania, as it has throughout Africa. In agriculture these efforts have included development of a Faculty of Agriculture at the national university, assistance to agriculture research in basic food crops, high level training in planning and administration and long term technical assistance to several agricultural agencies.

We propose to continue this long term effort in some of these areas building on what has already been accomplished.

Assistance in agricultural research will continue. U.S. assistance has been involved with research for a long time. Research continues to be a priority concern for long-term growth in production and productivity; and it is an area in which, as has been proven in many parts of the world, the U.S. has an excellent capability.

Research during 1983-87 will be more closely associated with extension and actual on-farm conditions and practices. The need to strengthen and revitalize the extension service in order to deliver proven technologies in maize and other food crops will be addressed as an element of a systems approach. Relying largely on the experiences of U.S. land grant universities and the international research institutes, this brings together elements of crop and technologies research with the need for an extension service which can deliver research results that are immediately useful to large numbers of Tanzanian farmers.

The second area of attention will be agricultural information and statistics. Tanzanian planners and donors require more reliable agricultural statistics and socio-economic data about agricultural producers, systems of farm management, production techniques, cropping patterns and related information. Attempts to expand production and productivity are hampered by the continuing unreliability of what information is available.

AID assistance, drawing on the considerable expertise available in the U.S. on rural data gathering and analysis, will focus on developing an on-going Tanzanian capability in these areas. This will include university research organizations, the Ministry of Agriculture, the Prime Minister's Office (regional and district levels) and major parastatals such as NMC and TRDB in an integrated data gathering and analysis effort.

Continued assistance to the Tanzanian Rural Development Bank to expand its capability to manage a rapidly growing set of national lending programs is also a high priority, longer term effort. TRDB will not achieve the desired level of competence and effectiveness until the late 1980's or early 1990's and our continued technical and financial assistance is crucial to TRDB's sustained expansion as the major purveyor of seasonal and term credit to farmers.

The previously mentioned agricultural sector assistance initiative will commence in 1984 and will expand as Tanzanian agencies increase their capability to manage sector as opposed to project assistance. Sector assistance, as an objective, has potential benefits both for Tanzania and for AID. It is potentially a more flexible tool, more readily programmed and budgeted within the Tanzanian Government's own procedures than is project assistance. For the U.S., increasing use of sector assistance modes will decrease the numbers of management units and help reduce the size of the resident Mission staff.

Another aspect of increased agricultural production, which is included as an AID program objective, is improved rural health. Enough is known about the loss of manpower through widespread debilitating diseases and other health problems in Tanzania to recognize the direct link between improved rural health and increased production. We intend to maintain a program in rural health not only because of the relationship between improved health and production but because Tanzania has adopted innovative, low-cost approaches in village-based health care which may serve as examples to other developing countries. Improvements in health indicators have accrued even though only 6% of the Government's budget is devoted to health. AID support to rural health will constitute a relatively minor share of our total budget with low-cost measurable benefits derived by agriculture producers as the principal rationale.

2. Improved Resource Management

A characteristic of underdevelopment is ineffective and inefficient use of human resource skills as well as capital. The problem normally takes the form of much slower than anticipated achievement of development objectives; inability of the host government to meet its commitments for project manpower, local cost support, local materials; and projects that grind to a halt shortly after donor support is completed. In many, if not most, cases the problem stems from widespread shortages of skilled, middle-level technical and managerial manpower often accompanied by insufficient government budget to cover the costs of the relatively few skilled managers available. The relatively few skilled managers available are spread thinly and are often frustrated by inefficiencies in their own system.

This resource management problem characterizes many RLDC's, Tanzania included. On a per capita basis Tanzania is among the highest recipients of foreign economic assistance in the world in terms of commitments. The rate of disbursements is, however, another matter. We would suspect that if comparative per capita disbursements were calculated, Tanzania would rank far lower on the scale. The difference between the two rates would be a fairly accurate indicator of the inability of the country to manage its available resources.

