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USAID/TANZANIA



VSHIRIKIANO KWA MAENDELEO YETU

PARTNERSHIP FOR DEVELOPMENT

STRATEGIC PLAN 1997 - 2003



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

USAID MISSION TO TANZANIA

May 3, 1996

Mr. John F. Hicks
Assistant Administrator
Bureau for Africa
U.S. Agency for International Development
Washington, D. C. 20523

Dear John:

We are pleased to submit to you and others in the Bureau for review in Washington in early June the USAID/Tanzania Strategic Plan for the 1997 - 2003 period. This document represents the culmination of over 10 months of intense effort and reflects the results of in-depth analysis, wide-ranging internal discussions and considerable consultation with our stakeholders and customers, as well as a great deal of soul-searching about the future of our program in Tanzania. And, more than anything else, it is the product of very talented Mission personnel who are a credit to the Agency and of whom we are very proud.

It would be an understatement to note that undertaking such a laborious strategic process during an unprecedented period of uncertainty for the Agency and political change in Tanzania has been extremely challenging and all-absorbing. In preparing our new Strategic Plan, we have done our best to follow closely all available Bureau and Agency guidance, and to adhere to reengineering principles. We have also tried to be attentive to issues surfaced in recent Bureau reviews of other country strategic plans by making sure that we gave the same or similar issues adequate coverage. While we realize that it may not be possible to foresee every conceivable issue which may be raised during the Washington review process, we have made a good faith effort to cover all points we judged as being necessary to the completion of the TSP without going to excessive length.

We see the Washington review of this document as the final stage in the development of our new assistance strategy for Tanzania. Consequently, we fully expect the Washington review to help us produce a complete and approved strategy document which will serve us and our development partners well as we move into the next century. We also expect to adjust as needed this new planning document as our program and events in Tanzania evolve, and we measure the results of key activities. In addition, we see this document as an excellent piece of professional work which further bolsters our leadership role among the donor community in Tanzania.

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We intend the executive summary contained in the document to provide a sufficient briefing on our five strategic objectives and relevant background so as to permit a quick grasp of the major thrusts of our plan. We have also made a special effort to reflect in our plan "crisis prevention" concerns and we have described the work we have been doing, and which we will be obliged to do in the future, with regard to the continued and growing presence of over 650,000 refugees from Rwanda and Burundi in western Tanzania. You will note that all our proposed objectives fall logically and easily under stated Agency goals. It is also obvious that our priority objectives reflect to a certain extent Agency " earmark " interests and this continues to be an issue which may need further discussion during our program week review sessions.

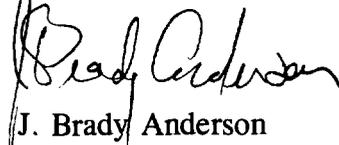
We look forward to the presentation and review of our new Tanzania Strategic Plan and to benefiting from discussions about the contents of the plan with our Washington colleagues. We hope that you and others in your Bureau concerned with the Tanzania program will agree with us that the document we are presenting is of high quality and solidly reflects Agency goals and U.S. foreign policy objectives in Africa.

Sincerely yours,



Mark G. Wentling
Director

Sincerely yours,



J. Brady Anderson
Ambassador

cc: Carol Peasley, DAA/AFR
Glenn Slocum, AFR/EA
Stephen Pulaski, AFR/EA/Tanzania

TANZANIA

STRATEGIC PLAN 1997-2003

USHIRIKIANO KWA MAENDELEO YETU--PARTNERSHIP FOR DEVELOPMENT

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FORWARD: USAID/TANZANIA STRATEGIC PLAN -- HOW WE GOT HERE

USAID/Tanzania produced this Strategic Plan (SP) for the period 1997-2003 during the same period as Tanzania's first multi-party elections for President and Parliament; reengineering of the Mission; during the troubling period of hiring and OE freezes, furloughs and budget cuts, merger rumors and, finally, an agency-wide reduction-in-force (RIF). How we managed to weather this period, produce a quality document, and emerge as a well-functioning organization -- is a tale of commitment, perseverance, creativity, partnership and, above all, teamwork.

Analytical foundation. The analytical foundation for the Strategic Plan derives from the Mission's well-established tradition of ongoing dialogue with customers, accomplished by frequent site visits and more specialized socio-economic surveys, participatory rural appraisals, and focus group discussions. To strengthen this analytical foundation, the Mission undertook a comprehensive assessment of recent major program accomplishments during the year-long development of the strategic plan. Copies of key assessments are available in AID/Washington. Of note are the Demographic and Health Survey (DHS) and Tanzania Knowledge, Attitudes, and Practices Survey (TKAPS) for family planning and AIDS prevention; the impact surveys and the overall impact assessment of the Agricultural Transport Assistance Program (ATAP); our recent Training Impact Assessment; the study by Michael Lofchie and Thomas Callaghy on Diversity in the Tanzanian Business Community: Its Implications for Economic Growth and its recent sequel; the Democracy and Governance Assessment; and other studies on key private sector development and natural resource management topics (see Annex D for a complete list of these studies).

August 1995 kick-off and preliminary meetings. Mission work on the new strategic plan intensified in August 1995 with a workshop involving all professional staff -- Americans, third country nationals, and Tanzanians. We reviewed guidance for the upcoming task and considered all possible areas of intervention for our new strategy. We discussed in particular new areas for investment -- such as improving basic education and increasing non-traditional exports. In subsequent Mission meetings including the same group of professional staff, we limited our focus to four areas: family planning and HIV/AIDS prevention; natural resources management (NRM); democracy/governance (DG); and private sector development (which included infrastructure at the time). Two of these areas, DG and NRM, were new areas of intervention as of 1994.

Focus on teamwork and partnership. Following major efforts in reengineering training for our staff, close monitoring of Tanzania's first multi-party elections, and a difficult period of U.S. Government furloughs and AID/Washington paralysis, the Mission organized a series of intensive workshops involving most American, Third Country, and Tanzanian staff. These workshops established a team-based structure headed by a Strategic Management Team (SMT) and Strategic Planning Teams (SPTs) responsible for developing major program areas in the Strategic Plan. Given the uncertainty of the preceding months, the SMT and SPTs decided to focus reengineering efforts on those aspects most directly related to the strategic

plan and revitalized communications with FSN staff, who had been particularly concerned by the period of furloughs and rumors of major staff cuts.

With these steps, we succeeded in refocusing and re-energizing strategic planning efforts with major emphasis on consultation with customers (for the Customer Service Plan, attached as Annex B) and with partners and stakeholder on results frameworks. Under the guidance of the SMT, each SPT carried out broad-based consultation with relevant Government of Tanzania (GOT) officials, donors, non-governmental organizations (NGOs), private businessmen, and customers, both intermediate and ultimate. This occurred through interviews, focus groups and meetings with already existing sector advisory councils, as well as in workshops. Although formal extended strategic objective teams are not yet completely in place, work over the past year has established broad understanding and agreement between USAID and key partners on the Strategic Plan's basic thrust and components. Following Washington decisions on the SP, we will build on this basic agreement with partners and stakeholders in implementing the plan.

Broader involvement of U.S. Government agencies, AID/Washington, and regional USAID colleagues. As work on the Strategic Plan progressed, the Mission involved colleagues from the Embassy, USIS, and the Peace Corps. The Ambassador participated in a review of the results framework for the democracy/governance area, together with the DCM, the Embassy Political Officer, and the USIS Public Affairs Officer. A timely visit by a combined Africa Bureau and Global Bureau group--several of whom were key experts in reengineering and results framework development--led to major rethinking of all our results frameworks (RFs). As a result, most of our RFs and two of the SOs underwent major revisions--to limit the achievements expected to more realistic levels and to extend the RFs for Mission management purposes. The Mission also decided to break out the infrastructure elements from the private sector SO and propose a fifth SO. We benefited as well from continuing visits from regional office colleagues in Nairobi and contacts with the Regional Center for Southern Africa in Gaborone.

What has changed? Developing the strategic plan in the midst of reengineering and the difficulties mentioned above has led to significant changes in USAID/Tanzania, of which three are noteworthy. First, the SMT and the strategic planning process successfully involved FSN, as well as PSC and TCN, staff in both substantive and decision-making roles, both in strategic planning and reengineering. Second, communication in the Mission became more transparent with wider involvement. Communication with FSN staff markedly improved. Third, the SMT became a forum for necessary debate and key decisions that ensured progress on several fronts at once. To a much greater extent than before, FSN, PSC, and TCN staff have become more informed and involved, and feel ownership of USAID programs. In this sense, reengineering, and strategic planning have reinforced each other very well. We believe our proposed Strategic Plan reflects this synergy. The Plan points the way toward a more effective program in Tanzania which incorporates USAID reengineering principles.

EXECUTIVE SUMMARY: USAID/TANZANIA STRATEGIC PLAN, 1997-2003

PART I: SUMMARY ANALYSIS OF THE ASSISTANCE ENVIRONMENT AND RATIONALE FOR FOCUSING ASSISTANCE IN PARTICULAR AREAS

U.S. Foreign Policy Objectives in Tanzania. The main U.S. foreign policy goals are the maintenance and strengthening of Tanzania's stability in a volatile region and the support of Tanzania's contributions to the prevention and mitigation of conflicts within the region. Tanzania is playing a positive role in the resolution of the Rwanda/Burundi crisis and in providing accommodation for over 600,000 refugees from the two countries. Further underpinning the rationale of the U.S. Mission's work in Tanzania is the firm belief that humanitarian and development investments will over time benefit U.S. economic growth and security.

USAID's Program Since 1987. In 1987 USAID resumed funding new programs in Tanzania after a hiatus due to sanctions imposed under the Brooke Amendment: Initial programs focused on rehabilitating an important regional railway, helping to offset dependence on rail transport through the apartheid regime in South Africa, and on rehabilitating rural roads which were needed to revitalize the agricultural sector. In 1991 a family planning program was added and in 1992 a financial sector reform and private sector development program was started. In 1993, in response to a growing HIV/AIDS pandemic, an AIDS prevention project was initiated. Both natural resource management and democracy/governance programs were launched in 1995.

Country Conditions, Constraints, Challenges and Opportunities. Tanzania is Sub-Saharan Africa's 10th largest country, with a population of 28 million growing at 2.8 percent a year. Over 80 percent of the population is employed primarily in agriculture, producing 60 percent of both GDP and exports. Only one-third of arable land is cultivated; multiple agro-ecological zones permit production of a wide variety of agricultural exports. The country is also well endowed with minerals. Although adult literacy is relatively high at 61 percent, Tanzania's potential is compromised by continuing high rates of infant mortality and growing numbers of HIV-infected people in the most productive age groups.

From independence in 1961 until the early 1980s, the country had a one-party, authoritarian regime committed to a socialist model for economic development. Initial progress under the socialist model was rapid with economic growth averaging 4.7 percent to the mid 1970s. Thereafter, agriculture and industry began declining due to shortages of inputs and lack of performance accountability in the parastatal sector. Even though the government's revenue base was declining, social programs kept increasing. The economy could not sustain itself, and acute shortages of basic consumer goods were felt nationwide, ushering in a period of hardship and suffering for all Tanzanians. The then President Nyerere, chief architect of the socialist policies, stepped down in 1985 when the crisis was at its worst. In that year a

major economic reform program was begun that gradually decontrolled prices, interest rates, and exchange rates, and eliminated the monopoly positions of state-owned enterprises in manufacturing, trade, and marketing. The economy responded positively to the economic reforms with annual increases in agriculture, real exports, and overall real economic growth averaging five percent, four to five percent and four percent respectively.

However, decades of central government control of productive activities left Tanzania with an inadequate and crumbling infrastructure, an overstaffed and underpaid civil service more attuned to servicing state enterprises than regulating a market-based economy, and a nascent private sector fearful that government will revert to the statist policies of the past. In recent years budget deficits as a percent of GDP have averaged eight percent a year, leading to inflation rates of over 30 percent a year. Commercial bank loans, when available, are extended at rates ranging between 30 and 40 percent a year.

In October 1995 the first ever multi-party presidential election was held and the ruling-party candidate, Benjamin Mkapa, was elected and took office on November 23, 1995. A central development question for Tanzania is whether the new Mkapa government will move to reinvigorate the reform process or allow Tanzania to remain mired in stalled reforms. In his first five months of office, President Mkapa has taken a number of very positive steps. However, progress has been slow in recovering funds lost through import tax evasion, in prosecuting those responsible for these huge losses, in controlling ongoing revenue losses through better management of the transit trade and bonded warehouses, and in curbing rampant corruption.

In conclusion, Tanzania is richly endowed with natural resources and offers great potential for expanding agriculture, tourism and mining. The country has undertaken major reforms but further reforms are needed. The rapidly growing population places impossible demands on social services and employment creation and contributes to the unsustainable exploitation of the environment. Although political reforms have taken place, democratic governance is still fragile. An undeveloped financial sector does not perform its essential role of mobilizing savings and allocating them to their most productive use. Basic infrastructure is lacking. While organizational and management skills are sorely lacking and enormous investments are needed to expand employment, Tanzania offers a rare opportunity to achieve sustainable development in Africa.

USAID Program Goals. President Mkapa has stated his vision for the country which includes the success of on-going economic reforms and support for the private sector taking up a greater role in the economy. USAID/Tanzania has chosen Sustainable Economic Growth and Improved Human Welfare as our program goals. Without growth, increased opportunities for improving human welfare will not be possible and without improvements in human welfare, public support for democratic governance and a liberalized market economy would be difficult to maintain. To achieve our goals and to support the Government of Tanzania (GOT), the Mission has developed five strategic objectives:

SO1 - Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures;

SO2 - Foundation Established for the Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania;

SO3 - Strong Foundation for the Transition to Democratic Governance Established;

SO4 - Increased Private Sector Participation in the Economy;

SO5 - Selected Infrastructure Improved.

Themes and Linkages. These five SOs are linked by a number of common themes. These themes reflect the need to address fundamental constraints before the country can move forward in a sustainable manner and to build and strengthen local capacity so as to speed Tanzania's graduation from foreign assistance.

--Foundation Building. The legal, regulatory and judicial institutions must be reformed to support a market-based economy that expands opportunities for individuals and communities. Bureaucracies must be reengineered to assist and encourage the private sector to develop and grow. Laws and regulations must be modernized and structured to encourage economic competition and to build investor confidence.

--Poverty Alleviation. Over 50 percent of the population live on a per capita income of less than one dollar a day. Even the top 20 percent of all income earners have an average income of only \$540. Alleviating poverty is essential for maintaining social stability.

--Gender. Under customary law, women generally do not have inheritance rights to their husband's assets. Only 25 percent of upper secondary students are female. In comparing features of male and female heads of household, males hold 50 percent more land, 150 percent more livestock and have almost twice as much schooling. There is a clear need to work for equity, empowerment and justice for Tanzanian women.

--Training. Human resource development is as much a part of the wealth of Tanzania as are its factories, natural resources and infrastructure. Training needs assessments will be used to develop an integrated training strategy for in-country, third country and U.S. training. All five SOs will include training, where needed, in their results packages and will develop a strategic plan for training to achieve maximum results.

--New Partnership Initiative. USAID/Tanzania is working with local and international NGOs, foundations, local communities, and universities to design and implement all of our Mission programs. Our objective is to strengthen their capacity to sustain their own growth and to strengthen civil society to defend human rights, expand opportunity and regulate community use of natural resources.

Customer Consultation in Strategy Development. The Mission has a well-established tradition of ongoing dialogue with customers, accomplished by frequent site visits and more specialized socio-economic surveys, participatory rural appraisals, issue-oriented advisory councils, and focus group discussions. To build on and consolidate what has been learned during these routine and direct customer consultations, the Mission initiated a comprehensive evaluation and assessment of recent program accomplishments and impacts. These assessments were carried out in a participatory manner and involved input from customers, partners and stakeholders, both in Tanzania and in the U.S. We have held a series of intensive consultations with key counterparts in the GOT. USAID/Tanzania has also focused and strengthened its interactions with NGOs, PVOs, Universities, and cooperating agencies, in Tanzania, in the U.S., and in third countries.

Graduation. Even if Tanzania's economic growth were to accelerate to eight percent a year, the World Bank estimates that in the year 2000 one-third of the population would still be living below the poverty line. It is therefore not anticipated that Tanzania will make an early exit from reliance on development assistance. Estimates for our individual SOs suggest that a minimum of seven to a maximum of fifteen to twenty years will be required before sustainable systems are in place to support infrastructure, the private sector, family planning, AIDS prevention, democratic governance, and natural resource management without external support.

Environmental Issues. USAID's draft "Strategy for Biodiversity Conservation" recognizes Tanzania as a key biodiversity country. The provisions of the FAA Sections 118 and 119 played a prominent role in shaping our strategic plan. A comprehensive environmental threats assessment was conducted, which included an analysis of the actions necessary to achieve conservation of the country's tropical forests and biodiversity.

PART II: PROPOSED TANZANIA STRATEGIC PLAN

Strategy

USAID has adopted five SOs in support of our Program Goals of Sustainable Economic Growth and Improved Human Welfare. Each SO is linked to an Agency Goal, and each SO strengthens the others in a complementary fashion. We also have an additional area of major work importance which includes activities related to the hosting of 625,000 Rwanda/Burundi refugees in Tanzania. Each of the five SOs, and the special activity, is briefly described below.

Strategic Objective 1: Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures

Agency Goal: World's Population Stabilized and Human Health Protected in a Sustainable Fashion

Problem: High fertility of over 6 births per woman and the spread of HIV/AIDS contribute to high infant, child and adult morbidity and mortality in Tanzania. Although only 11.3 percent of all women use modern FP methods, 56 percent would like to space or limit births. In 1994 an estimated 1.6 million Tanzanians were HIV positive (5-7 percent of the population) and by the year 2000, 2.4 million people are expected to be HIV infected and 800,000 to have AIDS. AIDS is decimating the most productive age group (15-45 years), resulting in enormous strain on the health system and on the social structure.

USAID Role and Achievements to Date: USAID provides commodity, management and technical support to the GOT and NGOs, all of which implement a variety of FP/MCH and AIDS activities: prevention, education and service delivery. Results include a doubling of modern contraceptive use (from six percent to 11.3 percent) in only three years; availability of at least three FP methods at most facilities; contraceptives available in 90 percent of service delivery sites; and over 100 NGOs assisted to provide AIDS information/services. Use of various media to provide information on AIDS prevention and an innovative program to sell condoms using modern marketing techniques have resulted in sales of over 10 million in less than two years, double the anticipated goal. Because of USAID assistance, Tanzania's family planning program is one of the top performing population programs in Africa.

Approaches: USAID has adopted an integrated approach, focusing simultaneously on child spacing, reduction of high risk births, and prevention of sexually transmitted infections and HIV/AIDS. Enhancing client choice of and access to safe, effective FP methods is achieved through training personnel (both facility and community-based); provision of contraceptives, equipment and supplies to clinics; and informational materials production and distribution. FP/MCH programs are also ideal opportunities to promote child survival interventions, such as immunization, breast feeding and antenatal care. An extensive research agenda provides national level data on FP, AIDS and child survival. Efforts to stimulate an indigenous, community-based approach to AIDS prevention and family support through "networks" of NGOs working together covers about 50 percent of the country. Work-places are targeted, since working adults have high rates of HIV. Social marketing of condoms and training of NGO personnel in the identification and management of sexually transmitted infections (STIs) are key AIDS prevention interventions.

Strategic Objective 2: Foundation Established for the Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania

Agency Goal: Environment Managed for Long-term Sustainability

Problem: Tanzania contains areas of enormous biodiversity, endemism and scientific importance; USAID has designated it a key biodiversity country. Although Tanzania can boast of setting aside 25 percent of the mainland as protected areas, weak institutions, low budgetary support and lack of political will have resulted in considerable encroachment into these areas. Furthermore, current land use practices (farming and livestock production,

forest production or extraction, wildlife hunting) are unsustainable. Tanzania's draft National Environmental Action Plan (NEAP) identifies six problem areas requiring urgent attention, including loss of wildlife habitats and biodiversity, deforestation, land degradation, deterioration of aquatic systems, lack of accessible, good quality water, and environmental pollution.

USAID Role and Achievements to Date: Modest amounts of assistance were provided to this sector during the early 1990s with anticipated increases for the latter half of the decade. Achievements to date include strengthening the institutional capacity of the country's only agricultural university, which has now begun applying the results of research to problems identified by rural citizens. With USAID support, the Wildlife Division has produced ten policies and planning documents of which five have been approved by the government and are in various stages of implementation. USAID has also established a partnership with the Peace Corps to place trained natural resource management volunteers in local communities.

Approaches: USAID's program has a multi-faceted approach which provides: support for the enabling environment which includes enactment of NRM-friendly policies and laws, establishment of secure resource tenure, improved coordination between partners, and community empowerment; capacity building so Tanzanians can assume a greater role in analyzing problems and testing solutions; and identification, field testing, and implementation in pilot areas of appropriate NRM approaches and technologies. Particular attention will be paid to building the capacity of local NGOs and community organizations. USG inter-agency collaboration is enhanced through USAID support to Peace Corps Volunteers who work directly with communities to identify simple and low-cost ways to conserve and productively use resources.

Strategic Objective 3: Strong Foundation for the Transition to Democratic Governance Established

Agency Goal: Sustainable Democracies Built

Problem: Democratic governance (DG) issues lie at the heart of the Tanzanian development problem. Tanzania requires a government which manages resources well and transparently, and which can harness the energies of individuals, non-governmental organizations and the private sector to use the tremendous natural resources of the country wisely and effectively. The new Mkapa government must overcome a heavy legacy of corruption, economic mismanagement and one-party socialist thinking to achieve these goals. USAID/Tanzania's Strategic Objective 3 will assist the GOT in overcoming these constraints.

USAID Role and Achievements to Date: This is a new strategic objective that encompasses a new project as well as other mission activities. While the mission did not previously have a specific DG strategic objective, USAID has been active in this area for several years. In the legal sector, USAID has strengthened the judiciary by assisting in the institution of alternative dispute resolution. The Mission has also worked to improve auditing and

accounting, in both the public and private sectors. In addition, the Mission participates fully in a joint donor/GOT group that is working on recovering funds lost through tax evasion, in prosecuting those responsible for the losses, and in controlling further revenue losses. The provision of international election observers by USAID enhanced the transparency of Tanzania's first multi-party national elections.

Approaches: To achieve this objective, assistance will be targeted to specific areas, including the media, legal system, civic education, and GOT accountability. Activities will include media training workshops on a variety of topics such as the legal system, economics, and the rights of journalists; training for the judiciary, attorneys and law students in alternative dispute resolution as a means of improving access to justice; working with indigenous NGOs and associations to improve their outreach capacity; strengthening audit capabilities; and providing local currency support for the Tanzania Revenue Authority (TRA) to improve tax administration. Funding for many of the activities is channeled through USIS under a collaborative arrangement to build on the strengths of the U.S. Mission.

Strategic Objective 4: Increased Private Sector Participation in the Economy

Agency Goal: Broad-based Economic Growth Achieved

Problem: Tanzania's economic growth rate must accelerate to provide job opportunities for the rapidly growing population of rural underemployed and urban unemployed. This SO directly addresses practical impediments to financial and business development and the policy constraints which inhibit private sector growth. Mission efforts provide direct private business support services and emphasize rebuilding of the newly-privatized financial sector. Inadequate infrastructure is also a major obstacle and is addressed by the Mission's SO5.

USAID Role and Achievements to Date: USAID assistance to the financial sector has enhanced the technical and managerial capacity of the Central Bank and increased its independence, prepared the groundwork for a private sector insurance industry, introduced a completely market-based foreign exchange system and paved the way for private banking. The Mission's newly established The Business Centre (TBC), and its Advisory Council, have introduced practical approaches to resolving technical and marketing problems inhibiting private sector growth, on a fee-for-services basis. We have also assisted in the establishment of Tanzania's first venture capital fund and a microenterprise lending facility.

Approaches: This SO will be achieved through improving the legal and regulatory environment, transferring management skills and technology to small businesses, and strengthening financial markets. Activities include development and training of business people, targeting women and small businesses from both rural and urban areas; strengthening business associations to function as fora for policy dialogue and change; establishing a microenterprise fund to be operated by the first indigenous Tanzanian bank; and training and technical assistance to the Central Bank enabling it to execute appropriate monetary/fiscal and supervisory/regulatory functions.

Strategic Objective 5: Selected Infrastructure Improved

Background: Infrastructure in Tanzania is in such poor condition that it constrains the day-to-day activities of ordinary people as well as the overall economic growth of the country. The conditions contributing to this state include unsustainable institutional and financial structures for the development, operation and maintenance of infrastructure facilities. The private sector, which has the inherent and proven institutional and financial capability, was until recently virtually excluded from provision and maintenance of infrastructure and utilities.

USAID Role and Achievements to Date: USAID's support includes the following areas: the rehabilitation and maintenance of rural and district roads; and support for the effective and efficient operations of the Tanzania-Zambia Railway Authority (TAZARA). The rural road rehabilitation and maintenance program has reduced transport costs, more than doubled business activities along roads, substantially increased farm incomes, and improved access to health services and schools. It has also created a new private road building and maintenance contracting industry, introduced a more transparent contracting system and established a user-financed road fund that is assuming an increasing share of maintenance responsibility. The TAZARA project reduced turn-around time of trains and increased operational efficiency on the 1,800 km Dar es Salaam to Zambia route, allowing TAZARA to provide regional transportation services for drought relief in Southern Africa.

Approaches: USAID will continue to improve rural and district roads and establish a sustainable system for their maintenance through private sector contracting, dialogue for delegation of contracting authority to regions and districts, institutional capacity building and full institutionalization of a financially sustainable roads fund. Our work with TAZARA will continue in the areas of encouraging commercialization of operations through retrenchment, technical assistance and training, and divestiture and restructuring. Through our Rural Telecommunications in Tanzania (RTT) program, the Mission will assist private firms in providing reliable rural telecommunication services.

Special Activity: Regional Cooperation and Conflict Mitigation

Agency Goal: Providing Humanitarian Assistance

Although the Mission does not have an explicit strategic objective linked to this goal, USAID/Tanzania devotes considerable time, attention and resources to humanitarian relief and conflict resolution efforts. There are two aspects to the humanitarian issue in Tanzania: (a) regional relationships among Tanzania and her neighbors, and (b) conflict mitigation in Tanzania.

Regional Relationships. Tanzania plays pivotal roles in the Greater Horn of Africa, in Southern Africa, and in the recently re-established East African Community (EAC). With a

diversity of agro-ecological regimes and large reserves of underutilized high quality agricultural land, Tanzania is relatively unaffected by periodic droughts and often serves to balance out regional food security requirements. Unlike many of her neighbors, Tanzania has not experienced major political, ethnic or religious violence, and has long served as an island of stability--and a place of refuge--in a frequently tumultuous region. Finally, key regional transportation routes (road, rail and lake) originate and run through Tanzania, routes that have been used intensively to transport famine relief supplies during the 1993 Southern Africa drought and the 1994/95 Rwanda/Burundi civil war and refugee emergency.

Conflict Mitigation and Prevention in Tanzania. Tanzania has an enviable record of stability in a region otherwise characterized by conflict. However, that stability cannot be taken for granted, especially in times of economic change and political reform. Mission studies, dialogue with Tanzanian stakeholders, and REDSO input have permitted us to identify several sources of conflict with the potential to intensify during the planning period. These include governance issues, politics and corruption, commercial competition, land and resource access, economic inequality, religion, and regional insecurity.

USAID/Tanzania's country strategy is designed to grapple with these potential sources of conflict directly and effectively. Research and analysis during the planning period will refine our understanding of these forms of conflict, and will also help to identify and provide management strategies for possible negative outcomes. We will continue to take creative approaches to fulfill our regional objectives, including the use of other program resources in support of conflict resolution and food security needs.

Part III. Resource Requirements

Programming Options. In developing the Strategic Plan, the Mission was confronted with continued Washington pressure on meeting earmarks in child survival, population and environment, and on meeting the Washington directive to ensure DG concerns are addressed in all possible scenarios. However, the level of funding Washington will assign to Tanzania depends not only on DG issues and performance on earmarks, but on economic progress and performance as well. To get off the "watch list" and onto the sustainable development country list, Tanzania must renew its reform program. At the same time, the political will to renew the reform program depends on GOT recognition that the majority of its people are receiving clear benefits from continuing the reform effort. The primary option available to the Mission to support the GOT in continuing its reform program and promoting benefits through economic growth is through its economic growth objective.

From this perspective, the Mission gave instructions to each SPT to develop its SO and Results Framework on the assumption that the Mission would receive funding at the breakthrough level over the life of the SP. This allowed each SO team to have the latitude to fully develop its SO under the assumption of maximum funding (Scenario 1). In moving from Scenario 1 to Scenario 2, a lower level of funding, the Mission was constrained by earmarks and programming directions from Washington. In consequence, the full reduction

in funding had to fall on SOs 4 and 5. That is not the Mission's preferred allocation of funding. For Scenario 3 funding, both SOs 4 and 5 are discontinued but closeout activities will be undertaken for as long as pipeline and local currency are available. We expect all private sector and infrastructure activities to close out under this scenario by FY 98.

Staffing. The present program is managed by a work force of 98 full-time equivalents, of which 78 are FSNPSCs currently funded through Trust Funds, eight are program-funded and 12 are OE-funded. Our projection over the next seven years is to implement our activities with the existing USDH work force of nine plus one IDI for FY 97 and FY 98. In FY 99 one USDH and one IDI position will be eliminated and the Mission will continue to operate for the following four years with eight USDHs. Two FSNDH positions will be dropped in FY 98. For the FSNPSC positions, the current work force of 78 will be gradually reduced to 67 in FY 99, where it will remain for the four succeeding years.

Operating Expenses. Our current OE budget is about \$3 million. Presently USAID/Tanzania is dependent on Trust Funds for almost one quarter of its expenses and they are used to pay for all FSN salaries. Based on our projections, by FY 99 the Mission will not have enough Trust Funds to pay all FSN salaries. We will need an additional \$340,000 in appropriated OE dollars in FY 99 and over \$1 million on average for the next four years.

ACRONYMS

ADR	- Alternative Dispute Resolution
AED	- Academy for Educational Development
AEPRP	- African Economic Policy Reform Program
AFR	- Africa Bureau
AIDS	- Acquired Immune Deficiency Syndrome
AIDSCAP	- AIDS Control and Prevention Project
ARI	- Acute Respiratory Infection
ATAP	- Agricultural Transport Assistance Program
AWF	- African Wildlife Foundation
BHR	- Bureau of Humanitarian Relief
BIAO	- Banque International du Afrique Occidental
BOT	- Bank of Tanzania
CAG	- Controller Auditor General
CAs	- Cooperating Agencies
CBD	- Community-Based Distribution
CBNRM	- Community-Based Natural Resources Management
CCM	- Chama cha Mapinduzi
CDD	- Control of Diarrheal Disease
CEDPA	- Center for Development and Population Activities
CFR	- Code of Federal Regulations
CPs	- Conditions Precedent
CPSP	- Country Program Strategic Plan
CRSP	- Collaborative Research Support Program
DAI	- Development Alternatives Inc.
DANIDA	- Danish International Development Agency
DDM	- Demographic Data for Decision-making
DG	- Democratic Governance
DHS	- Demographic and Health Survey
DM	- Deutsch Mark
DSM	- Dar es Salaam
EEC	- European Economic Commission
EI	- Entrepreneurs International
EIM	- Equity Investment Management
EOS	- Election Observation Support
EPAT	- Environmental and Natural Resources Economic Policy and Training
EPI	- Expanded Program on Immunization
ERB	- Economic Research Bureau
ESA	- Eastern and Southern Africa
ESAF	- Enhanced Structural Adjustment Facility
ESRF	- Economic and Social Research Foundation
EU	- European Union
FAO	- Food and Agriculture Organization

FEWS	- Famine Early Warning System
FHI	- Family Health International
FINIDA	- Finnish International Development Agency
FP	- Family Planning
FPSS	- Family Planning Services Support
FPU	- Family Planning Unit
FSN	- Foreign Service National
FY	- Fiscal Year
GDP	- Gross Domestic Product
GEF	- Global Environmental Facility
GHAI	- Greater Horn of Africa Initiative
GOT	- Government of Tanzania
GTZ	- German Technical Assistance
HHRAA	- Health and Human Resources Analysis for Africa
HIV	- Human Immunodeficiency Virus
HN	- Office of Health and Nutrition
HRDA	- Human Resources Development Assistance
IEC	- Information, Education, Communication
IEE	- Initial Environment Examination
IFES	- International Foundation for Electoral Systems
IMF	- International Monetary Fund
IMR	- Infant Mortality Rate
IR	- Intermediate Result
IRP	- Integrated Roads Program
ISA	- Initiative for Southern Africa
IUCN	- International Union for the Conservation of Nature
JEM	- Joint Evaluation Mission
JICA	- Japanese International Cooperation Agency
KFW	- Kreditinstalt Fur Wielderanfban
KRM	- Kagera Resources Management
LEAT	- Legal Environmental Action Team
LI	- Leland Initiative
MCH	- Maternal and Child Health
MEO	- Mission Environmental Officer
MOF	- Ministry of Finance
MOH	- Ministry of Health
MOW	- Ministry of Works
MPs	- Members of Parliament
MSI	- Management Sciences International
MTP	- Medium Term Plan
NACP	- National AIDS Control Program
NCSSD	- National Conservation Strategy for Sustainable Development
NEAP	- National Environmental Action Plan
NEC	- National Electoral Commission

NEMC	- National Environmental Management Council
NFPP	- National Family Planning Program
NGO	- Non Governmental Organization
NHC	- National Housing Corporation
NORAD	- Norwegian International Development Agency
NPA	- Non Project Assistance
NRM	- Natural Resources Management
ODA	- Overseas Development Administration
OE	- Operating Expenses
OFDA	- Office of Foreign Disaster Assistance
OMNI	- Opportunity for Micronutrient Intervention Research Project
ORS	- Oral Rehydration Solution
ORT	- Oral Rehydration Therapy
OYB	- Operational Year Budget
PARCS	- Protected Area Conservation Strategy
PASA	- Participating Agency Service Agreement
PAWM	- Planning and Assessment for Wildlife Management
PERM	- Participatory Environmental Resources Management
PHN	- Population, Health, Nutrition
PHNC	- Population, Health and Nutrition Center
PMO	- Prime Minister's Office
PRA	- Participatory Rural Appraisal
PRM	- Program
PSC	- Personal Services Contractor
PVO	- Private Voluntary Organization
RCSA	- Regional Center for Southern Africa
REDSO	- Regional Economic Development Services Office
RF	- Results Framework
RHCIG	- Reproductive Health Coordination and Implementation Group
RMPS	- Risk Management Profit Sharing Fund
RRD	- Rural Road Division
RTT	- Rural Telecommunications in Tanzania
SADC	- Southern Africa Development Conference
SAEDF	- Southern Africa Enterprise Development Fund
SARDF	- Southern Africa Regional Democracy Fund
SARP	- Southern Africa Regional Program
SDC	- Swiss Development Corporation
SIDA	- Swedish International Development Agency
SNV	- Dutch Volunteers
SO	- Strategic Objective
SP	- Strategic Plan
SPA	- Special Program of Assistance
SPT	- Strategic Planning Team
STD	- Sexually Transmitted Disease

STI	- Sexually Transmitted Infections
SUA	- Sokoine University of Agriculture
SUWATA	- Shirika la Uchumi la Wanawake wa Tanzania
TA	- Technical Assistance
TAACS	- Technical Advisor in AIDS and Child Survival
TANESCO	- Tanzania Electricity Supply Company
TANEXA	- Tanzania Exporters' Association
TAZARA	- Tanzania Zambia Railway Authority
TBC	- The Business Centre
TBD	- To Be Determined
TCC	- Tanzania Communication Commission
TCN	- Third Country National
TDGI	- Tanzania Democratic Governance Initiatives
TDHS	- Tanzania Demographic and Health Survey
THA	- Tanzania Harbors Authority
TKAPS	- Tanzania Knowledge, Attitudes and Practices Survey
TRA	- Tanzania Revenue Authority
TRC	- Tanzania Railways Corporation
TSAS	- Tanzania Situation Analysis Study
TTCL	- Tanzania Telecommunications Corporation Limited
TU	- Tuskegee University
TVCF	- Tanzania Venture Capital Fund
UNAIDS	- United Nations AIDS Program
UNDP	- United Nations Development Program
UNFPA	- United National Fund for Population Activities
UNHCR	- United Nations High Commission for Refugees
USAID	- United States Agency for International Development
USDH	- U.S. Direct Hire
USG	- United States Government
USIS	- United States Information Service
USPSC	- U.S. Personal Services Contractor
VSC	- Voluntary Surgical Contraception
WB	- World Bank
WCST	- Wildlife Conservation Society of Tanzania
WFP	- World Food Programme
WRI	- World Resources Institute
WWF	- Worldwide Fund for Nature

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PART I: SUMMARY ANALYSIS OF THE ASSISTANCE ENVIRONMENT AND RATIONALE FOR FOCUSING ASSISTANCE IN PARTICULAR AREAS

A. USAID and U. S. Foreign Policy Objectives in Tanzania

The main U.S. foreign policy goals in Tanzania are the maintenance and strengthening of its stability in a volatile region and the support of Tanzania's contributions to the prevention and mitigation of conflicts within the region. The priority accorded these interests by the U.S. government generally reflects the importance attached to Tanzania as one of the largest, most peaceful, and potentially most prosperous countries in Africa. The latter prospect mainly relates to Tanzania's rich natural resource base which is of special significance in terms of attracting U.S. investors and developing markets for U.S. exports. Promoting trade and investment links between the U.S. and Tanzania is an important objective of the U.S. Mission in Dar es Salaam.

Also of considerable interest to the U.S. are the accommodation of large numbers of refugees in Tanzania and the positive role Tanzania is playing in the resolution of the Rwanda/Burundi crisis. While working to influence favorably the continuation of Tanzania's long and exceptionally good record of national peace and stability, the U.S. Mission also seeks to contribute to laying the social and economic foundations which will permit Tanzania to achieve the status of a sustainable development country. Such an achievement would serve as a model for other countries in the region and demonstrate the advantages of adopting liberal political and economic policies. It would also put Tanzania in a good position to be one of Africa's leading countries in the 21st century. The U.S. Mission in Tanzania has elaborated three main goals:

- Establishment of a stable democratic multiparty system, with a well-functioning independent judiciary, respect for human rights and a free and responsible media;
- Real economic growth, improved human welfare and more opportunities for U.S. trade and investment; and,
- Continued strong and constructive engagement of the Government of Tanzania in resolving regional conflicts and alleviating refugee-related problems.

Collectively, there are 18 objectives cited under these three goals and USAID/Tanzania is closely associated with the pursuit of 15 of these objectives. All U.S. Mission agencies--USAID, State, USIS and Peace Corps--are working together to forge a fruitful partnership with the host government, the Tanzanian people and other donors to achieve these goals. Underlying the U.S. Mission's approach are the traditional humanitarian values and generosity which are characteristic of the American people. Further underpinning the rationale of the U.S. Mission's work in Tanzania is the firm belief that humanitarian and development investments will over time benefit U.S. economic growth and security.

B. Overview

1. USAID Program Development in Tanzania, 1987-1996

When USAID resumed funding new programs in Tanzania in 1987, after a five year hiatus due to Brooke sanctions, the first priority was reconstruction. Not reconstruction following a war, but reconstruction following more than 20 years of increasingly debilitating economic mismanagement deriving from the socialist objectives outlined in the 1967 Arusha Declaration. USAID joined in the reconstruction effort with two infrastructure programs that were started in 1988. Regional Transportation Development--Dar es Salaam Corridor (TAZARA) was a \$46 million capital development and technical assistance (TA) program to rehabilitate the Tanzania-Zambia railroad, which was seen as an important regional link helping to offset Central Africa's dependence on rail transport through the apartheid regime in South Africa. The second program, African Economic Policy Reform Program (AEPRP) and Agricultural Transport Assistance Program (ATAP), was a \$62 million policy-based effort to begin rehabilitation of the nation's network of rural secondary roads, which was needed to rebuild the agricultural economy. The railroad program took advantage of U.S. comparative advantage in long-haul railroad locomotive technology, and the roads program took advantage of in-depth U.S. experience (primarily at the county level) in the design and administration of cost-effective low volume rural roads built and maintained by private sector contractors.

Recognizing that effective population programs would be critical to Tanzania's long term development, and acknowledging the U.S.'s leadership role in this area, USAID/Tanzania added a \$20 million family planning program to the portfolio that became operational in 1991, Family Planning Services Support (FPSS). This activity (now expanded to \$30 million) built on the accomplishments and relationships established by several centrally-funded population activities that had continued during the bilateral funding lapse. The goal was to establish a national family planning program through institutional support, technical assistance and training, and to provide the family planning equipment and commodities required to generate program impact.

By the early 1990s it was clear that the macroeconomic policy reforms of the mid-80's in themselves were not generating the employment and income growth required by Tanzania's increasing population. Recognizing that the private sector was key to employment generation, and further recognizing that in Tanzania private sector growth was critically constrained by a debilitated financial sector, USAID/Tanzania established in 1992 a \$50 million program, Finance and Enterprise Development (FED), addressing financial sector reform and private sector development. Our leadership in these areas was welcomed by Tanzanian partners, who wished to follow the U.S. model of a strong and independent central bank, and who appreciated USAID's willingness to accept the high-risk challenge of stimulating private sector development after a generation of socialist thought and practice.

By 1993, the implications of the HIV/AIDS pandemic were becoming clear throughout east

and central Africa. As was the case earlier with family planning, several small centrally-funded activities had established the groundwork for putting together a larger bilateral program. USAID accepted the challenge of providing leadership in this controversial area and created an innovative national level program--the \$20 million Tanzania AIDS Project (TAP)--based on strong NGO and private sector involvement.

All of these programs have had direct and dramatic impact, partly through the programs themselves and partly through USAID's catalytic and leadership role with government and other donors. The railroad project nearly doubled TAZARA's freight-hauling capacity, just in time for it to play a life-saving humanitarian role transporting hundreds of thousands of tons of relief food during the 1993 drought and famine in central and southern Africa. The ATAP program established a self-sustaining and self-financing road building industry in Tanzania, and by improving access to markets and social services has raised the incomes and improved the social welfare of hundreds of thousands of rural Tanzanians. FPSS is acclaimed as USAID's most successful family planning program in Africa, having doubled rates of contraceptive prevalence in the short space of three years. The FED program succeeded in establishing a strong central bank, leading to a market-based foreign exchange system and a radical expansion of competition and diversity in the financial sector. FED also provides a guiding framework for private sector support for the GOT and other donors. The AIDS program has energized over 100 NGOs around the country, enlisted the private sector in selling millions of condoms a year, and is well on its way to achieving record impacts.

Several more recent programs, started in 1994 and 1995, have yet to register these high levels of success. Rural Telecommunications in Tanzania (RTT) will engage U.S. technology and commercial strengths in an effort to bring modern telecommunications to rural people in Tanzania. Substantial policy and institutional barriers must be overcome to make this program a reality.

USAID/Tanzania has also embarked upon a new program in natural resource management, Participatory Environmental Resource Management (PERM), which addresses policy, institutional, and local level constraints to sustainable resource management in support of development objectives. PERM capitalizes on USAID's special expertise in tackling environmental issues from a multi-sectoral, systemic perspective that respects and enhances local community responsibilities for stewardship of natural resources. PERM builds on previous experience with smaller activities, in this case NGO grants in the wildlife sector and in refugee-related resource management, as well as the Tuskegee/Sokoine University linkage program.

USAID/Tanzania has also initiated a program to further USG objectives in democratic governance, which began with our Tanzania Democratic Governance Initiatives (TDGI) program, implemented through a PASA partnership with USIS. Our involvement in this area was strengthened with a substantial election monitoring effort. We also play a lead role in the World Bank-coordinated Joint Evaluation Mission/Special Program of Assistance

(JEM/SPA) exercise to strengthen government accountability, transparency and performance in revenue collection.

Throughout this ten year sequence of program development, USAID/Tanzania has adhered to several key program principles:

- (a) We have sought involvement with partners at both policy and institutional levels, where complementary inputs can achieve maximum effectiveness.
- (b) We have kept our focus on achieving measurable people level impact in the short to medium term.
- (c) We have capitalized on U.S. comparative advantage, whether in technology, institutional design, the new ideas we bring to the table, or simply in our willingness to accept risk.
- (d) We have maintained a lean and focused management style that relies extensively upon committed partner institutions (NGOs, GOT agencies, other USG agencies, contractors) for effective implementation of agreed programs.
- (e) We have maintained a leadership role in our main sectors of involvement, not necessarily through funding, but through dialogue with the government and other donors, and by making special efforts to foster coordination and cooperation among donors.