Resolution of the problem is a long term proposition and involves increasing the numbers of skilled middle (and to a certain extent upper) level manpower and at the same time improving the Government's ability to finance the domestic costs of the development program and the long term budgetary demands of those programs - the recurrent cost problem.

Human Resource Development. The AID program during 1983-87 will focus on the continuing shortage of skilled Tanzanian manpower in several organizations which are key to improved agriculture performance including the Ministries of Agriculture, Finance, Livestock, Health, the Prime Minister's Office, Vice President's Office (Planning), the National Milling Corporation (or its successors), the TRDB and other financial organizations and crop authorities or agriculture-related parastatals.

The manpower development program will reflect Tanzania's own training priorities in support of the agriculture production aspects of the Fourth

Five-Year Plan and will have three distinct components; in-country training for rural development; upgrading the quality of several existing in-country training institutes; and advanced graduate and post-graduate training at U.S. universities with emphasis on management, finance and selected technical fields. The majority of the non-project specific training would be provided under an omnibus human resources support program evolved from our current rural development training activities.

In-country training assistance will focus on enhancing Tanzania's capacity to train trainers in village-level skills development and on expanding the numbers of people trained to operate at the district and regional level in fields such as extension, village health, labor intensive roads maintainance, simple bookkeeping and local administration. Upgrading in-country training institutions will focus on the Ministry of Agriculture Training Institutes (MATI's), the Center for Continuing Education at the Faculty of Agriculture (for mid-career and in-service training) and on rural development training institutions providing instructions in fields such as bookkeeping, accountancy, management, project planning and evaluation.

Financial Resources. Tanzania suffers from lack of foreign exchange (FX) and from government revenue generations that are insufficient to fund not only the development budget but the recurrent budget as well.

In terms of helping improve the FX situation, AID's total contribution, which though helpful, will be modest compared to FX flows from the World Bank, IMF and the more important bilateral donors. (Much, too, will depend on Tanzania's ability to gain concessional terms for oil purchases from her major African and Middle Eastern suppliers). Nevertheless, the FX benefits of our program are worth noting. Under the proposed Title III food assistance program, Tanzania will save FX of up to $15 million per year for food which otherwise would have been purchased on the world market. The Rural Resource Support program and other sector assistance activities will provide considerable additional FX financing as will the Resources for Village Production project. More important, to the extent that export volumes are increased during this planning period as a result of activities proposed, FX earnings should likewise increase.

Increased domestic revenues will in general be a function of increasing agricultural production and generally increased economic activity. The proposed Title III program will make shillings available directly for mutually-agreed upon development activities. For the foreseeable future Tanzanian Government expenditure levels will be constrained by the terms of the IMF agreement which, among other things, requires that internal Government borrowing as a percentage of total budgetary outlays must decline. To the extent that the resultant budgetary stringency is applied to development programs in agriculture, including activities which directly or indirectly affect donor supported projects, the effect would be to slow down the rate of project implementation.

AID's 1983-87 program will therefore be designed to minimize the recurrent cost burden on the Government (i.e., programs which would add personnel to the Tanzanian Government payroll will be avoided in favor of up-grading existing staff). The Tanzanian local cost contributions to on-going projects will be held to a minimum at least until the worst of the economic crises period has passed. For new project proposals, a major criterion will be the direct impact on increased production which in turn will enable the government to increase revenues over time.

3. Effective Decentralization

During the 1980's Tanzania will increasingly devolve responsibility for rural development to regional, district and village level government. Local problems and local development needs will be dealt with at these levels. The village under Tanzanian law is the corporate individual and Tanzanian citizens formulate their requirements and demands within the village political structure. The role of the district or regional administrations is to respond to these demands. AID assistance efforts will help increase the capability of these decentralized forms of government to respond effectively in ways that help maximize the rate of agriculture production and returns to the producers.