The 1997-2003 country strategic plan presented here embodies these principles and builds upon the demonstrated lessons of success emerging in this initial generation of program activities.

2. Country Conditions, Constraints, Challenges and Opportunities

Basic Conditions. Tanzania is one of Africa's largest countries, having a surface area of 883,749 sq km (40 percent greater than Texas) and a population of 28 million growing at the rapid rate of 2.8 percent a year. Of the total surface area, 63 percent is used for pasture and three percent is cropped (an additional six percent is judged suitable for cropping). **One-fourth** of the land area is allocated to game and forest reserves and national parks, home to some of the last havens for wildlife in Africa, including Ngorongoro Crater and the Serengeti. Over 80 percent of the population is engaged in agriculture, producing 60 percent of both GDP and exports. Ninety-three percent of all farms are less than two hectares each. GNP per capita, at less than \$100, is among the lowest in the world. A 1991 household survey conducted by the World Bank indicated that 51 percent of the population had incomes below the poverty line of \$1 per day per person and 42 percent had incomes of less than \$0.75 per day.

Besides fertile soils, Tanzania is well endowed with rich mineral deposits and spectacular wildlife. Both mining and tourism offer great potential for growth. Agricultural exports could be expanded since only one-third of arable land is cultivated. Manufacturing is very rudimentary but with increased infrastructure and better organizational skills, the country could expand output.

Adult literacy is 61 percent. However, primary school enrollment has dropped from over 90 percent in 1979-80 to 68 percent currently. According to the World Bank, the infant mortality rate is 84 per 1000 live births, slightly better than the average rate of 93 for all of sub-Saharan Africa. The USAID-funded Tanzania Demographic and Health Survey (TDHS) of 1991/2 indicates an infant mortality rate of 92 per 1000. Approximately **five to seven percent** of the population are infected with HIV. By the year 2000, it is estimated that 2.4 million people will be HIV positive and there will be 800,000 AIDS cases and over one million orphans due to AIDS-related deaths.

Table 1
COMPARATIVE SOCIAL AND ECONOMIC INDICATORS: SELECTED COUNTRIES

	Tanzania	Uganda	Kenya	Zambia	South Africa	Zimbabwe	Sub-Saharan Africa
GNP per capita (US\$ 1993)	90	180	270	380	2980	520	520
Population (millions, 1993)	28.0	18.0	25.3	8.9	39.7	10.7	559
Life expectancy (years 1993)	52	45	58	48	63	53	52
Infant mortality rate (1993) per 1000 live births	84	114	61	103	53	67	93
Adult illiteracy rate (%) (1990)	39	52	31	27	39	33	50
Total fertility rate (1993)	5.8	7.2	5.2	5.9	4.0	4.9	6.2
Access safe water (%) (1991)	52	15	43	59	76	36	N/A

Source: World Bank, World Development Report, 1995

Socialist legacy. Tanzania is in the early stages of a political transition toward multi-party democracy and a liberalized economy. From independence in 1961 until the early 1980s, the country had a one-party, authoritarian regime committed to a socialist model for economic development. The Arusha Declaration on Socialism and Self-Reliance was announced by then President Nyerere in 1967. Initial progress under the socialist model was rapid. GDP grew at an annual rate averaging 4.7 percent to the mid 1970s, primary school enrollments tripled, and access to health services improved, leading to gains in life expectancy and reduced infant mortality. However, starting in 1977/78 a series of external events--declining terms of trade, breakup of the East African Community and a war with Uganda--coupled

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with declining performance of agriculture and industry due to a shortage of inputs led the Government to increase administrative controls on economic activity. Even though the Government's revenue base was weakening, its social programs kept growing, resulting in increasing budget deficits. The economy could not sustain itself as nearly all infrastructure collapsed due to a lack of maintenance. Acute shortages of basic consumer goods were felt nationwide and this began a period of hardship and suffering for all Tanzanians. In 1985, with this crisis at its worst, President Nyerere stepped down to allow the younger generation to take up the country's leadership. Annex A contains a condensed socio-economic history of Tanzania since Colonial times.

Economic reform program. A major economic reform program was begun in 1985 that decontrolled prices, interest rates and the exchange rate, and eliminated the monopoly positions of state-owned enterprises in manufacturing, trade and marketing. Over 100 state-owned enterprises out of more than 300 have so far been removed from government control through sale, lease, or liquidation and there are plans to remove an additional 50 firms a year for the next several years. In 1991, private banking was allowed, and there are currently eight private banks operating and an additional four have received licenses. Tourism and mining are experiencing rapid growth. A new Sheraton Hotel opened in the capital in October 1995 and a U.S. firm, RJ Reynolds, completed its purchase of the state-owned cigarette factory in December 1995. South Africa is becoming Tanzania's largest trading partner and foreign investor.

The economy responded positively to the reforms, particularly in agriculture. From 1966-1985, agriculture had grown on average by only two percent a year, but from 1986-1994, real growth in agriculture accelerated to an average annual rate of five percent. Real growth in GDP increased from an average of 1.1 percent annually for 1980-1985 to four percent for 1986-1994. Manufacturing declined by an average annual rate of 4.3 percent between 1981-1986 but increased on average by four percent a year since 1987. Real exports likewise have responded positively and have increased by four to five percent a year since 1985. Since the economic reform program began, economic growth has averaged four percent a year, much better than the previous 20 years but not large enough to make a meaningful difference in improving the life of the average Tanzanian.

Political reform. The Constitution was amended in 1992 to end the constitutional supremacy of the governing party and the first ever multi-party presidential election was held in October 1995. According to international observers, the election reflected the will of the people and the ruling-party Chama Cha Mapinduzi (CCM) candidate, Benjamin Mkapa, was sworn in as the new president of the United Republic of Tanzania on November 23, 1995. However, it is generally accepted that the CCM incumbent president in Zanzibar altered the results of the Zanzibar elections in order to keep himself in office. The losing party, the Civic United Front (CUF), is bitter and their opposition has led to human rights abuse and civil oppression. This is a potentially very volatile situation.

Current constraints. In spite of its high potential and progress in recent years, Tanzania continues to be ranked among the five poorest countries in the world and it continues to be constrained by inadequate infrastructure; destructive exploitation of rangeland, forest, cropland and wildlife resources; fiscal mismanagement; corruption, lack of accountability, and poor governance; a legal framework designed to support a socialist system that is inimical to the development of a market-based economy; an undeveloped and bankrupt financial system; a refugee crisis due to chaos in Rwanda and Burundi; and an inability to generate employment opportunities in the formal sector for more than 10% of the new entrants into the labor force. Furthermore, Tanzania is one of the most debt-distressed countries in the world with an external debt of \$6.5 billion at end 1994, two times greater than GDP. Debt service is equivalent to 32% of export of goods and services, 5.5 percent of GDP, and 35 percent of government revenue.

Central government expenditures are only 22 percent of GDP, not high by world standards. The fiscal deficit as a percent of GDP, before donor grants, however, is averaging a very high eight percent a year, resulting in a money supply growing at an annual rate of 30 percent. Inflation, likewise, is averaging 30 percent a year. Commercial bank lending rates, although declining in recent months, have ranged between 30 and 40 percent in recent years.

Disconnect between government and private sector. There is a large gap between the Government's perception of what has been accomplished in reforming the economy, and the private sector's perception of the economic environment within which they must operate. The government points with pride to the significant reforms accomplished in a short period in an atmosphere of civil peace. Private sector actors point to the adversarial environment they encounter when they deal with government officials. They emphasize not only the bureaucratic laxity and corruption but also the government's penchant for statist rather than market based solutions and the attitude of many bureaucrats that private businessmen are the enemy of the well-being of the people. In addition, private businessmen point to the unpredictability of government policies, particularly as they relate to tax rates and tax exemptions which are changed frequently and without warning.

Whither reforms? A central development question for Tanzania is whether the new Mkapa government, which took office on November 23, 1995, will move to reinvigorate the reform process or allow Tanzania to remain mired in stalled reforms. President Mkapa has taken power at a difficult time. Increased corruption and fiscal mismanagement over the last few years have "hollowed out" the reform process. Excessive expenditures, deteriorating tax collections, and unwise, even fraudulent, lending practices of key banks have left little room for additional mistakes. President Mkapa's new cabinet has a majority of new faces and the President and Prime Minister have made strong public statements condemning corruption and promising better fiscal management as well as continued private sector development. Important reforms during the first four months in office include: the restructuring of the National Bank of Commerce, including retrenching 3,000 staff and closing 34 local branches and 14 regional offices; reaching agreement with the IMF on a shadow program; acceleration in plans for opening the Dar es Salaam Stock Exchange, potentially mobilizing increased

support for parastatal divestiture and public participation; anti-corruption efforts, including institution of a Leadership Code which clarifies standards of conduct by public officials and provides for disclosure of personal finances; pay reform which resulted in the elimination of most allowances; and a promised retrenchment of 20,000 additional civil servants and 15,000 military personnel. On the other hand, there is inadequate progress in recovering Commodity Import Support arrears, in recovering funds lost through import tax evasion, in prosecuting those responsible for these huge losses, and in controlling ongoing revenue losses through better management of the transit trade and bonded warehouses.

Social and cultural obstacles to further reforms. Adding to the constraints on the private sector is the fact that all land in Tanzania is owned by the State in the person of the President, and occupants are not allowed to transfer their right of occupancy to other citizens without the consent of the GOT. This lack of property rights adds to uncertainty and is a serious obstacle to private investment. When it comes to discussing land tenure reforms, there are strong social and cultural sentiments against transferring land titles. For example, fears exist that a household head could transfer title; other members may be against the transfer but are powerless to do anything to stop it. If land is repossessed because a borrower may have pledged land as collateral and failed to repay the loan, there would be tremendous local opposition to a new owner coming in to occupy land that has been in the possession of a family for generations. These strong social and cultural obstacles to reforming land tenure are one reason why no effective progress has been made in amending land tenure laws despite six years of public hearings and debates.

For many people in Tanzania, there is a nostalgia for the past represented by the vision expressed in the Arusha Declaration of social equality and a classless society. Many fear the potential losses brought about by market solutions. People lose their jobs, firms go under, and many question who will take care of the poor and the hungry. The reality of the past under the Arusha Declaration is often forgotten. An attitude expressed in the country is that if you abandon socialism, you abandon shortages. However, the comment continues, if you abandon socialism, you abandon social fairness, social equality, and social justice as well.

For the GOT there is the double challenge of continuing the reform program and articulating a vision of what Tanzania's future will look like that goes along with the reforms. In a market based economy, there is a strong element of risk for the individual. Government retrenchment to restore fiscal balance and the closure or sale of parastatals to restore efficiency all contribute to the loss of family security. The political challenge is to change the perception that liberalization brings with it increasing inequality, corruption, and instability. It must become very clear that Tanzanians are benefiting from liberalization or the political support for liberalization will evaporate.

Influence of Nyerere on future reforms. There is fear, particularly among some donors, that former President Nyerere, the father of the nation and chief architect of the still politically powerful Arusha Declaration, is opposed to reforms. For example, his opposition to privatizing profitable parastatals is quoted often in the press. However, according to

several knowledgeable observers, the Nyerere of 1996 is very different from the Nyerere of 1980. In their view, it is misleading to view Nyerere as someone who will stop reforms. From their perspective, Nyerere wants to see Tanzanians understand and take the initiative for reforms. He sees the essential need for support for reforms from within the Tanzanian community and is opposed to reforms resulting from donor demands.

Conclusion. Tanzania is richly endowed with natural resources and offers great potential for expanding agriculture, tourism and mining. The country has undertaken major reforms but there are still further reforms that are needed, particularly in establishing resource tenure rights, in creating a legal and regulatory environment supportive of private sector activities, in curtailing corruption and restoring accountability, and in reestablishing macroeconomic balance. Basic infrastructure is lacking. Furthermore, the financial sector is undeveloped and does not perform its essential role of mobilizing savings and allocating them to their most productive use. The rapidly growing population places impossible demands on social services and contributes to the unsustainable exploitation of the environment. Although political reforms have taken place, democratic governance is still fragile. While organizational and management skills are sorely lacking and enormous investments are needed to expand employment, Tanzania offers a rare opportunity to achieve sustainable development in Africa. The Mission strategy to support the GOT in its efforts to arrive at sustainable development is described below.

3. USAID Program Goals

The policies adopted and implemented by the previous and current governments in Tanzania point to a growing support for democracy, improved governance and a liberalized market economy, with the private sector being asked to work in partnership with government to develop a truly national economy. Addressing a May Day rally at the National Stadium in Dar es Salaam, President Mkapa reiterated his government's commitment to restructuring the economy, pointing out that investors are a source of employment. The government would therefore not hesitate to privatize, to divest state-owned firms, and to liquidate unprofitable and debt-ridden firms. USAID's approach is to build on and strengthen those Tanzanian goals. We have chosen Sustainable Economic Growth and Improved Human Welfare as our program goals. Without growth, increased opportunities for improving human welfare will not be possible and without improvements in human welfare, public support for democratic governance and a liberalized market economy would be difficult to maintain.

4. Themes and Linkages

The Mission has selected five strategic objectives (SOs):

SO1 - Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures

SO2 - Foundation Established for the Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania

SO3 - Strong Foundation for the Transition to Democratic Governance Established

SO4 - Increased Private Sector Participation in the Economy

SO5 - Selected Infrastructure Improved

There are several common themes that link our SOs together. The first three reflect fundamental constraints in Tanzania that must be addressed in order for the country to move forward in a sustainable manner. The last two themes reflect the Mission and the Agency's approach to building and strengthening local capacity so as to speed Tanzania's graduation from foreign assistance.

a. Foundation Building: Fundamental to achieving the Mission's goal of sustainable growth is the building of a strong foundation to support a market-based economy that opens up opportunities for individuals and communities. That foundation consists of those institutions which set the "rules of the game" in a market economy. The legal, regulatory, and judicial institutions must be supportive of market activities if the private sector is to fulfill its lead role as the engine of economic growth. Bureaucracies must be reengineered and people's attitudes and expectations about the role of government in society must be changed. In Tanzania, bureaucracies have been structured to control and regulate rather than to assist and encourage. Government bureaucracies must be reformed and laws and regulations must be modernized and structured to encourage economic competition and to build investor confidence. A market economy must be seen not on the basis of human acquisition but instead on the basis of expanded opportunities. The donor community, GOT, private sector, and civil society are generally focused on building this foundation, but dialogue and communication among these groups of actors can be improved.

Intermediate results for three of the Mission's Strategic Objectives are directed towards improving the legal and regulatory environment. Secure and clear resource tenure is an essential prerequisite for environmental protection and sustainable use of natural resources. Under SO2 and SO4 the Mission will work to encourage Government to reform resource tenure rights in Tanzania and to empower communities to take control of local based natural resources. Secure property rights, enforceable contracts, freedom of association, and freedom of entry and exit are all essential for increasing private sector confidence and participation in the economy. Furthermore SO2 and SO4 will encourage Government to modernize laws and eliminate contradictions between different laws and between regulations adopted by Ministries to enforce laws and the laws themselves. Under SO3 the Mission will collate laws and distribute them so that judges and lawyers throughout the country will be cognizant of what the laws actually say.

b. Poverty Alleviation: Although the incidence of poverty has been reduced from 65 percent of the population in 1983 to 51 percent in 1991, rural households account for 92 percent of the poor. Even those in the top income quintile in Tanzania cannot be considered well off as average per capita income for the top 20 percent is only the equivalent of \$540. Alleviating poverty is a major concern for the Government and most of the population must be seen to be benefiting from a liberalized economy for the reform effort to be accepted.

Under SO1 the Mission is working to reduce the rapid population growth rate of 2.8 percent a year. By reducing the population growth rate, there will be less need to expand costly infrastructure and a greater ability to provide essential social services to the existing population. SO1 also provides essential child spacing and maternal and child health services to the rural poor, as well as HIV/AIDS prevention and family care services, thereby contributing to improved human welfare. Our approach for SO2 is to encourage wise use of natural resources with the goal of increasing direct household income while assuring the availability of resources in the future. Under SO4 the Mission is working directly with private firms to create jobs and increase incomes through providing managerial assistance to small and medium sized firms, and through supporting the expansion of financial markets, including a loan program for micro and small enterprises. Finally, under SO5 the Mission is funding the rehabilitation of rural roads which will increase farmers access to urban markets, thereby increasing their opportunity to earn additional income, and make it easier and less costly for rural inhabitants to seek health and education services.

c. Gender: There are clear gender inequities in Tanzania, with women being disadvantaged. Over 80 percent of women are employed in agriculture, primarily producing food for household consumption. While the GOT has made public commitments to gender equity and elevation of the status of women, laws of inheritance are governed by customary, Islamic and statutory laws. Under customary law, women generally do not have inheritance rights to their husband's assets and legal illiteracy exacerbates the problem. Although the sex ratio of lower level secondary education is fairly even, only about 25 percent of upper secondary students are female. It should be noted that at most only seven percent of all children enroll in secondary school. In comparing features of male and female heads of household, males hold 50 percent more land, 150 percent more livestock and have almost twice as many years of schooling. There is a clear need to work for equity, empowerment and justice for Tanzanian women.

SO1 activities are designed to ensure that both women and men are informed and have access to family planning services and HIV/AIDS preventive measures. SO2 activities will involve the dissemination of sustainable natural resource management practices to rural families; since women provide the bulk of the labor on farms and depend to a greater extent than men on agricultural income, they will be primary beneficiaries. One of the components under SO3 consists of building capacity for NGOs working on women's legal rights that will result in the enhancement of women's legal literacy and lobbying for women's rights. Both women and men are assisted under SO4 through providing training, technology transfer, and microenterprise development. Women will also be majority beneficiaries of the rural and

district road rehabilitation work carried out under SO5 since marketing of agricultural produce will be enhanced and women will have easier access to clinics and other social services.

d. Training: Training is an integral component of each of our SOs and is used to support capacity building for sustainability. The Mission has been programming over \$2 million a year in support of short- and long-term training. The reason we do is our firm belief that human resource development is as much a part of the wealth of Tanzania as are its factories, natural resources and infrastructure. Since 1988 we have trained 1753 Tanzanians in the U.S. and third countries, of whom 45 percent were women. Of the total trained, 72 percent received training in the U.S. and 22 percent were from the private sector. In addition, during these years 6300 Tanzanians received short term in-country training, of whom 4100 were trained in FP/MCH and HIV prevention.

Since SOs two and three are new for us, training needs assessments will be carried out for both. Target institutions, groups and individuals linked to our SOs will be identified as will the training needed to achieve results for institutional change. Indicators for tracking impact will be included in the needs assessments. For our other three SOs, an integrated strategy for in-country, third country, and U.S. training will be further developed to ensure maximum impact from training resources. For all five SOs, each SO team will include training, where needed, in their results packages and will develop a strategic plan for training to achieve maximum results. The strategic plan for training will include a results framework linking training to the achievement of SOs.

e. New Partnership Initiative: There are over 750 NGOs in Tanzania, and 250 of them are registered with the Tanzanian Association of Non-Governmental Organizations (TANGO). A classification of the services offered by them include AIDS, education, environment, health, professional, religious, social and economic development, and women and youth groups. NGOs, foundations, local communities, and universities are all involved in the design and implementation of Mission programs in all of our SOs. Our objective is to build and strengthen their capacity to sustain their own growth and to strengthen civil society to defend human rights, to expand opportunities, and to regulate community use of natural resources.

Under SO1, over 100 NGOs have formed networks in nine regions and provide HIV/AIDS information and prevention services and family care services to those affected by HIV/AIDS. Coverage will be expanded to the remaining regions not presently served. In addition, SO1 supports NGOs to promote FP/MCH knowledge and services and this cooperation will be enhanced so more communities can learn about immunization, nutrition, child spacing, breastfeeding and prevention of diarrheal disease. Under SO2 the Mission will continue working with Tuskegee University on a linkage project with Sokoine University of Agriculture to support field based research related to sustainable agricultural practices. The African Wildlife Foundation has been supported to upgrade the planning and policy capacity of the Department of Wildlife. SO2 plans to build the capacity of NGOs and community

based organizations to lobby for and assist in legislative reform and to implement small scale NRM activities. Our support to CARE provides an opportunity to field test new ideas with communities that have been adversely affected by the influx of refugees into north-western Tanzania. Finally, support to the Peace Corps will help rural producers to adopt new technologies and approaches for resource management.

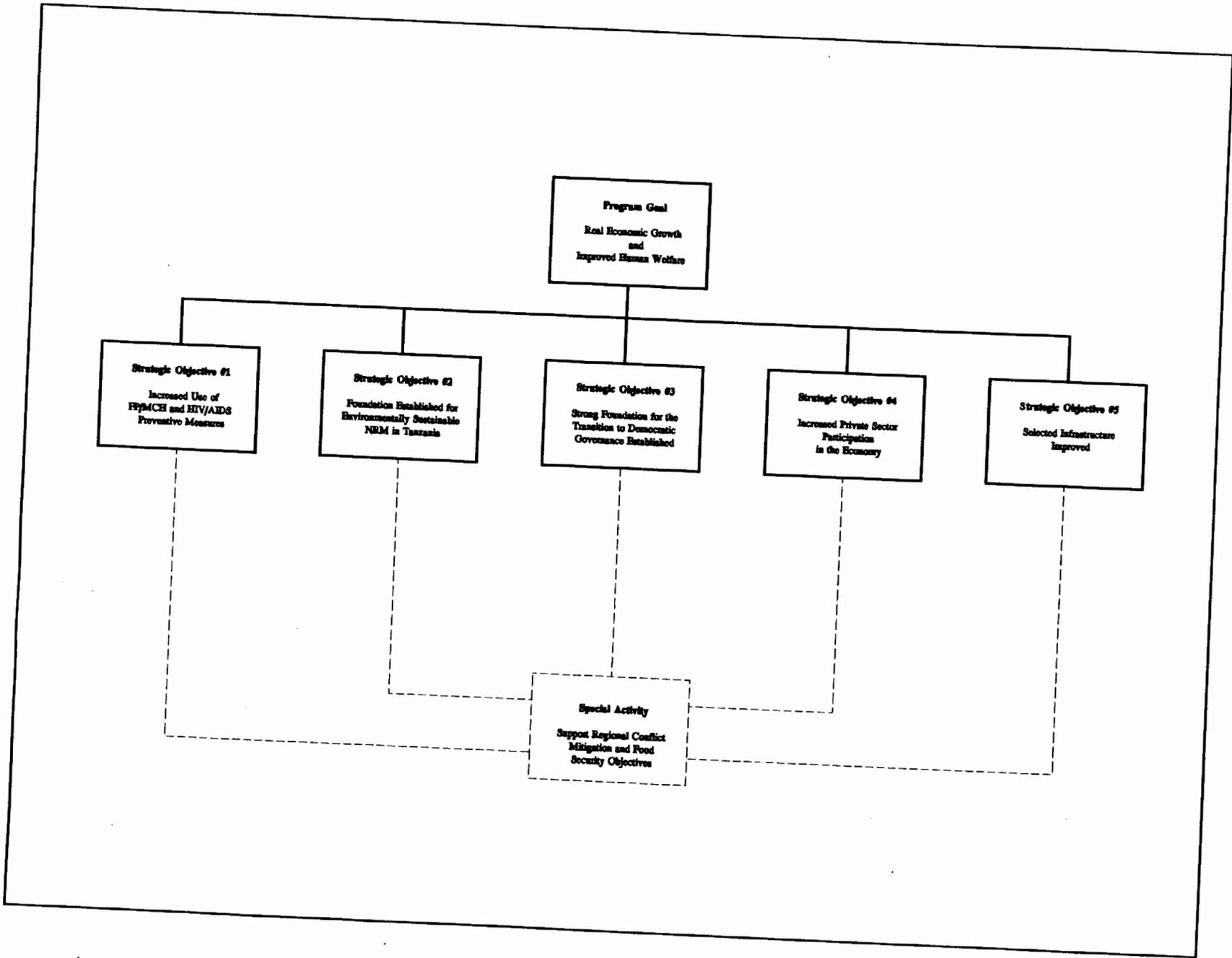
Under SO3, support will be given for capacity strengthening activities of NGOs dealing with women's legal rights. In addition, media associations will be strengthened under SO3. The Mission's SO4 will continue to support the Tanzania Chamber of Commerce Industry and Agriculture (TCCIA) to build up their membership through business management skills workshops so the Chambers located throughout the country can assist their members to identify problems and lobby for their removal. Also under SO4, the Mission will continue work with the Economic and Social Research Foundation and the Economic Research Bureau at the University of Dar es Salaam to improve the legal and regulatory environment in the country. Support under SO5 will be given to start a contractors' association for roadbuilding. In addition local communities, by matching funding on a 1:1 basis, will serve as partners in our district road rehabilitation and maintenance program.

5. Strategy

The five SOs identified above all support our Program Goals of Sustainable Economic Growth and Improved Human Welfare. Each SO is linked to an Agency Goal and each SO strengthens the others in a complementary fashion. We also have an additional area of major work importance which includes activities related to the hosting of 625,000 Rwanda/Burundi refugees in Tanzania. Each of the five SOs, the special activity and the Program Goals and SOs are presented graphically in Chart 1. Performance indicators to measure the Mission's progress in the achievement of the Program Goals have been identified and are presented in Table 2.

Table 2. Program Goals: Sustainable Economic Growth and Improved Human Welfare

Indicator (Baseline year)	Baseline	Target
1. Annual % change in real GDP per capita (1995)	1.1	
2. Infant mortality rate (IMR) (per 1,000 live births) (1991/2)	92	
3. % annual change in agricultural production (1995)	5.0	
4. Total fertility rate (TFR) (1991/2)	6.3	



Strategic Objective 1: Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures

Agency Goal: World's Population Stabilized and Human Health Protected in a Sustainable Fashion

Background: High fertility of over 6 births per woman and the spread of HIV/AIDS contribute to high infant, child and adult morbidity and mortality in Tanzania. Although only 11.3 percent of all women use modern FP methods, 56 percent would like to space or limit births. In 1994 an estimated 1.6 million Tanzanians were HIV positive (5-7 percent of the population) and by the year 2000, 2.4 million people are expected to be HIV infected and 800,000 to have AIDS. AIDS is decimating the most productive age group (15-45 years), resulting in enormous strain on the health system and on the social structure. Studies indicate that 10 to 15 percent of women attending antenatal clinics in towns are infected with HIV and 3 to 6 percent of rural adults may be infected. Although the U.S. Census Bureau estimates that Tanzania's population in 2010 would be 43.9 million if there were no AIDS mortality, the population will still grow to 35.4 million with AIDS mortality. Reduction of the rapid population growth rate and controlling the impact of HIV/AIDS will contribute to sustainable economic growth. USAID is the lead donor in both FP/MCH and AIDS prevention.

USAID Role and Achievements to Date: USAID provides commodity, management and technical support to Government and non-governmental organizations (NGOs), all of which implement a variety of FP/MCH and AIDS prevention, education and service delivery activities. Results include a doubling of modern contraceptive use (from six percent to 11.3 percent) in only three years; availability of at least three FP methods at most facilities; contraceptives available in 90 percent of service delivery sites; and over 100 NGOs assisted to provide AIDS information/services. Use of various media to provide information on AIDS prevention and an innovative program to sell condoms using modern marketing techniques has resulted in sales of over 10 million in less than two years, double the anticipated goal. Because of USAID assistance, Tanzania's family planning program is one of the top performing family planning programs in Africa.

Description: USAID has adopted an integrated approach, focusing simultaneously on child spacing, reduction of high risk births, and prevention of sexually transmitted infections and HIV/AIDS. Enhancing client choice of and access to safe, effective FP methods is achieved through training personnel (clinic-based and community-level); provision of contraceptives, equipment and supplies to clinics; and informational materials production and distribution. FP/MCH programs are also ideal opportunities to promote child survival interventions, such as immunization, breast feeding and antenatal care. An extensive research agenda provides national level data on FP, AIDS and child survival. Efforts to stimulate an indigenous, community-based approach to AIDS prevention and family support through "networks" of NGOs working together covers about 50 percent of the country. Work-places are targeted, since working adults have high rates of HIV. Social marketing of condoms and training of

NGO personnel in the identification and management of sexually transmitted infections (STIs) are key AIDS prevention interventions. Sustainability will be achieved through host country ability to technically manage FP/MCH programs on its own; continued host government support of recurrent costs for clinic-based personnel; NGO ability to raise their own funds and implement programs; and a greater emphasis on selling commodities and services.

Strategic Objective 2: Foundation Established for the Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania

Agency Goal: Environment Managed for Long-term Sustainability

Background: Tanzania contains some of the richest forests in Africa in terms of biodiversity, endemism and scientific importance so USAID has designated the country as a key biodiversity country. Although Tanzania can boast of setting aside enormous reserves (approximately 25% of the mainland has been designated as protected areas) that contain some of the world's premier tourist attractions, weak institutions, low budgetary support and lack of political will have resulted in considerable encroachment into these areas. Furthermore, current land use practices (farming and livestock production, forest production or extraction, wildlife hunting) are unsustainable. Tanzania's draft National Environmental Action Plan (NEAP) identifies six problem areas requiring urgent attention, including loss of wildlife habitats and biodiversity, deforestation, land degradation, deterioration of aquatic systems, lack of accessible, good quality water, and environmental pollution. The newly elected Mkapa government has stated that sustainable use of natural resources will be a priority and a new office of environment and poverty alleviation has been created in the Vice President's Office. Therefore, the policy environment is positive and supportive of activities under SO2. These activities include the ongoing Planning and Assessment for Wildlife Management (PAWM) and the Tuskegee-Sokoine University (TU/SUA) linkage project, both of which have been implemented over five years. New activities include the Participatory Environmental Resources Management (PERM) project and the CARE Kagera Resource Management Program. These latter two activities were developed in response to Government of Tanzania requests that efforts be made to stem environmental destruction.

USAID Role and Achievements to Date: Modest amounts of assistance were provided to this sector during the early 1990s with anticipated increases for the latter half of the decade. Achievements to date include strengthening the institutional capacity of the country's only agricultural university which has begun applying the results of research to problems identified by rural citizens. Tanzania's Wildlife Division has produced ten policies and planning documents of which five have been approved by the government and are in various stages of implementation. USAID has also established a partnership with the Peace Corps to place trained natural resource management volunteers in local communities.

Description: USAID's program has a multi-faceted approach which provides: 1) support for the enabling environment which includes enactment of NRM-friendly policies and laws, establishment of secure resource tenure, improved coordination between partners, and

community empowerment; 2) capacity building so Tanzanians can assume a greater role in analyzing problems and testing solutions; and 3) identifying, field testing, and implementing in pilot areas appropriate NRM approaches and technologies. Funding will be channeled through a U.S. institutional contractor, through U.S. NGOs and universities and with efforts being made to raise the capacity of local NGOs to be able to receive funds directly in the future. USG inter-agency collaboration is enhanced through USAID support to Peace Corps Volunteers who work directly with communities to identify simple and low-cost ways to conserve and productively use land, water, forests, livestock and wildlife resources. An important principle guiding all USAID activities is to ensure that a balance is achieved between conservation and production goals and that resource owners and users are able to recoup a fair share of the benefits from resource use. Sustainability is also addressed by supporting the establishment of community-based institutions and legal/regulatory systems that redress environmental/natural resource abuses.

Strategic Objective 3: Strong Foundation for the Transition to Democratic Governance Established

Agency Goal: Sustainable Democracies Built

Background: Democratic governance (DG) issues lie at the heart of the Tanzanian development problem. Tanzania requires a government which manages resources well and transparently, and which can harness the energies of individuals, non-governmental organizations and the private sector to use the tremendous natural resources of the country wisely and effectively. The new Mkapa government must overcome a heavy legacy of corruption, economic mismanagement and one-party socialist thinking to achieve these goals. USAID/Tanzania's Strategic Objective 3 will assist the GOT in overcoming these constraints.

USAID Role and Achievements to Date: This is a new strategic objective that encompasses a new project as well as other mission activities. While the mission did not previously have a specific DG strategic objective, USAID has been active in this area for several years. In the legal sector, USAID has strengthened the judiciary by assisting in the institution of alternative dispute resolution. The Mission has also worked to upgrade the quality of auditing and accounting, in both the public and private sectors. In addition, the Mission participates fully in the JEM/SPA donor/GOT group that is working on recovering funds lost through import tax evasion, in prosecuting those responsible for these huge losses, and in controlling ongoing revenue losses through better management of transit trade and bonded warehouses. Finally, the provision of international election observers by USAID enhanced the transparency of Tanzania's first multi-party national elections. The final report issued by these observers will be useful in improving subsequent elections held at all levels of government.

Description: To achieve this objective, assistance will be in the areas of 1) improving the responsiveness and responsibility of the media, 2) enabling the legal system to serve the public interest effectively and transparently, 3) increasing citizens' understanding and

application of DG principles, and 4) improving GOT transparency and accountability. Specific activities include: 1) media workshops on a variety of topics such as the legal system, economics, and the rights of journalists, 2) training the judiciary, attorneys and law students in alternative dispute resolution as a means of improving access to justice, 3) working with indigenous non-governmental organizations (NGOs) and associations to improve their outreach capacity, 4) strengthening the audit capabilities of the Controller Auditor General, and 5) providing local currency support for the Tanzania Revenue Authority (TRA) to improve tax administration. Funding for many of the activities is channeled through USIS Dar es Salaam under a collaborative effort to utilize the strengths of the U.S. Mission to Tanzania in those areas. USAID works directly with the Controller Auditor General and TRA, and the association-building activities will be administered by USAID.

Strategic Objective 4: Increased Private Sector Participation in the Economy

Agency Goal: Broad-based Economic Growth Achieved

Background: Tanzania's economic growth rate must accelerate to provide job opportunities for the rapidly growing population of rural underemployed and urban unemployed. This SO directly addresses practical impediments to financial and business development and the policy constraints which inhibit private sector growth. Mission efforts provide direct private business support services and emphasize rebuilding of the newly-privatized financial sector. Inadequate infrastructure is also a major obstacle and is addressed by the Mission's SO5.

USAID Role and Achievements to Date: Assistance in restructuring the financial sector has enhanced the technical and managerial skills of the Central Bank and increased its independence, prepared the groundwork for a private sector insurance industry and introduced a completely market-based foreign exchange system. Over the past two years, eight private banks have opened. The Mission's newly established Business Centre (TBC), and its Advisory Council, provide training, business advisory services, workshops, and assistance to business associations, on a fee-for-services basis. We have also assisted in the establishment of Tanzania's first venture capital fund, and an innovative micro and small enterprise capital lending fund.

Description: SO4 will be achieved through improving the legal and regulatory environment for private enterprise, transferring management skills and technology to small businesses, and strengthening financial markets. Activities include development and training of business people, targeting women and small businesses from both rural and urban areas; strengthening business associations to function as fora for policy dialogue and change; establishing a microenterprise fund to be operated by the first indigenous Tanzanian bank; and training and technical assistance to the Central Bank enabling it to execute appropriate monetary/fiscal and supervisory/regulatory functions.

Strategic Objective 5: Selected Infrastructure Improved

Background: The state of infrastructure in Tanzania is in such poor condition that it severely stifles the day-to-day activities of the population and the overall economic growth of the country. The constraints that led to this state are related to existing unsustainable institutional and financial structures for the development, execution and maintenance of infrastructure facilities. The private sector, which has the inherent and proven institutional and financial capability, was virtually excluded from these activities.

USAID Role and Achievements to Date: USAID's support includes the following areas: the rehabilitation and maintenance of rural and district roads; support for the effective and efficient operations of the Tanzania-Zambia Railway Authority (TAZARA) and efforts to initiate private rural telephone services. The rural road rehabilitation and maintenance program has reduced transport costs, more than doubled business activities, increased farm income by 25 percent in the areas served by the rehabilitated roads and improved access to health services and schools. It has also created a new private road building and maintenance contracting industry, introduced a more transparent contracting system and established a user-financed road fund that is assuming an increasing share of the responsibility of program sustainability. The TAZARA project reduced turn-around time of trains on the 1,800 km Dar es Salaam to Zambia stretch from 21 days to seven days, allowing TAZARA to provide regional transportation services for drought relief in Southern Africa.

Description: USAID will continue to physically improve rural and district roads and establish a sustainable system for their maintenance through private sector contracting, dialogue for delegation of contracting authority to regions and districts, institutional capacity building and full institutionalization of a financially sustainable roads fund. Our work with TAZARA will continue in the areas of encouraging commercialization of operations through retrenchment, technical assistance and training, and divestiture and restructuring. RCSCA will help the Mission to assist private firms in providing reliable telecommunication services.

Special Activity: Regional Cooperation and Conflict Mitigation

Agency Goal: Providing Humanitarian Assistance

Although the Mission does not have a strategic objective in this area, the amount of time devoted to it and its importance within the Tanzanian context oblige us to pay high attention to the activities described below. There are two aspects to the humanitarian issue in Tanzania: (a) regional relationships among Tanzania and her neighbors, and (b) conflict mitigation in Tanzania.

Regional Relationships. Tanzania plays several important roles in the Greater Horn of Africa (GHAI) region, in the Southern Africa (SADC) region, and in the newly reinstated East African Community (EAC) as well. With a diversity of agro-ecological regimes and large reserves of underutilized high quality agricultural land, Tanzania is relatively unaffected

by periodic droughts and often serves to balance out SADC, GHAI and EAC regional food security requirements. Unlike any of her neighbors, Tanzania has not experienced major political, ethnic or religious violence, and has long served as an island of stability and a place of refuge in a frequently tumultuous region. Finally, key SADC and GHAI transportation routes (road, rail and lake) originate and run through Tanzania, routes that have been used intensively to transport famine relief supplies during the 1993 Southern Africa drought and the 1994/95 Rwanda/Burundi civil war and refugee emergency. During the planning period, USAID/Tanzania anticipates that the following three regional themes will continue to require management time and program resources.

-- Refugees, Conflict Resolution and Development. USAID/Tanzania has consistently viewed the regional refugee "emergency" as a long term regional development problem fueled by land shortages and unemployment in Rwanda and Burundi. We have taken the lead in the region by funding the CARE-managed Kagera Resource Management activity, which will resolve long-term refugee-related development questions by providing assistance to host communities as well as refugees. We anticipate that large numbers of Rwanda/Burundi refugees will continue to reside in Tanzania throughout the planning period, and therefore plan to continue addressing conflict resolution objectives by supporting long-term development-oriented solutions both directly and indirectly as appropriate.

-- Transportation and Food Security. Transportation programs managed by USAID/Tanzania have directly supported regional food security and development objectives. The TAZARA regional rail project provided capital equipment that enabled TAZARA to function as a reliable partner in providing regional food assistance beginning in 1993 and continuing through to the present time. The ATAP roads project is rehabilitating thousands of kilometers of rural roads and hundreds of bridges that ease the movement of food within Tanzania, with a special sub-program to address the needs of the refugee-impacted Kagera region. In addition, we have been monitoring closely funds provided by STATE/PRM to the World Food Programme for rehabilitation of roads and railroads in Tanzania. We anticipate that USG resources will continue to be required during the planning period to sustain food security infrastructure in Tanzania so as to address problems of regional significance (southern Africa as well as GHAI). Hence we will be exploring options to enhance or broaden impact from regional (RCSA, GHAI) program resources, other USG resources managed by intermediaries such as WFP and UNHCR, as well as bilateral program resources.

-- Monitoring and Liaison. Working closely with our Embassy colleagues as well as partners in UN, NGO and GOT agencies, USAID/Tanzania has endeavored to keep appropriate USAID offices in Washington, Geneva, Rome and neighboring countries well-informed about emerging aspects of regional refugee and food security issues. Our capability to perform this monitoring and liaison role is enhanced by two initiatives that we intend to build upon during the planning period. First, our OFDA-supported Refugee and Food Assistance monitor has played a key role in surfacing regional refugee and food security issues (food management, infrastructure weaknesses, UN agency coordination, locust

outbreaks, and so forth). Second, we are working with the regional FEWS program to strengthen drought monitoring functions in appropriate Tanzanian agencies. During the planning period, we anticipate that these monitoring and liaison functions will continue to be required as a consequence of Tanzania's key position as a refugee host country, as a key transport link to both GHAI and southern Africa regions, and as an essential element in the regional food security equation.

Conflict Mitigation and Prevention in Tanzania. Tanzania has an enviable record as an island of political and social stability in an often volatile region. However, that stability cannot be taken for granted, especially as economic change and political reforms gather strength -- as we anticipate will happen during the planning period. Based on studies, dialogue with Tanzanian stakeholder, and REDSO assistance, USAID/Tanzania anticipates that several sources of conflict have the potential to intensify during the planning period. These include:

--**Democratic Governance.** Tanzania is still very early in the transition to democratic governance, which is inherently a source of conflict. A number of petitions stemming from disputed mainland election results have yet to be resolved, and the disputed political succession on Zanzibar has already led to worrisome levels of human rights abuse and civil oppression. A related issue is the runup to and management of national elections in 2000; if done well this can reduce conflicts and speed the transition to democratic governance, but if done poorly the potential for increased conflict is substantial. Poor understanding of the principles of democratic governance among the population at large and the nation's leadership can exacerbate these difficulties.

-- **Politics and Corruption.** Social stability in Tanzania will be undermined if the legitimacy of the government is weak. Continued manipulation of the electoral and representative process, and continued large scale corruption, will reduce legitimacy and the capacity of the regime to govern effectively. A dysfunctional legal system will amplify all these problems, as will the growing drug trade. The stringencies of the IMF/WB reform process might also lead to popular unrest and undermine the government's capacity to govern. Another unknown is the extent to which the stability of the Tanzanian polity is dependent upon the presence of Julius Nyerere, whose influence can be expected to wane during the planning period. The jury is still out on whether the Mkapa government will be able to provide the vision and solid leadership required to overcome corruption and deal with this daunting array of potential conflict situations.

-- **Commercial Competition.** Tanzania's private sector is highly diverse. Old established industries compete with newer firms with better technology and world market links; manufacturers compete with importers and traders; indigenous Tanzanian business people compete with Asian business interests (themselves fragmented and often in opposition), as well as new overseas and South African investors; and employee interests are starkly at odds with management interests. Employment growth is not keeping pace with the rapidly growing number of youthful entrants to the labor force, and so commercial competition in

the private sector may easily become more highly politicized and a source of greater social discord.

-- **Land and Resource Access.** Land disputes are endemic in Tanzania, where current laws and practices governing ownership, access and use are a layered and conflicting mix from the pre-colonial, colonial, socialist, and post-socialist eras. USAID/Tanzania anticipates that longstanding efforts to rationalize land and other resource tenure issues will have a favorable influence on these problems during the planning period. Nonetheless, population growth, large and perhaps growing refugee populations, slow employment growth, and the growing commercial value of water, land, and mineral rights, will add heat to resource-based conflicts.

-- **Economic Inequality.** From the point of view of poor Tanzanians, economic inequality is on the rise. This has a rural dimension as growing populations outrun local resources, leading to labor migration and landless laborers, and it has an increasingly strong urban dimension, where unemployment, orphanage, crime and gross disparities in wellbeing continue to grow. Around the world these conditions can engender severe conflicts and we anticipate nothing different in Tanzania. Economic inequality can be quickly exacerbated by natural and man-made disasters such as civil war, or drought and famine caused by poor rainfall or locust outbreaks. Although Tanzania rarely experiences more than spot food shortages, the possibility of severe famine is never far away in East Africa.

-- **Religion.** Religious fundamentalism is currently a minor source of conflict, and we do not anticipate that religious fundamentalism will cause much conflict in Tanzania during the planning period in and of itself. Nevertheless, religious differences can be and are used to express and amplify disputes arising from other sources (land, commerce, inequality, cultural differences).

-- **Regional Insecurity.** Conflicts in neighboring countries may have an obvious destabilizing impact on Tanzania, through refugee incursions, increased militarization, increases in crime, growing competition for employment and resources, diversion of weak administrative capacity, and cross-border incidents. The new framework for economic cooperation created by the reestablishment of the East African Community may reduce or exacerbate these conflicts. We anticipate that this source of conflict will remain and possibly increase during the planning period. From a different perspective, we also anticipate that Tanzania will continue to play a positive and peaceful role in seeking resolution of, or helping to ameliorate the results of, regional conflicts such as the Great Lakes refugee emergency.

USAID/Tanzania's country strategy is designed to grapple with these potential sources of conflict directly and effectively. The table below summarizes the current and planned impact of our proposed strategy on conflict mitigation in Tanzania. We anticipate that planned studies during the planning period will refine our understanding of these impacts, and will also help to identify and provide management strategies for possible negative impacts.