Most of AID's efforts to support effective decentralization during the 1983-87 period will be centered on the Arusha Region in northern Tanzania. This region, though on average one of the richest, in fact constitutes a microcosm of most of the favorable and unfavorable aspects of the country as a whole. It is a large and very diversified area.

Within it are areas of rich soils, excellent crop potential and high population densities. There are also the semi-arid savannahs of the Masai Plateau used principally for livestock. Part of the Region is well-watered and fairly well served by access routes, other parts are not well-watered, ill served by transport and inhabited by some of the poorer villages and societal groups of the country.

AID has provided considerable assistance in formulating the Arusha Regional Development Plan. During 1981-82 there will be a need to determine whether, to what extent and in what form AID will assist in implementation of the plan. Final resolution of these questions must await final promulgation of the plan in early 1981 but it is presently AID's intention to continue assistance to the Arusha Region in accordance with the following rationale:

a.) The objective of assisting the Arusha Region is to test and demonstrate, at the regional and district levels, effective approaches to managing and operating a decentralized rural development program.

b.) The Arusha Regional Support Program will 1) accelerate the economic development of a region with considerable unrealized potential for both food and export crops production which if realized could contribute greatly to Tanzania's foreign exchange and domestic revenue generation, 2) test appropriately scaled programmatic production technologies together with techniques of decentralized administration for replication in other regions, and 3) help provide on-the-job training for local administrations to be used eventually in other regions of the country.

c.) The region will be helped to utilize the services or products of national supporting institutions such as crop and livestock research, data gathering and analysis, road maintenance training, extension training, health worker training, shelter and town planning, programs in adapted appropriate technology, energy, conservation and water sanitation.

d.) The village and district administrations will continue to be supported in developing the capability to plan and carry out village-level self-help construction, road maintenance, land improvement, village woodlot and agricultural production expansion and diversification efforts. The development and use by villages of local raw materials in association with new or adapted technologies will be encouraged. Family planning efforts will be given special attention.

e.) AID's regional support program would build on a planning and village development base already established with AID assistance.

Assistance will be provided through a broad range of implementation agents. The on-going Arusha Appropriate Technology Project will be utilized as will the Tanzanian Scientific Research Council (UTAFITI) in the field of appropriately scaled energy development. Peace Corps Programs in the region - including village woodlots and district reforestation and possibly specific crop and livestock development - will also be supported.

C. The Special Problem of Population

AID's program focuses on three of the Tanzanian Government's priority concerns: agricultural production, resource management and decentralization. One problem area which is not yet an official priority concern of the Government, but which looms as a serious impediment to achieving their goals of increased per capita food production and income is Tanzania's high rate of population growth. If the current 3.3 percent annual increase continues, Tanzania's population will double to more than 36 million in less than 22 years. The impact of such a population growth rate on the Government's social and economic development goals will be severe. It is essential that this impact be understood and that it is recognized in Tanzania's development planning.

There are indications that Government officials are aware of many of the problems which will result from their rapidly growing population. The USAID will take an active role in increasing this awareness. Mission assistance during the planning period will consist of the following elements: (a) an active campaign to sensitize and educate government leaders to the significance of Tanzania's present population growth rate and to the availability of assistance for a variety of alternative approaches to reducing it; (b) provision of training and supplies to those institutions and individuals engaging in family planning or other population-related activities; (c) incorporation of family planning components in the curricula of all appropriate USAID-supported training programs; (d) design of other Mission activities to maximize their impact on attitudes of

beneficiaries regarding reduction of desired family size; and (e) quick response to any government requests for population/family planning support. The Mission will also work with government planners and with University and other researchers to develop research agenda which will examine various aspects of population in Tanzania. The aim of this activity will be to provide findings on country specific demographic variables for use in planning and as a basis for development of a national population policy.