Table 3

Impact of USAID/Tanzania Strategy on Conflict Mitigation in Tanzania					
Sources of Conflict:	SO1 FP/AIDS	SO2 NRM	SO3 DG	SO4 Income Growth	SO5 Infrastructure
Democratic Governance	Both FP and AIDS activities build NGO capacity and linkages between NGOs and the GOT, thus enhancing civil society relationships.	Strengthened local entities and NGOs engaging the GOT on resource management issues will contribute to better civil society relationships.	Civic education will improve understanding and practice of DG principles among citizens and leaders, reducing uncertainty during the transition.	Strengthened business associations and Parliamentary committees will foster civil society relationships between GOT and the private sector.	Decentralization builds local capacity and enhances civil society relationships. Rural telecoms improves communication and integration.
Politics and Corruption		Improved policies and stronger institutions will increase transparency and reduce opportunities for corrupt NRM management practices.	Publication of the laws and better fiscal accountability will reduce opportunities for corrupt practices and speed prosecutions.	Improved dialogue between business leaders and the GOT will improve transparency, highlight wrongful practices and reduce corruption.	Strict accountability in road contracting reduces corrupt practices at national level and the model will be extended to district level.
Commercial Competition		Improved policies and strengthened institutions will bring "rules of the game" to unregulated exploitation (eg mining and tourist developments).	Alternative dispute resolution will improve functioning of the legal system, increasing predictability and helping to resolve commercial disputes.	More transparent and less burdensome regulatory functions will "level the playing field" and reduce unfair competition.	Supporting local contractors and substantially expanding contracting opportunities addresses the root causes of commercial competition.
Land and Resource Access	Declining population growth rates will mitigate competition for productive land, and will reduce pressure on natural resources.	Improved policies and management practices will reduce resource-related disputes and provide improved mechanisms for managing disputes.	A strengthened legal system and better mechanisms of dispute resolution will reduce unresolved disputes and improve transparency.	Policy dialogue on the link between tenure security and commercial investment will lead to improved practices and fewer land disputes.	
Economic Inequality	Declining population growth rates will mitigate competition for employment. AIDS interventions will mitigate orphan unemployment.	Improved policies and management practices will lead to employment growth in NRM-related industries and more equitable benefit distribution.	Even-handed and transparent revenue administration will "level the playing field" and support the interests of small and indigenous entrepreneurs.	Strengthened business associations, entrepreneurial development and microenterprise finance will assist indigenous businesses.	Creation of a local road contracting industry and the focus on micro-contractors at district level addresses historical disadvantages.
Religion			Religion-based disputes will be closely monitored and mitigatory actions will be considered if circumstances require and resources permit.		
Regional Insecurity	FP and AIDS-related services in border regions increases quality of life and reduces likelihood of civil disorder in refugee areas.	Resource management interventions lessen discord between refugees and host communities and improve security in border areas.	Dialogue with GOT and other partners will encourage and support Tanzania's role in regional conflict mitigation and resolution.	Business development outreach (now in Mwanza) can be extended to refugee areas if warranted by circumstances and if resources permit.	Road rehabilitation and maintenance addresses regional and refugee needs. Better telecommunications will strengthen security.

We anticipate seeking creative approaches to fulfill our regional, especially GHAI, objectives by using other program resources in support of conflict resolution and food security objectives. For instance, in 1995 we used SO5 local currency resources to rehabilitate 500 km of rural roads in Kagera region, thereby insuring safe food deliveries and providing valuable services to rural populations who were feeling threatened by an influx of refugees and envious of the vast resources made available to them by the international community. Similarly, we obtained special Washington funding for an innovative "relief to development" activity implemented by CARE within the SO2 framework, to improve resource management in refugee-impacted communities of Kagera Region. We will look for similar creative opportunities in the future. To keep our understanding of conflict issues in Tanzania up to date, and to ensure that strategic implications are not overlooked, USAID/Tanzania intends to undertake a special conflict analysis (similar to the Young/Weeks study of Kenya) early in the planning period. This will help guide our actions in this area at least during the initial 2-3 years of the strategy.

C. Customer Consultation in Strategy Development

Throughout the year-long strategic plan development effort, USAID/Tanzania has employed multiple strategies to engage ultimate and intermediate customers, stakeholders and development partners as participants in the on-going process. Since long before initiating the development of the SP, the Mission had a well-established tradition of ongoing dialogue with customers, accomplished by frequent site visits and more specialized socio-economic surveys, participatory rural appraisals, and focus group discussions, together with analyses of fundamental issues and problems facing Tanzania. To build on and consolidate what has been learned during these routine and direct customer consultations, the Mission initiated a comprehensive evaluation and assessment of recent program accomplishments and impacts. These assessments were carried out in a participatory manner and involved input from customers, partners and stakeholders, both in Tanzania and in the U.S. The process is on-going; results are now available for most major Mission activities, and copies of key assessments have been submitted to USAID/Washington. We have also held a series of intensive consultations with key counterparts in the GOT. Relationships with the new Ministers and Principal Secretaries in the Third Phase Government of President Mkapa, who came into office in November 1995, have been established. USAID/Tanzania has also focused and strengthened its interactions with NGOs, PVOs, Universities, and cooperating agencies, in Tanzania, in the U.S., and in third countries. Many of these organizations function both as development partners and as intermediate customers, and provide critical perspectives on shaping our program. With this input we were able to identify those areas deemed most important by a large and diverse group of key actors and beneficiaries as the basis for our program. We were thus able to move forward with the development of our strategy confident that we are representing fairly the interests of Tanzanians.

As the strategic planning process intensified in late 1995, the Mission organized a series of retreats and workshops which involved the participation of a wide cross-section of USAID/Tanzania staff (USDH, USPSC, TCN, and FSN, both professional and support staff)

as well as colleagues from other USG agencies in Tanzania. One outcome of these workshops was the creation of initially four, and later five, Strategic Planning Teams, each organized around one of the Mission's Strategic Objectives, and a senior-level Strategic Management Team with an integrative and decision-making role. Among other tasks, each strategic planning team was given the responsibility of preparing a customer service plan for its SO, with a matrix detailing consultations undertaken and sources of data for planning, achieving and judging. The preparation of these plans entailed further consultations, including workshops, surveys and meetings. Once they had been discussed and approved, the individual plans formed the basis for the development of the Mission's Customer Service Plan, which is attached as Appendix B.

D. Graduation

According to the World Bank, if Tanzania's GDP were to continue to grow at an average rate of four percent and population to continue growing at 2.8 percent a year, 45 percent of the population would still be living in poverty (less than \$1 per day per capita) in the year 2000 as compared to 51 percent today, and 35-40 percent would be in a similar state 10 years from now. If economic growth were to accelerate to eight percent, a third of the population would still be living in poverty in the year 2000. While Tanzania has good growth potential based on the availability of natural resources, there is little likelihood that growth will accelerate to eight percent. The infrastructure, enabling environment and management capacity required are not in place. Given the above, it is not likely that Tanzania could graduate from donor assistance within the next 15 years.

In terms of our Strategic Objectives, reducing fertility rates under SO1 is a long-term undertaking. It may take another 25 years before the rate of population growth is reduced to a sustainable level. However, USAID's role in strengthening indigenous NGOs and expanding services should be completed within 15 years. Given the multi-disciplinary approach needed to strengthen natural resource management, at least 10 years are needed to develop a core of trained specialists and NGOs under SO2. Tanzania will have solidified the transition to DG in approximately seven years. The next phase is "consolidation" of democratic governance practices, which will take approximately 5-7 more years. Our assistance through SO 3 will be necessary during both phases but could reasonably end after 14 years. Our work on strengthening financial markets, business associations and business management skills will be completed in the next five years. Once the enabling environment for private sector development is in place, which should take at most seven years, the need for donor assistance will be essentially eliminated. For SO5, in 5-7 years it is expected that institutional changes and user charges will permit the road sector to stand on its own without donor support. This is also true for other key infrastructure such as railways, harbors, telecommunications and power as long as the GOT continues to divest itself of ownership and management responsibilities.

E. Environmental Issues

1. Compliance with FAA Sections 118 and 119

Section 118 of the Foreign Assistance Act requires that country strategic plans prepared by USAID include an analysis of: "1) the actions necessary in that country to achieve conservation and sustainable management of tropical forests, and 2) the extent to which the actions proposed for support by the agency meet the needs thus identified." Section 119 dictates that every country strategic plan shall also include: "1) The actions necessary in that country to conserve biological diversity, and 2) The extent to which the actions proposed for support by the Agency meet the needs thus identified."

USAID's draft "Strategy for Biodiversity Conservation" recognizes Tanzania as a key biodiversity country. This designation is warranted. The Usambara Mountains, situated in the northeast of the country, support what is arguably the richest forest in tropical Africa in terms of biodiversity, endemism, and scientific importance. Accordingly, the Usambaras are considered one of the 20 biodiversity hot-spots in the world. Furthermore, eight of the coral species that form Tanzania's coral reefs, and fifteen fish species that occur along its coastline are endemic to the Western Indian Ocean region. Finally, Tanzania's lakes are an important repository of biodiversity and endemism. Lake Tanganyika alone harbors over 1,300 species of invertebrates, of which well over 500 are endemic.

Because of Tanzania's unique and diverse ecological make-up, the provisions of the FAA Sections 118 and 119 played a prominent role in shaping USAID/Tanzania's strategic plan. Thus, following the Agency's Guidelines for Strategic Planning, a comprehensive environmental threats assessment was conducted, which included an analysis of the actions necessary to achieve conservation of the country's tropical forests and biodiversity.

The comprehensive assessment of environmental threats was conducted in two phases. First, a desk-top study was undertaken to identify and analyze Tanzania's principal environmental problems. The study has been submitted to USAID/Washington as a background document. This analysis was performed from the standpoint of USAID's three country-level environmental objectives: 1) to safeguard the environmental underpinnings of broad-based economic growth; 2) to protect the integrity of critical ecosystems; 3) to ameliorate and prevent environmental threats to public health. Second, the findings of the analysis served as the nexus around which a two-day stakeholder workshop was designed. This workshop sought to elicit stakeholder views as to the accuracy of the desk-top analysis, and to seek consensus as to the appropriateness of USAID/Tanzania's strategy in addressing the root causes of the environmental threats.

The desk-top study revealed six categories of environmental problems affecting Tanzania. These are: 1) soil degradation; 2) degradation of inland water systems; 3) degradation of coastal and marine resources; 4) deforestation; 5) depletion of wildlife populations and habitat loss; and 6) loss of biodiversity.

The participants at the stakeholder workshop agreed that the environmental problems identified by the desk-top study reflected the current environmental situation in Tanzania. Six root causes for environmental problems were found to be of principal importance by the desk-top study. These are: 1) unclear resource tenure arrangements; 2) weak horizontal and vertical policy harmonization; 3) weak institutional capacity to implement policies and legislation; 4) insufficient involvement of rural resource users in policy formulation and NRM management; 5) lack of a legal and institutional framework capable of supporting environmental reviews; and 6) lack of enforcement capability of existing environmental regulations. Participants at the workshop felt strongly that the undervaluation of some components of the resource base by the GOT and resource users was also an important root cause of resource mismanagement and degradation. These seven root causes reflect the fact that a functional legal, institutional, regulatory, and political framework that is essential for sustainable NRM and environmental conservation does not exist.

The desk-top study also entailed a preliminary review of donor-supported activities in the environment. It was found that the bulk of donor resources were directed at site-specific or district-level projects that aim at improving field-level resource utilization practices. For example, of the estimated U\$156 million provided by the principal donors for ongoing donor-supported activities related to the E/NRM sector in 1995, 29 percent was directed at forestry and agroforestry activities, 23 percent was directed at NRM in general, and 8.8 percent at biodiversity conservation. In contrast, less than one percent went towards environmental policy formulation, analysis, and legislation. Notable policy and institutional support efforts include the Swedish International Development Agency (SIDA) support to the National Environmental Management Council, and the World Bank supported National Environmental Action Plan (NEAP).

Based on the analytical steps outlined above, USAID/Tanzania is confident that the creation of an enabling legal, institutional, and regulatory framework is crucial to the conservation and sustainable utilization of Tanzania's natural resources; within the operational unit's management interest; and complementary to the efforts of the GOT and development partners. This is reflected in the operating unit's SO2: to establish the foundation for the adoption of environmentally sustainable natural resource management practices in Tanzania.

2. Compliance with 22 CFR 216

Title 22 of the Code of Federal Regulations, Part 216 (22 CFR 216) codifies the environmental procedures that must be followed by USAID. The purpose of 22 CFR 216, is to ensure that environmental factors and values are integrated into USAID's decision making process. According to this regulation, proposed activities should be subjected to an Initial Environmental Examination (IEE). The IEE establishes a factual basis upon which a decision is made as to the level, if any, of environmental review required for any given activity. An activity may qualify for a categorical exclusion from environmental review, a negative determination indicating that no additional review is necessary beyond the IEE, and a positive determination establishing that an activity will have to undergo further

environmental review. In some instances, negative determinations with conditions are granted.

USAID/T's portfolio under the 1997-2003 strategic plan includes nine activities; eight are ongoing and one is scheduled to commence within the current fiscal year. These are:

1. Tanzania Aids Project (TAP)
2. Family Planning Services Support (FPSS)
3. Finance and Enterprise Development (FED)
4. Regional Transport Development (TAZARA)
5. Agricultural Transport Assistance Program (ATAP)
6. Tanzania Democratic Governance Initiatives (TDGI)
6. Kagera Resources Management (KRM)
7. Participatory Environmental Resources Management (PERM)
8. Tuskegee-Sokoine University Linkage (TU/SUA)
9. Rural Telecommunications in Tanzania (RTT)

With the exception of the TU/SUA activity, all others have been subjected to environmental reviews, or qualified for a categorical exclusion as stipulated by CFR 216. An IEE for the TUA-SUA activity will be performed by USAID/REDSO/ESA prior to August 1996.

The PERM and KRM activities will require further mission-level environmental review stipulated as conditions in their respective IEEs. To this effect, USAID/Tanzania has requested REDSO/ESA to conduct the environmental assessment short-course which was developed to enable participating NGOs and PVOs to conduct environmental reviews on their own. These reviews will be submitted to the Mission Environmental Officer (MEO) for further review and appropriate action.

PART II: PROPOSED TANZANIA STRATEGIC PLAN

Based on the many analytical studies, evaluations, socio-economic surveys, participatory rural appraisals, customer and partner consultations, and Mission reviews and strategic planning team meetings, the Mission selected five strategic objectives to reflect what we believe can be achieved in Tanzania. Three of the strategic objectives (SOs 1, 4 and 5) are a continuation of activities the mission has been involved with for several years. The remaining two are new, but the Mission has experience in Tanzania with several of the activities associated with the SOs. We are confident that the ambitious results identified in our Plan are achievable and will be accomplished, and we are willing to be held responsible.

STRATEGIC OBJECTIVE ONE: INCREASED USE OF FAMILY PLANNING/MATERNAL AND CHILD HEALTH (FP/MCH) AND HIV/AIDS PREVENTIVE MEASURES

A. Strategic Objective Statement

One of Tanzania's major health challenges is to address the problems caused by poor reproductive health practices. These practices, including high fertility, closely-spaced births, high risk births to teenaged mothers and women over 35, inadequate antenatal care, unattended delivery, and rising rates of HIV and other sexually-transmitted infections, contribute significantly to persistently high rates of infant and maternal morbidity and mortality in Tanzania. USAID/Tanzania's Strategic Objective 1, "Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures" seeks to assist the Tanzanian people and the national health infrastructure to deal with these issues. Progress towards SO1 will also contribute to the achievement of our Mission goal of real growth and improved human welfare.

B. Linkages to Agency Goals and Objectives

The Agency's Goal 3 is to stabilize world population and protect human health. SO1 supports this goal and all four of its underlying objectives: reduce unintended pregnancies, reduce child mortality, reduce maternal mortality, and reduce STI transmission, with a focus on HIV. SO1 also supports the Global Bureau's Population, Health and Nutrition Center (PHNC) strategic objectives of increased use by women and men of voluntary practices that contribute to reduced fertility, increased use of key reproductive health interventions, increased use of key child health interventions, and increased use of proven interventions to reduce HIV/STI transmission. SO1 also supports the Africa Bureau Child Survival Strategy, which is consistent with the overall USAID Child Survival Strategy. Specifically, SO1 will work to improve institutional capacity within the Ministry of Health, to improve national capacity to develop trained health personnel; support integrated community-based services; and promote public/private partnerships between the MOH, NGOs, and the private sector.

The SO supports the Agency's emphasis on greater integration within the reproductive health sector and with child survival and reflects Tanzania's goal to better integrate primary and preventive services. This approach is consonant with the GOT's National Strategic Health Plan which seeks to integrate vertical programs such as FP and HIV/AIDS/STIs into MCH facilities and services, in order to create a more sustainable health care system. SO1 also supports the Plan's objective of maximizing public and private resources to support a sustainable system of essential health services.

SO1 is also linked to the Agency's Greater Horn of Africa Initiative (GHAI), which in addition to dealing with immediate crises in the region also seeks to begin addressing the root causes of famine, civil strife and poverty. Rapid population growth is recognized as one of these root causes, as it is a major factor in increasing environmental degradation, resource

scarcity, and poverty. Tanzania has available more good quality, unexploited agricultural land than any other country in the region and is looked upon as a supplier of food during times of difficulty in the other GHAI countries. A reduction in fertility and a slowing of Tanzania's population growth rate will help to reduce pressure on Tanzania's resource base and food availability, thus supporting the attainment of longer-term GHAI objectives.

SO1 is also linked to and integrated with the Mission's other SOs, particularly SO2 (Foundation established for the adoption of environmentally sustainable natural resource management practices in Tanzania). This SO addresses the crucial need to manage natural resources to prevent environmental degradation. Overpopulation already has created intense pressure on arable land in some areas of Tanzania and unless concerted action is taken soon this situation will steadily worsen as the population continues to grow. Areas currently unaffected can also expect to suffer the consequences of rapid population growth, with serious resource depletion occurring.

Other Mission SOs which require household economic data reporting will be supported by SO1's national data collection efforts. For example, a new module on income and expenditures will be piloted in the 1996 Demographic and Health Survey (DHS) to provide baseline information for a broad range of Mission activities.

C. Problem Statement and Progress to Date

1. Problem

Although Tanzania has made considerable progress in the area of primary and preventive service delivery, the Tanzanian health system still has many gaps, particularly in the area of integrating family planning and HIV/AIDS and sexually transmitted infections (STI) services into existing MCH services. The population is characterized by rapid growth (2.8% per year); youth (54% of the population is under 15 years of age); and persistently high infant and maternal mortality rates. In the four years since the Mission's 1992 - 1997 Country Program Strategic Plan was developed, conditions have not changed substantially, with the exception of an increase in use of modern method contraception and an increasing number of persons affected by AIDS. The 1991/92 total fertility rate was estimated at 6.3 births per woman, while in 1994 an estimated 1.6 million Tanzanians were HIV positive. High fertility and high rates of HIV/AIDS contribute to elevated adult and infant morbidity/mortality. Poor maternal health and childbirth are leading causes of death among women of reproductive age and AIDS is considered to be the leading cause of death among 20-45 year olds. Consequences of high fertility, poor reproductive health and high risk births pose ever increasing threats to the full range of Tanzania's development goals. To summarize:

- **High fertility and high risk births are major contributing factors to infant/maternal morbidity and mortality;**
- **High rates of HIV and sexually transmitted infections, which contribute to poor infant**

and adult health status, are major health threats in Tanzania.

High risk births and high fertility have negative effects on child survival and families. In Tanzania, maternal and child health are inextricably linked. Almost 60% of Tanzanian infants are born to mothers who are too young or too old and/or who already have more than three children; and/or are born less than 24 months after the preceding sibling's birth. High fertility is associated with steep increases in low birthweights and infant death. In Tanzania, the single most important risk factor is high fertility. If a woman dies during childbirth or soon thereafter, it is unlikely that her infant will survive, and other children under five years of age are also more likely to die. Close birth spacing combined with such factors as teenage childbearing or the death of the previous infant can also increase the child's risk of dying. Further, frequent childbearing can lead to premature termination of breastfeeding. In Tanzania, the pattern of childbearing has many negative implications for child survival.

Frequent/early childbearing can cause maternal depletion and poor health. In Tanzania, inadequate knowledge of child spacing and services results in increased rates of unsafe abortion, which can cause hemorrhage and sepsis. The fact that most Tanzanian women report for their first antenatal visit late in their pregnancies further exacerbates the risk of miscarriage, premature childbirth or neonatal death. Extended periods of the mother's poor health lead to a depletion of savings, loss of income, and social disruption of families. Women bear a disproportionate share of these burdens, and their hardships have a serious impact on all of society. Women are the major caregivers in families, and their children's survival critically depends on their health status.

High fertility also contributes to Tanzania's high rate of population growth. Unsustainable population growth will continue to present enormous challenges to development efforts. Although fertility is starting to decline and despite the effects of HIV/AIDS, the population of Tanzania will still likely double in the next 25 years, reaching 58 million by 2020, unless fertility falls quickly over the next decade. If current population trends continue, demand for health, education, and other social services is certain to exceed the Government's ability to provide them. For example, recurrent expenditures on education would have to treble in real terms by 2020 in order to meet the education needs of an expanding school-aged population. Strong investments in family planning today could result in substantial future savings in education and other social sectors by slowing population growth.

High levels of HIV/AIDS and other STIs are projected to have significant demographic and socio-economic impacts in Tanzania, with serious implications for child survival. Although the infant mortality rate (IMR) is expected to continue to decline over the next decade, AIDS mortality will contribute to a significant slowing of that decline. Without AIDS the IMR would be expected to drop to 65 by the year 2010, but given current infection levels it will remain relatively unchanged at 90, 38% higher than if there were no AIDS mortality. Apart from directly contributing to perinatal, infant, and child deaths, HIV/AIDS also affects child welfare and survival through its impact on the adult population. Adults in their productive years form the majority of AIDS victims. As these parents and workers increasingly

succumb to AIDS morbidity and mortality, household incomes and consumption levels will be reduced, labor productivity will decline, and standards of care for infants and young children will be compromised. Household savings and productive assets often have to be liquidated to pay for medical care and funerals. Sexually transmitted infections are important cofactors in enabling the transmission of HIV. On their own, STIs can contribute to miscarriage or infant illness if they are left untreated, and have direct effects on infant survival. Additionally, since most AIDS sufferers are between the ages of 20 and 45 years, Tanzania's work force is likely to become younger, less skilled, and less experienced, and national productivity will fall. Some models project life expectancy to fall from 49 years in 1995 to 35 by the year 2010. Household AIDS-related deaths will have particularly harsh effects on women and will increase the number of orphans and children at risk.

Under five mortality is estimated at 141 per thousand live births and infant mortality at 92. Although these figures continue to present substantial challenges, impressive strides have been made in a number of child survival areas. Notably, 75% of children have been fully vaccinated by the age of two years, nearly 70% of mothers have used oral rehydration salts (ORS) packets, and increasingly larger numbers of mothers take their children to health facilities for acute respiratory infections, fevers, and diarrhea. Considerable donor support for child survival continues for essential drugs, immunization, prevention and control of diarrhoea and acute respiratory infections, and maternal and child nutrition. Primary Health Care continues to be a GOT priority. USAID's contribution to these specific child survival interventions continues to be largely in the area of training.

Appropriate infrastructure and services to deal with the medical, economic and emotional distress caused by reproductive-related illness are very limited in Tanzania. MCH services are in need of improved management and supervision. Personnel lack adequate, modern training in reproductive and child health. Health services are unable to treat patients suffering from HIV-related infections, obstetric emergencies or other reproductive health illnesses. STI treatment and prevention services are just getting started and family planning/child spacing remains the least developed and least researched area in the MCH service delivery system. The Government of Tanzania is, however, embarking upon an ambitious ten year plan to reform the health sector and provide a basic package of health services with an emphasis on primary/preventive services. This is a long term goal. They have also adopted "integration" of services, meaning MCH/FP/STI/HIV/AIDS are simultaneously available and often available through the same provider. This strategy directly supports this approach through improvements in training, supervision, and facility and community based management of services.

2. Progress to Date

National efforts are underway to increase use of child spacing services and HIV/AIDS prevention measures. In 1993, the National Population Policy was approved and the second five-year strategy is being implemented. An existing integrated FP/MCH infrastructure has facilitated implementation and expansion of family planning services, which, in turn, have

strengthened overall MCH services (through improved training, supervision, etc.). Crucial to this progress has been USAID support. Since 1991 we have provided a wide range of technical, managerial and commodity support to the Ministry of Health through Family Planning Services Support (FPSS). The Tanzania AIDS Project (TAP) was added in 1993.

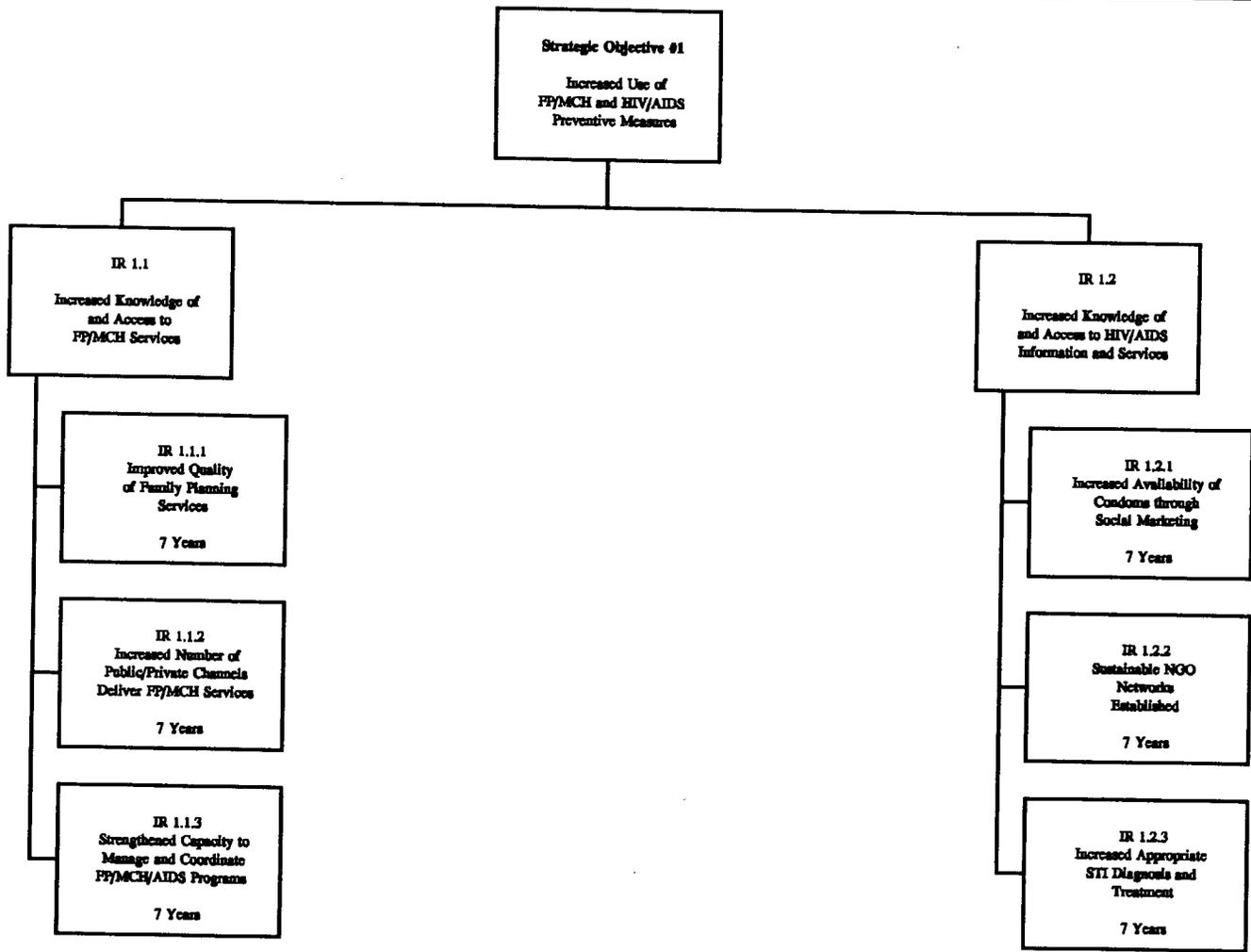
Over a three year period (1991/92 to 1994), use of modern FP doubled, from 6% to 11.3% of all Tanzanian women in rural and urban areas. Client choice of methods improved markedly, as the number of facilities offering at least three modern methods has more than doubled, and almost all facilities offer oral contraceptives and condoms. Use of injectables has increased five-fold; use of IUDs has more than doubled; and condom use has almost tripled. Voluntary surgical contraception (VSC) sites have also increased from two in 1990 to approximately 70 in 1995. The Ministry of Health MCH Department has become an effective lead institution and coordinates the complete system of integrated FP/MCH services, including oversight and coordination of NGO and private sector activities. Development and management of a national MCH training system (including a nationwide system of MCH trainers, supervisor and managers), distribution of commodities (in cooperation with the Expanded Program on Immunization) and improved donor coordination are other positive outcomes.

The National AIDS Control Program (NACP) coordinates national and donor support for HIV/AIDS efforts and is currently implementing its second five-year Medium Term Plan. This Plan recognizes the contribution of NGOs and seeks to decentralize its programs to the regions and districts. The Tanzania AIDS Project (TAP) is a major effort in Tanzania's fight against HIV/AIDS. Since the initiation of implementation, TAP has supported development of a national condom social marketing program for Salama condoms. Initial sales began in December 1994 and reached 10 million (30% to 40% of total condom consumption) by the end of 1995. Increased condom use is an important indicator of positive behavior change. A national assessment of NGOs was completed and a national strategy for regional expansion that involves 116 NGOs in half of Tanzania's regions is being implemented and businesses and the private sector are becoming increasingly involved in HIV/AIDS prevention through expansion of work site prevention programs. Training programs in syndromic management of STIs have begun following the new WHO methodology. New initiatives in media for youth are being developed and a national assessment of families and children affected by AIDS has been completed to enable the NACP and others to revise the social welfare system and review inheritance laws.

3. Consultative Process

Throughout the development of the SO customers, partners and stakeholders have been directly involved in the consultative process. Direct and indirect feedback was obtained through a series of field trips, interviews, and analysis of national survey data. Special studies and surveys provided useful information as to which specific reproductive health problems needed to be addressed. The team met with GOT officials, including the Minister of Health, donors, and collaborating agencies and implementing partners to review the SO as

it developed. Donor meetings resulted in a determination of direct inputs into several of the intermediate results on the part of other donors. Coordination in the area of logistics management with development partners who assist with the distribution of critical health commodities will continue. The GOT provided crucial oral and written input into the results frameworks and supporting narratives, through the NFPP and the NACP. The MOH is strongly supportive of the approach to integrated reproductive health services. Our cooperating agencies also participated in the review of the various iterations of the results framework and are appreciative of the strong links between family planning and AIDS interventions.



Critical Assumptions :

1. Demand for FP services will continue to increase.
2. GOT will maintain political commitment and support for FP and HIV/AIDS programs.
3. Users, donors, and GOT will increase financial support for FP and HIV/AIDS programs.

Partners :

- IR 1.1: Min of Health, NGOs, Communities, Other Donors
 IR 1.2: Min of Health, NGOs, Cooperating Agencies, Other Donors

D. Causal Relationships and Critical Assumptions Underlying the Results Framework

1. Causal Relationships

The Agency and Mission recognize that a broader approach to reproductive and child health is necessary to maximize access and achieve public health impact in a more cost-effective way. Health systems, by targeting mothers and children as a unit, reflect this cost-effective approach. Child survival consultations are ideal venues to introduce mothers to family planning and maternal and nutrition programs. The converse is also true: family planning services often provide the only opportunity a woman may have for a full physical examination. The MCH service provider plays a key role in ensuring mothers and children are provided with the full range of reproductive and child survival services they require. Good antenatal care, prevention and treatment of STIs and practice of birth spacing measures have positive effects on infant health. Mothers who are in better health and who are more resistant to disease (including AIDS) are better able to care for their families. Their infants are healthier and have a better chance of surviving their first year of life.

Our approach therefore is to support integrated MCH/FP/STI/HIV/AIDS programs as part of the package of essential health services and by doing so, strengthen the institutional framework that supports the broader child survival and primary health care system. All of these services are integrally linked together within the Tanzanian context. SO1 has two intermediate results: IR1, Increased Knowledge of and Access to FP/MCH Services; and IR2, Increased Knowledge of and Access to HIV/AIDS Information and Services. These IRs respond to client demand and need for higher quality, more accessible integrated reproductive and child health services. While there are certain synergies and mutually beneficial impacts derived from certain of the interventions employed in areas of emphasis (e.g., condom use protects both from pregnancy and from STI/HIV infections), the major causative relationship of these IRs is exhibited at the Mission goal level where they both contribute strongly to reduced maternal, infant and child mortality.

The already integrated nature of Tanzania's primary/preventive health care system makes it necessary to address MCH/FP, STIs and HIV/AIDS holistically as these services have begun to be delivered in a completely integrated, mutually supportive manner. As communities learn that multiple services are available at local sites, use of these services is expected to increase. The IRs can therefore produce multiple benefits from one intervention (such as training of an MCH service provider) which will have positive impacts in all three areas.

The time frame for achieving the SO and intermediate results is seven years. Based on past trends, present capacity to affect changes, and anticipated resources from USAID and other sources, we expect to see significant impacts at the SO and intermediate results levels within this period. Although the progression from intermediate results (increased knowledge and access which stimulate demand) to SO (increased use) is sequential, the results we expect at the aggregate level may be simultaneous; that is, we expect use to increase in tandem with knowledge and access. Therefore, we do not assume a shorter time frame for achieving the

intermediate results.

IR1.1: Increased Knowledge of and Access to FP/MCH Services

Current services are inadequate to meet the existing demand for child spacing and good prenatal care, both in terms of quality and quantity. Client knowledge about good health practices must be increased so that customers can make educated choices. As knowledge increases and attitudes change, demand for and use of FP/MCH services will also grow. For example, although most women utilize antenatal services, they begin their visits late in their pregnancies and almost half of deliveries take place outside of a health facility. Without knowing that good prenatal care leads to safer pregnancy, delivery and infant health, or that early care should be sought for a child with fever, and without access to facilities that can provide the broad range of FP/MCH services, customer demand will stagnate and inequities in service delivery will remain. USAID will work with Government, donors, NGOs, the private sector, local communities, and customers to strengthen knowledge about FP/MCH services in order to increase demand and access.

Quality services are defined as customer-oriented services. Widely accepted aspects of quality FP/MCH services include: competency of providers; availability of information; positive client/provider relations; accessibility to services; and a wide range of contraceptive methods available. Although the quality of FP/MCH services is improving at many public sector sites, services still require better trained providers, accurate and understandable information for clients, adequate drugs and supplies, and accessibility.

Improved public/private sector partnerships and linkages is a key child survival goal, and critical to improving any MCH intervention. Increasing the number of Ministry of Health and NGO/private sector delivery systems which offer a complete range of integrated services will improve customer access to these services. NGO and private sector programs are increasing, but child spacing/limiting services are still mainly provided by the government, and demand for these continues to outpace the supply. Furthermore, many services are still clinic-based. While USAID will continue to support selected MOH facilities over the life of the SP, more support will shift to non- and for-profit NGO/private sectors who provide a wide range of integrated FP/MCH services through community-based workers.

Community-based programs offer an array of services to villages, including information on immunization, nutrition, child spacing, breastfeeding and prevention of diarrheal disease.

Strong program management and a supportive policy environment are essential for sustaining MCH/FP/STI/ HIV/AIDS integrated programs. Management and coordination will become increasingly complex, as the system becomes more integrated, yet becomes decentralized, and as players within the public and private sectors increase both in number and diversity. The capacity to identify priority issues, plan strategically, and mobilize and target resources accordingly will be essential in upcoming years as the program expands and resources are likely to become more constrained. Both NGOs and Government need to be able to use operations research and survey data for program decision making and strategy development

with an emphasis on customer demand and for information sharing.

IR1.2: Increased Knowledge of and Access to HIV/AIDS Information and Services

The need to increase knowledge about HIV/AIDS prevention and encourage healthy behavioral practices is critical. Although knowledge of HIV/AIDS is considered to be universal, knowledge about AIDS prevention is still relatively low. Only 36% of women and 49% of men surveyed in the Tanzania Knowledge, Attitudes and Practices Survey (TKAPS) mentioned use of condoms as a way to prevent AIDS and less than half knew that having only one partner was a prevention method. And, only 20% of women and 36% of men reported using a condom in their most recent sexual intercourse with a non-regular partner, illustrating the need to improve education about AIDS prevention. Although knowledge is spreading and the demand for preventive measures such as condoms is growing, information services are inadequate to address the magnitude and urgency of the problem and use of preventive measures is still relatively low. As knowledge of HIV/AIDS increases, the demand for prevention services is expected to increase. Such services must be readily accessible to provide customers with quality reproductive health care and support to encourage healthy reproductive behavior. Further, as the epidemic progresses and the social impacts of HIV/AIDS, such as in adult illness and death, family impoverishment and orphanage increase, the provision of home care and social services will become increasingly important.

Condoms are a key intervention to prevent transmission of AIDS and STIs. Reintroduction of "socially marketed" condoms in 1994 has proved very successful, with sales more than twice the projected targets. A national distribution system has been established and alternative marketing systems are being developed. USAID will continue its lead role as manager and coordinator of the condom social marketing program and elicit ongoing support from the donor community to supply condoms for both private and public sector consumption. From these efforts, private sector condom sales are expected to surpass 20 million per year by the year 2000, while the number of men using condoms is expected to increase by more than 10% per year. It is possible that social marketing will eventually become the main source of condoms for customers in Tanzania, thus relieving the public sector of the burden of large-scale distribution and supply.

The NACP's second five year Medium Term Plan (MTP II) recognizes the contribution of NGOs in its efforts to decentralize its programs to the regions and districts. A larger role for the private sector is also included in the Agency's child survival agenda as it is recognized that NGOs can help decentralize services to the community level (another area of child survival emphasis) while working in partnership with public sector authorities. It will be essential for NGOs to have strong links to district authorities so that cohesive plans and approaches to AIDS can be defined. The strengthening of NGOs to enable them to work more effectively with Government agencies and communities, and to promote demand for services at the community/customer level, is critical to program success. In line with this strategy, a sustainable NGO infrastructure which reaches to the grass-roots and community

levels will be developed. To date, NGO networks or clusters comprising 116 NGOs have been initiated in regions covering over half the population. Coverage will be expanded to the remaining regions to provide services to communities and work sites. With SO1 support, capacity will be created within selected NGOs to provide HIV/AIDS information and prevention services and to provide family care services to those affected by HIV/AIDS. Targeted IEC efforts by NGOs at work sites and in high transmission area peer education programs will result in behavioral change (increased condom use, more effective STI treatment and more attention to individual risk management will occur in the populations served by these NGOs). To the extent possible, NGO activities will be financed by businesses interested in providing AIDS prevention and care services to their employees.

Diagnosis and treatment of what are often asymptomatic sexually transmitted infections have been stressed by the World Health Organization as interventions that can significantly decrease HIV transmission. A recent clinical trial in Mwanza, Tanzania, showed that improved diagnosis and treatment of clients with self-presenting symptoms of STDs reduced HIV incidence by almost 40%. Increased capacity to diagnose and treat STIs is therefore expected to improve access to effective HIV/AIDS prevention services and help control the spread of AIDS. An integrated approach to STI diagnosis and treatment will be developed between the NFPP and the NACP so that public sector providers will also be equipped to provide the full range of reproductive health services to clients.

2. Critical Assumptions

In order to ensure success of the strategy outlined above, we assume that demand for integrated FP/MCH services will continue to increase. Consumer demand for these services should drive efforts to make quality services widely available, and ultimately make them sustainable as people become more willing to purchase them. Government political support and commitment to FP/MCH and HIV/AIDS prevention programs will be critical to providing a positive framework for public and private sector efforts. USAID is the major donor in FP and AIDS. Our ability to provide significant resources, in a consistent manner, will ensure that the SO is achieved. Finally, we expect that wider financial support--from users, donors and the GOT--will be available for primary and preventive services, including FP/MCH and AIDS prevention. This is based on the assumption that the GOT health sector reform strategy, which aims to shift resources to these areas, is successful.

E. Commitment and Capacity of Other Development Partners

Government partners. The Ministry of Health Department of Preventive Services coordinates overall donor and NGO efforts to promote a number of vertical child survival programs, as well as national programs which promote family planning and HIV/AIDS prevention. Other ministries, such as the Ministry of Community Development, Women Affairs and Children (MCDWAC) are important partners for social services offered to people with HIV/AIDS and their families. Local government authorities, including regional and district medical officers and MCH coordinators are key partners as well.

Other donors. Donor support will be increasingly important. USAID provides just over 56% of the financial support to family planning and 30% to in HIV/AIDS prevention activities. The Mission already works with UNFPA and British ODA in both family planning and HIV/AIDS and joint programs have been developed with these partners in the areas of training, logistics management, and direct commodity support to the MOH. UNFPA has assumed financial support for providing public sector condoms to the NACP, while the Dutch Government will provide condoms for social marketing. ODA may provide additional support for STI training. The Japanese Government has donated vehicles for behavior change communication activities and additional support will be requested. The German Government will provide 6 million DM over a four year period for contraceptive purchases and related technical support. The European Union (EU) has pledged significant resources for the purchase of STI drugs.

UNICEF plans to support a wide range of services in health, chiefly in the MCH and HIV/AIDS areas. Over the next five years, about \$10 million will be utilized for MCH (60%) and child disease control (40%). A smaller amount (\$1.8 million) is earmarked for HIV/AIDS activities through UNAIDS. Areas for collaboration exist in linking USAID's HIV/AIDS programs to UNICEF activities in its child survival programming districts. DANIDA, the largest donor in health, will program about \$20 million per year in its next program. Their areas of emphasis are immunization, AIDS control, health education, support for essential drugs/pharmaceutical supplies, and management support/policy development. Areas for collaboration include strengthening the health management information system and collaboration in pharmaceutical logistics management. World Bank support (\$20 million) will be focused on health sector reform, essential drugs, primary health care, and health care financing studies.

NGOs and Private Sector. NGOs and private sector agencies are significant partners in our efforts to achieve the SO. 40% of health care is provided by church-supported or other NGOs. At least 200 NGOs are involved in HIV/AIDS-related activities. Private, for-profit clinics, dispensaries, hospitals and pharmacies are spreading throughout the country. Strong NGO capacity in the area of community-based services and the support of local businesses for work place-based integrated reproductive health and child survival activities will be important.

F. Illustrative Approaches

USAID is the single largest donor in family planning and AIDS prevention, with the greatest technical capacity in these areas. The GOT recognizes that role and has requested that our assistance in these areas, as well as in MCH training and clinic management, continue. We already have several years of experience in working with the NFPP and NACP, the major GOT coordinating bodies which provide overall direction to efforts in FP/MCH and HIV/AIDS prevention and to enhance their synergies with child survival interventions such as EPI and essential drugs procurement. These efforts will continue, especially in the areas of general oversight and coordination of an increasingly decentralized system. While our

support will continue to target interventions in these areas, and will be national in scope over the life of the Strategic Plan (SP), we will cooperate with other donors in the broader child survival area to ensure that our efforts also strengthen the health service delivery system. In areas where we have predominant capability and a proven track record, our support can complement other donor efforts so that the full range of Tanzanian primary/preventive health care needs are addressed. Activities will strengthen Tanzania's ability to deliver the broad range of MCH and child survival services; provide greater education and information that will help enable clients to limit high risk births and improve prenatal care; and provide improved information and services in the area of STI/AIDS prevention.

USAID's niche for MCH will continue to be in the training arena where impact will be widely distributed through thousands of trained personnel in both the public and private sectors. Strengthened foci will be in the areas of breastfeeding, infant nutrition and counselling for early recognition and resulting treatment of infant and child illness. The strong role USAID has played in all aspects of reproductive health will continue and expand.

USAID will continue to play a key coordinating role. A special working group, the Reproductive Health Coordination and Implementation Group (RHCIG), has just been created at USAID initiative, to bring together cooperating agencies, Government, and donor contractors, grantees and other partners. USAID will continue to participate in bimonthly donor consultative meetings of the Health and Population Sector Group and contribute to the ongoing Health Sector Reform process.

With the general liberalization of the economy and legalization of private sector businesses, many new NGOs and for-profit clinics have emerged and are playing an increasingly important role at the community level in reproductive health. They reflect the Mission's desire to promote public/private sector partnerships and enhance community-based services. For-profit pharmacies, clinics, and dispensaries have increased dramatically since 1990, and these will be explored as possible outlets for reproductive health services. Many focus on delivery of child survival services but lack child spacing capacity. In many communities, NGOs provide a full range of information and prevention services, as well as care and support for families affected by AIDS. This makes them key partners for HIV/AIDS programs. Pilot programs will be implemented to test whether NGOs and the private sector can provide sustainable, efficient and effective services to customers, especially under-served groups, such as out-of-school youth, males, and working-age adults. Further, we will explore ways to expand social marketing capacity through traditional NGOs that usually distribute free commodities. Operations research will be used to see whether this is a viable means of service delivery.

G. How Sustainability Will be Achieved

Considerable progress towards sustainable FP and HIV/AIDS programs was made during the previous planning period. NFPP management staff and operations are fully integrated into the MOH financially, logistically and managerially. A decentralized system of regional and

district training teams is being developed to train and update service providers on a continuous basis without outside technical assistance and is institutionalized within the overall MCH structure. Three local training institutions now provide high quality training in STI control. Considerable technical assistance has been provided to strengthen the MOH's ability to manage and coordinate training and logistics management. Customers are demanding longer-acting methods of contraception which result in greater couple years of protection at lower overall cost. NGOs have been mobilized in nine regions to work together more effectively to deliver integrated reproductive health/child survival and HIV/AIDS services. Technical support has been provided to make them viable institutions that will be able to solicit and account for funds and implement prevention programs. Under this SP, USAID will plan strategically for more cost-effective ways to support the expansion of affordable, quality FP and HIV/AIDS services in a sustainable manner. Our focus areas for sustainability are outlined below.

Sustainability of any health service must be based on demand for that service. Customer demand drives providers (public and private) to increase services and to provide them more efficiently and effectively and unmet demand for FP is already high. Social marketing of condoms has shown that people are willing and able to pay a modest price for a more accessible service. Demand creation for FP and HIV/AIDS services through informational campaigns will be critical to the sustainability of these services.

Will customers be able to support these services through payments? Tanzania is one of the world's five poorest countries (GDP per capita of about \$100 per year). The Health Sector Reform process currently exempts primary and preventive care (including child survival, FP services and care of AIDS patients) from cost-sharing. However, given the growing cost of health care, it is uncertain whether these exemptions can be sustained over time. Customers already provide their own expendable supplies in Government facilities. Increasingly, more clients are turning to NGO/private sector services for better quality of care. It is therefore not unreasonable to assume that over time, users will assume some of the costs of preventive services. Operations research is now underway to see whether CBD agents can actually sell reproductive health services/commodities door to door. Social marketing has already demonstrated customer willingness to pay for condoms. The Mission will continue to explore opportunities to widen customer contributions to the reproductive health sector and target appropriate economic groups for "cost sharing" of services.

Technical, management, training, and institutional capacity building will be a central focus of all USAID assistance. For example, with regard to capacity building in training, development and preparation of regional/district-level training teams will continue. This will fully institutionalize the NFPP's ability to provide on-the-job and refresher training to various cadres of service personnel. Further, we will shift to an untapped, but more cost-effective, venue for training of service providers, the pre-service training institutions. These institutions will be assisted to revise their curricula and be provided with equipment and upgrading of their personnel so that more expensive on-the-job basic training eventually will be minimized. Local NGO partners will be strengthened so that they can provide TA to

nursing and paramedical training schools as needed, obviating the need for further outside assistance.

Institutional capacity building will be directed to the Ministry of Health/ FPU and NGOs. USAID will continue support to upgrade staff and strengthen management capacity. Assistance will be provided to fully institutionalize the capability to determine annual contraceptive needs and present these to donors. The shifting of a vertical contraceptive commodity system over to the new, integrated Medical Stores Department which handles all essential drugs, will be important. Institutional strengthening of NGOs to provide community-level HIV/AIDS prevention services will be especially crucial. Our strategy is to continue to provide TA, training, and materials, etc., so that NGOs become technically and institutionally self-sustaining and able to pursue funds from other sources.

More funds must be mobilized in order to achieve reproductive health goals. In Tanzania financial sustainability will require a longer time horizon and cannot be expected over the next 7 years. Nevertheless, USAID will encourage efforts to decrease dependence on all donor funding and to encourage more cost-effective ways of "doing business." Private sector strategies will be emphasized and cost sharing, now being implemented by GOT, will be supported. Social marketing, for a variety of health products, has the potential to generate significant revenues, although commodities will continue to be donated. Less costly contraceptives will be provided by other donors, and delivery of more effective methods will be strengthened. The Mission will work closely with NFPP and NACP to enable them to get the most from their donor programs, and will work with other donors to ensure that quality commodities are provided at the lowest price.

H. Judging

We will be accountable for managing performance toward achievements of the Strategic Objective and the two Intermediate Results. This performance will be measured by a series of internationally accepted indicators, including contraceptive prevalence rate (CPR) and couple-years of protection (CYP).

Table 4
SO1. Increased use of FP/MCH and HIV/AIDS preventive measures.

Indicator (Baseline year)	Baseline	Target
1.1 Modern method CPR, % currently married women 15-49 (1994)	13.4	23.0
1.2 Modern method CPR, % all women 15-49 (1994)	11.3	20.0
1.3 % of births in high-risk categories (1991/2)	58.5	50.0
1.4 % of infants aged less than four months exclusively breastfed (1991/2)	32.0	42.0
1.5 % of women using condom in most recent sexual intercourse with non-regular partner (1994)	20.0	40.0
1.6 % of men using condom in most recent sexual intercourse with non-regular partner (1994)	36.0	50.0

Table 5
IR1.1: Increased knowledge of and access to FP/MCH services

Indicator (Baseline year)	Baseline	Target
1.1.1 % of women 15-49 who know at least 3 modern FP methods (1994)	77.0	90.0
1.1.2 % of men 15-49 who know at least 3 modern FP methods (1994)	82.0	90.0
1.1.3 % of children with recognized fever taken to a health facility (1991/2)	57.0	67.0
1.1.4 % of women making first antenatal visit before 5th month of pregnancy (1991/)	32.0	40.0
1.1.5 CYPs generated (1994)	1,182,720	1,875,300
1.1.6 % of dispensaries stocking 3 FP methods (1994)	87.0	95.0

Table 6
IR1.2: Increased knowledge of and access to HIV/AIDS information and services

Indicator (Baseline year)	Baseline	Target
1.2.1 % of women who know having one (faithful) partner is a way to avoid AIDS (1994)	40.0	50.0
1.2.2 % of men who know having one (faithful) partner is a way to avoid AIDS (1994)	44.0	50.0
1.2.3 % of women who know using condoms is a way to avoid AIDS (1994)	36.0	50.0
1.2.4 % of men who know using condoms is a way to avoid AIDS (1994)	49.0	55.0
1.2.5 % of women who know a source for condoms (1994)	51.0	90.0
1.2.6 % of men who know a source for condoms (1994)	66.0	90.0

These indicators and their targets will be reviewed periodically, and updated as necessary, during the R2 process. The lower level IRs will also be tracked through the Mission's monitoring and evaluation system, but not reported to USAID/W. Rather, these will be used internally to ensure that inputs provided are having the desired outcomes. Above the SO level, fertility decline will be measured in terms of the total fertility rate, improvements in infant/child mortality rates will be measured. HIV incidence will be assessed through changes in life expectancy. Significant impacts at the SO level and above are expected to be seen beyond the 7-year time frame of this SP. These predictions are based on current knowledge of the pace of demographic transition and the evolution of HIV/AIDS, the situation in Tanzania today, and the anticipated level of resources that may be available.

National baseline surveys already exist in the TDHS 1991/92, a situation analysis (TSAS/1992), TKAPS 1994 and the Health Facility Survey 1992. Future studies/surveys include the TDHS 1996, the Service Availability Study (TSAS 1996), TKAPS 1998, and TDHS 2002. The TDHS and TKAPS will serve as data sources for tracking the SO and intermediate results indicators. Special surveys and studies to assess needs of individual groups (e.g. urban workers, males, youth) are scheduled for 1995 (urban reproductive health community-based services) and 1996 (vasectomy and demand for FP social marketing). Other future studies will provide further information on customer willingness/ability to pay for preventive and curative services. Field visits and customer interviews will be undertaken in order to monitor results package activities. Operations research will be conducted to study a variety of customer-related issues to ensure that programs and services respond to customer need and demand. Topics include: the willingness to pay for home-delivery of FP/MCH services; customer ability to access clinic-based vs. more "customer friendly"

commercial outlets; and, equity issues within exemption and waiver policies. The Mission's management information system will regularly track lower level results and activities to ensure that customer demand is being met, results are on track, and appropriate adjustments are made.

I. Funding Scenarios and Their Implications

Strategic Objective 1 will require a minimum resource level of \$77 million (turnaround and high scenarios) to achieve the expected results over the seven year period. Resources will be required for technical assistance, commodities, training, monitoring and evaluation, and institutional strengthening, as well as management of the SO. The close interconnectedness of the various components of the SO makes it imperative to ensure a rational balance in the allocation of resources because singly, no component is sufficient to achieve the desired outcome. While resources required are discretely divided into segments, each SO segment is necessary and will require adequate support to achieve the results. The provision of commodities, for example, must be accompanied by relevant technical assistance to ensure effective use and outcome. Service providers will need to receive appropriate training to deliver quality service to customers. The outcome of the inputs will need to be routinely judged. While we believe the targets described in Section H could be achieved, new initiatives necessary for strengthening sustainability of achievements, such as demand creation, targeting on special groups and under-served prospective customers may not be possible.

Resources available under the low scenario (\$56 million) are only 73 percent of those under the turnaround and high scenarios. To ensure maximum benefit from this low level of funding, a deliberate decision has been made to distribute resources according to priorities, rather than cut support proportionately across the board. Accordingly, the bulk of the resources will be allocated to technical assistance, contraceptive procurement and management support to the MOH. Certain areas, such as national surveys and service provider training, will be severely scaled down, and targets reduced. Under this scenario, the SO is bound to lack balance and lose the vibrant flexibility the other scenarios would provide. For example, scaling down training, which is crucial for increased quality and access to FP/MCH services will mean that opportunities of demand creation will be lost. Targets would reflect a slight increase in contraceptive prevalence of only 14%, a similarly modest increase in AIDS prevention changes and lower increases in antenatal visit targets. Under this scenario, reduction in demand creation and reduced expansion of services would result in lost opportunities and a general stagnation of the program.

Global Bureau Support. Over the life of the SP, the Mission will draw heavily on the expertise provided by G/PHN Center cooperating agencies. Approximately 65% of the total budget will be earmarked for field support from G/PHN. The balance will be obligated bilaterally through the Mission's two SO1 projects/results packages or OYB transferred to G/PHN projects. The scenarios described above include Field Support requirements.

Core funded projects. At present, two child survival activities funded through BHR/PVC and G/PHN/HN are operating in Tanzania. One seeks to prevent trachoma in several districts in Dodoma region. The OMNI project has carried out a series of small support activities to promote solar drying of foods, in order to prevent vitamin A deficiency. In addition, the Mission has been able to become more active in health sector reform efforts with support from the Demographic Data for Decision Making Project and BASICS, both of which have supported several studies in Tanzania. BASICS is expected to conduct a study on equity implications for cost sharing later in FY 96. The Mission supports the BHR/PVC and OMNI efforts even though they are tangential to our SO, since they complement our program. We expect that future child survival PVO matching grants or similar grants will be closely coordinated with specific SO activities, such as training. The ability to commission studies through BASICS or DDM has enabled the Mission to become an active participant in health sector reform, although not a major donor.

OE requirements. In order to manage the results and activities under SO1, the following staff will be required: one USDH BS-50 PHN Officer; one FSN health specialist (for management of specific results package components as well as other health activities); one FP results package manager (PSC or other); one AIDS results package manager (PSC, TAACS or other); one administrative assistant/secretary; one secretary; one-two Population Fellows as required.

STRATEGIC OBJECTIVE TWO: FOUNDATION ESTABLISHED FOR ADOPTION OF ENVIRONMENTALLY SUSTAINABLE NATURAL RESOURCE MANAGEMENT PRACTICES IN TANZANIA

A. Strategic Objective Statement

USAID/Tanzania has selected as its second Strategic Objective "Foundation established for adoption of environmentally sustainable natural resource management practices in Tanzania", in order to ensure that long term sustainable economic growth can be achieved. Tanzania's natural resource base is the country's greatest asset. Agriculture is the mainstay of the economy, accounting for about 50% of GDP and 60% of foreign exchange earnings. Potential tourism earnings based on the coastal resources, diversity of habitats and biodiversity endowment are enormous and are expected to grow 12-15% per annum during the planning period. Perhaps the country's greatest wealth is contained in its mineral assets which currently contribute about one percent of GDP but could close the \$900 million per year gap between import and export earnings if properly exploited and regulated. A recent Mission study (Vethouse 1995) shows that the mineral export potential is four to six times larger than official statistics indicate. Non-traditional exports are another growth sector with potential earnings more than their current value of \$200-300 million a year (BOT 1995).

Increased pressure on its natural resource base as a result of the liberalization of the

economy, population increases, a massive influx of refugees from neighboring countries, competing demands between tourism, agriculture, hydropower and mining and increased illicit use of resources is creating a crisis in Tanzania. USAID/Tanzania recognizes that an enormous amount of work needs to be done before environmentally sustainable natural resource management (NRM) practices are adopted on a nation-wide basis. Since SO2 is a new objective, the Mission is proposing a framework which focuses on policy reform, institutional development, and testing practical applications.

B. Linkage to Agency Goals and Objectives

SO2 contributes to the Mission's overall goal of real growth and improved human welfare in several ways. Although real growth over the short term could occur without coherent resource management, sustainable long-term growth is dependent on wise use of Tanzania's natural resources. The real average growth of the economy has been in the range of about five percent a year from 1986 to 1995, with evidence that agriculture, tourism and mining could have higher rates of growth in the future (World Bank 1995). However, USAID-funded field studies already show substantial adverse environmental impact, including land degradation, deforestation, and water and air pollution, which will be exacerbated if development continues unchecked. Improved human welfare will occur as a result of SO2 activities because the adoption of sustainable practices will lead to increases in income for individuals and communities in addition to resulting in better environmental use and conservation.

SO2 is directly supportive of the Agency's Objectives 4.5: sustainable natural resource management, and 4.1: biological diversity conserved. It therefore contributes to the Agency Goal 4: environment managed for long-term sustainability. It is also entirely consistent with USAID's "Strategies for Sustainable Development", which states that USAID will pursue an integrated approach to environmental issues using local level solutions to solve environmental problems that have global implications. The Agency recognizes that environmental damage is often driven by poverty and food insecurity and that citizens using resources must be involved actively in finding solutions to minimize degradation.

The Agency's draft "Strategy for Biodiversity Conservation" (Hourigan 1995) has designated Tanzania as one of the key biodiversity countries in the world and provides guidance on how Missions should support biodiversity conservation. The USAID Biodiversity Strategy lays out a two-track approach for in situ biodiversity conservation whereby USAID will support conservation and sustainable use of biological resources and will contribute to the conservation of a representative selection of globally important ecosystems. The approach taken by SO2 is consistent with the programmatic directions suggested in the biodiversity document. Finally, SO2 has been influenced by the considerable experience in the Africa Bureau with programs to improve natural resources management throughout the region and builds on lessons learned elsewhere, including Kenya, Zimbabwe, Namibia, Madagascar, and Uganda.

Improved natural resources management is a precondition to sustainable economic development and long term food security in Tanzania, and it has regional implications as well. Tanzania's geographic location, reputation for stability and excellent agricultural potential endows the country with a key role in regional relations. The country can produce surplus food which helps neighbors in the region that experience food deficits on a regular basis. Conflicts in neighboring countries have been exacerbated by shortages and competing patterns of land use which Tanzania will be able to avoid with appropriate long-term NRM planning now. Efforts at regional cooperation, through SADC and the East African Community and as part of the GHAI are focusing on finding common solutions to environmental problems which are regional in scope, such as environmental degradation around the Lake Victoria Basin. The eastern and southern African countries are experimenting with different approaches to NRM. Sharing of lessons learned and successful technologies and approaches will promote better regional and ultimately global natural resource management.

SO2 either contributes to or depends to some extent on the Mission's other SOs. For instance, it will be extremely difficult for sound natural resource management to occur if population growth rates remain high and pressure on the resources exceeds renewal capacity. Therefore success of SO1 will contribute to long term success in SO2. The success of SO4 over the long term will depend on a renewable resource base for the private sector to exploit thereby linking SO2 and 4. Furthermore, increased investment by the private sector in tourism, if appropriate environmental guidelines are followed, can help establish an economic value for conserving the environment and natural resources. SO2 can contribute to the achievement of SO3 in several ways. For instance, environmental education and legislative drafting assistance to the legislature and NGOs will help strengthen the legislature and civil society. Civil society will also be strengthened through work with community based organizations and local NGOs to not only be better service providers but to lobby for the rights of their members. Finally, the success of SO2 depends over the long term on improved infrastructure (SO5) to enable better access to transportation, communication and markets.

C. Problem Statement and Progress to Date

1. Problem

The Government of Tanzania (GOT) and donors are in agreement that the current state of the environment in Tanzania is a matter for concern. The draft National Environmental Policy reiterates statements provided in a number of other policy and planning documents indicating that there are six major problem areas requiring urgent attention. These are:

- loss of wildlife habitats and biodiversity;
- deforestation;
- land degradation;
- deterioration of aquatic systems;

- lack of accessible, good quality water;
- environmental pollution.

These environmental problems have evolved over a long period of time and are found throughout the country. Although the exact costs relating to these problems have not been quantified due to a lack of data, it is clear that the long-term economic and social costs are high. The assessment of environmental threats conducted as part of the Mission's strategic planning exercise, refined the categorization and definition of environmental problems identified by the NEAP and National Conservation Strategy for Sustainable Development (NCSSD), identifying and clarifying root causes.

Households' own productive and income-generating strategies may include actions that rapidly deplete local resources. A recent World Bank Survey has shown that one of the main household coping strategies is charcoal production. This creates the possibility of the mutual reinforcement of poverty and environmental degradation. Differential use of the resource base by men and women with competing economic motivations may impede adoption of sustainable practices. As a result of soil degradation, crop yields are declining, affecting income and nutritional status. Farmers may relocate to areas with marginal soils, further worsening the problem; or they may invade and cultivate in protected areas.

Competition for water between irrigated agriculture and hydropower generation threatens the viability of large infrastructure development. Pollution of coastal areas and the destruction of mangroves places the most vulnerable sector of the population in peril--women and children who depend on the collection of shellfish. Conservation of the wildlife sector is being endangered by encroachment of agriculture into protected tropical forest areas, cultivation of buffer zones around parks and reserves, and the wholesale destruction of coral reefs by dynamite fishing. These practices all threaten biodiversity as well. With the liberalization of the economy and the rapid pace of uncontrolled "development" in rural and coastal areas, these problems are likely to increase. Moreover, environmental degradation has had, and continues to have, adverse impacts on the quality of human life and health. Concerns are being raised about health hazards resulting from improper use of pesticides and chemicals for mining and manufacturing in both rural and urban areas.

Agriculture, tourism and mining place the greatest pressure on the environment, and Tanzania depends on them for economic growth over both the short and long term. Recognizing the importance of the natural resource base, Tanzania has set aside approximately one quarter of the country (22 million hectares) in protected areas such as national parks and game, forest and marine reserves. Unfortunately, there is weak enforcement of existing legislation and a lack of appreciation by most Tanzanians for the value of these resources. When coupled with extreme poverty in many rural areas, the result is poaching, illegal tree felling, and general degradation in many ecosystems. More importantly perhaps, land use practices on the remaining three-quarters of the land area are not sustainable even in the medium term.

Tanzania also has an abundance of policies, plans, laws and regulations which affect different aspects of the environment and natural resource management, but they are not always effective. Too often the policies and laws are outdated or contradictory in intent. The NEAP, signed in June 1994, provides a framework for tackling NRM in an integrated manner, yet implementation has moved forward at a snail's pace. This is partly because GOT policy on the environment has still not been made clear and partly because of bureaucratic inertia. Nevertheless, written statements by the GOT suggest a growing understanding of the need for a holistic approach to NRM which will require new modes of operation and institutional cooperation.

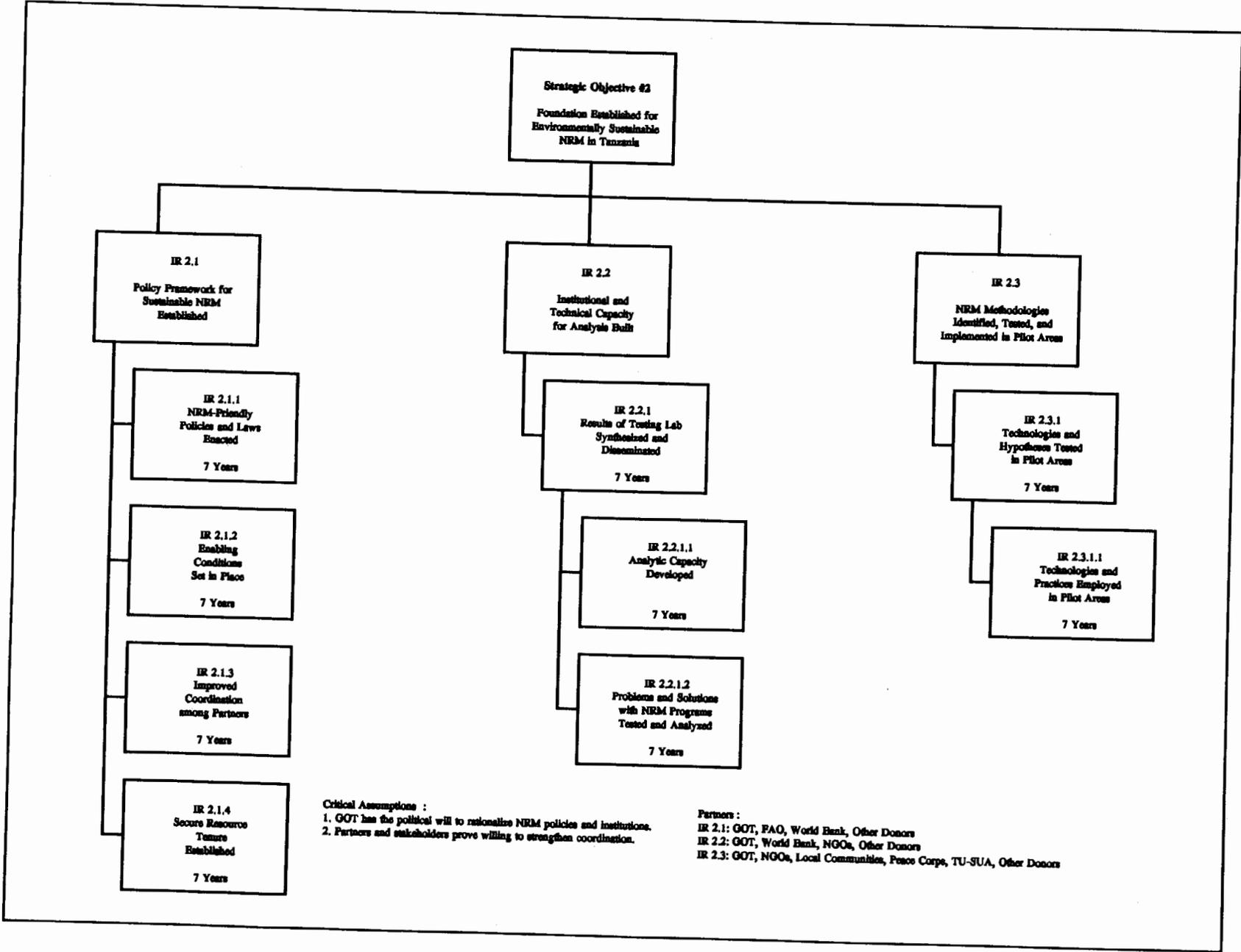
Unlike many countries in Africa, Tanzania has an abundance of resources, although they are inequitably distributed. In order to achieve sustainable development a number of constraints must be addressed: human and institutional capacity, knowledge and access to sustainable resource management practices, tenure security, a rational and consistent policy and legal environment, intersectoral coordination, commitment to long term sustainable use of the natural resource base, and access to markets. In some areas, conflict over resource use is leading to increased ethnic tensions, particularly when use patterns are incompatible. Government recognition of this has led to an increased interest in experimenting with new management approaches.

2. Progress to Date

Since late 1994, USAID/Tanzania has consulted with government, donors, NGOs, and academics to identify the resource-related problems that exist and the comparative advantage USAID might bring to bear to resolve them. Assisted by REDSO colleagues and by the World Resources Institute, we have reviewed policy documents, laws, sector analyses and other donor programs and have reviewed the development approaches that have achieved the greatest successes in Tanzania. Until 1995, USAID/Tanzania did not invest many resources in the area of natural resource management and our activities were seen as a target of opportunity.

Previously, the Mission had two projects focusing on institutional development and policy reform. A linkage project between Tuskegee University and Tanzania's only agricultural university, Sokoine University of Agriculture (SUA), enhanced the capacity of SUA staff with specific attention to curricular reform and field-based research. The African Wildlife Foundation (AWF) and the World Wildlife Fund (WWF) collaborated to upgrade the planning and policy capacity of the Department of Wildlife, resulting in important policy documents being accepted by government which are now in various stages of implementation.

The Mission has recognized that piecemeal efforts in the sector have had limited impact and needed to be replaced by a more focused approach. The result is a new strategic objective and the design of activities, building on past experience, which should provide a coherent framework enabling measurable progress to occur.



3. Consultative Process

All Tanzanian citizens are affected by the quality of their environment and the state of the country's natural resource base. However, the Strategic Objective selected by the Mission will be targeted to limited groups of people. The ultimate customers for USAID assistance are rural men, women and children who live on the land and survive by direct productive and transformative activities. SO2 activities will collaborate with rural citizens to establish sustainable use of their natural resource base and to increase the benefits accruing directly to rural people.

An intensive consultative process was employed to generate the SO and to validate the activities that support it. These consultations involved soliciting input from customers (through interviews with individuals, focus group discussions, and site visits to similar projects supported by other donors in Tanzania); counterparts in the GOT (Ministries of Agriculture and Livestock; Natural Resources and Tourism; Water, Energy and Minerals; the Vice President's Office and Department of the Environment; the Planning Commission; and the Prime Minister's Office); Universities, especially Sokoine University of Agriculture and the Institute for Resource Assessment (IRA) of the University of Dar es Salaam; and NGO partners. Two important workshops have been held which have drawn intermediate customers, potential partners, and stakeholders into the planning process.

D. Causal Relationships and Critical Assumptions Underlying the Results Framework

1. Causal Relationships

USAID/Tanzania has chosen a Strategic Objective to establish the foundation for adoption of environmentally sustainable natural resource management practices in Tanzania. The rationale is that Tanzania's natural resource base is the country's greatest asset, for which rational development, management and conservation strategies must be established in order to sustain long term growth.

The causal relationships underlying SO2 are summarized in a results framework graphic. USAID/Tanzania believes that in order to safeguard the environment for future generations, it is essential that Tanzanians, as individuals, in communities and as private sector actors, adopt sustainable natural resource use and management practices. The underlying development hypothesis is that once Tanzania has a sound and interrelated legal framework for environmental preservation and use, and when individuals and communities have secure tenure over resources combined with the knowledge, skills, organizations, and technologies to use them in a productive manner, they will be motivated and committed to do so. Achieving this in a country as large and as ecologically diverse as Tanzania will take twenty to thirty years. Therefore, the Mission has set its sights lower and proposes to establish the foundation from which national takeoff and replication can be launched.

There is no lack of donor funding in Tanzania for environmental and natural resource

management issues. However, what is missing is a coherent and integrated approach which would maximize the impact of available funding. Part of this is caused by the lack of an accepted and articulated vision, part by lack of coordination and part by the lack of capacity in Tanzania to plan on a multi-sectoral basis. The niche which USAID plans to fill with the proposed SO as a means for catalyzing more effective use of the GOT's own and other donors' resources is to work on establishing the coherent framework and foundation for NRM.

To establish the foundation for adoption of environmentally sustainable NRM in Tanzania, USAID, in concert with its partners and stakeholders, proposes to be responsible for achieving three important results:

1. Policy framework for sustainable NRM established;
2. Institutional and technical capacity for analysis built;
3. Appropriate NRM approaches and technologies will be identified, field tested and implemented in pilot areas.

IR2.1: Policy Framework for Sustainable NRM Established

For broad-based adoption of sustainable NRM practices in Tanzania to occur, a policy framework must be established to support them. NRM-friendly policies and laws must be enacted; secure tenure must be established; improved coordination between partners must occur; and communities must be empowered and enabled to act. Although adoption of environmentally sustainable NRM practices can occur on a small scale at local levels, USAID's hypothesis is that national NRM-friendly policies and laws must be enacted or else the impact of field activities will remain limited. Furthermore, national policy and laws must also be reflected in village and local by-laws. The Mission also hypothesizes that unless people have secure tenure, either ownership, lease or use rights over resources, they have no incentive to manage them well or to invest their own resources for their improvement. We also hypothesize that improved coordination between partners and stakeholders, whether between GOT agencies and with donors or NGOs is a prerequisite for achieving the SO. Finally, there are likely to be other enabling conditions that the Mission expects to be identified during the course of implementation which will require attention.

The GOT has not been idle in recent years and has produced a wide range of planning and policy documents affecting forestry, wildlife, soils, water, lands, and energy. These documents must become implemented policies, transformed into laws and regulations, which in turn must be applied and enforced. Other donors have provided assistance in drafting these documents, as did USAID for wildlife-related policies and plans, but the approach taken has largely been sector-specific with little attention paid to potential for overlap and

conflict between sectors. One focus of the USAID program will be to provide the necessary assistance to the GOT to ensure that implementation occurs. This will be accomplished through policy dialogue, technical assistance, training and educational activities.

For instance, under the PAWM Project, USAID assisted with the preparation of ten different policy and planning documents, of which only five have actually been accepted by the GOT. The remainder are still in draft, and need Cabinet endorsement, legal enactment, and then enforcement. Once these are accepted, however, the hard work begins; implementing these policies will require revision of other acts or addition to them of appropriate supporting language. Because of the conflicting interests of various stakeholders and the lack of understanding of many parliamentarians, educational and public relations activities will be required to ensure that the laws passed express modern concepts of joint use and conservation. The potentially differential impact of policies and laws by gender will need to be considered in all cases.

IR2.2: Institutional and Technical Capacity for Analysis Built

Sustainability of our interventions is a key theme for USAID/T. For our long term vision of environmentally sustainable NRM practices adopted nation-wide to be achieved, Tanzanians themselves must take charge of the management of their country and its resources. Although there are many qualified people scattered throughout the country, both in and out of government, there is not a critical mass of people who approach NRM in a holistic, coherent manner or who are equipped to offer policy options to government based on analyses and hypotheses testing. Human and institutional capacity is lacking at all levels and in all sectors in Tanzania so it is beyond the scope of this SO to try to improve capacity on a nation-wide scale. One could easily fall into older patterns of development assistance and bring in outsiders to do the analytical work required for the USAID program to succeed. Instead, the Mission plans to focus on developing the capacity of Tanzanians to articulate, and revise their own development hypotheses for NRM. Ultimately, Tanzanians will be able to sift through competing alternatives and select the appropriate options for sustainable development. Intrinsic to this approach will be analyses that are sensitive to the gender implications of proposed alternatives.

Our underlying hypothesis is that there are a wide range of technologies and approaches which are being applied right now in Tanzania by our partners, customers and stakeholders, which can offer valuable lessons to assist USAID in identifying enabling conditions. Furthermore, although sectoral specific skills may exist, there is a lack of capacity to adopt a multi-disciplinary or integrated approach to resolve specific development problems. Appropriate research methods and approaches must be employed in order that problems and solutions can be tested and analyzed. At the same time, gaps in analytical capacity in Tanzania will be identified. To fill these gaps, formal and on-the-job training will be provided so that skills will be developed. The review and analysis of ongoing programs therefore can function as a valuable training ground for developing the analytical skills of Tanzanians. There is an important synergy built in here since we expect that Tanzanians,

partnered with outside technical assistance as required, will be the ones doing the analyses and receiving the skills upgrading. Finally by incorporating Tanzanians themselves into the whole process, it is expected that there is a higher likelihood for results to be synthesized and disseminated for practical purposes.

IR2.3: Appropriate NRM approaches and technologies identified, field tested and implemented in pilot areas

Although USAID/Tanzania expects to play an important role working in the area of policy and legislative reform and in developing the analytical capacity of Tanzanians, such activities must be grounded in the empirical reality of the situation in the field. The third result allows for identification, testing and implementation of new approaches and technologies. By carefully choosing specific field projects to implement and by monitoring process as well as results the Mission will be in a better position to advise the GOT and others on suitable approaches to NRM in Tanzania. Achievement of this result goes hand in hand with IR2. There will be a selection of tested approaches and technologies suitable for replication on a wide scale and a cadre of personnel capable of assisting with replication elsewhere. We also should know more about the behavior and acceptance of different practices by men and women, and how this varies.

There is a wealth of experience in Tanzania of successfully transferring new technologies and approaches to natural resource utilization. There are also projects around the country which may be suitable for replication in different ecological zones or under different socio-cultural and political circumstances. Rather than immediately launching into field projects which may assist only a few people, existing and new technologies and approaches will be analyzed to determine which can and should be tested and implemented. From this, criteria can be developed for the selection of geographic areas, ecological zones and socio-cultural climates which need to be considered when testing different development hypotheses through field experimentation. Field projects will be selected not only for their potential impact on specific groups of people but also because they can help advance our understanding of what works in Tanzania and how to replicate it. The success of any field activity will also be determined by the potential for capacity building of partners and beneficiaries of the activity.

2. Critical Assumptions

Within the development hypothesis itself there are two critical assumptions underlying the achievement of the Strategic Objective. The first assumption is that the political will exists on the GOT's side to take a proactive stance in the area of environment and NRM. The change in administration after Tanzania's first multi-party elections augers well for environment and NRM. The Division of Environment, which used to be housed in the Ministry of Tourism, Natural Resources and Environment, has been elevated to the Vice-President's Office where it is expected that it should be able to play the broad, coordinating role that is its mandate. A new Minister, Principal Secretary and Director of Wildlife have been brought into the Ministry of Natural Resources and Tourism with the expectation that

they will clean house and ensure that resources are allocated and managed in a more efficient and transparent manner than has been the case in recent years.

The second assumption is that partners, stakeholders and customers are willing to coordinate for the common good of Tanzania. Frustration has been expressed by both the Planning Commission and the Ministry of Natural Resources and Tourism about the lack of coordination among partners. Without a central office in the GOT empowered to coordinate environmental and NRM issues, it has been impossible to coordinate donor initiatives. This results in duplication, overlap or contradictory programs being put into place. Evidence that partners and stakeholders accept the need for better coordination is the regular meetings held by an informal donors group which also includes representatives from the GOT.

Nevertheless, the segmented manner in which many countries' development programs are implemented will remain a barrier to improved coordination until the GOT establishes an office to do this. The new President has been making statements indicating that sustainable use of the environment is high on his agenda and has accepted to open a donor-initiated workshop to discuss donor concerns about management of the environment and natural resources. USAID/T expects to take a lead working with other partners to ensure that improved coordination occurs.

E. Commitment and Capacity of Other Development Partners

Achievement of the Strategic Objective will require commitment from many other partners, some directly and others indirectly. Commitment from the GOT and elected officials is essential for a considerable part of the SO requires policy and legislative reform. Under President Mkapa, the new Administration is putting increasing emphasis on environment and natural resource issues, and if this is followed up by actions, the SO will be achievable. There are enough qualified people in Tanzania who can undertake the activities, especially if capacity building is incorporated.

A determination of which government institution will be the lead partner awaits additional Cabinet reshuffles and Ministerial restructuring expected in mid-1996 to ensure that a GOT "champion" can be found to help implement the program. We anticipate that key partners will be The Planning Commission, the Vice President's Office for Environment, and the Ministry for Natural Resources and Tourism (including relevant parastatals). Other partners may be the Ministries of Agriculture, Water, Local Government, Minerals, and the Prime Minister's Office. Sokoine University of Agriculture, as a government institution, is one sure partner. Over the next 12 months, USAID/T will define our key partners and indicate the level of commitment to achieving the SO that they are willing to make.

At the moment, there are at least 15 donor agencies providing assistance to Tanzania in the broadly defined areas of environment and natural resources. These are: DANIDA (Denmark), European Union, FAO, Finland, GTZ, Irish Aid, JICA (Japan), Netherlands,

NORAD (Norway), SIDA (Sweden), ODA (United Kingdom), UNDP, World Bank and USAID. Assistance is provided to field activities for forestry, irrigation, and soil conservation; water resources management; community-based natural resource management in protected areas or buffer zones; cash cropping; research on select biodiversity issues; mineral resources development; policy dialogue and assistance in legislative drafting. The GOT, with donor assistance, is currently reviewing the status of biodiversity in Tanzania. Information contained in the reports will influence allocation of USAID resources.

Since the Mission began thinking about a new SO in the area of NRM, contacts have been developed with donors in an effort to determine the best use of USAID funds. This has influenced the choice of results described for the SO. Although donors have been involved in helping to define the RF and have commented on several versions, none at present is in a position to confirm its role as a partner. Several potential partners are also going through strategic planning exercises while others are waiting to see how the new government performs. We can expect at the present time that the World Bank and FAO/GEF will be key partners, especially for policy dialogue and legal reform and that the Nordics, the Dutch and ODA will have field projects which can be reviewed for lessons learned and which can influence our own approach.

While at present AWF and CARE are partners in implementing parts of our portfolio, other NGO partners remain to be identified. In addition, Tuskegee University in its linkage relationship with SUA is an active partner in SO2. The Peace Corps will also play a role in achieving the SO, especially in field testing technologies and approaches.

In summary, the Mission has identified who the likely partners are, but additional consultation and agreement is required before we can specify exactly who will be working with us for all the different results. We are confident though as the consultation process evolves over the next several months that we will be able to provide this information by R2 1997 submission or will revise the SO accordingly if our expectations cannot be met.

F. Illustrative Approaches

To achieve SO2, USAID/T will continue some ongoing activities and initiate some new ones. Technical assistance, policy dialogue and training will be required in order for IR1 to be achieved: Policy framework for sustainable NRM established. The capacity of selected GOT staff in the Wildlife Division to plan, write and review policy documents is being enhanced through PAWM. PERM will expand this support to other divisions in the Ministries of Natural Resources and Tourism, the Planning Commission and the Department of Environment in the Vice President's Office. PERM will also support environmental education for elected officials and build the capacity of NGOs to lobby for and assist in legislative reform. HRDA and ATLAS provide resources for training, both local and overseas. Essential to achievement of this IR will be policy dialogue conducted by Mission staff and activities designed to enhance coordination between partners. The latter may include establishment of a data base which will track environmental and natural resource

management activities and assist the GOT to avoid duplication of effort.

The identification of appropriate NRM approaches and technologies for testing in the pilot areas, will rely on a variety of approaches for its achievement. The Kagera Natural Resources activity, implemented by CARE, provides an opportunity to field test new ideas with communities which have been adversely affected by the influx of refugees into north-western Tanzania. The Tuskegee University-Sokoine University of Agriculture (TU-SUA) activity, based in Morogoro Region, is systematically experimenting with technology change in a variety of agro-ecological zones with different production systems. Support under PERM will help Peace Corps Volunteers in Handeni, Hanang and Babati Districts to assist rural producers to adopt new technologies and approaches for resource management. Under PAWM, a management plan for Ugalla Reserve was prepared. This will be implemented by PERM, allowing an understanding of biodiversity conservation issues in a delimited geographical areas. Choice of specific activities in all cases is based on the results of participatory rural appraisals which give communities and individuals the opportunity to identify their constraints and choose whether to participate in the proposed solutions. During the planning period, PERM will provide additional support for a variety of field tests under different ecological, socio-political and cultural conditions. These will be selected to ensure that activities take place in a suitable number of ecosystems.

Integral to all these activities will be capacity building for selected Tanzanians implementing them primarily through on-the-job training and local or regional study tours or field visits and workshops to share experiences. The capacity of SUA staff to conduct applied research in multi-disciplinary teams will be enhanced through the linkage activity. Under PERM, Tanzanians in local research institutions, individuals and selected GOT officials will receive training and opportunities to participate in analytical work under the tutorship of appropriate short and long term consultants. Additional support as needed will be provided through HRDA and ATLAS.

G. How Sustainability Will be Achieved

The design of this SO deliberately took into account concerns for sustainability. The emphasis has been on establishing the foundation for the adoption of environmentally sustainable NRM in Tanzania. By focusing on selected key conditions such as partner coordination and legal reform, and by developing the analytical capacity and planning skills of Tanzanians, the stage should be set for the country to continue on its way no matter what level of resources is available in the future. The approach to be adopted in the field testing side is participatory which stresses community involvement in design and implementation to ensure that direct benefits accrue to the users, facilitating ownership and sustainability.

Assistance to the GOT to enact policies and laws will be labor intensive and costly because specialized technical assistance and training will be required. Once certain laws are in place and certain skills are achieved by the appropriate Tanzanians then funding is less of an issue than political will to make the system work. Similarly, although there are certain cost

implications for continuing to pursue the analytical agenda required to update and plan resource management, these are insignificant compared to the initial work to put in place the institutional and human capacity to undertake this work. We will work only with selected institutions, NGOs and communities to ensure that sufficient capacity exists for them to continue once funding is withdrawn by USAID. Efforts will be made to connect NGOs and interested private sector organizations into a network capable of attracting continuing investment in sustainable practices.

In addition, there will be an emphasis on community empowerment. This will be achieved through legislative changes which will devolve authority to manage natural resources to individuals and communities. In addition, sustainability will be enhanced by cultivating a sense of ownership through community participation and undertaking public awareness campaigns and education efforts directed at imparting knowledge on the importance of adopting good natural resource management practices. This is essential if these practices are to be sustained. Field activities will be structured so that the communities/customers have a financial interest in the outcome of better managed natural resources. The resulting increase in diversified sources of revenue should greatly increase the likelihood of success and continuation of the program.

H. Judging

The contributions of SO2 to the achievement of the overall Mission goal "Real Growth and Improved Human Welfare" will be measured in tandem with those of other SOs by changes in per capita GDP and growth rates of agricultural production. These changes are expected to continue to be positive, but cannot be attributed to the activities of SO1, or even of the USAID program, alone. They nonetheless provide a measure of USAID's long-term vision for Tanzanian development. Taking into consideration Tanzania's status as a key biodiversity country, the Mission will develop additional biodiversity-specific indicators during the first year of the SP.

We will be accountable for managing performance toward achievement of the Strategic Objective and the three Intermediate Results. Our performance will be measured by a series of indicators which have been developed in the Mission and reviewed by customers, partners, colleagues, and virtual team members. The indicators and their targets will be reviewed periodically, and updated as necessary during the R4 process. The indicators and targets are as follows. Baseline data for all indicators will be collected and analyzed during 1996; once the baseline situation is known, appropriate targets can be established.