Outside the population sector the Mission will continue to explore ways in which its projects can address and affect the population problem. The Mission has selected the Arusha Regional Planning and Village Development Project for a special study to evaluate the project's influence on desired family size. The study results will then be taken into account in design of similar local development activities elsewhere in Tanzania.

PART III ASSISTANCE PLANNING LEVELS

A. Development Assistance

The Proposed Assistance Planning Levels shown in Table 4 will allow the Mission to pursue the strategy proposed in Part II. It is noted that the levels proposed for FY 83 and FY 84, $47.6 million and $57.0 million respectively, are more than double those expected and/or requested in FY 81 and FY 82. However, some 55% of the proposed levels are to fund activities begun in prior years - reduction therefore will mortgage future year program levels and/or inhibit AID's ability to meet its proposed program objectives.

Fiscal Year 1985 is a turning point in meeting our program objectives. While we propose to initiate program support activities in earlier years, greater effort will have been devoted to the strengthening of Tanzania's institutional capabilities, particularly in food production and distribution. Starting in 1985, then, we propose to move a much greater share of AID resources to those programs with a direct impact on agricultural production, and through management mechanisms which will allow substantially increased program levels. By 1985, funding for the majority of USAID's individual projects will be completed (though implementation will still continue past that time) and the program support aspects of the rural resources support and health sector assistance programs will just be beginning.

By the end of the planning period, the Mission proposes an assistance level of approximately $130 million. While percentages in each sector vary over the planning period, agriculture and rural development is the dominant sector, followed by health/population and human resource development.

The breakdown within Table 4 shows our proposed program by major objective. This breakdown does not fully reflect the investment in each

TABLE 4: PART III: PROPOSED ASSISTANCE PLANNING LEVELS (PAPL)
(in $ million)

	FY 83	FY 84	FY 85	FY 86	FY 87
I. Agricultural Production					
(a) Agriculture	13.0	23.0	20.0	44.0	55.0
(b) Health/Population	4.5	2.0	10.0	16.0	16.0
(c) Human Resources	0.0	0.0	1.0	5.0	5.0
(d) PL 480 (non-add)	(7.5)	(7.5)	(7.5)	(5.0)	(5.0)
Sub-Total.....	17.5	25.0	31.0	65.0	76.0
II. Resource Management					
(a) Agriculture	9.0	9.0	13.0	15.0	3.0
(b) Health/Population	4.5	10.0	3.0	6.0	6.0
(c) Human Resources	6.0	6.0	7.0	5.0	5.0
(d) PL 480 (non-add)	(10.4)	(10.5)	(10.5)	(8.5)	(8.5)
Sub-Total....	19.5	25.0	23.0	26.0	14.0
III. Effective Decentralization:					
(a) Agriculture	5.0	5.0	25.0	20.0	20.0
(b) Health/Population	4.6	1.0	7.0	15.0	15.0
(c) Human Resources	1.0	1.0	4.0	4.0	5.0
Sub-Total...	10.6	7.0	36.0	39.0	40.0
Total.....	47.6	57.0	90.0	130.0	130.0
IV. PL 480 Title I/III	15.0	15.0	15.0	10.0	10.0
Title II	2.9	3.0	3.0	3.5	3.5
V. HIG	5.0		5.0		10.0
Grand Total...	70.5	75.0	113.0	143.5	153.5

area as funds often contribute to more than one objective. This is especially true of the assistance provided under PL 480 Title III and under program assistance.

PL 480

The Title III program is proposed for 1982 through 1984 at a level of $15 million per year. The need for and possible magnitude of a follow-on Title III program will be determined in late 1984 based on an assessment of performance and need. We presently envision a diminished need for concessional food assistance in the post-1985 period based on the likelihood of increasing annual production. Much will depend, however, on such external factors as climatic conditions, changes in terms of trade, etc.

At present the Mission envisions continued support of the CRS Title II supplemental feeding programs, aimed at increasing the nutritional levels of the at-risk mother/child population.