Table 7
SO2: Foundation established for adoption of environmentally sustainable natural resource management practices in Tanzania

Indicator (Baseline year)	Baseline	Target
2.1 Improved conservation practices adopted, pilot areas (1996)		
2.2 Revenue increases from appropriate practices, pilot areas (1996)		
2.3 Increased area of land with protected status (1994)		
2.4 Land area effectively managed by communities, pilot areas (1996)		

Table 8
IR2.1: Policy framework for sustainable NRM established

Indicator (Baseline year)	Baseline	Target
2.1.1 Regulations ensuring tenure security established (1996)		
2.1.2 # or % of respondents perceiving greater security (1996)		
2.1.3 # of coordinated plans produced (1996)		
2.1.4 # of coordinated activities implemented (1996)		
2.1.5 # national/intersectoral regulations passed, disseminated, and enforced (1996)		
2.1.6 # communities establishing NRM regulations, pilot areas (1996)		
2.1.7 Policies and regulations to conserve biodiversity adopted (1995)		
2.1.8 GOT coordinated office established and empowered (1996)	No	Yes

Table 9
IR2.2: Institutional and technical capacity for analysis built

Indicator (Baseline year)	Baseline	Target
2.2.1 # of multidisciplinary proposals developed (1996)		
2.2.2 # of multidisciplinary proposals approved by peer review (1996)		
2.2.3 # of applied studies with impact on legal/policy reform (1996)		
2.2.4 # of local consultants capable of replacing external TA (1996)		
2.2.5 # of applied studies which are used to design pilot activities (1996)		

Table 10
IR2.3: Appropriate NRM approaches and technologies identified, field tested and implemented in pilot areas

Indicator (Baseline year)	Baseline	Target
2.3.1 # of community agents effectively explain three practices (1996)		
2.3.2 # respondents correctly identify 3 suitable practices (1996)		
2.3.3 # appropriate practices disseminated and used (1996)		
2.3.4 # NGOs effectively use/explain 3 suitable practices (1996)		
2.3.5 # NGOs with networks to distribute appropriate technologies (1996)		
2.3.6 # appropriate technologies developed, tested, approved (1996)		
2.3.7 # communities employing 1 or more appropriate technologies (1996)		
2.3.8 # communities adopting biodiversity conservation strategies (1996)		
2.3.9 # communities outside pilot areas adopting suitable practices (1996)		

The following data collection and analysis activities will provide information for monitoring and judging progress:

Baseline and followup surveys. Baseline studies have been completed in eight villages of the Morogoro Region and five additional surveys are planned. These surveys employ a

standard methodology and set of data collection instruments developed in the USAID/Tanzania program office. Information will be available on basic demographic, socio-economic, agricultural, and resource management issues. These surveys will also be conducted in an as-yet undetermined number of communities where Peace Corps partners are implementing PERM activities. Repeat surveys will be conducted once the policy framework is in place, capacity building has been implemented, and interventions have been tested and disseminated, in order to provide quantitative measures of change and impact.

Participatory rural appraisals. These on-going studies involve the input of District officials, NGO representatives, and community members and are aimed at identifying natural resource-related problems in 20 villages in Kagera Region. Modified PRAs have been done in 17 villages in Morogoro Region as well. The appraisals will be followed by implementation of a number of activities designed to improve sustainable use of natural resources. Follow-up will again be done to measure the extent of change and the impact of project activities.

Special studies, surveys and operations research. One study, which contains recommendations on strategic options on promoting community-based natural resource management activities in Tanzania and suggests future directions for PERM, has already been completed. Once a contractual relationship has been established with a management entity later this year, other research/study needs will be identified and their completion facilitated. Potential topics include: overview assessment of institutional capacity; economic feasibility analyses; study of alternative revenue sources for district councils; review and analysis of potential economic incentive mechanisms; on-going policy and legislative analyses.

Site visits, monitoring visits, and customer interviews will supplement these other sources of data and permit some focus at the results package level.

I. Funding Scenarios and Their Implications

The Mission has considered three funding scenarios: turnaround, high and low. It is expected that SO2 would receive approximately the same amount of funding for turn around and high levels and less for low, thus the former two will be treated together.

Turnaround/High Scenario. Under this scenario, the SO would receive \$4 million per year over a seven year period for a total of \$28 million plus the \$15 million of new money received in FY 95/96 with which new activities are beginning. At this level, the Mission would be fully capable of achieving the SO and the specific results defined in the framework.

Low Scenario. Under the low scenario, the SO would receive only \$1 million per year or \$7 million plus the \$15 million pipeline for a total of \$22 million. Under this scenario, we would expect to accomplish IRs 1 and 2 but have only limited impact on IR3. For instance, our emphasis would be on accomplishing critical policy reforms and developing the analytical

and planning capacity of Tanzanians. A limited number of field tests would be done and these would probably support our biodiversity objectives.

Additive Assistance. Small levels of funding are provided by a variety of G and Africa Bureau projects and through REDSO/ESA funding. While this assistance helps achieve the SO, its presence or absence will not significantly affect what the Mission can accomplish. For instance, assistance has been given to strengthen Tanzanian capacity to implement the Convention on International Trade in Endangered Species (CITES). The PARCS Project has provided technical assistance and training to develop the institutional capacity of Mweka Wildlife College. The Coastal Resources Management Project has worked with the Department of Environment in Zanzibar to strengthen their planning, analytical and implementation capacity. The Biodiversity Support Program proposes to provide additional help for biodiversity and CITES-related activities. The Environmental and Natural Resources Economic Policy and Training Project (EPAT) will assist with training partners to conduct environmental assessments and to refine the results framework and monitor progress toward achievement of objectives.

Assistance provided for agricultural research strengthening by the Global Bureau's Economic Growth Center has potential impact on SO2. For instance, the Bean/Cowpea CRSP is involved with bean breeding for pest resistance and drought tolerance and has been working with women farmers through researchers at SUA. CONVERDS focus on vegetable research for Eastern and Central Africa to improve income generation and food security. Other technology-dissemination grants have been approved for Tanzania. Winrock is developing the capacity of Tanzania women agriculturalists through training and networking.

STRATEGIC OBJECTIVE THREE: STRONG FOUNDATION FOR THE TRANSITION TO DEMOCRATIC GOVERNANCE ESTABLISHED

A. Strategic Objective Statement

USAID/Tanzania's Strategic Objective 3 is "Strong Foundation for the Transition to Democratic Governance Established". Democratic Governance (DG) issues lie at the heart of the Tanzanian development problem. Tanzania requires a government which manages resources well and transparently, and which can harness the energies of individuals, non-governmental organizations and the private sector to use the tremendous natural resources of the country wisely and effectively, while maintaining the long-standing values of social equity instilled since Independence. Ideally, such a government would be freely chosen and accountable to the people.

The SO directly supports the Mission's goal of "Real Growth and Improved Human Welfare". Strong democratic governance is generally accepted as conducive to long-term, sustained economic growth. Additionally, an accountable and efficient government is likely

to use government resources for sound public investments such as infrastructure improvements, that lead to economic growth. Democratic governance leads to improved human welfare by improving the quality of life for citizens. In a country where democratic governance is in place, citizens need not fear arbitrary state harassment or non-judicial punishment, and can state their views and pursue their private interests with relative freedom. Also, an accountable and efficient government will more effectively provide desired services to citizens without favoritism or bribery. Thus, SO 3 incorporates the connection between a better managed, more democratic political system and both economic growth and improved human welfare. Importantly, this result is predicated upon acceptance by citizens and government agencies of the responsibilities and the discipline of democratic governance.

B. Linkages to Agency Goals and Objectives

USAID's goal number 2 is "Sustainable Democracies Built". The Mission's SO3 is directly linked to this goal, as well as to the four Agency objectives that are related to goal number 2. These objectives are:

- Strengthened rule of law and respect for human rights;
- More genuine and competitive political processes;
- Increased development of politically active civil society; and
- More transparent and accountable government institutions.

In addition, SO3 is linked to USAID's Strategies for Sustainable Development. According to this strategy, the transition to and consolidation of democratic regimes throughout the world is a long-term process that will require sustained commitment and timely and politically adept interventions. USAID/T has adopted such a strategy, recognizing that Tanzania is currently in the transition phase and for the country to progress to consolidation, it will need sustained commitment from the Mission, other donors, and the Tanzanians themselves.

This SO is closely linked with the Mission's other strategic objectives through common interests in working with Tanzanian NGOs and building their capacity to engage with the state on policy issues and to serve their members equitably. SO2 (natural resources management) and SO4 (private sector) both fund association strengthening activities. Such associations are also a way of increasing knowledge of, and building, civil society. SO1 (family planning, HIV/AIDS and child survival) activities already utilize and strengthen indigenous NGOs. SO5 (infrastructure) also works to strengthen citizens' groups, by starting a contractors' association to encourage private contractors to come together to focus on issues affecting them.

Regional linkages include both GHAI and ISA. The Mission fully supports the GHAI's Conflict Resolution initiative and is committed to working with partners and stakeholders on this issue. The 1994 Tanzania DG Assessment (West et al.) indicated potential areas of conflict in Tanzania, while noting that Tanzania has experienced stability of a kind unknown

elsewhere in the region. Since that time, political disagreements have become strong on Zanzibar and could lead to conflict. As DG reforms progress along with structural adjustment/economic reform, the likelihood of conflict between those who immediately benefit from progress and those who feel they are "suffering" due to the reforms will increase. The SO3 team will closely monitor areas of potential conflict in order to identify stakeholders and partners with whom we should work to diffuse any situations before they erupt.

USAID/Tanzania is active in the ISA's Southern Africa Regional Democracy Fund (SARDF) with a Coordinator in the Mission and two Tanzanian Project Committee members. We will continue to work with ISA to ensure experiences are shared and to prevent duplication of effort, especially in the NGO area, a focus of SARDF. We are confident that lessons learned in Tanzania and shared with the region will be helpful, as will other country and regional experiences shared with us.

C. Problem Statement and Progress to Date

1. Problem Statement

Tanzania is at a crossroads in the area of democratic governance. After 30 years of a socialist system, Tanzania held its first multi-party elections in October/November, 1995. NGOs and other associations making up civil society have been established by a variety of interest groups and while still weak, many are seeking ways to strengthen themselves. The media has expanded in a dramatic fashion, with over 55 privately-owned local publications available. In addition, two private radio and four private television stations are currently broadcasting. While some media are reporting stories critical of the government, others press for change more indirectly. In the government, the Judiciary is increasingly being seen as a protector of the "people's" rights and since 1994 has been making significant progress in asserting its independence by deciding against the government in several widely-publicized cases.

However, there are barriers to Tanzania's democratic development. The most serious problem facing the country is corruption at all levels of government. Government officials feel little urgency to respond to pressures from the media, political parties, the legal community and citizen's groups; this is partly because these groups remain weak and ineffective at demanding change. Benjamin Mkapa, the new President has been taking significant steps in an attempt to curb government-wide corruption. He has established the Tanzania Revenue Authority, to improve tax collection efforts and make them more transparent, and has created the Warioba Commission to investigate Government corruption. In one of the new Government's bolder moves, the President has ordered the reconstitution of 19 Boards of Directors of parastatal companies and replacement of their Chief Executives. Although President Mkapa has taken steps to reduce government corruption, the GOT does not yet respond fully to reform pressures from the judiciary, press, outspoken citizens and donors. In spite of this failure, the GOT does not engage in large-scale human rights

repression or refusal to recognize political parties other than CCM. Moreover, the government does appear to accept the growth in association life that is occurring. There is, thus, the political "space" in which NGOs and citizens can operate even though some structural flaws exist.

While civil society has increased capacity for action to meet the needs of Tanzanians, it has yet to effectively articulate its demands in the area of public policy, or to monitor government performance on behalf of the citizenry. The lack of government transparency and unwillingness to respond to societal pressures constrains the extent to which civil society can engage the government in pressing for policy change. Furthermore, political parties have yet to emerge as important channels for articulating popular demands. Only the media has shown significant progress in linking people to government through provision of vital information and through its monitoring and questioning role. However, even the media has its limits and weaknesses. In short, civil society as yet cannot impact on governance in Tanzania to the extent desired.

Although not managed as well as had been hoped, the multi-party national elections held in October and November 1995 represented a major formal step in the democratic transition. While the CCM candidate won the presidential election, opposition parties won 40% of the vote. There are for the first time opposition Members of Parliament (MPs), and a number of CCM Parliamentarians represent reformist factions of the party. This provides an opportunity for the MPs to function as representatives of the people, not as representatives of CCM. However, in a sense the 1995 elections are not yet completed. It is generally thought that the CCM incumbent president in Zanzibar altered the results of the Zanzibar elections in order to keep CCM in office. President Mkapa, who is president of the Union, has allowed the election results to stand, results the opposition parties do not accept. This political impasse has yet to be resolved, and the Union president must ultimately take responsibility for the protection of human rights and property on Pemba, an Indian Ocean island that is part of Zanzibar, where violence is now occurring. Recent developments are encouraging: the CCM executive commission met in March to discuss, among other things, the situation on Zanzibar and ways of resolving the issues. On the mainland, approximately 70 election petitions are pending, challenging election results in constituencies all over the country, including those of some of the Cabinet ministers. The GOT can act with regard to these problems in ways that reaffirm democratic governance in the country, or weaken it.

The USAID/Tanzania strategy to address the DG problems noted above is to work directly with key institutions to improve their effectiveness, which will help to bring about the transition. We do not have the resources to assist the transition in all areas of government and civil society. Rather, we will directly support selected areas while supporting initiatives in other areas, as described in Section D, below.

While many donors and organizations are involved in DG activities in Tanzania, USAID/Tanzania will play a leadership role in this area. An important foreign policy objective of the Clinton Administration is improved democratic governance worldwide. A

USAID program, therefore, reinforces to Tanzanians the USG message that democratic governance is necessary. The collective experience of USG efforts to improve democratic governance worldwide is more clearly articulated by USAID than by other donors. Within the Mission, democratic governance activities are coordinated to a greater extent than by some of our partners. We see all governance activities as playing a critical role in Tanzania's transition to a free-market, democratically based society. We intend to build on the U.S. Mission's comparative advantage to carry out pilot activities in key target areas.

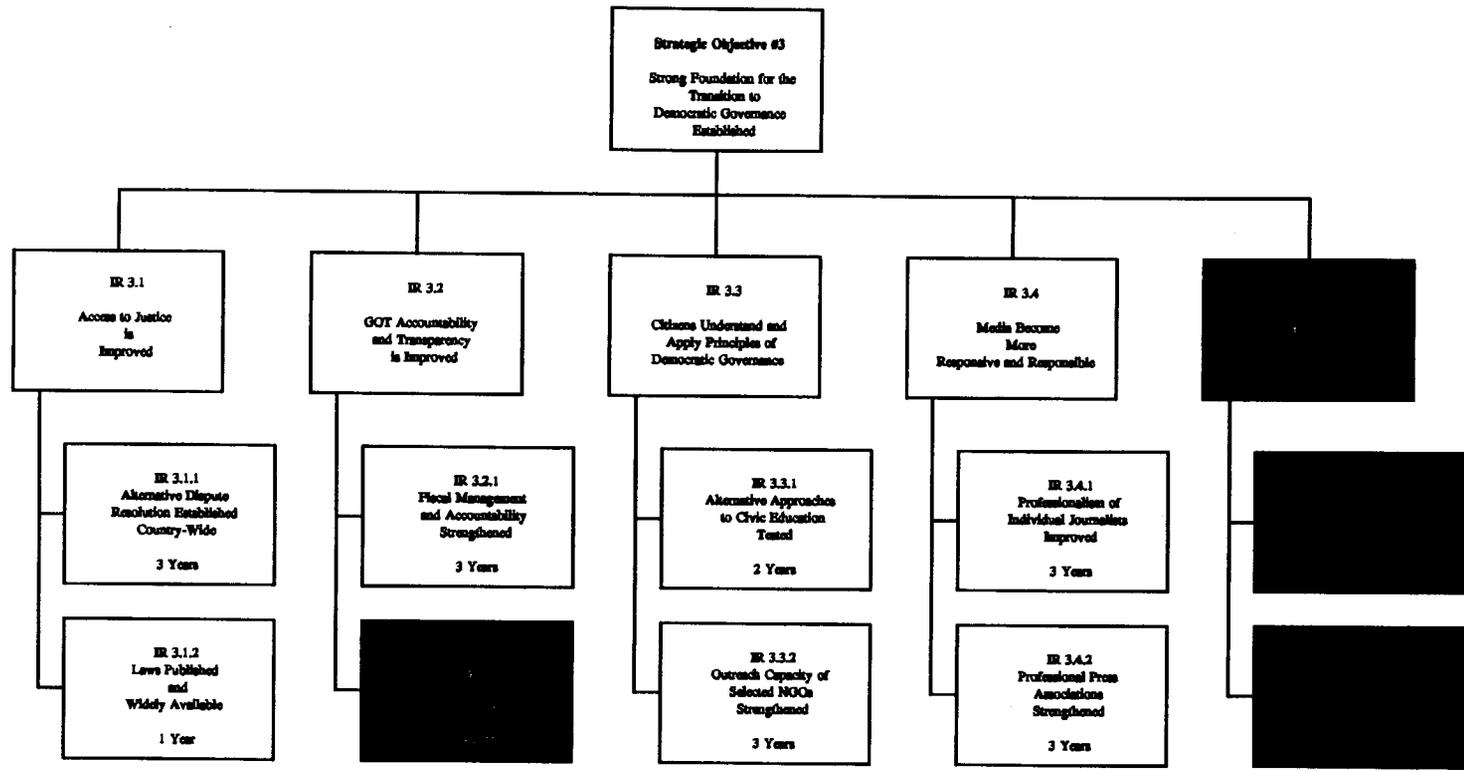
2. Progress to Date

The Mission has long been active in supporting the transition to democratic governance in Tanzania. Activities have included policy dialogue with the GOT such as the JEM/SPA donor/GOT group that is working on tax collection issues, support for civic education and association-building, turning government functions over to the private sector, and working directly with the GOT to improve fiscal responsibility. In 1994, the Mission determined that instead of small, stand-alone activities, a more focused and targeted approach was necessary. Therefore, consultations with partners, stakeholders and customers began, to help us in determining where we have a comparative advantage as well as those areas needing assistance most. As a result, the Mission has a new democratic governance strategic objective that provides a framework for assistance that will allow the achievement of measurable results.

3. Consultative Process

The first steps in developing SO3 began in 1994 with a detailed DG assessment. Preparation of this study involved extensive contact with and solicitation of views from a wide cross section of the Tanzanian public. This included ordinary citizens as well as lawyers, academics, MPs, NGO representatives, representatives of women's organizations, and politicians. During the local elections in 1994 extensive focus-group discussions were held with eligible voters in rural areas. Subsequent assessments have also required consultations with partners and stakeholders, as did the process of fielding teams of observers for the 1995 national multiparty elections. The election observation process also provided an opportunity for direct feedback and input to be obtained from ultimate customers. The views of other donors and development partners, and those of our External DG Advisory Council were also solicited in the course of the planning process.

Since the transition to, and eventual consolidation of, democratic governance will affect all Tanzanians, the ultimate customers for this SO are the citizens of Tanzania. Our intermediate customers and partners include the judiciary and attorneys, the media, NGOs and associations, and the GOT. These groups are customers and partners because we will work with them to strengthen and improve their skills, abilities, and knowledge; they are partners because they will also be working with us to inform and be responsive to our ultimate customers. The activities identified for implementation under SO3 respond to the identified needs of these customers.



Critical Assumptions :

1. The governance crisis on Zamkhar is resolved.
 2. Regional security does not worsen substantially.
 3. The GOT will continue economic and political liberalization.
- Shaded box indicates an Intermediate Result without USAID involvement.

Partners :

- IR 3.1: USIS, Min of Justice, University of Dar es Salaam, Other Donors
- IR 3.2: World Bank, IMF, GOT, Other Donors
- IR 3.3: USIS, NGOs, Dutch
- IR 3.4: USIS, CIDA, Media Associations
- IR 3.5: USIS, SIDA, DANIDA, The Business Centre

D. Causal Relationships and Critical Assumptions Underlying the Results Framework

1. Causal Relationships

The causal relationships underlying SO 4 are presented in the Results Framework. The set of five higher-level intermediate results represents the necessary and sufficient changes that must take place before a foundation for the transition to democratic governance can be established in Tanzania. The five intermediate results are:

- Access to Justice Improved;
- GOT Accountability and Transparency Improved;
- Citizens Understand and Apply Principles of Democratic Governance;
- Selected Media Become More Responsive and Responsible;
- Selected Representative Institutions Perform Better

These intermediate results reflect the areas research and experience have shown as being critical to the transition to democratic governance. In Tanzania, limited progress has been made towards achieving each intermediate result; however, with multi-party elections completed and a new government seemingly committed to change, now is the time to focus efforts on building the foundation for the transition to democratic governance. This foundation will, in turn, pave the way for the eventual consolidation of democratic governance. At this early stage in Tanzania's transition, basic types of assistance are necessary to support the transition; other types of assistance will be necessary when Tanzania reaches the consolidation phase. It is anticipated that at the end of seven years, the transition to democratic governance in Tanzania will be complete and it will be possible to begin the consolidation phase.

IR3.1: Access to Justice Improved

The Tanzanian legal system requires assistance in many areas, and it would be too expensive and, in some cases, premature for USAID/T to direct resources to some areas of judicial improvement. In fact, no donor is likely to tackle the problems in a major way until the government is clearly seen to be committed to full judicial independence. Reinforcing the constituency for legal reform, encouraging democratic habits through adherence to proper procedures and the rule of law, and taking relatively inexpensive but potentially significant steps to speed up the legal process are appropriate at this point. These steps are aimed at improving access to justice, which is constrained in Tanzania.

It can take years to bring to bring cases through Tanzania's moribund court system. This makes the court system ineffective in dispute resolution and results in widespread lack of faith in the judicial process. As a result, the ability of the judiciary to contribute to governance through case decisions is weakened. Such a situation needs to be remedied to enable the courts to participate fully as actors in the transition to democratic governance. The Judiciary, under the direction of Chief Justice Nyalali of the Tanzania Court of Appeal,

fully understands the need to strengthen the court system and has long been seeking ways to combat the increasing number of undecided cases. Since 1991, the courts have been working on reducing caseloads in order to improve access to justice as part of a more general effort to increase public faith in the rule of law. Last year, USIS introduced three pilot projects on alternative dispute resolution (ADR) mechanisms. These pilot activities have been well-received and have met with success; of eleven cases so far processed through ADR, eight have been settled.

At the same time, the Chief Justice has combined these efforts with an emphasis on the Constitution as the basis of law and is, together with donors, moving toward rationalizing not only the legal procedures but the internal coherence and structure of the laws themselves. In this effort, the judiciary and donors are hindered by the lack of wide availability of the laws. Most judges and magistrates do not have enough access to the existing body of law: the laws have not been indexed and compiled for many years, judges' decisions are not published, and the dissemination of new laws is slow. The result is that Judges and magistrates often make decisions without knowing what the law actually states. This is the wrong kind of judicial "independence"; decisions may be arbitrary, not in accordance with existing laws, and inconsistent with other judicial decisions. Moreover, it is difficult for Tanzanians to obtain copies of the laws, impeding their knowledge of what their rights and protection are under the law.

USAID/Tanzania's hypothesis for assisting in improving access to justice is that access to justice is denied citizens when they do not know what laws they are subject to and when. In the event they may know some of the laws, they cannot be sure lawsuits will be decided in a timely manner. To assist in caseload reduction in the courts, in cooperation with USIS, we have already begun working with the courts and attorneys to establish ADR mechanisms throughout the country. We are focusing on ADR not only because the Tanzanian courts accept the system, but also because it is an area of US comparative advantage. ADR is used widely throughout the United States and the US Mission to Tanzania was responsible for establishing the ADR pilot projects. Our efforts to make the laws of Tanzania widely available will assist the judiciary to operate in accordance with standard judicial norms. This increases access to justice for Tanzanians because they will be less likely to be subject to a Judge's or magistrate's notion of what is "right" or "wrong". Justice will be less arbitrary and more standardized.

The Mission does not assume that the existing body of law is appropriate in a society undergoing the transition to democratic governance and a market economy. However, by making the existing laws available to Judges and magistrates, the level of rule of law in Tanzania will be increased. Based on discussions with partners, stakeholders and customers, constitutional reform in Tanzania is premature at this time. Tanzanians cannot be expected to know what changes in the laws they want if they do not know what laws exist. When the laws are widely available, the constituency for legal reform will be strengthened as it becomes clearer to the public that changes in the laws are necessary.

IR3.2: GOT Accountability and Transparency Improved

Tanzanians are accustomed, after thirty years of a one-party state, to a lack of accountability and transparency in the government. Being used to the way of doing business, however, does not mean that Tanzanians find it acceptable; on the contrary, it appears that many citizens have no confidence in the way government is run. One of the biggest challenges at this transition stage is removing the barriers that hinder transparency and accountability, and, therefore, encourage corruption. For years, the GOT operated in a socialist system and in a closed manner, never assuming responsibility for informing the public of its actions. That attitude is beginning to change. President Mkapa has publicly declared war on corruption and has been taking steps to make the GOT fiscal processes more open. For example, the Tanzania Revenue Authority (TRA) has been established to deal with the problem of non-collection of taxes, and the President has removed several chief executives from parastatal companies. Beyond GOT internal changes, external assistance has been given to selected organizations in the GOT as well. The Controller Auditor General, whose office is responsible for auditing the GOT, has been receiving assistance from several donors, including USAID/Tanzania, to strengthen its capacity to audit government expenditures. Additionally, a working group composed of relevant staff of the GOT and a small group of donors (ourselves included) is working on revamping the tax collection system and collecting unpaid taxes. This new attitude within the government presents the country with an opportunity to formally change the GOT's way of doing business; an opportunity unique in the country's history.

While these efforts are positive, much work remains to be done in the area of fiscal management and oversight within the GOT. Other areas of the GOT operations also require attention. The National Electoral Commission (NEC) for instance, did not manage the elections in a way that gave most voters confidence in the electoral process. Although donors supported the elections in a variety of ways from funding the NEC budget to assisting in civic education, the elections, according to international electoral observers, were fraught with confusion.

The development hypothesis for working with the GOT to improve its accountability and transparency is that we must support the positive changes occurring in the GOT now, to reinforce and build on the GOT's increasing realization that it must be responsive to the voters of Tanzania. In a multi-party democracy, citizens have a right to demand openness and accountability of the government; it is the government's openness to the voters, or lack thereof, that can greatly affect a voter's candidate preference. To achieve this IR, USAID/Tanzania and other donors are working with several organizations within the GOT, including the TRA and the Controller Auditor General, whose office is responsible for GOT fiscal oversight. Although we are not currently assisting the NEC, we are involved in discussions with donors on efforts to coordinate assistance to the NEC.

IR3.3: Citizens Understand and Apply Principles of Democratic Governance

Part of the reason Tanzania is still in the transition stage to democratic governance is that citizens do not fully understand what a democracy is and how they can work towards making Tanzania a democracy. Nobody expects that educating Tanzanians on their rights and responsibilities as citizens in a country making the transition to democratic governance will be an easy or quick task. Changing people's attitudes after thirty years of one-party rule and a socialist economy may take a generation. Nevertheless, Tanzanians urgently need to learn what government should and should not be doing if progress toward democratic governance is going to continue. Thus, educating Tanzanians regarding basic democratic principles is imperative. While there are many NGOs in Tanzania, some of which are starting to push for change, these NGOs reach only a small segment of the population. Outreach is necessarily limited by funding and knowledge limitations. Moreover, most organizations target a specific audience, leaving those who do not understand the basic concepts of democratic governance with few opportunities to learn.

Many donors are involved in civic education and NGO strengthening activities. However, it is clear that in a country with approximately 28 million people, many of whom live in rural areas, there is room for additional, targeted assistance. This assistance will be in the form of disseminating civic education to a broad range of citizens living throughout Tanzania. In cooperation with USIS, we will field-test several pilot civic education activities that both disseminate information to Tanzanians as well as increase the outreach level of selected NGOs. One focus of the outreach activities will be NGOs dealing with women's legal rights. It is expected that outreach assistance will include activities to increase the conflict prevention abilities of these NGOs, in accordance with GHAI precepts. Outreach activities will also include separate activities funded under SO2 and SO4, which will be developed and implemented by USAID/Tanzania. These activities will be geared toward developing the outreach of both environmental and business associations, building on successful approaches employed to strengthen family planning and AIDS NGOs under SO1.

The hypothesis behind assisting citizens to understand and then apply principles of democratic governance is that civic education, reaching a large segment of society, will result in Tanzanians having a better understanding of the roles and responsibilities in a democratic system. Since Tanzanians are already beginning to apply the principles of democratic governance they have learned, the hypothesis is that as other Tanzanians are educated in concepts of democratic governance they will also apply these principles.

IR3.4: Selected Media Become More Responsive and Responsible

The press has been one of the vital and critical forces for change in Tanzania. Journalists have become increasingly fearless in challenging the status quo. The bolder papers have exposed scandals implicating business leaders and government officials, although more conservative papers have veered away from publishing such stories. These papers prefer to push for greater political openness by showing major discrepancies in approaches to the

market system, trying to give legitimacy to opposition parties, exposing unnecessary CCM force and exposing the systemic bases of corruption and weakness in the system. Selected staff on some papers have had charges brought against them by the GOT, based on libel; this may contribute to the more conservative papers' attempt to change the system through more subtle methods. Television and radio have lagged in provision of potentially controversial and provocative information, but recently news reporting on private radio and television has shown signs of quality.

Most media reporters have little if any formal training in journalism; they are usually trained on the job. Not only are they poorly trained, they are poorly paid; media reporting is not a highly respected profession in Tanzania. Journalists often do not understand the implications of the government's economic policy changes and the ramifications of the switch to a multi-party democratic system. Many important issues are insufficiently analyzed or are not covered at all. Sensationalist reporting is too frequent and investigative journalism is seldom undertaken. Although there are press associations, members have not turned them into places for sharing and learning information, nor have they used these associations for advocating higher wages for media personnel.

Again in cooperation with USIS, USAID/Tanzania has instituted pilot projects with journalists to increase their level of reporting in terms of both basic journalistic skills and basic information on topics poorly covered. We are also working to strengthen the press associations to foster quality reporting and to take an advocacy role for journalists. These efforts are based on the hypothesis that training working journalists will improve the quality of reporting and sharpen the focus on issues that are important to Tanzanians' understanding of the changes occurring in the country, especially those related to the market system and multi-party democracy. In turn, more coherence and more professional attitudes will also be fostered through stronger press associations, which in turn will increase the industry's ability to advocate and protect media independence effectively. At this point, we do not plan to deal with the problem of financial viability but we will monitor the financial health of the sector.

IR3.5: Selected Political Institutions Better Perform Representative Functions

Multi-party democracy exists in Tanzania to the extent there are 13 registered opposition parties and the opposition has fielded candidates in the elections. However, these parties, and their candidates elected to Parliament, do not completely understand how to be responsive to voters. The parties do not have well-developed platforms and therefore are not truly responsive to voters who want an alternative to CCM. By extension, the opposition MPs do not work within a party framework in submitting private bills for discussion and voting. This may result in opposition MPs not offering any cohesive opposition to the majority CCM MPs, which will lead to the same old system - CCM effectively runs the government and decides the laws without a coherent voice of dissent to challenge laws and make changes.

Political parties and members of Parliament that represent the people are crucial to the existence of democratic governance in a country. In Tanzania, both are weak. Multi-party democracy has existed only since 1992, so the lack of knowledge on the part of political party functionaries and MPs is understandable. Politicians, other than those in CCM, have yet to understand how to be responsive to voters and incorporate voter's ideas into their platforms. In fact, one of the common themes among the opposition parties in the 1995 elections was that they ran "against CCM", not really "for" anything specific. Education and assistance in building the skills necessary for political parties and MPs to operate effectively (e.g. coalition building, developing platforms) will enable voters to have a real choice and to influence government policy.

We do not see ourselves involved financially in IR 5 for the foreseeable future because we have limited resources. Other donors are working with MPs and political parties to educate them on how to make a multi-party democracy function effectively. However, we will support these initiatives based on the hypothesis that to function effectively, a multi-party democracy requires political parties, and the elected representatives of those parties, to be responsive to their constituents. Otherwise, multi-party democracy in Tanzania will not be fully developed and functioning.

2. Critical Assumptions

There are three critical assumptions. Should these assumptions not be substantiated, the achievement of the SO will be jeopardized.

The political crisis in Zanzibar is resolved. As noted above, Zanzibar is grappling with accusations by the opposition that the elections were not "free and fair". If this crisis is not resolved in a way that takes into account the opinions of groups on both sides of the issue, questions will be raised concerning the Government's acceptance of multi-partyism, its transparency, and its strategies for responding to challenges to its actions. Clearly, a general perception that the Government does not accept these three notions will raise doubts about the Government's commitment to DG.

Regional security does not worsen substantially. Tanzania is currently providing a home for 600,000 refugees from Rwanda and Burundi. These refugees are straining the resources of the country, and pose a threat to security and stability within Tanzania. Up to now, the GOT has observed the recognized principles of refugee rights. There is, however, concern that the material burden the refugees are placing on Tanzanian society at large as well as on the government may influence the authorities to compromise on their application of democratic principles to refugee issues. There is also the possibility that another influx of refugees from Burundi may occur, and military resources have already been assigned to patrol the border areas. Should regional security deteriorate Tanzanian resources will be stretched even more thinly, and the GOT may feel compelled to resort to punitive tactics that are unacceptable in a democratic state.

The GOT will continue political reforms. Failure to sustain the momentum of these reforms will be interpreted as a clear indication that the GOT does not fully support democratic governance. As noted above, DG involves both the government and the public accepting and living by fundamental principles of democratic governance. If the Government does not accept these concepts, there is no guarantee that the people themselves can bring about a democratic transition.

E. Commitment and Capacity of Other Development Partners

Achievement of SO3 will require collaboration with, and commitment of, many development partners. The GOT will be a partner not only for IRs 1 and 2, achievement of the other IRs depends on the GOT's continuing commitment for reform in these areas. Other Tanzanian partners are the University of Dar es Salaam (IR1), NGOs and associations (IR3) and media personnel and their representative bodies (IR4).

There are numerous donors involved as partners in SO3, including Denmark, Finland, Ireland, Sweden, Norway, the EU, Britain, Germany, the Netherlands, the World Bank, IMF, UNDP and USAID. Other foreign-based organizations who are partners are Friedrich Ebert Stiftung, Konrad Adenauer Stiftung, and Friedrich Nauman Stiftung (all from Germany), and the British Council. Activities include civic education, legal reform, electoral assistance, policy dialogue with the GOT and improving the Parliamentary library. The US Embassy and USIS are also partners; the Embassy through 116(e) projects and USIS through 116(e) projects, other programming, and as the implementing agency for USAID activities under IRs 1, 3 and 4. The SO3 record of consultative process shows details on current areas of activity by these partners.

Coordination among development partners will be an ongoing challenge. Currently, many donor organizations and foreign-based organizations are undergoing strategic planning activities of their own and are unable at this time to indicate the level of assistance they will be making to SO3 activities. Some donors are also rethinking DG assistance as the focus moves away from the 1995 elections. While all the donors and organizations consulted are fully committed to assisting Tanzanians, they cannot confirm their assistance levels now. They have, however, indicated they will be involved. By the time of the submission of the 1997 R2, we will have more complete information and will be able to indicate our partners for each IR.

In an effort to assist with coordination of activities, the Mission will develop a data base for tracking each partners' activities in DG. This is especially important to prevent donor duplication, as donors often support unsolicited proposals that have been sent to more than one donor for funding. The data base, coupled with the donor coordination meetings, will ensure that all partners are aware of ongoing DG activities, as well as those scheduled for the future.

F. Illustrative Approaches

To achieve the IRs for SO3, a variety of approaches will be taken. IR1 interventions include technical assistance and training in-country for ADR with funds available through the Tanzania Democratic Governance Initiatives (TDGI); SO3 funds set aside for the HRDA program are available should training in the United States be deemed necessary at a later date. Support for publishing the laws and distributing them widely will also be provided.

IR2 approaches include financial and technical assistance support for TRA and the Controller and Auditor General (CAG); policy dialogue with the government on tax collection and minimizing corruption will also play a central role. As stated, we do not expect to directly support the NEC. However, it is anticipated that US Mission staff will be electoral observers during the elections period, as they were during the 1995 Zanzibar and Union Presidential and Parliamentary elections.

Support for IR3 will include technical assistance for supporting civic education dissemination and NGO outreach activities through TDGI. As noted earlier, a target of outreach assistance will be NGOs dealing with women's legal rights in Tanzania. If required, HRDA funds are available for US training. Assistance for outreach will also be in the form of separate funding from SOs 1, 2 and 4.

IR4 support will include training in-country for media staff, from the TDGI project. The training is being conducted at press associations around the country.

The mission is not directly supporting IR5 at this time; however, we will monitor developments in Parliament and political parties. Should the mission decide that intervention is necessary, we will consult with customers, stakeholders and partners to determine in what way we can best assist.

G. How Sustainability Will be Achieved

The success of democratic governance in Tanzania is necessary for sustainable development in the country generally. DG affects every facet of society and it is clear from this country's experience that Tanzania has not been able to develop in a sustained manner under socialism.

The Mission carefully considered sustainability issues when determining the SO statement and the intermediate results for SO3. Our deliberations with customers, partners, stakeholders and within the Mission convinced us that DG is sustainable in this country due to the significant change in attitudes that has taken place in Tanzania over the past several years. Two of Tanzania's attitudinal strengths are the internalization of concepts of national and social equity that took place under Nyerere; while Tanzanians do not yet fully understand the ramifications of democratic systems, they do have a sense that democratic institutions could accomplish some of the changes they want to see in their government. However, the institutional and organizational progress has not kept pace with attitudinal change; to sustain

DG in Tanzania, these institutions and organizations must be strengthened.

Ultimately, we are working in the area of DG with a focus on eventual consolidation. Thus, we have taken a very long-term view, as consolidation will not be likely during this planning period. Many Tanzanians accept the concepts of DG and these attitudes will help ensure the sustainability of the DG transition and consolidation. Further, activities to build the foundation for the transition to democratic governance are relatively inexpensive; what drives the success of these activities is commitment on the part of the Tanzanians.

H. Judging

Baseline data is currently being collected for these indicators based on 1995 data. To the extent possible, data will be gender disaggregated. The indicators are presented for the SO and each higher-level IR.

Table 11

SO3. Strong Foundation for the transition to democratic governance established.

Indicator (Baseline year)	Baseline	Target
3.1 % eligible citizens registered to vote, local elections (1994)		
3.2 % registered voters voting, local elections (1994)		
3.3 % eligible citizens registered to vote, national elections (1995)	81	
3.4 % registered voters voting, national elections (1995)	75	
3.5 # of action groups registered and active (1996)		

Table 12

IR3.1. Access to justice improved

Performance indicators (Baseline year)	Baseline	Target
3.1.1 Civil delay reduction (# of months) (1996)		
3.1.2 % of courts possessing written legal code/copies of laws (1996)		
3.1.3 Disputes resolved by ADR as % of cases settled (1994)	0	

Table 13
IR3.2. GOT accountability and transparency improved

Performance indicators (Baseline year)	Baseline	Target
3.2.1 Anticorruption unit prosecutions increase (#/yr) (1995)	0	
3.2.2 Annual increase # clean audit findings (1996)		
3.2.3 Reduced % spoiled votes, local/national elections (1994/5)	5	
3.2.4 Reduced # electoral petitions filed, national elections (1995)	127	

Table 14
IR3.3. Citizens understand and apply principles of democratic governance

Performance indicator (Baseline year)	Baseline	Target
3.3.1 % citizens demonstrating knowledge of selected DG principles (1996)		
3.3.2 # channels through which civic education imparted (1995)		
3.3.3 # or % of citizens aware of activities and/or services of selected NGOs (1996)		

Table 15
IR3.4. Selected media become more responsive and responsible

Performance indicators (Baseline year)	Baseline	Target
3.4.1 Qualitative improvement in reporting (1995)		
3.4.2 % citizens with accurate information, local issues (1996)		
3.4.3 % citizens with accurate information, national issues (1996)		
3.4.4 % of press clubs with multiple sources of support (1996)		

Table 16
IR3.5. Selected representative institutions perform better

Performance indicator (Baseline year)	Baseline	Target
3.5.1 Increased # private members' bills introduced in Parliament (1996)		
3.5.2 Official gazette published and distributed (1996)		
3.5.3 % of constituencies with candidates from two or more parties standing, local elections (1994)		

Data will be obtained, for both the baseline data and to judge progress, through a variety of means. Mission monitoring and customer interviews will be on-going. Focus groups, post-training surveys and data from pertinent partners will also be sources of data collection. The Mission will periodically conduct SO3 results package evaluations, which will also contribute data for measuring results.

I. Funding Scenarios and Their Implications

The Mission has been requested to develop resource requirements based on three different funding scenarios: turnaround, high, and low.

As noted above, our DG strategy does not require large amounts of money. However, it is key to sustainable development and must be continued at any level of funding. Because the Mission recognizes the importance of democratic governance in achieving sustainable development, SO3 will receive \$4 million a year under each of the three scenarios. Total Mission funding over the planning period will be \$28 million, plus \$4 million received in 95/96 funds. At this level, the Mission will be able to achieve all results in the results framework.

STRATEGIC OBJECTIVE FOUR: INCREASED PRIVATE SECTOR PARTICIPATION IN THE ECONOMY

A. Strategic Objective Statement

USAID/Tanzania's Strategic Objective 4 is "Increased Private Sector Participation in the Economy". This SO addresses and builds on policies of economic reform introduced in Tanzania ten years ago after 25 years of failed efforts at a centrally-managed economy. Since the introduction of the reforms, there have been some dramatic changes including the decontrol of interest rates, exchange rates, and most prices. Further progress, however, is needed. Per capita GDP is only about \$100, and state-owned enterprises continue to dominate the manufacturing sector. Their continuing need for budgetary subventions from

the public sector consumes a disproportionate share of available resources. The untapped potential of Tanzania requires an enhanced role for and increased opportunities in the private sector.

SO4 is directly linked to the overall Mission goal of "Real Growth and Improved Human Welfare". The rationale for the SO is that increased private sector participation in the economy is essential to improving economic efficiency, achieving real growth and an improved standard of living. Such growth can only be achieved with greater job-creating investment, for which the private sector is the most efficient and sustainable source. The activities that are or will be undertaken under the aegis of SO4 will address the necessary and sufficient conditions which will stimulate greater private sector participation in the economy.

B. Linkage to Agency Goals and Objectives

The Agency's Goal 1 is broad-based economic growth, a goal which USAID/Tanzania's SO4 directly supports. In addition there are clear links between SO4 and the Agency's Objectives and Program Approaches. Agency Objective 1.1, strengthened markets, is a necessary condition for enhancing the role of the private sector in Tanzania. The Agency has chosen five program approaches to strengthen markets, of which three are directly addressed by SO4: improving policies, laws and regulations governing markets; strengthening institutions that reinforce and support competitive markets; and improving training and technology transfer for the private sector. SO4 also addresses Agency Objective 1.2, expanded access and opportunity for the poor, with specific linkages to two of the program approaches: more equitable regulatory, legal and institutional environments, and expanded access to formal financial services for microentrepreneurs.

SO4 is also closely tied to the Agency's regional objectives in Eastern and Southern Africa. Through its enhancement of the private sector the SO directly addresses the poverty which is an inextricable causal element in the patterns of conflict and strife in the GHAI and Great Lakes Regions. The SO will also complement RCSA efforts in identifying viable entrepreneurial development strategies for the Southern African countries, and directly support Southern Africa Enterprise Development Fund (SAEDF) activities. Tanzania's membership in the revived East African Community is meant to foster trade and export growth, which we will be supporting through IR5. Linkages between SO4 and the Mission's other SOs can also be identified. To achieve real economic growth an adequate and reliable infrastructure must be in place (SO5). Preservation of natural resources under SO2 ensures continuance of economic activities and provides a dependable and reasonable source of renewable resources for future generations. Without sound governmental principles provided and enforced, the environment for a robust private sector cannot be developed nor sustained (SO3). The stable and healthy national population that SO1 seeks to encourage is mandatory for sustained private sector development and consequent economic growth, providing jobs and increasing incomes.

C. Problem Statement and Progress to Date

1. Problem

Tanzania is well endowed with natural resources including fertile soils, rich mineral deposits, and spectacular wildlife; a diverse climate conducive to a wide variety of crops; a natural harbor with two railroad links to the interior of Africa; and established universities and centers of higher education. Tourism, mining, and manufacturing offer almost untapped potential sources of growth which will encourage additional growth in the service industries like finance, energy and transportation. What Tanzania does not have is macroeconomic balance and stable prices, a supportive legal and regulatory environment for a private sector led market economy, adequate infrastructure, developed financial intermediaries encouraging savings and investment, and business managers with organizational skills.

Decades of central government control of productive activities has left Tanzania with an inadequate and crumbling infrastructure, an overstuffed and underpaid civil service more attuned to servicing state enterprises than regulating a market-based economy, and a nascent private sector fearful that government will revert to the statist policies of the past. Corruption is endemic, resulting in increased costs which are passed on to consumers and in an inefficient allocation of resources, as some firms achieve advantage based not on efficiency but on the willingness to bribe.

Undeveloped financial markets. Until just three years ago, the major financial intermediaries were all state-owned enterprises, including three commercial banks, three development banks, one insurance company, and one postal savings bank. In addition there were and still are many small savings and credit societies, primarily in rural areas. Because of the lack of competition, the formal sector financial intermediaries were highly inefficient and ineffective in mobilizing savings and allocating savings to their most productive uses. Currency in circulation is 20 percent greater than demand deposits, and loans to the private sector are only 40 percent of total bank credit. Lending rates are over 30 percent. The largest financial intermediary, the National Bank of Commerce (NBC) with 183 branches, has a market share of about 80 percent for both loans and deposits. Even after repeated government replacement of nonperforming loans with government bonds starting in 1991, 77 percent of NBC's loan portfolio is still classified as nonperforming (parastatals account for 50 percent). Accumulated losses at the bank at end 1994 were TShs 214 billion (9.4 percent of GDP) and the bank had a negative net worth of Tshs 151 billion and operating losses for the year of Tshs 30 billion.

The Tanzania Housing Bank was liquidated in July 1995 and the Cooperative and Rural Development bank was privatized. Private banking was allowed starting in 1993 but the first bank to open, Meridian BIAO, failed in 1995 and was taken over by a South African bank. There are now 12 private financial institutions, of which eight are banks, in operation in Tanzania, including Citibank. However, the private banks have defined a very narrow customer base, and seem reluctant to lend. Credit for investment or working capital remains difficult to impossible for all but the largest firms to access, and competition remains very limited.

The regulatory and supervisory function of the central bank, the Bank of Tanzania (BOT), has been weak. This derived from inadequate legislation, a long history of direct government manipulation of the financial sector, and, until recently, little internal capacity to function in a supervisory manner. The inefficiency of bank operations and the absence of an adequate communications network in Tanzania have further compromised central bank functions. Consequently the BOT is still weak, the private institutions still are not competitive, and there is a long way to go before there is a completely open financial environment and well- developed institutions.

Legal and regulatory inadequacies. The legal system in Tanzania is in large part a legacy of the British colonial period. Many of the laws currently on the books were imported from Britain and India. Other legislation dates from the period of Socialist policy and State control of the economy. The laws are therefore out of date and needs to be aligned with modern practices. For example, the Companies Ordinance currently in force in Tanzania, which establishes the conditions under which business enterprises can be legally registered, was developed in the early 1920s. Since then a number of other statutes which are not part of this Ordinance but which directly affect the operations of business have been enacted and function as amendments. In addition, due to the extraordinary powers of Ministries to generate subsidiary legislation, there are many overlapping and, in some cases, conflicting regulations. There is no one single source the public can consult to identify which pertinent legislation is in effect or which may have been eliminated. According to a 1991 study of constraints to private sector development, business activity in the city of Dar es Salaam alone is governed by six statutes, 12 bylaws, 15 regulations, 11 ordinances, seven notices and one rule. This situation remains unchanged to this date.

A major hindrance to effective private sector mobilization is the inability to acquire and dispose of land freely. Although land policy is being actively debated in the Parliament and it is anticipated that new legislation will be enacted this year, at present all land in Tanzania is vested in the President as trustee on behalf of the people. Individuals are tenants rather than owners, and are not allowed to transfer their right of occupancy to other citizens without the consent of the GOT. Without real property rights, it is unlikely that land will be put to its most productive use, and it cannot be used as collateral for loans. In sum, on the legal and regulatory fronts there are still formidable barriers to the growth and expansion of the private sector.

Lack of managerial and entrepreneurial skills. A major casualty of the socialist policies of the past was the failure to foster or promote the entrepreneurial and managerial skills that are essential for starting and operating business enterprises, whether in the public or the private sector. Under central planning, firms were not able to make decisions in response to market conditions. Parastatals operated to provide essential goods at government determined prices, often with social objectives in mind rather than covering costs, and the level of employment had little to do with efficiency. For those private firms that continued to operate, government contacts were more important than operating efficiency. The net result is a need to rebuild the entrepreneurial spirit and replace the loss of managerial skills.

Business associations are not yet organized and staffed with qualified personnel to lobby effectively on behalf of the private sector. There are three large associations, including two chambers of commerce, which are of many years' standing and have membership drawn from around the country, and an increasing number of smaller and more specialized sectoral associations. On the whole, entrepreneurs view chambers of commerce as ineffective and question the value of membership. The capability of these organizations to represent private sector interests in dealings with the government is weak and they do not necessarily share a common agenda.

Macroeconomic and fiscal imbalance. Tanzania's budget deficit was 10 percent of GDP in both FY93 and FY94 and increased to 13 percent in FY95. The GOT has to rely on deficit financing from the central bank. Both the money supply and inflation have increased at an average rate of 30 percent for the last several years. External debt is twice as great as GDP and debt service is equivalent to 32 percent of exports, 5.5 percent of GDP and 35 percent of government revenue. Imports are three times greater than exports, and the current account deficit has grown to 20 percent of GDP.

The inability to instill expenditure control and improve revenue collections has been a major stumbling block preventing the GOT from reaching agreement with the IMF and World Bank for ESAF and SAC programs. A principal reason that revenue collections have not been adequate is the pervasive presence of corruption throughout the revenue raising departments but especially in customs and internal revenue. In addition, poor customs and tax administration exacerbate the problem. Expenditure control has been made more difficult by the failure to reform the pay structure of civil servants. Allowances average 50 percent of salaries but in individual cases can reach almost four times the base pay. In addition, government has a surplus of workers with low skills and a shortage of workers with the critical skills needed to provide efficient public services.

Revenues average about 15 percent of GDP and recurrent expenditures about 19 percent. Development expenditures have ranged from three to six percent of GDP in recent years. Currently, however, development expenditures are very low as they are for the most part dependent on donor financing. The impasse between the IMF and World Bank with the GOT in reaching agreement on support programs and the incensed reaction of donors to the uncovering of massive fraud and corruption in government resulted in many donors withholding budgetary support. Development expenditures declined to 2.8 percent of GDP in FY95 from 4.6 percent the year before. Not only have development expenditures been hit hard as a result of fiscal indiscipline but expenditures for social services have likewise declined as a percent of GDP. Education and health budgetary expenditures are now only 3.35 percent of GDP compared to 5.0 percent in the early 1980s.

From the perspective of the private sector, these macroeconomic and fiscal imbalances lead to distorted investment incentives, inability to secure finance, unfair competition with imports and parastatals, and undermine the infrastructure of utilities, communications, and social and

other services required to foster stable growth.

2. Progress to Date

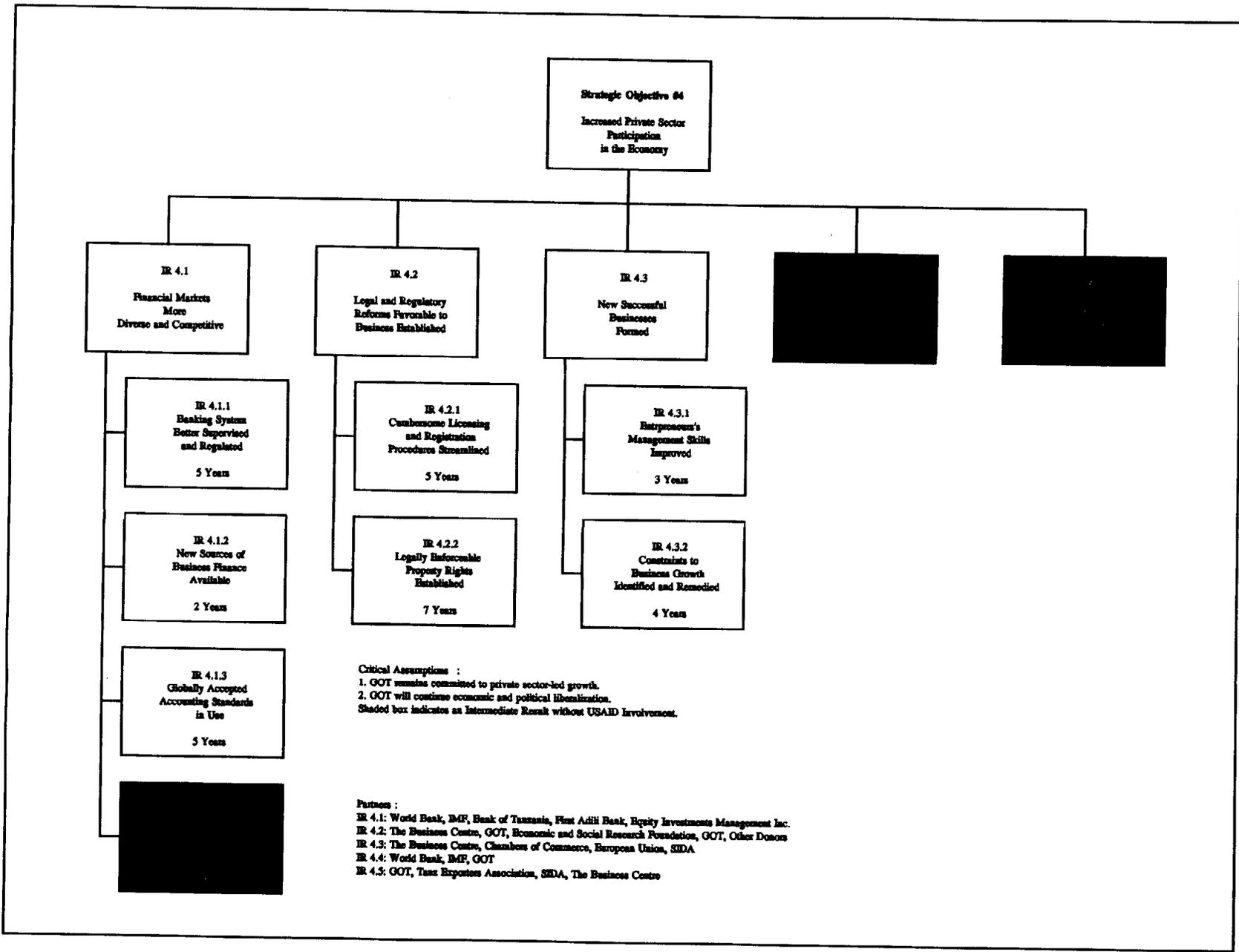
The Mission's Finance and Enterprise Development (FED) project started in late 1992 and has been the Mission's principal activity to promote the private sector in Tanzania. Included in the FED program is The Business Centre which supports micro and small-scale entrepreneurial development and expanded trade and investment linkages between America and Tanzania. It has been welcomed as a practical approach to resolving technical and marketing problems inhibiting private sector growth, **on a fee-for-services basis**. Since opening in June 1994, almost 300 small business persons have received training in business management, training, and consultant skills. As a direct result of FED assistance, over 750 new jobs have been created in the past two years. TBC has opened a regional office in Mwanza to serve businesses in the lake zone. The landmark Tanzania Venture Capital Fund, designed under FED, attracted \$7.6 million in capital from donors, of which \$4.0 million has so far been invested in 16 medium scale Tanzanian enterprises. The Social Action Trust Fund, also designed under FED and established with FED locally generated funds will engage in equity investments in Tanzanian private firms. Interest and profits will accrue to NGOs working to assist AIDS victims and orphans. The policy reform agenda implemented by FED has led to the opening of twelve private financial institutions, and to a fully-unified, market-based foreign exchange rate. As a result, Tanzania now has a more competitive, diverse and service-oriented financial sector.

FED funds were used to train over 300 Bank of Tanzania officials in more effective and technical bank supervisory and regulatory practices in both the U.S. and in-country. New commercial bank officers also participated in these highly structured and practical sessions. As a result of training and technical assistance provided, the BOT has implemented policy changes in financial and organizational areas, including bank supervision, bank examination and monitoring, and development planning.

3. Consultative Process

SO4 has a diverse constituency of customers and partners. The input of ultimate customers, as well as intermediate customers/partners, into the planning process has been obtained through both direct and indirect means. Site visits have been made and workshops conducted in both rural and urban areas of Tanzania, with local authorities, entrepreneurs, and members of business associations. The development of the Risk Management Profit Sharing (RMPS) activity to be implemented this year under the FED program was in direct response to the expressed need of microentrepreneurs for greater access to investment capital. The Mission and SO team members also have collaborated closely with government institutions, most notably the BOT and the MOF. Regular meetings which have provided both ultimate and intermediate customer input into the shape of the SO are held with TBC, TVCF, and donor partners, among other organizations. A grant has been extended to the Economic and Social Research Foundation, a Tanzanian "think tank", to sponsor monthly policy seminars to

discuss obstacles to private sector participation in the economy, and to build public awareness of the issues. The consultative process has been particularly useful in assisting TBC to develop workplans which are directly responsive to the self-expressed needs of entrepreneurs, business associations, and the wider community of private sector actors.



Critical Assumptions :
 1. GOT remains committed to private sector-led growth.
 2. GOT will continue economic and political liberalization.
 Shaded box indicates an Intermediate Result without USAID involvement.

Partners :
 IR 4.1: World Bank, IMF, Bank of Tanzania, First Adili Bank, Equity Investments Management Inc.
 IR 4.2: The Business Centre, GOT, Economic and Social Research Foundation, GOT, Other Donors
 IR 4.3: The Business Centre, Chambers of Commerce, European Union, SIDA
 IR 4.4: World Bank, IMF, GOT
 IR 4.5: GOT, Tax Exports Association, SIDA, The Business Centre

D. Causal Relationships and Critical Assumptions Underlying the Results Framework

1. Causal Relationships

USAID/Tanzania's Strategic Objective 4 is "Increased Private Sector Participation in the Economy." The rationale for this SO is that sustainable economic and social development will not occur in Tanzania without greater involvement of the private sector. Increased private sector participation in the economy is essential to improving economic efficiency, achieving real growth and an improved standard of living. The history of the now largely abandoned Socialist experiment in Tanzania has demonstrated that the public sector role must be reduced in favor of an emerging category of private entrepreneurs if sustainable development is to be achieved and poverty reduced.

The underlying development hypothesis is that when financial markets are better able to meet the needs of entrepreneurs in support of both domestic and export-oriented production, when legal and regulatory reforms conducive to business development have been put in place, when entrepreneurial skills have been enhanced, and when progress has been made towards macroeconomic balance, an environment which will foster the development of greater private sector participation will have been created and enterprises will thrive. It is expected that measurable progress towards the achievement of this objective will have been made during the seven-year planning period.

In collaboration with partners, stakeholders, and customers, USAID/Tanzania proposes five intermediate results which are necessary and sufficient for the achievement of the SO. Of these IRs, USAID will be responsible for the first three, and other donors and partners will contribute to the achievement of the last two. These are:

1. Financial Markets More Diverse and Competitive;
2. Legal and Regulatory Reforms Favorable to Business Development Established;
3. New Successful Businesses Formed;
4. Macroeconomic Balance Enhanced; and
5. Export Markets Facilitated and Developed.

IR4.1: Financial Markets More Diverse and Competitive

During the socialist era in Tanzania, the central government was virtually the sole source of finance and employment. All of the major financial institutions were government owned. These institutions lent predominately to the public sector, with small amounts channelled to selected private firms directed by government and political leaders. Lack of competition, lack of diversity among financial organizations, and lack of commercial discipline led to gross mismanagement within the banking sector. Within the financial sector as a whole there was no incentive to save and few avenues for investment.

Tanzanian incomes and employment are growing very slowly because the resources of the

private sector are not effectively engaged in national development. A major constraint to stronger private sector participation in the economy is weak and fragmented financial markets without effective competition. Financial markets' growth will contribute to private sector development by mobilizing savings, stimulating investment, increasing competitiveness, diversifying and increasing efficiency in the provision of financial services/products, and by reducing transaction costs in all sectors.

Since 1991 a number of steps have been taken to liberalize and diversify the financial sector: a stronger central bank, a market-based foreign exchange regime, and licensing of private banks. These steps have already increased the flow of financial resources to the private sector providing fuel for its growth. However, more remains to be done. New institutions to mobilize capital and attract savings are needed, as well as reform of the existing institutions. The continuing establishment and expansion of private banks operating in Tanzania will instill confidence among savers and increase trust in financial institutions by offering efficient and effective services and products. Commercial lending will grow as deposits increase, inflation moderates, and the overall investment climate in Tanzania continues to improve. Not only private financial institutions, but innovative new sources of and strategies for investment are required, including venture capital and the issue and sale of shares on a stock market.

The existence of a dynamic and reliable banking sector is critical for supplying financial products to the private sector for investment. Proper functioning of the banking sector will depend on the quality of fiscal and monetary policies implemented by the BOT. With respect to banking practices, these policies establish a framework for prudent bank management, adherence to reserve requirements, proper capitalization, safe deposits, and a reasonable rate of return for depositors' invested capital. Public confidence in the financial system depends not only on the existence of adequate controls and regulations, but also on technically capable bank regulators and supervisors. This is attained through training; on-the-job, in-country and offshore. Professional experts in respective fields are required to teach modern methodology in bank supervisory techniques and how to identify and correct fraud and corrupt practices in financial institutions.

The dynamics of a free economy imply a constantly changing environment as economic conditions evolve to meet different patterns of investment, savings and consumption. The BOT must be responsive to these dynamics and react accordingly. BOT officers' technical knowledge is critical in identifying these emerging trends and taking appropriate actions before situations occur where delayed or incorrect actions could affect financial markets.

Microenterprise development also needs to be facilitated. Although growth of large and medium enterprises will be important for achievement of the SO, and their needs are being addressed by SO4-supported activities, in Tanzania at this time it is the growth of microenterprises that will fuel the full shift to a market economy. The nascent growth of the small or micro indigenous entrepreneur has been stifled by the lack of capital for new businesses. The new private financial institutions were viewed as alleviating this problem,

but their marketing efforts are being directed towards the large, cash-rich enterprise. Trade finance receives the bulk of capital available for lending. Contributing to the problem is the lack of credit analyses and cash flow projection which limit accurate credit risk assessment. The indigenous entrepreneur, new to business, may possess the right idea, have a modicum of equipment/land, but does not have access to capital. This has stifled the growth of the formal private sector and in general delayed employment and income growth.

Along with the BOT, other public sector institutions require the kind of reform that will reestablish public confidence. The National Bank of Commerce (NBC) which operates throughout Tanzania, is critical to economic and even political stability in Tanzania, both of which are needed for continued economic growth. Unfortunately the NBC was run through most its history as an arm of the government rather than a commercial enterprise, and now has an enormous non-performing loan portfolio, many unproductive assets, huge accumulated losses, weak management, and continues to require large government subsidies. The scale of this problem is large enough to impede competition in the financial sector generally, while weakening the effectiveness of broader fiscal and monetary policies. The IMF and World Bank have focused on NBC restructuring as a key step in financial sector reform.

In sum, the development hypothesis underlying IR1 is that a restructured NBC, along with increased competition and diversity in the financial sector, augmented by a strong central bank with sound management and regulatory capability, will facilitate the mobilization of savings and the flow of finance to the private sector, resulting in employment and income growth.

IR4.2: Legal and Regulatory Reforms Favorable to Business Development Established

The private sector in Tanzania has often complained about existing and new constraints placed by various agencies of the GOT. These constraints directly affect their ability to conduct business and make a profit. Further, government regulatory or revenue bodies can set up bureaucratic barriers which result in inefficiencies and increased costs of doing business. A major task for the GOT is to establish efficient procedures which minimize the costs of compliance and prevent rent seeking behavior of government bureaucrats. A conducive enabling environment for the private sector is dependent on a level playing field where no firms receive government protection or favoritism at the expense of other firms. State owned enterprises often have an unfair advantage in importing goods, securing government contracts, obtaining loans, and in avoiding taxation or charges imposed by other parastatals, thereby resulting in the inefficient allocation of resources in the economy. These government enterprises are often required by government to hire more workers than are needed or are required to sell goods and services at too low a price to cover costs. These inefficiencies result in nonviable enterprises that require budgetary subventions to keep the enterprise going and thereby make the fiscal problem even worse than it might otherwise be.

Forming a business in Tanzania requires skillful navigation through a complex set of procedures to obtain the requisite permits and authorizations. There are a significant number

of one-time and annual licenses required, implying an equally large number of potential licensing authorities. At the minimum, each establishment requires a Certificate of Incorporation and a Business License which must be renewed each year. Additional authorizations, approvals and licenses are required depending on the proposed activity of the new business. A number of studies have highlighted some of the costs and considerable impediments to the establishment of businesses in Tanzania, such as: long delays in the processing of applications for certain licenses due to manual record-keeping procedures and untrained or uninterested personnel and the possibility for certain licenses to be denied outright without avenue for recourse. What is needed is for the GOT to reinvent the way that it operates. Rather than an adversarial relationship, government must establish a cooperative style with the private sector, reconsider current practices, and shift to a more service-oriented mentality.

In sum, the role of the legal and regulatory environment should be to facilitate entry and exit, encourage competition, minimize transaction costs between parties and generate confidence that contracts will be honored. The GOT must minimize its bureaucratic involvement and instead focus on cooperation and facilitation. The lack of a coherent policy towards private sector initiatives hinders the development of financial markets. In order to address this constraint, cumbersome licensing and business registration procedures require streamlining; they are too complex, redundant, inefficient and time-consuming.

IR4.3: New Successful Businesses Formed

Private sector enterprise can only grow if access to modern business practices is available. Entrepreneurial and business management capacity is still very limited in Tanzania. For many years the practice of private enterprise was discouraged and discredited; neither strategies nor facilities for learning and building necessary and appropriate knowledge and skills for private sector competitiveness was in place. Better understanding of current private enterprise techniques is needed. Areas in which skills are particularly lacking include: the basics of running a solvent business; how to obtain access to credit and other forms of financing; how to market goods and/or services; in short, how to survive in a competitive market place. The presence of real entrepreneurial spirit is evident in Tanzania; what is required is the institutionalization of knowledge and standards in business practice in building on that spirit.

In addition to increasing the knowledge, skills, and capacity for individual entrepreneurs, business support institutions must be also strengthened. Outreach programs are needed to help expand numbers of businesses; business and professional associations such as the Tanzania Chamber of Commerce, Industry and Agriculture need to be developed in order to provide services to increase the capacity of their members; and the business community needs an avenue to lobby government and influence policy reform processes. Once their capabilities are enhanced, business associations can assist in knowledge dissemination through workshops, seminars and consultation.

The centrally-planned economy that was the previous development model in Tanzania stifled the utilization of modern, accepted business practices such as advertising, marketing, budget forecasting, accounting principles, and fostering the development of human resources. Bringing management skills up to current world standards will improve competitiveness and encourage private sector growth.

IR4.4: Macroeconomic Balance

Fundamental to the right enabling environment is the requirement for macroeconomic balance, meaning that government interventions in the economy do not result in inflationary deficit financing. Expenditure control is essential as is the establishment of an efficient and equitable tax system. The BOT must minimize its monetization of government debt so as to prevent inflation. Rapidly rising prices create uncertainty and distortions in the allocation of resources, both of which are harmful to business confidence. The World Bank and the International Monetary Fund have the major mandate to work with government to instill fiscal and monetary discipline, however, other donors can play an important supportive role. Macroeconomic imbalances lead to uncertainty and lack of confidence, which discourages private sector investment and formal entrepreneurial activity. They therefore need to be rectified if the private sector is to continue to grow. Although USAID/Tanzania has not dedicated specific resources to this IR, its progress will be carefully monitored and noted. Attainment of IMF/World Bank economic and restructuring objectives are critical for the overall health of the economy and thus influence compliance with the overall objective in SO4. Depending upon funding availability, the Mission might participate jointly with other donors in specific, carefully identified sectors with technical assistance.

IR4.5: Export Markets Facilitated and Developed

In the absence of expanded export markets it may be very difficult, if not impossible, for the GOT to sustain macro-economic performance and overall control of the economy, because at present imports are three times greater than exports and contribute substantially to debt burden and payment imbalances. Nor will Tanzania be able simultaneously to support the stated policies and institutional reforms aimed at achieving the goal of poverty alleviation.

Entering new markets and expanding market penetration in an increasingly competitive and interconnected global trade system is however a complex undertaking, which requires the mobilization of aggressive initiatives, resources and well conceived strategies.

The policy environment for exporters is not clear, neither for those endeavoring to study it nor for those attempting to export. One of the first important steps which must be undertaken is to catalogue and rationalize all laws and regulations which affect exporters. With this caveat, certain indicative policy-related problems were identified by the World Bank Task Force. These included: 1) unclear legal framework; 2) lack of effective mechanisms to control smuggling and corruption; 3) inappropriate mechanisms for private sector consultation; 4) unclear and undeveloped land policy; 5) an inefficient regulatory

system; 6) no effective incentive framework for export and investment; 7) no modern commercial/contractual framework; 8) inadequate strategies to exploit commercial potential of international agreements; 9) no protection for Tanzanian exporters in the market place; 10) lack of coordination of export objectives with industrial and environmental policies, privatization and investment promotion.

New markets result in the generation of non-traditional sources of earnings, which encourages growth in new industries and the expansion of old ones, creating employment and increasing income. Although USAID/Tanzania has not allocated direct resources to this result, should previous funding levels be resumed, we would ally with the World Bank in assisting in the overall effort to develop this sector. In the meantime these objectives are an important component of our policy dialogue with other donors and the GOT.

2. Critical Assumptions

Two critical assumptions underlie SO4.

GOT will continue economic and political liberalization. The GOT's commitment to meet the conditionalities of the structural adjustment facility and policy framework paper as developed between the GOT, the World Bank, and the IMF is still on course. There have been some minor impediments to meeting some of these goals by the agreed-upon deadlines, but overall the process is moving forward. One of the most important aspects of this process as it affects private sector growth is the attention that the Parliament must give in addressing anomalies of outdated legislation which hinder economic progress and financial market rationalization. SO4 is assisting that process through the development of policy papers as formulated through the Business Advisory Council of TBC. Parliamentary committee members have played an integral role in the iteration of these papers and have committed actions appropriate in eliminating and/or initiating legislation.

GOT remains committed to private sector-led growth. The Third Phase government has reaffirmed its support for private sector activities as the principal mode of economic reform and progress; however, more than rhetoric is required to eliminate serious obstacles to private sector led growth, inherent in economic and political liberalization policies. An example of the GOT's continuing support for free market principles will be the immediate passage of legislation liberalizing the Tanzanian insurance industry. Other pending measures which would demonstrate such commitment induce rationalization of property rights, logical and consistent customs levy applications, and eventual complete acceptance and adoption of freemarket principles in all trade and investment activities.

E. Commitment and Capacity of Other Development Partners

USAID continues to be perceived as the "lead" **bilateral donor** in private sector activities. USAID is also seen as a principal player in assisting the GOT and the BOT to reach their economic, monetary and fiscal policy goals under the IMF and World Bank programs,

although we are not participating directly in the achievement of IRs 4 and 5. Our principal partners in the realization of this SO include the GOT and individual government institutions, other bilateral and multilateral donors, and the private sector itself.

Government partners. Tanzanian government institutions and departments most intimately involved in the achievement of SO4 include the Treasury, line Ministries, and the BOT. The BOT has dedicated substantial resources to accomplishing training objectives and is a fully committed and capable partner.

Other donors. The World Bank plays a complementary and pivotal role through its Financial Institutions Development Project which supports the restructuring of the National Bank of Commerce, critical to the rationalization of the entire banking system. Bank supervisory and regulatory training will also be supported and the structure for a privatization unit trust will be established. The Bank has allocated \$13.4 million to this project over a five-year period. The IMF, through its structural adjustment facility, has provided an on-site advisor to assist in bank supervisory and regulatory development, complementary to the USAID role.

Bilateral donors include DANIDA, GTZ and SIDA. DANIDA has been involved in the restructuring of the Cooperative and Rural Development Bank (CRDB), but with limited success. Both capital and technical assistance have been provided. GTZ works through the Small Industries Development Organization (SIDO), a parastatal which provides assistance to small entrepreneurs in the formal and informal sectors. The principal clients for GTZ support are kiosk owners seeking to establish property rights. There is also a small microenterprise fund which is managed in conjunction with a volunteer business training program for loan recipients. SIDA is working with medium-sized mechanical engineering companies to promote new techniques, better maintenance, and quality control, thereby improving efficiency. SIDA also works with the Confederation of Tanzania Industries (CTI), TANEXA, and TCCIA in the areas of management assistance, cost-sharing, and foreign trade support to diversify private sector income generation.

NGOs and the private sector. Important NGO partners include the TCCIA and TANEXA. Due to their emerging role as an interest group, the TCCIA is of increasing importance. The organization is changing its outreach and development programs to provide effective services and engage in public policy dialogue. Regional offices are developing rapidly and serving the interests of a clientele outside of Dar es Salaam. TANEXA has been working to develop new, non-traditional export products and markets. Founded only two years ago, it has fast become a recognized entity in export development with an important voice in lobbying efforts.

Three private sector entities are active participants with USAID in private sector development. Tanzania's first privately-owned indigenous bank, First Adili BanCorp, serves as the financial intermediary for RMPS microenterprise intervention. It provides an example to the public and the financial community of how to serve the needs of small businesses.

Equity Investment Management (EIM) is the management arm of TVCF. EIM has dealt effectively with diverse problems, starting with its own incorporation, and has resolved bureaucratic tangles which would have discouraged the faint-hearted. A capable team is effectively managing the \$7.5 million portfolio. TBC, which is USAID-funded, has been highly successful in creating a positive image in the business community with business services, training workshops, and policy dialogue. It has become influential in its own right and has developed a cadre of trained professionals who provide services which help enterprises to grow and expand.

F. Illustrative Approaches

The Mission has been active in private sector development in Tanzania since 1993. We can therefore point to a number of successful approaches, most notably in financial sector reform, training and capacity building, and avenues for the provision of investment capital. During the planning period we will continue to build on the progress already made in these areas, and to develop innovative new strategies to achieve our objective of increasing private sector participation in the economy.

Most of the critical financial sector reforms have been accomplished as conditions precedent to the release of tranches of NPA under the FED program. A key reform which was not implemented was privatization of the insurance industry. We are continuing to push for the enactment of legislation which will introduce competition into the insurance financial market. The new government supports this move and is expected to re-introduce the necessary legislation to Parliament during 1996.

A training needs analysis for the Bank of Tanzania was carried out to determine their requirements for the next five years. Courses in bank supervision will be conducted in-country and offshore as identified in the analysis. Selected staff from commercial banks might also be included in the pool of staff for training for the in-country training programs. USAID/Tanzania plans to fund workshops and seminars for the Bank of Tanzania in the next 3-4 years which are considered necessary for the improvement of the BOT officers' skills. We will continue to collaborate with the Swiss Development Corporation, the World Bank and other donors in this area.

USAID/Tanzania will also continue training activities geared towards improving formal private sector entrepreneurship skills such as the Business Management Skills Workshops developed and presented by The Business Centre. Dependent upon fund availability, other programs include Entrepreneurs International (EI); off-shore and in-country business management programs conducted through the Human Resources Development Assistance (HRDA) Program; and advanced academic business training programs conducted through the African Training for Leadership and Advanced Skills (ATLAS). Ad hoc business training programs are also conducted by other donors, NGOs, business associations and individuals.

Private enterprise financing requirements, especially those of the micro and small indigenous entrepreneurs, are not being adequately serviced by existing financial institutions. SO4 seeks to address these limitations through assisting the establishment of Tanzania's first venture capital fund and a newly-initiated microenterprise fund, the Risk Management/Profit Sharing Microenterprise Fund (RMPS). This scheme is unique to Tanzania and was designed specifically to meet the needs of entrepreneurs who might have the ideas and capacities to succeed, but lack the necessary capital to ensure success. RMPS will address those needs through an innovative approach to sharing the risk of NOT making a profit. Funds will not be subject to interest, and collateral will not be a determining factor in the approval process. In order to reduce expenses and enhance the attractiveness of commercial lending to this sector, the resources of TBC will be used to train and maintain "venture capital consultants". TBC clients will be considered for assistance in the first round of RMPS assistance. The consultants will select clients and make recommendations for support which will be approved by the participating financial institution, First Adili BanCorp. Risk will be managed by the consultants, whose compensation will be performance-based. RMPS will be a model for future programs with other commercial institutions, utilizing the services of the same consultants; this will enable participation without the costly creation of separate management structures to monitor the investments.

We will also work with the Global Bureau to undertake an Entrepreneurs' Roadmap Study in Tanzania, through the PEDS project, to delineate the step-by-step requirements an entrepreneur must take to become operational. The intent is to encourage the GOT to reconsider its current practices and shift to a more service-oriented mentality. The goal is to make the agencies that deal with entrepreneurs more efficient, flexible and responsive.

G. How Sustainability will be Achieved

USAID/Tanzania's approach to sustainable economic growth -- achieved through building private sector participation in the economy -- reflects three important principles according to which these activities have been designed and are being implemented.

Tanzanian ownership. We take special care to seek policy and institutional objectives that are identified by and strongly shared by Tanzanian counterparts. Our financial sector reform agenda, for instance, was defined largely by the staff of Tanzania's central bank and senior officers in the Ministry of Finance. The strength of commitment to this agenda can be seen in the fact that it was largely implemented (29 out of 30 tough conditions) in the face of strong resistance from political and economic interests that sought the resignation of the central bank Governor. The single unmet condition -- that cost Tanzania \$10 million in NPA last year -- will in all likelihood be met this year, following a decision by the Mkapa government to ask Parliament to legalize private insurance companies so as to foster competition in the insurance industry. By lending our support to issues such as this, where Tanzanian reformers have themselves defined the objectives and pursued them strongly -- we leverage substantial impact.

This principle is also reflected in our efforts to unravel the web of "second generation" policy and procedural constraints to private sector development. We are pursuing two parallel tracks. First, we are supporting a network of Tanzanian economists and businesspeople in their efforts to engage the government in substantive dialogue on deregulation and other enabling environment issues. Second, we are supporting a reformist faction in the new Parliament, which through a Standing Committee on Financial Legislation is seeking to eliminate many regulatory functions that impede both indigenous and foreign investment in Tanzania. In both cases we are working in support of objectives that have been defined by committed Tanzanian colleagues who themselves set the pace of the dialogue.

The principle is also employed in our project activities. Our training program with the Bank of Tanzania is managed entirely by the Bank's training staff, according to a multi-year staff development plan they prepared. The Governor of the central bank gives USAID credit for establishing a strong bank supervision function as a result of this strongly customer-oriented approach to project support. The principle is also used quite directly -- in our Venture Capital Fund, for instance, it has been agreed that local employees of the fund management company will be given 20 percent ownership in the enterprise, which motivates them to do the best job they can at identifying investee companies and helping to manage them profitably.

Cost recovery. Where appropriate, our interventions in the private sector are required to be substantially self-financing. This pertains to entrepreneurship training, to social marketing of family planning commodities, to specialized business consulting services, and to financial assistance to small businesses. Our entrepreneur training activities, for instance, charge fees to trainees that currently cover 70-80 percent of the costs, and are projected to cover all costs over the next two years. In another example, our microenterprise finance program uses innovative equity instruments in place of traditional debt instruments to ensure affordability and also to place the financial transaction on a no-nonsense commercial foundation.

Application of this principle immediately sets each activity on the path to sustainability, by reducing dependence on donor funding, and by ensuring that we only undertake activities that Tanzanian business people are willing to pay for -- a critical test of relevance and effectiveness. The approach has already had success, for instance with our basic business skills training program, a high demand service that is being franchised to qualifying independent Tanzanian firms and individuals.

Explicit sustainability strategies. Each of our major activities within this SO has an explicit sustainability strategy (or, alternatively, a business plan) that provides a roadmap to financial and management independence over a defined period of time, from three to five years. Our implementation decision making is guided by the benchmarks established by these sustainability roadmaps. In this way USAID/Tanzania keeps the sustainability objective front and center in managing our portfolio of activities in support of economic growth in Tanzania.

H. Judging

SO4 contributes directly and in partnership with other SOs to the Mission goal of "Real Growth and Improved Human Welfare". In this context real growth is measured by increases in per capita GDP, and annual growth rates for agriculture. Increased private sector participation in the economy is the main source of GDP growth in Tanzania. For the most part agricultural production is also a private sector activity. Thus these two measures show quite explicitly the contribution of private sector growth to social and more especially economic improvement for the Tanzanian individual, household, and community.

Measurement indicators, baseline levels, and SP targets are presented below. We will be accountable for managing performance towards achievements of the SO and of three of the five Intermediate Results. This performance will be measured by a series of indicators which have been developed in consultation with colleagues, counterparts, customers and partners. The indicators and the target achievement levels will be reviewed periodically, and updated as necessary, during the R4 process. The indicators and targets are as follows.

Table 17
SO4. Increased Private Sector Participation in the Economy

Indicator (Baseline year)	Baseline	Target
4.1 % private sector share of GDP (1994)	64	75
4.2 % annual growth rate in the # of private enterprises (1993)	2	12
4.3 Private sector firms as a % of total enterprises (1996)		
4.4 % annual change in the proportion of the workforce employed by the private sector (gender-disaggregated) (1996)		

Table 18
IR4.1. Financial markets more diverse and competitive

Indicator (Baseline year)	Baseline	Target
4.1.1 Cumulative # private sector financial institutions (1992)	0	15
4.1.2 Annual change in savings and time deposits divided by GDP (1996)		
4.1.3 Ratio of private sector loans to total assets of commercial banks (1996)	40	60?
4.1.4 Cumulative value RMPS/TVCF investments (1995)	0	

Table 19

IR4.2. Legal and regulatory reforms favorable to business development established

Indicator (Baseline year)	Baseline	Target
4.2.1 # days required to register a new business**		
4.2.2 # anticorruption measures put in place (1994)	0	10
4.2.3 # of authorities whose permission/co-operation is required to establish an enterprise reduced (1996)		

**alternative suggestion: # of acts affecting private sector amended; # of regulations affecting business registration reduced; new acts passed.

Table 20

IR4.3. Entrepreneurs' management skills improved

Indicator (Baseline)	Baseline	Target
4.3.1 # paying customers for TBC services per annum (men/women) (1993)	0	2,500
4.3.2 Cumulative # new jobs created, assisted firms (men/women) (1993)	0	
4.3.3 # assisted firms with sales growth over 25% in real terms/yr (1993)	0	
4.3.4 Increase in # of effective sectoral business associations established (1995)	0	
4.3.5 % annual increase dues paying members, business associations (1995) (M/F)	0	

The following data collection and analysis activities will provide information for monitoring our progress under SO4.

Baseline studies. A number of these studies have been carried out, and data sources for updating them have been identified. Both TBC and EIM routinely collect data on their clients and the nature and characteristics of their businesses before they receive any assistance, then regularly track their progress through their management information systems. This provides both organizations with initial information on the customers with whom they work, and a basis for comparison with performance over time and against non-beneficiaries of assistance.

Data are also obtained from official sources including the BOT, Bureau of Statistics (BOS), and Ministry of Trade and Industry (MTI), as well as from private organizations such as

chambers of commerce and sectoral business associations.

Routine monitoring, field trips, site visits, and customer interviews, as well as the Financial Services to Rural Entrepreneurs (FSRE) road shows, provide direct customer input.

Special assessments will also be done, such as the FED impact study which is currently being carried out, and the recent TBC evaluation. Other special studies have also been recently carried out, including a minerals sector assessment, examinations of cross border trade and comparative costs of production, a look at the constraints imposed by inconsistencies in the tax laws, and trends in the formation of registered companies. A major study to be conducted during 1996 will focus on detailed investigations of micro- and small businesses; another will advise the Mission on tools and resources for reliable tracking of economic change using macroeconomic indicators.

I. Funding Scenarios and Their Implications

To achieve these objectives, SO4 will require approximately \$28 million over the seven-year planning period. Resources will be required for training, technical assistance, institutional support, and equipment and commodities, as well as monitoring, evaluation, auditing, and SO management. This level of investment is equivalent to what has been devoted to this SO over the past three years, and can be sustained at the "turnaround" OYB level of \$ 26 million. It will also allow USAID/Tanzania to continue to provide vision and leadership for other donors and the GOT in the areas of private sector development and financial sector diversification, while allowing us to strengthen our emphasis on regulatory and legal reform.

At the high level (\$21 million OYB), SO4 will receive approximately \$7 million during the planning period. This level, when combined with existing pipeline funds and NPA-generated local currency resources, would provide for successful completion of the activities currently underway in IR1 and IR3 but would not allow for any significant progress in IR2.

At the low OYB level of \$15 million, SO4 will receive no new funding. Pipeline funds and local currency are adequate to provide for an early but orderly closeout of all SO activities before the end of CY 1998.

STRATEGIC OBJECTIVE FIVE: SELECTED INFRASTRUCTURE IMPROVED

A. Strategic Objective Statement

USAID/Tanzania has adopted as its fifth Strategic Objective "Selected Infrastructure Improved". The SO highlights USAID/Tanzania's longstanding involvement in rural road rehabilitation and maintenance, as well as more recent efforts in support of railways, telecommunications, and housing. SO5 addresses areas of significant need for sustainable development in Tanzania. Citizens, entrepreneurs, farmers, and donors have long decried

the deplorable state of critical infrastructure in the country. The national road network, in particular, suffered from years of neglect and poor management of resources. Economic growth has been constrained as a result. Although significant improvements in some areas have occurred in recent years, much remains to be done to bring the 85,000 km road network up to minimum standards. Of continuing concern is the framework of transport and communications services which addresses the needs of Tanzania's farmers. Agriculture employs 80 percent of the workforce in Tanzania and accounts for 60 percent of both GDP and exports. In addition, the transit trade is a significant foreign exchange earner. Hence, good roads and reliable transport and communications in agricultural areas are of critical economic importance to Tanzania.

SO5 is directly linked to the overall Mission goal of "real growth and improved human welfare". The rationale for the SO is that rehabilitation, maintenance, and expansion of infrastructure is a necessary ingredient for improving economic efficiency, and achieving real growth and an improved standard of living. Improved infrastructure enhances production and marketing opportunities, provides better access to goods and services, and reduces time and opportunity costs to producers and consumers. Reliable transportation and communication services lead ultimately to improvements in income and welfare. An on-going program of economic reform, supported by the rehabilitation of road and rail transport, has helped agriculture to expand at an average annual growth rate of over 5 percent in the 1990s. Thus continued investment in infrastructure development has high potential payoffs for Tanzania and is clearly linked to improvements in wellbeing. The activities undertaken by the Mission in support of SO5 will make direct contributions to this program goal.

B. Linkage to Agency Goals and Objectives

USAID/Tanzania's SO5 is directly supportive of Agency Goal 1, "broad-based economic growth achieved", and in particular to the first two objectives under this goal: "strengthened markets", and "expanded access and opportunity for the poor". Explicit program approaches to which the SO is linked include "supporting investment in infrastructure", and "expanding economic opportunities in disadvantaged geographical areas". SO5 also provides expanded economic opportunities for women, who make up over half of the rural population and who produce most of Tanzania's food and cash crops. In addition, the SO also contributes to Goal 5, "lives saved, suffering reduced and development potential reinforced" through its rehabilitation of critical physical infrastructure in areas of Tanzania which are struggling to cater for the needs of 600,000 refugees from Rwanda and Burundi.

USAID/Tanzania is also linked to Africa Bureau goals and objectives. Tanzania is a member of the GHAI with a unique potential for surplus production of food crops as there is considerable unutilized high potential agricultural land, and rare occurrence of drought. Improving infrastructure in the agriculturally productive areas will thus enhance Tanzania's contribution to the GHAI regional food security objective, which has recently been initiated by the Africa Bureau. SO5 is the mechanism used for emergency rehabilitation of 500 km of roads in Kagera to ensure food delivery throughout 1995 to more than 600,000 refugees.

TAZARA links Tanzania to the Southern Africa region and continues to be a key food security link for Zambia and Malawi. The Mission also fully supports the Leland Initiative (LI) and has been in contact with USAID/W staff to indicate interest in Internet connectivity and telematics in Tanzania. USAID/T's Rural Telecommunications in Tanzania (RTT) activity supports the LI emphasis on telecommunications as a means to sustainable development, as well as the LI focus on the global perspective and the need to accelerate integration of developing economies into the world economy. Finally, the RTT activity advances US economic and business interests by providing a new market.

C. Problem Statement and Progress to Date

1. Problem

Although Tanzania has an abundance of human and natural resources and enormous economic potential, half or more of the population is living at very low levels of welfare. There is tremendous capacity for development and diversification in agriculture in addition to potential for tourism, mining and manufacturing. But there are serious constraints to realizing this potential. One of the key constraints identified by Tanzanians be they rural or urban, well-to-do or poor, is that infrastructure across the spectrum of needs is woefully inadequate. Deficient roads and water supply are serious obstacles to expansion of agricultural production of both food and export commodities. Growth in tourism, mining and manufacturing has been stifled by the inadequacy of the transportation and communication networks. Deteriorated and deficient infrastructure is thus a major barrier to more rapid economic growth in Tanzania.