HIG

A $20 million Housing Investment Guarantee program is proposed for the five year planning period. While discussions of such a program are still in the most rudimentary stage, we envision beginnning with a $5 million program in FY 83 in the Arusha region. The program would aim at providing shelter loans to over 3,000 households in a small town or periurban environment. In addition to shelter and basic community facilities, provisions for employment generation opportunities and skills training will be an integral part of the program. Should the program prove successful subsequent programs would be started in FY 85 and 87 either in Arusha or in other high potential regions.

B. Staffing Implications

The Mission forsees a decrease in U.S. Direct Hire personnel over the planning period. In the earlier part of the funding period it will be necessary to maintain technically skilled project officers to oversee projects presently underway. However, as the program consolidates its efforts and we move into a sector support program, the number of U.S.

staff is expected to decrease, reaching 25 by FY 87. A sector support program however still requires monitoring of its activities. This will be accomplished by an increase in our professional and semi-professional Foreign National Staff (see Table 5).

TABLE 5: STAFFING LEVELS 1983-87

	FY 83	FY 84	FY 85	FY 86	FY 87
USDH	28	28	27	26	25
FN	32	34	35	35	35

Appendices

Donor Assistance by Sector	Appendix A
Tanzania - Social Indicators	Appendix B
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Appendix A

DONOR ASSISTANCE BY SECTOR

SECTOR	ACTIVITY	DONOR
AGRICULTURE		
	Maize Production	IBRD U.S.A.
	Wheat Production	Canada, IBRD
	Rice Production	Canada, China, P.R., UNDP, U.S.A.
	Sorghum and Millets	FAO
	Oilseeds	Belgium
	Coconut and Palm Oil	UNDP
	Coffee production	EEC
	Cashewnut production	IBRD
	Cotton	IBRD, ODA, U.K.
	Tobacco	IBRD
	Sugar	IBRD, the Netherlands
	Tea	IBRD
	Pyrethrum	IBRD
	Grain Storage	IBRD, Sweden, U.K., U.S.A.
	Fertilizers	Belgium, the Netherlands
	Irrigation	Australia, Canada, the Netherlands, U.S.A.
	Forestry	Austria, Canada, Finland, IBRD, Norway, Sweden, U.S.A.
	Fisheries	FAO, Finland, IBRD,UNDP, Norway, ODA/UK
	Dairy and Livestock	Finland, UNDP/IDA, IBRD/UNDP, the Netherlands, Sweden, U.S.A.
	Rural Development	IBRD, U.S.A.
INDUSTRIAL		
	Mining	Canada, Finland, UNIDO/UNDP
	Pulp and Paper	IBRD
	Textiles	France, IBRD
	Small-Scale Industry	Canada, Sweden,
ENERGY		
	Power	Canada, IBRD, Sweden
	Non-Conventional	Belgium, U.S.A.
	Petroleum Exploration	IBRD
TRANSPORT		
	Railways	Canada
	Roads	IBRD, Norway, U.K., U.S.A.
	Trucking	IBRD

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SECTOR	ACTIVITY	DONOR
EDUCATION		
	Basic Education	Sweden, UNICEF
	Secondary Edducation	France, Sweden
	Higher Education	Canada, Finland, France, Denmark Norway, Sweden, U.S.A.
	Non-Formal Education	Austria, Canada, Denmark, IBRD, Sweden, U.S.A.
HEALTH		
	Health Centers	Denmark, U.K., U.S.A.
	Primary Health Care	UNICEF, UNFPA, U.S.A.
	Nutrition	Sweden
OTHER	Food Security	FAO, Finland, IBRD/UNDP, Norway, ODA/U.K., Denmark, the Netherlands, U.S.A.
	Water Supply	Canada, EEC, Finland, IBRD, Norway, the Netherlands, Sweden, UNDP, UNICEF, U.K. U.S.A.
	Housing & Urban Dev.	Denmark, Finland, IBRD, Norway, UNDP,
	Tourism	IBRD
	Ports	IBRD
	Import Financing	Denmark, Norway, Sweden, IBRD, IMF