From Independence in 1961 Tanzania pursued a socialist strategy of economic development in which planning, resources and their management, and a large share of production were centrally controlled, owned, and/or managed. The development, provision and maintenance of key aspects of infrastructure, as well as utilities such as water and power, continue to be dominated by inefficient state-owned enterprises (parastatals) which are subsidized by the public sector. Continuing support to these institutions and the slow pace of divestiture of these enterprises stifles competition from the private sector and sustains inefficiency. The supply of essential services and critical infrastructure has largely been inadequate to meet the needs of the public at large as well as those of businesspeople, traders, and entrepreneurs.

Rational, well-developed and adequately-maintained infrastructure which serves the entire country is a critical ingredient for sustained economic growth and national development. At the present time infrastructure in Tanzania cannot be said to meet these conditions. The road network, particularly rural roads, is still largely in a deplorable state. The poor state of these roads, which directly serve more than three-quarters of the Tanzanian population, contributes to increased costs of living for rural dwellers. The access of Tanzania's smallholder farmers, who are the backbone of the national economy, to markets for the goods they produce and the inputs and manufactured items they require is seriously impaired

by the inadequacy and poor condition of the rural road network. Access to services such as education, reliable transportation, and health care is also hampered.

Tanzania is served by two railways, both managed through autonomous parastatal organizations which are not connected administratively or financially; the two systems also are not physically linked to each other. Although the Tanzania Railways Corporation (TRC) reaches some areas of the country, such as Kigoma and Tabora Regions, which have notably poor road networks, given present conditions rail transportation cannot serve as a substitute for or augmentation of the road network. The TAZARA railway which links Tanzania and Zambia is jointly owned by the two countries and much of its route passes through very thinly-populated areas. The trains are slow, unreliable, irregular, and operate at a loss. Consequently both internal and regional commerce and trade are affected, and the Tanzanian manufacturing sector, which provides an increasing share of export trade, is inhibited.

Transportation is not the only element of infrastructure which is beset by problems. The present deplorable state of telecommunications services in rural areas restricts the free flow of critical information and also contributes to increased household costs. Often travel has to be substituted for telephonic communication, placing an added burden on the already inadequate road network. Public utilities and other elements of infrastructure too are in a bad state, and productive activity is affected accordingly. Water and power are especially critical. The National Urban Water Authority is completely incapable of serving its customers, and rationing of electricity continues in several important production centers in the north of the country. Infrastructural constraints, particularly roads and telecommunications, are cited by many private sector firms as the most serious impediment to their operations.

2. Progress to Date

SO5 is supported by three on-going activities: the \$50 million Agricultural Transport Assistance Program (ATAP), the \$45 million RCSA-funded TAZARA rehabilitation program, and the \$1.5 million RCSA-funded Rural Telecommunications in Tanzania (RTT) project.

ATAP is a mature program which has created a new approach to rural road rehabilitation and maintenance. Impact has been realized at the policy level (creation of the Roads Fund), the institutional level (creation of a Rural Roads Department, decentralization of authority to regional engineers), at the industry level (creation of a private sector, Tanzanian-owned road contracting and engineering industry), and at the people level (improved socioeconomic wellbeing in rural areas). From a base of zero, there are currently over 500 registered local road contractors, about 100 of whom have active road contracts at any one time. The Ministry of Works (MOW) now uses local private contractors to carry out 90% of rehabilitation and 70% of maintenance work on the high priority rural road network which serves farmers.

To date a total of 1,000 km of rural roads has been rehabilitated in four highly-productive agricultural regions, and another 2,500 km of rural roads in the 20 mainland regions are receiving maintenance every year. A total of 40 bridges has so far been built. Impact assessments of rehabilitated roads and bridges show that the volume of goods transported has increased by 20% or more, travel time has dropped by 50% in some areas, passenger fares have decreased by 25% or more, vehicle traffic has gone up by as much as 50%, and vehicle operating costs have declined 20-30%. People who live along roads report enhanced access to social services and reliable, reasonably-priced transportation, as well as more regular and reliable access to crop markets and critical agricultural inputs. Most importantly, the sustainability of the rehabilitation and maintenance program has been assured by the MOW reorganization at central and regional levels to manage road contracts. The Ministry no longer executes road works itself; it manages road contracts fulfilled by the private sector. The GOT has instituted a self-financing Roads Fund, which presently supports 70% or more of the routine and periodic maintenance budgets.

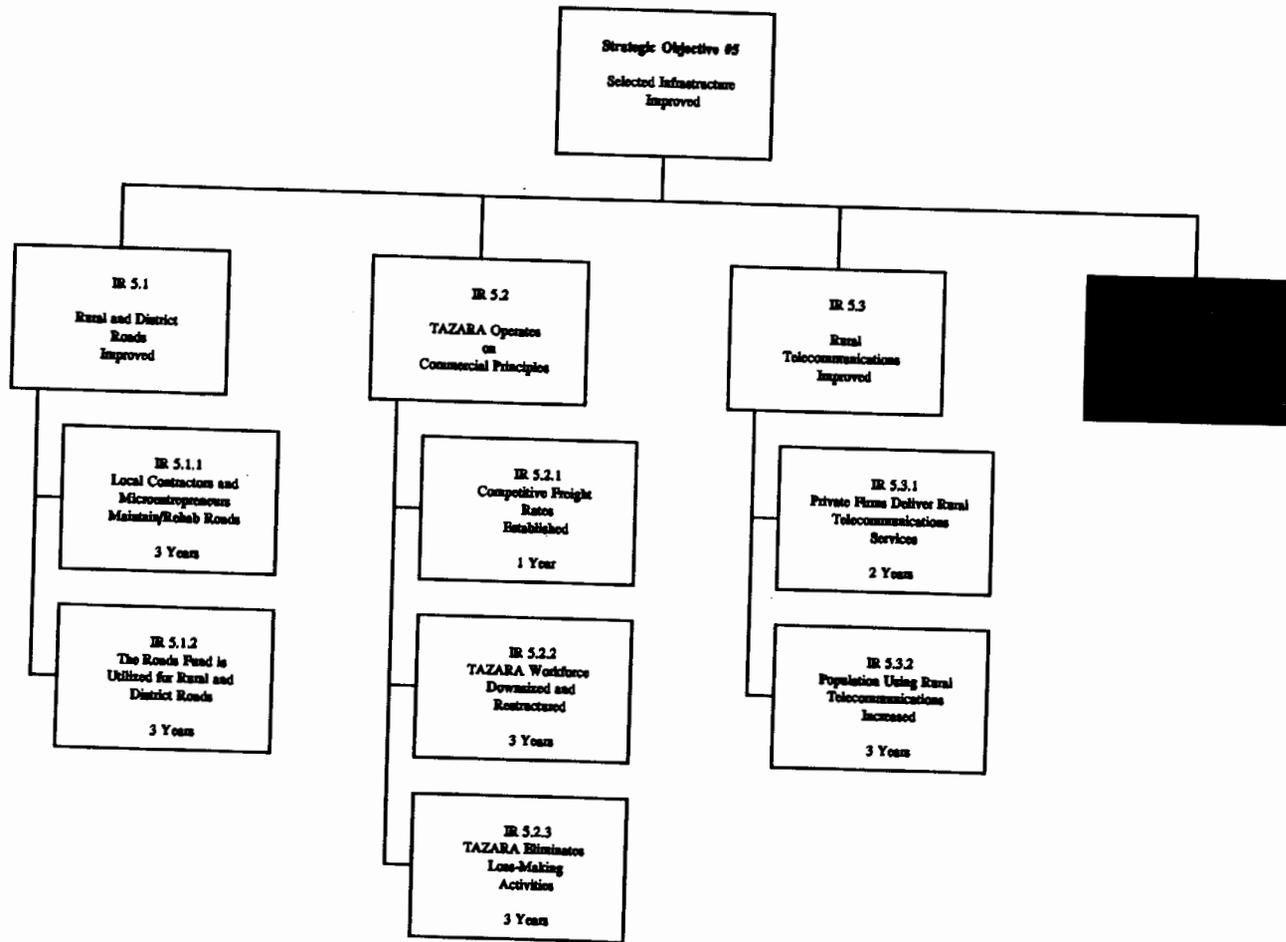
The TAZARA program has nearly doubled the carrying capacity of this key regional transport link. Locomotive availability has improved from 46% to 76%, while wagon turn-around time has decreased from 21 days to seven days. Maintenance capability was dramatically improved by provision of training, spare parts, and a strategically-situated workshop facility. These improvements in technology and management have allowed TAZARA to address regional transportation needs, including emergencies related to drought in Southern Africa.

RTT's objective is to establish a private, fully viable rural telecommunications firm in Tanzania. In a country where the waiting list for a telephone can be 30 years in some areas, and telephone service is non-existent in other areas, it is clear that support for expanded telecommunications service is necessary. To compete in a global economy, as well as to improve the lives of rural Tanzanians, effective telecommunications are needed. RTT would support this by assisting the GOT in attracting a private U.S. telephone company or companies to provide services in selected rural areas which are compatible with the existing system. The firm would work in conjunction with the Tanzania Telecommunications Company Ltd. (TTCL), and would be licensed by the Tanzania Communications Commission (TCC), the regulatory authority.

3. Consultative Process

Some activities under SO5, in particular ATAP and TAZARA, have been implemented for a number of years, and consultative mechanisms are well-established. Ultimate customer feedback is obtained through surveys and focus group discussions with rural road users, both before and after rehabilitation and maintenance have been carried out, which has provided unequivocal evidence of the importance attached to USAID's approach to infrastructure by its users. There is regular interaction with counterparts in the Ministry of Works and TAZARA, and private sector entities have also been consulted. USAID/Tanzania has been a regular participant on the Inter-Ministerial Working Committee dealing with core rural roads,

and worked in partnership with 15 other donors and the GOT to develop the Integrated Roads Program (IRP) Phase I. Although USAID is not participating in IRP II we have continued to involve other donors in our planning process and to keep them fully informed on the directions our program is taking. Review of and concurrence with the results framework and SO narrative have been provided by the IRP coordinator at the World Bank, the MOW, TAZARA managers, local government representatives, contractors and consulting engineers, and donor partners.



Critical Assumptions :
 1. GOT commitment to private contracting can be extended to district level.
 2. GOT is committed to private competitive telecoms service delivery.
 3. TAZARA is committed to a fully commercial management style.
 Shaded box indicates an Intermediate Result without USAID involvement.

Partners :
 IR 5.1: Min of Finance, Min of Works, Local Government, Other Donors
 IR 5.2: TAZARA, RCSA, Other Donors
 IR 5.3: Min of Communications, Tanz Telecommunications Co. Ltd, Tanz Communications Commission, RCSA, Other Donors
 IR 5.4: GOT, World Bank, Other Donors

D. Causal Relationships and Critical Assumptions Underlying the Results Framework

1. Causal Relationships

In order for Tanzania to have improved transportation, communication, and public utilities systems that serve the interests of the public and private sectors, urban residents, and the people who live in the rural areas, it is necessary that key elements of infrastructure are available, are properly rehabilitated, and are subject to regular maintenance. To achieve a situation of reliable infrastructure and services in Tanzania, the Mission, together with its other development partners, has identified four results that are necessary for the attainment of SO5. These are: improving rural and district roads; commercializing the operations of the TAZARA railroad; improving rural telecommunications; and investing in other complementary infrastructure. The Mission supports activities focused around the first three of these results, while the fourth is being addressed by our partners, with limited participation from but regular monitoring by USAID.

The major components of a national system of infrastructure include roads, railroads, ports and harbors, sea and air transport, communications networks, housing, urban facilities and services, and utilities including water and power. These components do not stand in isolation but are integrated and mutually supportive. Accordingly, aspects of, or problems in, one sector affect and are affected by those in the others. For example, poor roads limit peoples' access to available telecommunications services, overburden alternative transportation facilities, and impede the extension of essential utilities like water supply. Similarly, lack of reliable telecommunications forces up costs of, and increases maintenance requirements for, other elements of infrastructure such as the road network, which forms an alternative communications channel. In SO5 the Mission has taken an approach which recognizes the interrelated nature of these sectors and which attempts to address infrastructure needs across a broad spectrum.

IR5.1: Rural and District Roads Improved

Tanzania has an enormous network of trunk, regional, district, and rural roads. Much has been done in recent years to improve the major routes which link the different regions of Tanzania to each other, and which also link Tanzania to other countries in the Greater Horn and Southern Africa regions. Less effort has been devoted to the district and rural roads which serve the Tanzanian farmers who form the majority of the population. Many of these roads are impassable for half of the year or more and extract a tremendous toll of wear and tear on the vehicles which venture to travel on them. Individuals, communities and private entrepreneurs cannot be expected to increase their participation in the economy without substantial improvement to these roads. Poor roads make access to rural markets almost impossible as well as constraining the extension of knowledge and technology needed to alleviate widespread poverty and adopt sustainable natural resource management practices. Without improved roads, rural private investment is curtailed while government social services cannot be provided in an efficient manner, if at all. This IR is closely linked to our

other SOs as well as to the program goal, because to reach the majority of the population with any development interventions, roads which can be negotiated throughout the year are needed.

A key ingredient in achieving this IR is the participation of local private contractors and microentrepreneurs in road rehabilitation and maintenance. Past GOT policy allocated the responsibility for road rehabilitation and maintenance to the public sector, primarily the MOW itself and a small number of parastatal road contractors. This inefficient and costly system contributed directly to the disintegration of much of the national network. Under the ATAP program, by far the larger share of this work is contracted out to private sector firms. Most of these private contracting companies have been established within the past seven years as a direct response to this SO5 policy. During the planning period this emphasis on private sector performance will be continued, with an additional focus at the district level on the low-technology microentrepreneur and on labor based maintenance, using local resources, for greater efficiency and sustainability.

Another key result required for successful improvement to rural and district roads is to make the required funds available, and to allocate them in a rational and transparent manner. At present, 20% of the revenues collected through the Roads Fund are programmed through local government for district road rehabilitation and maintenance. Through this mechanism, decisions will be made by and in the interests of the local constituency which actually utilizes and depends on the road. This result is linked with and reinforces the Mission's strategy of employing local institutions in the work. Thus a direct contribution will be made both to the sustainability of the local road network and to increasing income-generating opportunities for local residents. This also supports our DG objectives of building civil society and empowering citizens.

IR5.2: TAZARA Operates on Commercial Principles

The potential of TAZARA--and other rail infrastructure in Tanzania--to strengthen regional trade and communication in the Eastern and Southern Africa region, as well as its capacity to serve the needs of farmers and businesspeople, is impaired by the fact that it is a loss-making public enterprise. It is nonetheless a key element in improved regional communication and commerce in Southern Africa but can only function effectively as such if it becomes a commercially viable enterprise. To date, in addition to incurring losses which have required subsidies from the public sector, TAZARA has also been plagued with low freight of both passengers and goods. This limits its usefulness as a transport link between land-locked Zambia and other countries in the region such as Malawi and Zaire, reduces its efficiency, and increases relative costs. Commercializing the operations of TAZARA will improve its effectiveness and enhance its domestic and regional role. It will also complement USAID's rural and district roads program and enhance access to and efficiency of other components of infrastructure.

IR2 will be achieved if TAZARA establishes competitive cargo haulage rates and

simultaneously increases the volume of freight that it handles. TAZARA must also reduce its total workforce and eliminate unprofitable activities. A USAID-supported study of transport costs in the three East African countries has shown that rail freight costs per km in dollar terms are lower than road transport charges. The rail rates, however, are not competitive. This is because TAZARA is overstaffed; because some services and activities routinely make losses; because transport by rail is slower than by road; also, since the railways serve only limited areas of the country, road transport, even if more costly, may be more efficient. And even when rail can be used, onward shipment to the final destination, as well as the distribution of goods, often must be accomplished by road. Thus to be commercially viable, TAZARA must adjust its cargo rates to compete effectively with other forms of transportation; while simultaneously substantially increasing the amount of cargo hauled in any given year, retrenching redundant workers, and divesting itself of unprofitable elements. When these results occur TAZARA will be more able to operate on a commercial basis.

IR5.3: Rural Telecommunications Enhanced in Selected Areas

Currently, only three of every thousand Tanzanians have telephone lines and only 60% of the phones work at any one time. This poses a major obstacle to doing business in Tanzania, which in turn has the effect of reducing private investment. Poor telecommunications inhibit the free flow of information to the majority of the population, and constrain commerce and trade. Improved rural telecommunications should result in reduced costs for individuals, households, and enterprises, and greater mobilization of financial and investment resources. A more reliable system of rural telecommunications will also complement and support the other intermediate results under SO5.

USAID/Tanzania's approach to viable, functioning rural telecommunications in Tanzania involves the participation of the private sector. We will work with private firms to improve the delivery of rural telecommunications services. Until recently the provision of telecommunications facilities and services in Tanzania was an exclusive GOT monopoly. Although the previous posts and telecommunications functions in the MOW have been disaggregated into two independent corporations, these are still publically held, and rural services remain in GOT hands. Only in selected urban areas does TTCL now face competition and this is in strictly delimited areas (cellular phones and public cardphones). Expanding the availability of services in rural areas does not seem to be a TTCL priority. SO5 seeks to provide would-be rural consumers in selected areas with another option for obtaining telephone service, thereby contributing to increased access to telecommunications for rural dwellers.

IR5.4: Improved Rail, Trunk Roads, Harbor, Power and Housing Services

USAID/Tanzania has been tangentially involved in the housing sector through modest centrally-funded support to the National Housing Corporation, but this activity has been completed. The Mission does not at this time anticipate or contemplate any further

involvement with these other elements of infrastructure, but recognizes that progress in these areas is indispensable to the achievement of SO5. There is a multitude of development partners active in these areas. Improvements in other complementary infrastructure such as water, power, and housing are essential for improving the welfare of all Tanzanians and they also are amenable to private sector participation in the economy, thus building on the strong interest USAID/Tanzania has in fostering the role of the private sector in infrastructure.

2. Critical Assumptions

There are three assumptions which, if not validated by experience, will threaten achievement of this Strategic Objective. All derive from uncertainty about the depth of the GOT's commitment to private sector - led development in new areas.

Commitment to private sector maintenance. The GOT has strong commitment to private sector road building and maintenance within the Ministry of Works. That commitment underlies the success of the ATAP Program. However, we are now proposing the same approach be extended to district level, which draws in district and regional administrations under the Prime Minister's Office. The strength of the GOT's commitment to private sector road building and maintenance has yet to be tested at this level.

Commitment to private competitive telecommunications. Our initiative in rural telecommunications was stalled during 1995 due to lack of GOT commitment to private sector investment and commercial competition in the telecommunications sector. We anticipate that this situation will change, and commitment will increase, as the Mkapa government solidifies its hold on the machinery of governance and turns its attention to second-generation issues. Should this assumption be wrong, our ability to pursue this portion of our program will be undermined.

Commitment to TAZARA commercialization. All indications at this point are that TAZARA management and the government of Tanzania are committed to a fully commercial approach to operation of this railroad. We anticipate that this commitment will not change, however, it is not clear that it is strong enough to support the rapid restructuring, divestiture, and downsizing objectives as laid out in this element of SO5. If we are drastically underestimating the level of commitment, this proposed program will not be possible.

E. Commitment and Capacity of Other Development Partners

There are numerous donors, host country and private sector entities which, as partners, contribute to the achievement of SO5. The discussion below will focus on the commitment and capacity of these key partners.

Government partners. Under the previous Socialist development strategy, the provision of infrastructure and utilities was dominated by public sector entities. While the MOW has abandoned its ineffectual efforts to carry out road rehabilitation and maintenance itself, it still

manages all of the roads programs, administers contracts, sets standards, prioritizes roads for investment, and inspects works in progress and at completion. It thus plays a critical role and is an indispensable partner in SO5. This partnership has established a sustainable rural road rehabilitation and maintenance program that has involved major, often highly sensitive, institutional, financial, and contracting reforms. Based on these demonstrated past commitments and our current consultative process, the MOW and the Ministry of Finance (MOF) will continue to implement these reforms during the planning period. These GOT partners have given strong support to the replication of the ATAP approach for district roads. The MOW has also demonstrated that it has the managerial, institutional and technical capacity to execute and support SO5.

USAID has also established working relationships with local government at the district level, in the implementation of rural roads activities. Both local government and the rural population have long expressed keen interest in further decentralization of the roads program and devolution of authority and decision-making to the district level. Such interest and enthusiasm is a good indication and measure of the commitment of these partners. The capacity at the local level is weak as relates to technical aspects of road rehabilitation and maintenance. To rectify this, tailored in-country training, which already has the support of many local officials, will be provided for district engineers. The MOW also has the mandate and is willing to provide technical support at this level.

The Mission has also been working closely with TAZARA counterparts. Although it remains a parastatal organization, TAZARA has accepted and is following recommendations from a commercialization study co-funded by USAID and SIDA. TAZARA has reorganized its internal department and operations and established cost centers. The commitment by TAZARA is substantial, although the pace of implementation has been very slow, especially as relates to the sensitive but key aspects of retrenchment and divestiture. The railway has the capacity to undertake the planned commercialization.

Implementation of RTT has been slowed by stiff political resistance. Mission staff and consultants have spent much time over the past two years working with top-level representatives of government institutions but without reaching agreement on the benefits of a rural telecommunications company. We decided in September 1995 to wait until after the new government was in office after the October elections before again approaching GOT officials about the project. Early in 1996, President Mkapa announced that the management entities of 19 parastatal companies, including TTCL, would be replaced. But in April it was announced that the incumbent managing director and chairman of the board would remain in place. This has potentially significant ramifications for the implementation of RTT since it leaves resistant counterparts in place.

Other donors. Other multilateral and bilateral donors are active in support of infrastructure concerns in Tanzania. A 16-donor consortium which included USAID participated in the first phase of the Integrated Roads Program (IRP), a billion-dollar road rehabilitation and maintenance effort. Continuing trunk road improvements are part of the ongoing IRP II

program, coordinated by the World Bank with funding assistance from NORAD, EEC, Japan, SDC, FINNIDA, OPEC, ADB, and IDA. Total pledged financing for IRP II is \$650 million. Heavy donor investments are also planned in telecommunications, with a strong focus on regional and district towns as well as major extensions of capacity in Dar es Salaam, under the leadership of the World Bank. SIDA, Germany and China have continued to support TAZARA and other donors are working with the Tanzania Railways Corporation (TRC). TRC has an inland container depot and has played a critical role in transporting food and other requirements of the refugee population in northwestern Tanzania. The WFP and UNHCR have assisted in improving its operating efficiency, with funding from State/PRM and OFDA. USAID/Tanzania monitors this activity closely as part of our regional, food security, and conflict mitigation responsibilities.

Major improvements in other elements of infrastructure are needed to build sustainable economic growth in Tanzania. USAID/Tanzania will be monitoring programs in complementary areas such as harbors, power and housing. With regard to ports, the Tanzania Harbours Authority (THA) has initiated a commercialization/port restructuring that would provide the basis for implementation of a new corporate strategy, focussed on training, improving salary scales, productivity incentives, and divestiture of cargo handling and other activities. The GOT's plan to address these issues is reflected in its Letter of Sector Policy, submitted to the WB under IRP II. NORAD is currently assisting TANESCO with power generation and TANESCO has also began to add to the national grid electricity generated by private sources. The NHC has also began to sell some of the state-owned houses to private firms and individuals. USAID/Tanzania used a centrally-funded project to help the NHC develop plans for divesting many of their residential units. Now that the process is under way and self-sustaining, we have no further direct involvement.

NGOs and private sector. Ten years ago there were no private sector firms to undertake the design, supervision and execution of road rehabilitation works. Now there is a mix of major contractors and consultants who can undertake major rehabilitations, as well as small contracting companies and microentrepreneurs who undertake road maintenance activities in all parts of the country. This industry growth is a direct manifestation of the interest, willingness and commitment of the private sector to invest and participate in the roads sector. The capacity of the private sector in this regard has been growing steadily and such growth is expected to continue as a result of efforts to improve the enabling environment for private sector growth.

The Mission will also have a private sector partner in the provision of rural telecommunications services. A number of local and U.S.-based firms have already expressed their interest in the project. It will not however be possible to move forward with establishing this partnership until relationships with relevant GOT institutions have been harmonized.

In sum, we see substantial commitment from both the GOT and other donors, to revitalize infrastructure in Tanzania. USAID/Tanzania's role is to ensure that this is done in a way

that addresses the needs of the majority poor rural population, not just the relatively more prosperous urban areas.

F. Illustrative Approaches

SO5 will follow a mix of the following tested program approaches that will produce the desired results and ensure sustainability. With regard to roads, ATAP is a mature program with proven success. In its extension of support to the district level, the Mission will replicate strategies already used successfully in Tanzania. In order to physically improve the rural and district roads and establish a sustainable system for their maintenance, a program approach will be followed that will a) enhance the role and participation of the private sector in the design, execution and supervision of road rehabilitation and maintenance, b) call for the delegation of contracting authority to the regions and districts, c) assist in building up the institutional capacity of the district and regional engineers' offices as well as the capacity of the small contractors and microentrepreneurs, and d) require and promote the generation and maximum utilization of GOT revenue used for road maintenance.

In support of these objectives, CPs have supported a timely phase out of force account operations with the aim of all works to be undertaken only by private contractors and microentrepreneurs by the end of the SO5 planning period. Appropriate local TA and training will be provided to the regional and district engineers' offices. This TA will advise and assist in the preparation of bid documents, management of road contracts and development of road selection criteria. Training will be in contract administration and appropriate road rehabilitation and maintenance technologies. Such training will be not be limited to the regional and district engineers' staff but will purposely also include the private sector contractors and microentrepreneurs.

USAID/Tanzania will also continue to assist TAZARA with its commercialization efforts. Program funds will be used to compensate TAZARA for workforce retrenchment costs, and to encourage divestiture and restructuring advice.

In the telecommunications sector, RTT will assist the GOT in both preparing the solicitation for bids for U.S. telecommunications firms interested in establishing themselves in Tanzania, and negotiating with the successful company in setting the parameters of the licensing agreement. The selected firm would work in conjunction with TTCL, the parastatal telephone company, to establish a system that interconnects with the existing telephone lines, and would be licensed by the TCC, which is the regulatory authority.

With regard to other infrastructure, since there are close to two dozen key players and stakeholders involved, an approach based on close coordination is imperative. Coordination in this case means sharing information and plans fully and in a timely way, giving and receiving honest but constructive opinions and advice, and monitoring and reporting on all partners' activities that affect the outcome of the SO. Regular meetings, correspondence and workshops are key tools to such coordination. Our results-oriented approach to donor

coordination has already been shown to be effective and will be extended.

G. How Sustainability will be Achieved

Generally, activities and results under SO5 will have their focus on program approaches that foster and guarantee sustainability through, primarily, institutional and/or financial capacity building. In specific terms, the following key program activities and actions, that promote and enhance sustainability under each of the four IRs of SO5, will be followed.

ATAP's sustainability success with regard to rural roads was brought about through the implementation of appropriate institutional, financial and contracting reforms and changes. A new Rural Road Division (RRD) was established within the MOW to manage and oversee the rehabilitation and maintenance of rural roads. Focused TA and training was given to the RRD staff in the development of road programs and road maintenance systems and the preparation and management of road contracts. Prominence was given to using appropriate road rehabilitation and maintenance methodology and to the maximum utilization of local human and material resources. A dedicated Roads Fund for road maintenance was established by an act of Parliament that derives its resource base from a levy on fuel, i.e., a users' fee. Eighty percent of the funds collected goes to the MOW for trunk and rural roads maintenance while 20 percent goes to the local governments under the Prime Minister's Office (PMO) for district road maintenance. A system was established within the MOW that selects and prioritizes the roads to be maintained and that tracks and reports on the uses of the Roads Fund. The MOW was required, as part of the CPs for the release of ATAP NPA funds, to involve the private sector in the design, execution and supervision of road rehabilitation and maintenance activities and to award all road contracts on a competitive basis, without any preference given to force account and parastatal operations. All of these were fully complied with by the MOW. The aim of SO5 is thus to extend and replicate this sustainability strategy to the district roads at the district government level under the PMO. Additionally, given that district roads are amenable to local community participation, SO5 is supporting and promoting such participation by providing local currency funds on a 1:1 matching allocation ratio with the local communities. This will increase the involvement of local communities in maintaining their local roads and thus improve sustainability of road maintenance at the district level.

If TAZARA is to be sustainable it must operate not in the red but make profits; it must increase the freight tonnage it hauls, and all aspects of its operations must be effective and efficient. This cannot happen unless TAZARA adopts stronger commercial principles. Thus, to ensure sustainability, SO5 will encourage and support TAZARA in its marketing strategy and skills and in its improved utilization and allocation of manpower and financial resources. In particular, such support and assistance will be directed to address the retrenchment and divestiture aspects of TAZARA's commercialization efforts such as closure, liquidation, leasing, joint ventures, outright sale, and performance and management contracts.

Telecommunication services can be considered sustainable if adequate numbers of telephones and other forms of service are available to the general population, if communication costs are market determined and if communication providers are selected competitively. It is for this reason that SO5 will assist the GOT to permit the establishment of private firms to provide rural telecommunications. And in view of the required modern technology in this field, SO5 is calling for the involvement of US firms in providing rural telecommunication services on a commercial basis. The basic approach of using the private sector in providing telecommunication services contributes directly to our sustainability objectives, as is the case for SO5 generally.

Complementary infrastructure, which includes rail, trunk roads, harbors, power and housing services, is not an IR that the SO5 team is accountable for. However, the SO5 team will, as part of its monitoring and reporting responsibility, promote and encourage the concerned partners and stakeholders to use the private sector to introduce and collect user charges for infrastructure services to ensure sustainability.

H. Judging

USAID/Tanzania has established a country program goal of "Real Growth and Improved Human Welfare". Achievement of this goal is measured by several broad indicators of economic growth, including per capita GDP and agricultural growth. The role that SO5 has played in contributing to improved agricultural production has been discussed above. Analysis by the World Bank as well as monitoring efforts conducted by the Mission have shown unequivocally the direct tie between improved rural roads, increases in agricultural productivity and hence, increased incomes for farmers. Both on its own and in combination with our other SOs, our objective of "Selected Infrastructure Improved" makes direct and measurable contributions to the welfare of Tanzanian citizens. The changes are expected to be small, but positive and measurable and we will follow progress in this area over the life of the SP.

We will be accountable for managing performance toward achievements of the Strategic Objective and three of the four Intermediate Results. IR4, "Improved rail, trunk roads, harbour, power, and housing services", is attributable to other partners and donors and progress in the area will be monitored in the course of regular consultations with participating partners, but USAID/Tanzania will not be responsible for and will not specifically track progress in this area. Performance of the SO and the first three intermediate results will be measured by a series of widely accepted indicators. These indicators and the target levels to be achieved will be reviewed periodically, and updated as necessary, during the R4 process. The indicators and targets are as follows:

Table 21
SO5. Selected Infrastructure Improved.

Indicator (Baseline year)	Baseline	Target
5.1 Annual increase in the number of providers, selected services (1996)		
5.2 Annual increase in the number of consumers, selected services (1996)		
5.3 Annual reduction in costs to consumers, selected services (1996)		

Table 22
IR5.1. Rural and District roads improved

Indicator (Baseline year)	Baseline	Target
5.1.1 Cumulative km roads rehabilitated (1990)	0	2,500
5.1.2 Cumulative km roads periodically maintained (1990)	0	
5.1.3 Cumulative km roads routinely maintained (1990)	0	
5.1.4 % km ATAP rehabilitated roads receiving labor-based maintenance (1994)	0	50
5.1.5 Annual % increase # of enterprises, ATAP roads (1990)	0	5
5.1.6 % maintenance needs/costs covered by roads fund (1990)	0	80
5.1.7 % or \$ value of contracts carried out by local private contractors (1990)	0	80
5.1.8 Average daily traffic, ATAP roads (vehicles per day) (1990)	20	80
5.1.9 reductions in vehicle operating costs (1990)		

Table 23
IR5.2. TAZARA operates on commercial principles

Indicator (Baseline year)	Baseline	Target
5.2.1 % annual increase, TAZARA profits (1994)		
5.2.2 TAZARA freight costs as % of road transport costs (1992)		
5.2.3 Size of TAZARA workforce (1995)		
5.2.4 Annual freight tonnage hauled by TAZARA (millions) (1992)	0.8	1.5

Table 24
IR5.3. Rural telecommunications provided

Indicator	Baseline	Target
5.3.1 # telephones/1,000 people, target areas (1994)		
5.3.2 % annual decrease in communication costs (1995)		
5.3.3 # of rural service providers, telecommunications (1996)		

USAID/Tanzania already has an extremely well-organized and comprehensive data collection effort in hand to provide information that will permit us to monitor our progress under SO5.

The Mission began to implement a program of baseline studies in connection with rural road rehabilitation in 1989/1990. Roads targeted for rehabilitation were examined and key roads became the subject of detailed data collection on social, economic, demographic, agricultural, transport, and service availability related questions. The surveys have now been repeated along three rehabilitated roads; two more such studies are planned for 1996 and further baseline work will also be carried out. The comparison of data between the two assessments permits a detailed and specific examination of impact to be provided. Some of the results of earlier assessments are reported under Progress to Date above. Similar surveys are planned for those rural districts in which RTT will be implemented. We will thus have a direct check on the IR3 indicators from the very beginning of activity implementation. Some data on key questions are already available from the social soundness analysis conducted during the design of RTT.

Special surveys and studies are also conducted. In relation to ATAP, Transportation Sector Assessments, bridge construction impact studies, and an overall program impact assessment have been carried out. Similar data are available for TAZARA, particularly from the USAID-funded commercialization study. Data are also available on actual and potential economic benefits to rural dwellers along the TAZARA route. Further decisions need to be made about the specialized data collection needs for RTT.

Field monitoring and surveillance are also a critical component of judging results. Mission staff meet regularly with customers, partners and counterparts and travel to field sites to monitor progress in situ.

I. Funding Scenarios and Their Implications

Three program options have been developed for SO5 that reflect and are predicated on three funding scenarios--turnaround, high and low.

Scenario 1: Turnaround level (Mission OYB \$26 million for all SOs).

Under this scenario, SO5 will require a total of \$21 million OYB for the seven-year planning period. In addition, the following funding sources and level will be required to achieve the SO and its IRs:

- \$15 million ATAP local currency pipeline
- \$1.1 million ATAP project pipeline
- \$8 million from FED local currency pipeline
- \$3.1 million RCSA project pipeline (\$1.6 million TAZARA and \$1.5 million RTT)
- \$28.5 million new RCS funds (\$10 million TAZARA and \$18.5 million RTT)

Total funding required under this scenario is \$76.7 million.

Out of the \$21 million OYB, it is planned that \$17 million will be utilized as NPA and the remaining \$4 million as PA.

With regard to personnel requirements under this scenario, the services of a project manager/team leader and project secretary will be required for the duration of the planning period. For the first two years these services will be funded from existing ATAP project pipeline funds, and thereafter from the proposed new OYB PA funds.

Expected results/accomplishments under Scenario 1:

- . 1,000 km of rural road rehabilitated
- . 500 km of rural roads maintained (periodic) per year
- . 5,000 km of rural roads maintained (routine) per year
- . 1,000 km of district roads maintained (periodic) per year
- . 5,000 km of district roads maintained (routine) per year
- . 100% of Roads Fund used for maintenance of roads
- . A sustainable system of road maintenance established in districts of the "Big Four" regions, so-called for being major surplus producers of food crops.
- . TAZARA operates at a profit
- . TAZARA freight costs reduced as a percentage of road transport costs
- . annual freight tonnage hauled by TAZARA increased
- . number of telephones per 1,000 people increases in rural areas
- . communications costs decrease in rural areas
- . number of telephone users increases.

Scenario 2: High (Mission OYB \$21 million for all SOs).

Under this scenario, SO5 will require a total of \$7 million OYB for the planning period, \$5 million NPA and \$2 million PA. Additional resources, pipeline and RCSA, will also be required as detailed under the first scenario described above. Total funds required are \$68.6 million and personnel requirements and funding source for them are the same as in scenario 1.

We will not be able to accomplish as much under scenario 2. Our reduced expectations are as follows:

- . district roads to be maintained (periodic) will drop from 1000 kms per year to 200 kms per year;
- . district roads to be maintained (routine) will drop from 5000kms per year to 1000 kms per year;
- . Roads Fund used for maintenance will drop from 100% to 85%; and
- . a sustainable system of road maintenance will not be established in the districts of the "Big Four" regions but only in one region within 5 years.

Under scenario 2 expected results/accomplishments for TAZARA and RTT are the same as in scenario 1.

These reduced physical infrastructure outputs and the delayed and down-sized system establishment are not by themselves problematic for achieving the SO. It is, primarily, a question of magnitude and what matters most is the introduction of the contract administration and road maintenance system, as far as we can tell from our experience with ATAP.

Under scenario 3 no additional funding is provided to SO5. Pipeline and available local currencies allow orderly close down of the rural roads activities. Neither of the two RCSA-funded activities are undertaken under this scenario. All activities under SO 5 would end in FY 98.

Part III. Resource Requirements

A. Programming Options

In developing the Strategic Plan, the Mission was confronted with continued Washington pressure on meeting earmarks in child survival, population and environment, and on meeting the Washington directive to ensure democracy/governance is covered in all possible scenarios due to the recent history of poor governance and the early stage of transition to democratic governance in Tanzania. However, the level of funding Washington will assign to Tanzania depends not only on democracy/governance issues and performance on earmarks, but on economic progress and performance as well. To get off the "watch list" and onto the sustainable development country list, Tanzania must renew its reform program. At the same time, the political will to renew the reform program depends on the GOT recognizing that the majority of its people are receiving clear benefits from continuing the reform effort. The primary option available to the Mission to support the GOT in continuing its reform program and promoting benefits through economic growth is through its economic growth objective.

From this perspective, the Mission gave instructions to each SO team to develop their Strategic Objective and Results Frameworks on the assumption that the Mission would

receive funding at the breakthrough level over the life of the Strategic Plan. This allowed each SO team to have the latitude to fully develop their SO under the assumption of maximum funding. That resulted in the budgetary allocation between the different SOs as exhibited in the Table below under Scenario 1. The development of the Strategic Plan and Intermediate Results discussed in Part II of the Strategic Plan was based on the assumption of breakthrough funding.

In moving from Scenario 1 to Scenario 2, a lower level of funding, the Mission was constrained by earmarks and programming directions from Washington. In consequence, the full reduction in funding had to fall on SOs 4 and 5. That is not the Mission's preferred allocation of funding. Both SO 4 and SO 5 continue to receive limited funding in order to ensure some input into the reform process and some minimal level of impact on economic activity. However, SO 5 will wind down once all remaining local currency from the ATAP program has been programmed and the RTT and Tazara activities are completed. We expect that to occur by the middle of the seven year planning period.

For Scenario 3 funding, both SOs 4 and 5 are discontinued but closeout activities will continue as long as pipeline and local currency are available. We expect all activities under this scenario to stop in FY 98.

Table 25
Resource Level Allocations Under Three Scenarios
(\$millions)

	Scenario 1 Breakthrough	Scenario 2 Status Quo	Scenario 3 Low
SO1	11	11	9
SO2	4	4	3
SO3	4	4	3
SO4	4	1	0
SO5	3	1	0
Total	26	21	15

B. Staffing Requirements

The USAID/Tanzania staff, both program-funded and OE-funded, will be responsible for managing a program to achieve five Strategic Objectives over the next seven years. OE staffing levels are established by overall Agency FTE limitations (Table 25), leaving program-funded personnel as the only area for flexibility (Table 26).

**Table 26
OE-FUNDED STAFFING PROJECTIONS**

OPERATING EXPENSE FUNDED	FY - 96	FY - 97	FY - 98	FY - 99	FY - 00
USDH	9 + 1 IDI	9 + 1 IDI	9 + 1 IDI	8	8
FSNDH	2	2	0	0	0
FSNPSC	78	73	70	67	67
USPSC	0	0	0	0	0
TOTAL	90	85	79	75	75

**Table 27
PROGRAM-FUNDED STAFFING PROJECTIONS**

PRG FUN D	FY 96			FY 97			FY 98			FY 99			FY 00		
	TA	HIGH	LOW												
FSN PSC	4	4	4	9	3	4	12	3	4	15	3	4	15	3	4
US PSC	2	1	0	4	1	0	5	1	0	5	1	0	6	1	0
TCN PSC	2	1	0	2	1	0	0	1	0	0	1	0	0	1	0
TOTAL	8	6	4	15	5	4	17	5	4	20	4	4	21	5	4

As reflected in the tables above, the present program is managed by a work force of 98 full-time equivalents (FTEs). Of these, 78 are FSNPSCs currently funded through Trust Funds, while 8 are program-funded. The remaining 12 are OE-funded. Our projection over the next seven years is to implement our activities with the existing USDH work force of 9 and 1 IDI in FY-96 and FY-97 in order to provide adequate coverage, proper management and control of USAID programs. In FY-99 one USDH position will be eliminated and the mission will continue with that ceiling of 8 for the four succeeding years.

On the FSN work force levels, our projection over the next seven years is a gradually declining one. The two FSNDH positions will be dropped in FY-98. Our current FSNPSC

work force of 78 will be reduced to 73 in FY-97, to 70 in FY-98 and in FY-99 it will be reduced to 67 where it will remain.

These projections are based on the premise that as the program in Tanzania grows and expands, the Mission will include, wherever appropriate, funding under the Strategic Objectives to include work force expenditures related to that particular SO. Thus, while the OE work force levels reflect the Agency established FTEs we consider them barely adequate in the low scenario and anticipate some increase in the project funded local staff for both the "high scenario" and the "turnaround scenario". This seems to be the only means of meeting actual personpower requirements.

It should be noted that in the absence of a dependable and responsive source of local maintenance capability USAID has had to develop self-sufficiency in all areas of maintenance and well over half of this staff is fully engaged in support activities. Unless there is a reduction in support requirements these numbers cannot be reduced.

In the past and until FY99, USAID/Tanzania has and will compensate FSNPSCs from Trust Funds. With these funds becoming depleted and no new sources of replenishment USAID will require additional OE dollars to make up the shortfall.

C. Operating Expenses

In the FY97 ABS, the Mission projected a budget of \$3,193.3M in OE, of which \$700k (22 percent) was from OE trust funds. Presently, the Mission is operating at 90% of the appropriated dollar level (\$2,129M), which is the rock bottom minimum amount needed to support its present staffing and program levels. Only minimal Non-Expendable Property can be procured at this level. Furthermore, severe restrictions must be placed on training and travel. For the outyears, although the FTEs are reduced, the Mission cannot operate at a lower level since local inflation is running at 30 percent. This coupled with the appreciation of the Tanzanian schilling make local goods and services very expensive. In fact, with the eventual drying up of trust funds, USAID/Tanzania will require additional OE dollars.

OE Trust Funds. Presently, USAID/Tanzania is dependent on Trust Funds for almost one quarter of its expenses and are used to pay the FSN salaries in their entirety. Historically, these trust funds have been generated out of two NPA programs - which are coming to an end. Based on the following projection (Table 27), the Mission has barely enough trust fund cash flow to support FSN salaries and other local costs through FY98.

**Table 28
Trust Fund Analysis
(\$000)**

	FY97	FY98	FY99	FY00-03	TOTAL
Annual Requirements	700	840	840	4,434	6,814
Projected LC Generations	700	840	500	0	2,040
Shortfall	0	0	(340)	(4,434)	(4,774)

ASSUMPTIONS

Beginning in FY98, this projection incorporates biannual increases of 20 percent, primarily for salaries. The Mission MUST increase the professionalism of its staff in order to maintain its program as well as remain competitive with other donors. Although FSN staffing levels will decrease, with the 30 percent inflation rate and appreciation of the Tanzanian schilling, local costs and services will be more expensive. Therefore, beginning FY99, the Mission will need an additional \$340,000 in appropriated OE dollars. For FY00-03, the requirement totals \$4,434M.

OE Dollars. Based on staffing levels required to support the program and the drying up of trust funds, our OE dollar requirements will increase by 5 percent in FY97 and FY98. Beginning in FY99, an additional appropriation of funds will be needed for FSN salaries and local costs - historically trust fund expenditures (Table 28)

**Table 29
Projected Operating Expenses
(\$000)**

	FY97	FY98	FY99	FY00-03
OE Dollars	2,372	2,491	2,955	16,268
OE Trust Funds	700	840	500	-0-
TOTAL OE	3,072	3,331	3,455	16,268

ASSUMPTIONS

For budgeting purposes, the Mission has been very conservative and has only used a 5 percent contingency rate. The Mission plans to contain increases in operating costs and to capture operating inefficiencies. Furthermore, the Mission has developed ideas on implementation of a Project Support Office (PSO). As more OE costs savings are needed, the Mission will continue looking into this viable alternative.