Appendix B

TANZANIA - SOCIAL INDICATORS

LAND AREA (THOUSAND SQ.KM.)		TANZANIA			
Total	945.1			Most Recent	Low Income
Agricultural	498.0	1960	1970	Estimate	Africa South of Sahara
GNP PER CAPITA (US$)		70.0	120.0	230.0	228.9
ENERGY CONSUMPTION PER CAPITA (Kilograms of Coal Equivalent)		41.0	62.0	65.0	80.0
POPULATION AND VITAL STATISTICS					
Population, Mid-Year (Millions)		10.2	13.3	17.5	-
Urban Population (Percent of Total)		4.8	6.9	10.8	17.3
Population Projections					
Population in Year 2000 (Millions)		-	-	32.0	-
Stationary Population (Millions)		-	-	92.0	-
Year Stationary Population is reached		-	-	2145	-
Population Density					
Per Sq. Km		11.0	14.0	19.8	27.4
Per Sq. Km Agricultural Land		21.0	26.0	34.0	82.6
Population Age Structure (Percent)					
0-14 Yrs		42.7	44.4	45.7	44.9
15-64 Yrs		54.3	52.5	51.2	52.2
65 Yrs. And Above		3.0	3.1	3.1	2.8
Population Growth Rate (Percent)					
Total		2.2	2.7	3.3	2.7
Urban		5.0	6.3	8.9	6.8
Crude Birth Rate (Per Thousand)		47.0	47.0	48.0	47.4
Crude Death Rate (Per Thousand)		22.0	19.0	16.0	19.6
Gross Reproduction Rate		-	3.2	3.2	3.2
Family Planning					
Acceptors, Annual (Thousand)		-	-	93.6	-

TANZANIA

	1960	1970	Most Recent Estimate	Low Income Africa South of Sahra
FOOD AND NUTRITION				
Index of Food Production Per Capita (1969-71=100)	95.0	104.0	91.0	91.8
Per Capita Supply of Calories (Percent of Requirements)	85.0	91.0	89.0	90.2
Proteins (Grams per Day)	44.0	49.0	49.0	53.0
of which Animal and Pulse	17.0	21.0	21.0	18.4
Child (Ages 1-4) Mortality Rate	32.0	25.0	20.0	27.7
HEALTH				
Life Expectancy at Birth (Years)	42.0	47.0	51.0	45.3
Infant Mortality Rate (Per Thousand)	-	155.0	125.0	-
Access to Safe Water (Percent of Population)				
Total	-	13.0	39.0	23.2
Urban	-	61.0	88.0	58.0
Rural	-	9.0	36.0	16.8
Access to Excreta Disposal (Percent of Population)				
Total	-	-	17.0	28.9
Urban	-	-	88.0	67.0
Rural	-	-	14.0	-
Population Per Physician	21020.0	24770.0	15450.0	30910.4
Population Per Nursing Person	10440.0	3830.0	2760.0	5793.2
Population per Hospital Bed				
Total	570.0	-	440.0	1198.9
Urban	-	-	-	-
EDUCATION				
Adjusted Enrollment Ratios				
Primary: Total	25.0	38.0	70.0	57.7
Male	33.0	46.0	79.0	74.2
Female	18.0	30.0	60.0	54.1

	TANZANIA 1960	1970	Most Recent Estimate	Low Income Africa South of Sahara
Secondary: Total	2.0	3.0	3.0	10.0
Male	2.0	4.0	5.0	13.7
Female	1.0	2.0	2.0	7.1
Vocational Enrol. (% of Secondary)	23.0	-	-	6.8
Pupil-Teacher Ratio				
Primary	45.0	46.0	50.0	45.0
Secondary	20.0	19.0	20.0	25.2
Adult Literacy Rate (Percent)	9.5	28.0	72.0	25.5
CONSUMPTION				
Passenger Cars Per Thousand Population	3.0	2.5	2.7	3.6
Radio Receivers per Thousand Population	2.0	11.0	19.0	31.5
Newspaper ("Daily General Interest") Circulation per Thousand Population	3.0	5.0	4.5	4.6
Cinema Annual Attendance per Capita	0.5	-	0.2	-
LABOR FORCE				
Total Labor Force (Thousands)	4734.5	5841.7	7035.0	-
Female (Percent)	37.1	36.6	34.0	33.5
Agriculture (Percent)	89.3	86.0	83.0	80.7
Inudstry (Percent)	3.8	5.0	6.0	8.1
Participation Rate (Percent)				
Total	44.7	43.5	42.2	42.2
Male	56.9	55.7	54.3	55.1
Female	32.8	31.5	30.3	29.5
Economic Dependency Ratio	1.0	1.1	1.2	1.2
INCOME DISTRIBUTION				
Percent of Private Income Received by				
Highest 5 percent of Households	-	33.3	-	-
Highest 20 percent of Households	-	63.3	-	-
Lowest 20 percent of Households	-	2.3	-	-
Lowest 40 percent of Households	-	7.8	-	-

Source: World Bank Economic Memorandum, August 1980

N.B. Selected updates for "Most recent estimate" have been included as additional information was available

Appendix C

PROFILE OF PEASANT AGRICULTURE, TANZANIA 1978

FEATURES	ZONE I	ZONE II	ZONE III	ZONE IV
NAME	HIGHLAND	WESTERN	COAST	CENTRAL SEMI-ARID
1. 90% Rainfall probability (MM)	Above 1500	500-1000	500-1000	500 less
2. altitude (meters)	Above 1500	500-1500	0-1250	300-1500
3. Dominant Export Crops	Coffee, Tea Pyrethum	Cotton Tobacco	Cashewnuts Coconuts Oilseeds	None
4. Dominant Food	Plaintain, Hybrid Maize, Beans Irish Potatoes	Cassava, Composite Maize, Peas Sweet Potatoes	Rice, Composite Maize, Cassava Groundnuts	Sorghum Millet
5. Livestock	Dairy, Pork	Intensive use Small Ruminants	Intensive use Poultry, Fish	Extensive Grazing Lowland
6. Most representative areas	Highland Areas Kilimanjaro Arusha, Tanga Mbeya, W. Lake Iringa	Mwanza, Mara Shinyanga, Tabora Kigoma	Mtwara, Lindi Coast, Morogoro Tanga	Dodoma Singida Arusha Iringa
7. Total rural population (millions)	3.5	5.0	3.8	2.7
8. Average farm size (Has)	.95	1.35	1.10	1.20
9. Size of holding cultivated under export crops (Has)	.45	1.00	.90	0
10. Percent total holdings cultivating less than 1 Has.	85	45	65	40
11. Total number of holdings (000's)	580	1000	950	600
12. Number of people per holding	6.0	5.0	4.0	4.5
13. Proportion of holding with access to export crops	60	50	40	0
14. Area cultivated (000's Has)	550	1350	1050	700
15. Effective area cultivated (000's Has)	910	1820	1520	910
16. Income per holding from export crops (T.Shs.)	1300	1200	600	0
17. Income per holding from major food crops (T.Shs./day)	1200	600	750	450
18. Total income per holding (T.Shs./year)	2500	1700	1350	450
19. Return to labor for export crops (T.Shs./day)	18.75	5.50	7.00	0
20. Return to labor for major food crops	17.50	7.00	8.50	5
21. Equivalent monthly wage of head of holding (T.Shs./mo.)	870	300	370	120

Note: The minimum monthly wage in urban areas in 1978 was T.Shs. 380/-.

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