For FY97, the Mission has straightlined the FY96 OE appropriation of \$2,259M amount and added a 5 percent contingency factor. This contingency will cover the definite need for procurement, since procurement was strictly limited during FY96. Additionally, we have conservatively straightlined the trust fund requirements. For FY98, the potential substantial costs of the International Cooperative Administrative Support Services (ICASS) will be covered by the contingency factor. The 20 percent increase in trust funds will cover long overdue salary increase for the FSNs. For FY99, the Mission will only be able to generate 60 percent of its local currency requirements. Therefore, we will need an additional \$340k in appropriated dollars on top of our requirement of \$2.7M. For FY00-03, the total OE requirement for these four years is \$16M. This includes an additional \$4.4M over and above the OE dollar requirements, since this amount necessary for local costs will no longer be generated through Trust Funds.

In sum, these projected OE levels are the minimum needed to run our program with the given staffing levels. Any lower, and the Mission cannot support the staff. If we cannot support the needed staff, we cannot support the program.

D. Scenario 3: Staffing and OE Budget Implications.

In the event it becomes necessary to drop SO numbers 4 and 5, it is not anticipated that the OE funded personnel will be reduced, however, project funded personnel will be reduced as follows: 1 USPSC, 1 TCNPSC, and 3 FSNPSCs. Since OE personnel will not be affected and SO Teams use minimal OE resources, the OE dollar budget will not decrease. In fact, since we are able to charge certain costs to projects, the OE expenses could moderately increase! Since the FSNs are funded through trust funds, the OE trust fund side of the budget would be impacted slightly.

ANNEX A TANZANIA SOCIO-ECONOMIC TRENDS

Introduction

The United Republic of Tanzania, consisting of two former British colonies, Tanganyika and Zanzibar, came into being on 25 April 1964. Tanganyika had already achieved its independence in December 1961, while Zanzibar followed two years later. During the preceding colonial period, both areas had been shaped in response to the needs and interests of the colonial power and of international companies. Consequently, the challenges confronting the new republic—especially in terms of growth and development - -were formidable.

Before European colonialism

In the history of Zanzibar and Tanganyika, the nineteenth century is a decisive period of fundamental change. The great demand for ivory and slaves, as well as the general expansion of the major industrial powers, gradually led to the integration of the area into the world economy. Zanzibar had long served as the center of the East African trade in slaves and commodities, and in 1840 became the capital of the Sultan of the Omani Empire. Slaves were taken for re-export to the Arabic countries and the Americas as well as to the French possessions in the Indian Ocean. A great number were also kept on Zanzibar itself, where their labor laid the foundation for the rapid growth of clove plantations, which still form the basis of the island's economy. Cloves replaced the production of food, which increasingly had to be imported into Zanzibar from the mainland which was under the "trusteeship" of Great Britain.

The colonial period

During the "scramble for Africa" in the 1880s, Zanzibar (together with Uganda and Kenya) was forced to accept British colonial rule. Tanganyika, on the other hand, was occupied as a part of the German empire. German adventurers and trading companies had long been active in the area, and the new borders were drawn up by a joint German/British agreement in 1890.

The occupation of Tanganyika was met by fierce wars of resistance in different parts of the country, and during 1905 - 1907 a major peasant uprising took place against European colonial rule and enforced cultivation of cotton. In the end, the superiority of modern arms was decisive. The wars and uprising led to the massive destruction of African societies, with the loss of tens of thousands of lives. The early colonial period also coincided with famines and a devastating outbreak of rinderpest. Tanganyika was also hit by mass conscription and other social disruptions during the First World War, in which German and British troops fought each other in East Africa, with Africans used as porters, canon fodder and suppliers of food.

The aim of the Germans was to transform the indigenous agriculture from subsistence to cash crops based primarily on African smallholder production. In addition, the Germans established a plantation sector for growing specific export crops such as sisal, cotton and rubber. In this process African land was alienated and a variety of mechanisms, ranging from the imposition of taxation to direct violence, were introduced to force Africans to work on the plantations.

The infrastructure was developed with the aim of supporting the export orientation of agriculture. Thus, transport facilities were concentrated in the central (sisal producing) and northern (coffee, cotton growing zones). Areas with better quality soil were more directly integrated into export production, while other areas were designated as areas of labor supply. In this way, the foundation was laid for uneven regional development.

The peace treaty at the end of the First World War resulted in the transfer of the former German colonies to the League of Nations, which then handed them over to the colonial powers to be administered as "mandates". Tanganyika was made part of the British Empire. After 1945 Tanganyika had the formal status of a UN trust territory.

When the British took over the administration of the territory, the main features of the colonial economy were reinforced. The agricultural sector was dramatically affected by the interwar depression, both in terms of falling export prices and lack of new investment. To compensate for the export price collapse, the colonial administration initiated a "grow more food" campaign. Severe budget cuts during this period meant that even moderate social services supplied to the Africans were sacrificed.

During the Second World War and the immediate postwar period, the prime aim of the British government was to increase the supply of agricultural raw materials (both sisal and rubber were classified as being of strategic importance) and foodstuffs from the colonies. There was also a move towards compulsory cultivation of certain export crops and monopoly marketing arrangements for cotton and coffee, the two main crops produced by Africans, in order to ensure increased production for export. State intervention in smallholder agriculture was thus intensified from 1940 onwards.

The Early Years: Consolidation and re-thinking development strategy (1961/67)

At independence in 1961, Tanzania was a very poor country. The population of 8 million was increasing at the rate of 2.4 percent per year. Life expectancy was 41 years. Infant mortality was 146 per 1000 live births. Literacy hardly exceeded 20% of adults. GDP per capita was less than US\$90. Primary school enrollment was less than 25 percent of the eligible age group. The British were the lead donors by virtue of their former position of colonial dominance. Total external debt was less than US\$ 40 million. This translated to a debt per capita of only US\$ 5. Coffee, cotton and sisal were the main exports accounting for 63% of export earnings, which totalled \$82 million in 1967. Exports were roughly equal to imports. Industry was rudimentary with only 220 registered activities, largely in smithing,

weaving, woodworks and pottery. Subsistence agriculture provided adequate food, largely maize and cassava. Tanzania had no university. The few Tanzanians who attained higher education studied at the University of East Africa. There were three foreign private banks which served largely the European and Indian community. Hardly 1% of the population was served with electricity or clean water. In most cases the traditional chiefs ruled the country side, observing some of the British rules which were continued a few years after independence. Prior to independence (1954 onwards), the African population supported TANU - Tanganyika African National Union (TANU), under former President Julius Nyerere - the political party which took over the country's leadership after independence.

The years immediately after independence were ones in which local control over the administrative machinery was consolidated. For the Government, the main emphasis was on completing the localization of senior and middle level positions in the public service and the relatively compact parastatal sector (estimated to number about 45 entities in 1965), laying the foundations for social services, and on accelerating training programs for the skills needed for an expanding economy. The first Five-Year Plan, covering the period 1965 to 1969, put forward a balanced program of investment in infrastructure, the social sector and in government administration in line with its expanding responsibilities, in the context of a mixed and relatively open economy. The size of the investment program was commensurate with the domestic resource mobilization capacity, plus the relatively modest amounts of external aid inflows Tanzania at that time was receiving. The recurrent implications of investments were matched to expected domestic revenue growth and the Development Budget averaged about one third of the Recurrent Budget. GDP growth during the initial period averaged 5.5% per annum, with moderate levels of capital formation. The domestic savings effort was quite satisfactory, with the government budget throughout the period in recurrent surplus. Revenues averaged 17.5 percent of GDP over the years 1965/66 to 67/68 and total expenditures 14.0 percent. Inflation was modest, the terms of trade generally positive and the balance of payments stable, with exports equalling or slightly exceeding imports. Education and health coverage was restricted, infrastructure was rudimentary and there were few indigenously owned and managed businesses of any size.

At the end of the first seven years after independence, Tanzania was still poor. Population jumped by 50% to 12 million people. Infant mortality declined slightly to 137 per 1000 live births. Literacy rate improved from 20% to 33%. GDP per capita increased by 16% to US\$105. Industry was still rudimentary but the number of registered establishments tripled to 560 and a few indigenous Tanzanians began to own and manage some businesses. With the exception of tea, tobacco and cashewnuts which become among the main exports, the structure of exports and imports remained much the same. Exports at the end of the seven-year period earned an average of US\$250 million, about three times their 1961 level. The economy registered a GDP growth rate of 6%. Private banks increased to four but still served largely the European and Indian community. At the end of this period still hardly less than 2% of the population was served with electricity, and clean tap water. About 25% of the population was served by a health facility located within 5 kilometers. In an attempt to consolidate political power, President Nyerere became increasingly intolerant to political

opposition.

Development through a Socialist approach (1967-1974)

The Arusha Declaration on Socialism and Self-Reliance, announced by the ruling party TANU in February 1967, marks a watershed in the role of Government in the Tanzania economy. With the Second Five-Year Plan introduced in 1970, it was to profoundly influence the structure of public finances. The most immediate result was the nationalization of the major means of production, comprising banks and insurance companies, import and export trade, wholesale businesses, major manufacturing industries and large agricultural plantations. Rental housing was also taken into national ownership, and all land vested in the state. This large-scale transfer of ownership resulted in an immediate increase in the number of enterprises under part or full public ownership. But since they were expected to contribute strongly to government revenues, the increase in the number of parastatals, augmented by the creation of public enterprises in new areas, was not viewed as inconsistent with the government's fiscal objectives.

The Declaration also laid stress on the elimination of poverty, ignorance and disease, and on self-reliance, rural development and popular participation in decision-making. This provided the impetus for the formation of Ujamaa (communal) villages (and later the mass campaign of villagization), the expansion of basic social services such as primary education and health, and rural water supplies. Emphasis was also placed on the creation of economic institutions and structures for participatory decision-making, and for the management of geographically diversified government programs, in connection with which a major decentralization of government ministries to the regions was effected in 1972. The period was one of rapid economic transformation, with increasing public ownership of many firms, the creation of new parastatals, and the expansion of recurrent and capital expenditure programs.

Economic growth during the period fell slightly, but still averaged 4.5 percent for the period 1967-73. In 1974, the country experienced a serious economic crisis with an increase in international oil prices and a severe drought affecting maize, paddy and wheat production, requiring the Government to import large quantities of food grain at steeply rising international prices. The drought also affected export crops, preventing Tanzania benefitting from higher international commodity prices. At the same time, the crisis made more evident emerging structural weaknesses in the economy, namely the disappointing performance of export volumes, and a declining savings ratio. Fiscal strains also began to emerge caused by expenditure overruns. Between 1972/73 and 1974/75 expenditures grew at 39 percent per annum, the result of subsidies to National Milling Corporation (NMC), pay increases and the general expansion of programs. Revenues also rose, but less than expenditures. As a result the recurrent budget moved into deficit for the first time, in 1974/75. Development expenditures increased even more rapidly than recurrent expenditures (31 percent per annum over the period 68/69 to 74/75), and the development budget rose to over half the size of the recurrent budget. This expansion was due mainly to large scale infrastructure investments. Associated with these developments was a sharp increase in inflation, partly of international

origin, partly due to domestic monetary expansion.

The Coffee Boom and the Expansion of Government Commitments (1975-1978)

The Government took a number of measures in response to the economic crisis (fiscal and monetary problems). First, it addressed short-term stabilization priorities by wage restraint, sharp cuts in ministerial sector expenditures, increases in indirect taxation, a tightening of controls on imports and dividend remittances, and a ban on Sunday driving. Next, to improve the performance of the economy over the longer-run and lessen its vulnerability to climatic shocks, the Government launched the Basic Industry Strategy, thereby inaugurating a major expansion in public sector investment in industry. Allocations to the directly productive sectors of agriculture, mining and industry were sharply increased (rising from an average of 23 percent of the Development Budget in the period 1970-74 to 38 percent in 1975-76 and 42 percent in 1976-77).

At the same time, policies were announced that would have significant long-term impact on the level of social expenditures in the budget. In 1974, the villagization program, previously voluntary, became the main thrust of Government settlement policy, and towards the end of that year, in response to the villages' demands for improved social services, the ruling political party announced the advancement of the target date to achieving universal primary education from 1989 to 1977. Early the following year, the target for universal rural water supplies was likewise advanced from 1991 to 1984.

While these social programs had always been part of the Government's objectives, the confidence to accelerate them came from several favorable developments. First, in the course of 1975 the weather improved, and in response to a national campaign to grow more food, domestic production recovered. This removed the requirement for large-scale food imports and food aid. Second, the international price of coffee quadrupled, as a result of serious frost damage in Brazil. External flows to Tanzania were rising, initially in the form of IMF compensatory finance, but also bilateral aid flows and, in the context of the Basic Industrial Strategy (BIS), commercial lending. Expenditure on both the recurrent and development budgets grew in 1976 and 1977, but due to the conversion of the coffee windfall to government revenue by export taxes, and increased external funding, recourse to domestic bank borrowing moderated and inflation eased. The Recurrent budget returned to surplus for the three years 1975/76 to 1977/78, and the ratio of development to recurrent budget expenditure, rose to an average level of 60 percent. Foreign exchange reserves strengthened, and the Government was encouraged to liberalize imports at the end of 1977. Foreign exchange allocations for inputs to the manufacturing sector were increased, and in 1978 imports were more generally liberalized.

After 16 years of independence, Tanzania was still poor. Population had jumped by 30% to 16 million, still growing at about 3.0% per year. Life expectancy improved slightly from 41 in 1961 to 48 years. Infant mortality also declined from 146 to 120 per 1000 live births, which was about the average for Sub-Saharan Africa. Literacy rate improved further to 65%

compared to 33% at the end of 1967. GDP per capita almost doubled to US\$180, indicating a small improvement in the standard of living. Inflation which had been contained below 5% between 1961-74, jumped to 13.7%. Industry grew by an average of 2.6% and registered establishments numbered over 12,000 and many more decided to operate in the parallel (black) market. The nationalized parastatal banks continued to serve the interests of a minority group - few indigenous Africans and people of Asian origin who have access to collateral.

At the end of 1978, hardly 3% of the population was served with electricity, and clean tap water. Health facility coverage within 5 kilometres had improved to almost 40%, with access in urban areas slightly higher. The multiparty system ended in 1977 when Afro Shirazi Party (ASP) united with TANU to form CCM (Chama Cha Mapinduzi).

Socio-economic Crisis and Stagnation (1978-1982)

The favorable trends in the 16 years after independence were abruptly terminated by a sequence of external events that propelled the Tanzanian economy into a much deeper crisis than it had hitherto experienced, and production in many sectors collapsed. Firstly, Tanzania's terms of trade sharply deteriorated. In 1977 coffee prices had started to fall, as Brazil resumed exports. By 1978, they were at a level below that prevailing before the boom. The same year international oil prices abruptly increased. Secondly, the breakup of the East African Community in 1977 obliged Tanzania to create national facilities to replace the common services of the Community. Services disrupted by the break-up were: customs, income tax, telecommunications, rail and air transport. Thirdly, in 1978, the West Lake region of Tanzania was invaded by the army of the Ugandan President Idi Amin. The Government's response was a rapid build-up in defense expenditures, which grew from T.shs. 629 million (US\$52 million) in 1977/78 to T.shs. 1288 million (US\$107 million) in 1980/81 (18.9 percent and 22.8 percent respectively of the total recurrent ministerial expenditures). Compounding these adverse external factors was the disappointing performance of the productive economy. The industrial sector which comprised of new industries such as cement, aluminium, fertilizer, iron sheets, many textile plants, cigarettes, beer, to mention but a few, started showing poor returns to the massive investments being made in the sector. Agricultural output stagnated in response to a growing shortage of inputs and declining real producer prices. Declining coffee receipts revealed the weakness of Tanzanian export performance in volume terms.

The Government's response to this changed external environment was to terminate the liberalization of imports and resort to increased administrative controls on economic activity and an exchange rate policy that allowed the shilling to rapidly appreciate in real terms. The economy lost flexibility and the productive sectors became less dynamic. In addition, the external debt of Tanzania was rising and reached US\$ 1.6 billion or a per capita debt of US\$ 154 (US\$ 5 in 1961). The combined effect of these pressures was to weaken revenues and return the recurrent budget to deficit in 1978/79, a condition in which it has remained ever

since. Propelled by the build-up of expenditures on the BIS, the DE/RE ratio continued to rise, reaching 70 percent in 1979/80, before falling sharply to 31 percent in 1982/83 in the face of declining external finance and cutbacks in the number of new projects. At the same time as the Government's revenue base was weakening, its social programs were causing its payrolls to expand, and pay awards failed to keep pace with inflation. The economy could not sustain itself as nearly all infrastructure collapsed for lack of maintenance. Acute shortages of consumer goods appeared in the shops and this became a period of hardship and suffering for all Tanzanians.

At the end of 1982, Population had more than doubled from 8 million in 1961 to 19 million. Life expectancy, however, improved to 52 years (from 41 years). Infant mortality went down further to 110 (from 146). The literacy rate quadrupled to 80% (from 20 in 1961) in part due to the literacy campaigns and emphasis on the social sectors. GDP per capita increased to US\$290 (from \$90 in 1961) but this was insufficient to maintain previous living standards due to the high inflation (over 30% in 1982).

Policy Reform and the Beginning of Recovery (1982-85)

The final phase, prior to the launch of the ERP was the period from 1982, which began with the Structural Adjustment Program (SAP) in June 1982, a program of macroeconomic and sector measures more comprehensive than those that had preceded it, aimed at stabilizing the economy and addressing structural constraints to better economic performance. In the following three years a number of important measures were taken. Most prominent were: (i) two devaluations of the exchange rate; (ii) reductions in the scope of price control; (iii) liberalization of domestic trade; (iv) introduction of an export retention scheme and an Own Funds Import Scheme; (v) higher agricultural producer prices and the reintroduction of cooperatives; and (vi) measures to strengthen public finances.

Initially, GDP continued to decline, by 0.5% in 1982 and 2.4% in 1983. In 1984 the economy began to recover, rising by 2.6% and a further 3.6% in 1985. Two factors in particular were instrumental in the recovery. The first was the easing of restrictions on domestic food grain marketing coinciding with the onset of a period of favorable weather, which led to significant increases in agricultural output and stable food prices. The second was the success of the own funds import scheme through which a growing volume of imported consumer and intermediate goods became available in the economy, providing the private sector with spare parts and incentive goods that were generally unavailable through the official system of rationing. As a result, a supply response began to slowly build.

In terms of public finances, the most important measures taken under the SAP were:

- (a) General cutbacks in the budget, to reduce the overall deficit.
- (b) A substantial reduction in development expenditures, eliminating most new

projects and a number of old ones.

- (c) A shift of budgetary resources, especially capital, to the productive sectors, notably agriculture.
- (d) Attempts to reduce the share of defense expenditures and increase maintenance allocations.
- (e) Higher taxes on beer and cigarettes and increased tax collection.

In addition, local government councils were re-established to foster local development. A commission was appointed to review the parastatal sector, following which several inefficient parastatals were closed, managers were urged to become more efficient, and recurrent subsidies to productive enterprises were eliminated. These steps were important in that public expenditure were brought under better control, but many of the structural problems remained, and some were to get worse.

At the end of Nyerere's 25-year rule in 1985, the economy was slightly better than when he took office in 1961. Population had nearly tripled to 22 million (from 8 million). Life expectancy had increased by nearly 30% to 53 years (from 41 years). Literacy rate was 90%, over four times its 1961 level. Infant mortality had been reduced by 26% to 107 per 1000 live births, but still high. GDP per capita increased by nearly four times to US\$330, but the benefits were eroded by the over 30% inflation rate. The economy was more diversified, with a much larger indigenous African population owning and operating businesses and industrial enterprises. During this period, the parallel economy reached its peak, contributing over 30% of the GDP, but also denying the government much needed revenue.

Pluralistic freedom was curtailed during Nyerere's era, but the human rights record was above the average for most African countries. Press freedom was allowed, but only within the largely public-held media. It is widely believed by many Tanzanians that Nyerere was free from corruption, although it was during the dying years of his leadership that this disease increased its intensity. Nyerere is credited for having united the over 120 tribes through exemplary leadership and nation-wide adoption of the Swahili language.

Liberalization and accelerated Reform (1986-1995)

During this period Tanzania made substantial progress in liberalizing the economy. Among the most important reforms, include: liberalizing interest rates and exchange rates, decontrol of commodities, prices, trade system and agricultural marketing arrangement as well as the elimination of monopoly positions of state-owned enterprises in manufacturing, trading and

marketing boards. Important progress has also been made in reforming the Civil Service and liberalizing the financial sector. These economic reforms have now been accompanied by political reforms which ushered in a multi-party democracy in November 1995.

Overall, the economy responded well. Real GDP growth during 1986-95 averaged 4.0% per annum, while steady gains in per capita GDP growth of about 1.2% improved household welfare. Household income surveys show that the incidence of rural poverty has declined from about 65% in 1985 to 51% in 1994, but widespread low income levels, still persists. The reforms supported by the rehabilitation of road transport, helped agriculture to expand at an average annual growth of about 5.4% during 1986-95. As a result, the declining trend of agricultural exports was reversed, and export growth averaged 4.5% in real terms during this period. Access to imports also improved, ending the severe shortages and hardships to consumers.

Domestic investment increased significantly, averaging about 25% in 1986-91, but fell to 21% in 1995. The share of private investment to GDP kept rising and almost doubled, averaging 11% of GDP in 1986-95.

Tanzania's fiscal position was strengthened since 1986. The budget deficit declined to 5% of GDP in 1993 down from 10% in 1986, and net repayments to the banking system reached 3% of GDP. Much of the improvement stemmed from a strong growth in revenue, which increased from 17% in 1986 of GDP in 1993, reflecting increases in both tax and non-tax revenues following the introduction of new excise taxes and a sharp reduction in exemptions. Recurrent expenditures were contained at about 27% of GDP on average during this period still above the targeted level. During the period 1994-95, serious tax collection problems and poor expenditure controls derailed the gains achieved in fiscal stability. However, within the restrained fiscal framework, the Government took drastic measures to improve the structure of budgetary operations. Subsidies to commercial parastatals were reduced, some ghost workers were removed from the civil service payroll, and user charges were introduced for a variety of government services. Credit targets were exceeded, but credit growth has remained around 30%. No net credit was extended to the Government in 1993. The annual growth of money supply ranged between 26% and 42% during the last ten years. Although inflation declined from 32% in 1986 to 22% in 1992, the present level of 26% suggests inability to curb underlying pressures.

Tanzania's balance of payments has remained under severe strain since 1986. The terms of trade deteriorated as coffee prices continued to weaken and cotton prices fell sharply on the world market. The move towards a market exchange regime, the continued depreciation of the real exchange rate, and improved incentives for domestic production have fostered an appreciable export growth during 1986-1995. Although their growth has been erratic, exports increased from US\$316.6 million in 1988 to US\$605 million in 1995 or by 9.0% annually. Imports grew at 15% a year (on a much larger base). As a result, the trade balance increased from US\$708 million to \$900 million, or by 29%. However, there are indications that a large proportion of external transactions remain outside official channels.

External outstanding debt rose from US\$ 40 million in 1961 to US\$5.4 billion in 1986 (162% of GDP) to US\$7.4 billion in 1995 (205% of GDP). The reform of the foreign exchange control regulations, the introduction of foreign exchange bureaus, and the devaluation of the official exchange rate in line with relative price movements of major trading partners, has increased the transparency of the foreign exchange market and encouraged exports. Tanzania will continue to face balance of payments pressures for several years. Despite the generous rescheduling of Tanzania's external debt obligations under the Paris Club's "enhanced concessions", scheduled debt service has been rising (over US\$172 million in 1995), accounting for some 35% of export earnings. Direct foreign investment has been insignificant but rising with several U.S. firms showing interest (Sheraton, Citibank, R.J. Reynolds and South African firms). The road to macro-economic stability is still cloudy but important policy steps are being taken, including reforming the country's revenue structure and management.

During the second government of President Mwinyi socio-economic performance was mixed. Some of the socio-economic indicators deteriorated. Life expectancy which had peaked to 53 years in 1985 declined to 51 years by 1995, in part because of the AIDS epidemic. Infant mortality, however, continued to decline, reaching 92 per 1000 live births (from 107 in 1985). The previous high literacy rate fell to 67% (down from 90% in 1985) in part because of a decline in primary school enrollment and deterioration of the education infrastructure due to lack of maintenance. GDP per capita fell to US\$157 in 1995, about half their level in 1985. Tanzanians became poorer despite much progress in diversifying the economy.

During President Mwinyi's 10-year presidency, political freedom was enhanced which culminated to multiparty elections in October 1995. The press was liberalized, along with freedoms of speech expression. The human rights record was maintained above the average for most African countries. However, with almost complete liberalization of the economy, corruption became more entrenched, in part due to continued low pay to civil servants which cannot cater for a living wage. The Mkapa government has begun to address the corruption issue through reforming the civil service and taking concrete actions to address the root causes, including the establishment of a revenue authority and an anti-corruption commission.

**ANNEX B
USAID/TANZANIA
CUSTOMER SERVICE PLAN**

I. MISSION GOAL STATEMENT AND STRATEGIC OBJECTIVES

The USAID/Tanzania development assistance program in Tanzania has identified progress towards "Real Growth and Improved Human Welfare" in the country as its goal over the next five-to-seven year strategic plan period. The Mission's sustainable development vision aims for a healthier population growing at a slower rate. This population will enjoy greater economic and social benefits from increased efficiency and competitiveness in the private sector, improved infrastructure, and more effective natural resource management policies and strategies. This vision will be enhanced by a more open and accountable system of democratic governance. On-going and future activities to achieve the Mission goal are organized around five strategic objectives.

SO1: Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures;

SO2: Foundation Established for Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania;

SO3: Strong Foundation for the Transition to Democratic Governance Established;

SO4: Increased Private Sector Participation in the Economy;

SO5: Selected Infrastructure Improved.

These strategic objectives are further supported by the Mission's participant training, human resource development, and gender and development activities and approaches, which are fully integrated into and supportive of the overall strategic plan as well as the individual strategic objectives. USAID/Tanzania has also accommodated the need to think strategically on a regional level through its involvement in Initiative for Southern Africa (ISA) and Greater Horn of African Initiative (GHAI) activities, particularly with reference to conflict resolution, refugee assistance, drought and other natural disaster response, and regional infrastructure considerations.

II. OUR CUSTOMERS

USAID/Tanzania has identified a number of customer populations which are directly and/or indirectly served by the Mission's programs. While activities carried out or supported by the Mission's overall strategy have the potential to reach all Tanzanians, each SO team has identified specific groups of ultimate and intermediate customers who are the principal

beneficiaries of our assistance. Many of our intermediate customers also serve as our partners in achieving our objectives.

SO1, increased use of FP/MCH and HIV/AIDS preventive measures, serves Tanzanian men and women of reproductive age, as well as infants and children. It is these groups in the population which are most seriously affected by the negative impact of high fertility, AIDS, and STDs. USAID/Tanzania assistance has reached ultimate customers at service delivery points in every region and district of the mainland.

Achievement of this SO also requires the active participation of intermediate customers and partners. Co-operating agencies (INTRAH, AIDSCAP), international NGOs (CARE, AMREF), local NGOs (UMATI, TAHEA), private sector institutions and organizations, including small enterprises which market condoms, and individual service providers who have been trained using project resources and whose ability to serve ultimate customers has thereby been enhanced all fulfill this role. The Tanzanian Ministry of Health is also an indispensable customer/partner for SO1.

For SO2, natural resource management, ultimate customers are the rural men, women and children who live on the land and obtain the bulk of their livelihood from agriculture, livestock production, and/or natural resource extraction. The SO2 team will collaborate directly with rural citizens to assist them in establishing sustainable use of natural resources and enhancing income-generating potential. In the long term all Tanzanians will benefit from a better understanding of natural resource management and protection issues.

Intermediate customers and partners under this SO include Tanzanian government officials at various levels (local, regional, national); community-based and non-governmental organizations; international NGOs; Universities and other technical training institutions; and small and medium scale enterprises in the tourism industry and the timber, mining, and hunting sectors.

The intention of SO3 is to establish a strong foundation for the transition to democratic governance in Tanzania. Hence our ultimate customers include all Tanzanian citizens, who need stable and accountable democratic institutions in order to attain further political, social, and economic gains. Intermediate customers/partners are the courts and the media, who will receive targeted training. Also included here are NGOs, whose capacity to serve women, entrepreneurs, communities, and citizens at large will be enhanced. USAID/Tanzania has also formed a partner/customer relationship with the U.S. Information Service, which will help with the implementation of several of the activities supporting the SO.

SO4 emphasizes private sector participation in the economy. Two major groups of ultimate customers have been identified for this SO. First are Tanzanian women, men, and children, who will benefit from the opportunities created by a better managed and more efficient economy. Also viewed as ultimate customers are Tanzanian entrepreneurs, managers, and business people who will receive both direct and indirect assistance in the management of,

and increasing the profitability of, their enterprises. The entrepreneur may in some cases also be seen as an intermediate customer whose increased efficiency, effectiveness, and competitiveness provide economic benefits to the mass of citizens.

Intermediate customers and partners for this SO are found at a number of levels. Principal among them are institutions of the Tanzanian government such as the Ministry of Finance (MOF) and the Bank of Tanzania (BOT). Several non-governmental or private organizations which provide financial, planning, or advisory services to individuals and firms also function as intermediate customers, including private and government banking institutions. Non-governmental organizations such as business associations have also been identified as partners/intermediate customers.

SO5, selected infrastructure improved, is closely linked with SO4 in that its efforts are directed towards an enhanced private sector role in the creation and maintenance of infrastructure. The principal beneficiaries of this SO are Tanzanian women, men and children, residing primarily in rural areas, whose access to goods, services, and markets will be enhanced by better roads and communications facilities. Also benefitting as intermediate customers and partners are private sector firms, particularly large and small road contractors, telecommunications providers, and consulting engineers. In addition, both central Ministries and institutions of local government collaborate in the achievement of the SO while at the same time their efficiency and effectiveness is enhanced.

III. MISSION SERVICES

SO1: Increased Use of Family Planning/Maternal and Child Health (FP/MCH) and HIV/AIDS Preventive Measures

This SO incorporates a number of on-going activities that have been underway for several years. As such considerable impact has been achieved and strategies for ensuring the provision of services are well-established.

1. Increased knowledge of and access to family planning and maternal and child health services. USAID has been working and will continue to work with the Family Planning Unit and others within the Ministry of Health, other donors, cooperating agencies, NGOs, the private sector, local communities, and customers to improve both the quality and quantity of family planning services in Tanzania. The Mission program is improving quality of services through training of service providers and technical assistance to boost institutional capacity to manage and coordinate family planning programs. Quantity is being addressed by the provision of contraceptives, improvements to the contraceptive method mix and an expanded range of contraceptive choices, particularly long-term and permanent methods, and expansion in the number of public and private sector sites that provide family planning services.

2. Increased knowledge of and access to HIV/AIDS information and services. Although knowledge of HIV/AIDS transmission is spreading in Tanzania and the demand for

preventive measures such as condoms is growing, information services are inadequate to address the magnitude and urgency of the problem. As knowledge increases, demand for services is also expected to increase. Such services must be readily accessible to provide customers with quality reproductive health care and support to encourage healthy reproductive behavior. Further, as the epidemic progresses and social impacts such as adult illness and death, family impoverishment, and orphanage increase, the provision of home care and social services will become increasingly important. USAID/Tanzania will increase the availability of condoms through social marketing, is establishing sustainable NGO networks to provide prevention and family care services, is targeting appropriate STD diagnosis and treatment, and provides technical support to strengthen institutional capacity to manage and coordinate HIV/AIDS programs.

SO2: Foundation Established for the Adoption of Environmentally Sustainable Natural Resource Management Practices in Tanzania

This SO represents a new initiative for USAID/Tanzania. Until 1995, the Mission viewed NRM as a target of opportunity and implemented two small projects, focusing on institutional development in agriculture, and policy reform in the wildlife sector. Two new activities have since been added to support the new SO, both focused on resource management issues at community level. Under this SO, USAID/Tanzania intends to achieve the following results:

1. Policy framework for sustainable NRM established. We will accomplish this by maintaining a general policy dialog with the GOT about the need for secure tenure rights and will continue, with intermediate customers and partners, to focus on establishing greater security and control over resources. Current legislation and policies are inadequate and inconsistent about what level of authority to manage natural resources is devolved to communities or individuals. This needs to be clarified and concrete examples of success are required for government to promote this concept and for communities to insist on their rights and capacity for management. USAID will continue to focus on specific national policies and will provide support to field activities to demonstrate how community management can be successful. We will also encourage coordination and integration of planning and management, and greater intersectoral cooperation. Examples of rural communities which have been granted clear tenure rights and which are managing and regulating their own resources will be identified and supported.
2. Institutional and technical capacity for analysis built. Unless Tanzanians themselves can identify and analyze the environmental problems and issues that face them, and provide their own solutions, sustainable natural resource management will not be established. Activities that will contribute to sustainability and build capacity will include improving overall environmental awareness of Tanzanians, strengthening the capacity of training institutions, and enhancing the ability of local NGOs to play advocacy roles.

3. Appropriate NRM approaches and technologies identified, field tested and implemented in pilot areas. In this area we will carefully choose specific field projects to implement and to monitor closely. Selected tested approaches and technologies will be replicated. In the process we will learn more about what contributes to the success (or otherwise) of particular technologies and practices, as well as the acceptability of various approaches on the basis of such variables as socio-economic conditions, cultural differences, and gender.

SO3: Strong foundation for the transition to democratic governance established

SO3 is also new to the Mission portfolio. The SO builds on the Mission's previous assistance to NGOs working in the area of women's legal rights, as well as institution-building and training in law and for the media. It is now supported as well by a new project, Tanzania Democratic Governance Initiatives, which focuses its assistance in the following key areas.

1. Access to justice improved. USIS has been implementing an on-going program of training for attorneys, judges, and magistrates in alternative dispute resolution. With USAID support this program will be enlarged, with a target of 500 individuals to be trained over the next three years. In addition, support will be provided to collect, update, edit, and publish the body of Tanzanian law, and to distribute the laws widely in the courts and the legal profession.

2. Government of Tanzania accountability and transparency improved. Training and technical assistance to key government of Tanzania institutions will be provided and is expected to result in more responsible fiscal management, and more professional auditing and reporting standards, to the ultimate benefit of all citizens. Capacity to manage local and national elections will also be enhanced through training and TA.

3. Citizens understand and apply principles of democratic governance. The principal service to be provided here is civic education. We will work through such institutions as NGOs, the media, public libraries, and other partners to make a wide array of information and services available to the public. For example, it is anticipated that educational materials (pamphlets, brochures, and posters, for example) will be developed and disseminated using existing distribution networks. Capacity-building and other resources will be provided to NGOs working in such areas as women's legal rights, natural resource management, and business development, with the specific objective of expanding the array of options available to Tanzanian citizens.

4. Selected media become more responsive and responsible. USAID will provide training to media professionals in a number of targeted workshops dealing with explicit topics, including law, environmental issues, democracy, political reporting, and the like. It is anticipated that as the professionalism of journalists is enhanced, the membership organizations composed of media representatives will in their turn function better. Press clubs are also direct customers for USAID/USIS services.

5. Selected representative institutions perform better. In this area, training, technical support, study tours, and the like will be used to help newly-elected parliamentarians better understand their roles, functions, and potential impact on the political process, as well as to assist capacity-building in nascent political parties.

SO4: Increased private sector participation in the economy

SO4 addresses the needs of and constraints affecting private sector development in Tanzania. The focus is on key areas where incremental improvements can have a broad positive impact on the indigenous private sector.

1. Financial markets more diverse and competitive. USAID will assist in mobilizing financial resources for investment in the private sector through continuing assistance to The Business Centre and the Tanzania Venture Capital Fund. Additional resources will be made available through a new Risk Management-Profit Sharing Fund implemented in partnership with the first private indigenous Tanzanian bank to be established in the country.

Enhancement of the supervisory role of the Bank of Tanzania will continue with additional support for training, in collaboration with the IMF and the Swiss Development Corporation. This additional training will also contribute to the goal of restructuring and consolidating the activities of the National Bank of Commerce, which is mismanaged and debt-ridden.

2. Legal and regulatory reforms favorable to business established. Under this intermediate result, the Mission is working to encourage and institute various legal, regulatory, and institutional reforms, to promote macro-economic balance, and to assist in establishing property rights (thus reinforcing efforts undertaken under SO1). This is being accomplished through policy dialogue with intermediate customers/partners, non-project assistance, and close co-ordination with the World Bank and other donors. Specific examples include the creation of a Roads Fund to support rural roads rehabilitation and maintenance thereby directly serving the ultimate customer, and legislation permitting the establishment of private financial institutions.

3. New successful businesses formed. In this area the Mission provides direct support to ultimate customers in the business community. Included here are management and business skills training for entrepreneurs and business people, and support to business associations to build their capacity and make them more effective advocacy organizations on behalf of their members. A network of support and advisory services is being built across the country, with two Business Centre branches now in operation, training and workshops held in a dozen towns and cities, and direct support to regional chambers of commerce.

Two additional results which are necessary to increasing private sector participation will be achieved by our development partners but without direct USAID resources. These are: Macroeconomic and fiscal balance attained, and export markets facilitated and developed.

SO5: Selected Infrastructure Improved

The Mission has assisted with infrastructure rehabilitation in Tanzania since 1988. Long-term activities include support to the rural roads and regional railways sectors. New activities in telecommunications and housing have recently been added.

1. Rural and district roads improved. The Mission works hand in hand with the Ministry of Works and private sector road contractors to carry out the rehabilitation and maintenance of selected rural agricultural feeder roads in highly-productive regions, and bridge works nationwide. With USAID encouragement, the Ministry has established criteria for the selection of roads and bridges and has also established procedures for contracting the work to private sector firms. These services increase the access of rural populations to agricultural markets, social services, and reasonably-priced transportation services.

2. TAZARA operates on commercial principles. Support is also extended to the Tanzania-Zambia Railway Authority, TAZARA, for strengthening of the regional rail network. Key inputs (locomotives and repair facilities) and training have been provided. Additional support will assist this state-owned railway to operate on a commercial basis and expand its freight and passenger service capacity.

3. Rural telecommunications provided. USAID/Tanzania is working with GOT counterpart institutions to expand telecommunications service availability in selected rural areas of Tanzania. The efficiency and effectiveness of both businesses and social services are seriously hampered by poor communications. Our assistance in this area will improve overall communications as well as business and services sector operations and provide increased options for ultimate customers.

IV. CUSTOMER CONSULTATIVE PROCESS

The Mission has established a comprehensive network of strategies for reaching and consulting customers and partners during the planning, achieving, and judging of our Strategic Objectives. These strategies are summarized in chart form by SO in Annex II, and are treated in narrative form below.

SO1 has long recognized the importance of collecting household and individual-level data to assess the needs and requirements of ultimate customers. Additional strategies are also employed in the process of consultation with intermediate customers and partners.

National surveys such as the TDHS and TKAPS have been conducted at two-year intervals since 1991. Future surveys will be expanded to include a wider variety of questions on issues such as maternal mortality and female genital mutilation, two important issues in Tanzania. A National Family Needs Assessment in 1994 rapidly assessed the situation of families and children in eight regions of Tanzania, showing that family care and support for HIV/AIDS victims is crucial. Under-served groups (males, youths, urban workers) will be

especially targeted by future surveys to focus on their needs and design special interventions. In addition, the Mission relies on customer feedback collected and disseminated by various other organizations, including donors and intermediate customers/partners.

Special surveys explore ways customer access to family planning and HIV/AIDS preventive services can be broadened. A National Institutional Needs Assessment of NGOs and businesses, and a study of private sector health care delivery, indicated that the private sector is in fact preferred by many customers who are willing to pay for better quality health care. The SO team will therefore focus increasingly on the private sector in order to provide greater customer choice. Special operations research and other studies will look at a variety of customer-related issues, such as the ability and willingness to pay for home delivery of family planning services, and customer ability to access clinic-based vs. more "customer friendly" commercial outlets to obtain commodities. Such consultations will ensure that the SO remains responsive to customer need and demand.

Direct customer contact through field trips and customer interviews will continue to be an important part of information gathering and customer feedback at the end-user/ultimate customer level. For example, the increased demand for permanent and long-term contraceptives (tubal ligation, injectables, vasectomy) expressed to Mission staff on their field visits during the past year will directly feed into efforts to mobilize greater donor support for these services. Focus group discussions with potential and actual customers of both family planning and HIV/AIDS services have been critical in the design of educational messages and packaging for social marketing condoms. If a socially-marketed oral contraceptive is designed, focus groups will be important in identifying acceptable product design and marketing strategies. Exit interviews and "mystery shopper" trips to monitor services offered to clients are other important ways of ensuring the customer obtains the services he or she wants.

SO2 is composed of both new and ongoing activities which take into consideration customers' needs and performance in quite different ways, and will require different strategies for judging USAID performance. Two activities under this SO are continuations of programs which have been in existence for five years. In its first phase the PAWM project focused on policy and programming at institutional level for the wildlife sector, primarily engaging the Wildlife Department as intermediate customer. In the present phase, AWF and the Wildlife Department will work together to identify better ways of serving the needs of local populations who wish to derive direct benefits from wildlife, using a participatory planning process. Feedback on performance will be obtained from steering committee meetings. The other long-term activity, TU/SUA Linkages, initially focussed on institution-building at the Sokoine University of Agriculture, the ultimate customer. After a final evaluation it became clear that the activity needed to expand services to rural citizens in order to have positive impact on the natural resource base. The new program will provide proven technologies to farmers in the Morogoro Region and will work with intermediate customers such as extension agents to build their capacity. Comprehensive baseline surveys and specific needs assessments are being undertaken in over 20 villages to determine

customers' needs and interests and as a basis for assessing impact. A monitoring system will be established and will be supplemented by field and site visits by USAID, SUA, TU, and MOA staff.

Two additional activities support SO2. The CARE Kagera Natural Resource program is a new venture developed as a response to a GOT request that efforts be made to stem environmental destruction resulting from refugee influxes. Planning for this activity took into consideration the needs of Tanzanian communities adjacent to the refugee settlements. Every community which plans to participate will have the opportunity to offer its views in the course of participatory rural appraisals which will ensure that interventions mounted are specifically desired and needed by the ultimate customers. Participatory Environmental Resource Management (PERM) was also designed using an inclusive process, building on approaches and experiences of GOT and other donors. A thorough review of the literature resulting from in-depth community level analyses as well as scientific studies and development reports provided a consistent picture of the challenges in this sector and the basic needs of ultimate customers. Before any specific legal, institutional or technological interventions are made at the community level, customers will have opportunities directly to express their needs. This will occur through special studies at the local level to identify clearly issues and constraints, through further participatory rural appraisals, through assessments undertaken by potential grantees, and through site visits.

SO3 is composed both of continuing and new activities which work with a variety of actors in democratic governance. In order to best meet the needs of these actors and customers, the various activities have been designed and are updated based on customer needs and wants expressed to the SO3 team, to other donors, NGOs and the GOT. For example, support to the Controller-Auditor General has been on-going for two years, providing technical assistance and training to the staff at the specific request of the CAG. As result, the CAG is growing in its role as a "watchdog" over the GOT.

Customers also include civil society groups and organizations which are active in sectors under other Mission SOs. For example, support is provided to enhance the capacity of local associations to assist Tanzanian entrepreneurs. Designed as a result of customer needs as expressed directly by the customers, this activity is ultimately aimed at private sector development. The same approach will be used to build the capabilities of community-based natural resource management organizations and NGOs to serve the interests of individuals, households, and communities. The activity has been developed and designed as a direct result of customer input, and implementation will commence shortly.

The remaining SO3 activities are being undertaken as part of Tanzania Democratic Governance Initiatives, added to the Mission portfolio in 1995. These activities were designed in direct response to assessments of, and interviews and focus group discussions with, customer and partners during the design stage. Many reports, journals and articles prepared by other donors, NGO leaders, and Tanzanian academics were also consulted. As a result of these consultations, the activities being carried out are directly responsive to

customers' identified needs. The consultative process will continue in the course of routine monitoring of activities, and customer feedback used to add, remove, or change these activities as a reflection of customers' changing needs.

A large and diverse assortment of ultimate and intermediate customers is involved in activities under SO4, assisted through the Finance and Enterprise Development (FED) program. Comprehensive assessments in the planning phase identified needs and constraints of the Tanzanian business community, who are ultimate customers. Many of these assessments have been repeated in order to judge the extent to which problems have been ameliorated and client needs have been addressed. Several of the intermediate customers function as direct intermediaries between the SO4 team and the ultimate customers in the private sector. For example, The Business Centre holds workshops and training courses for entrepreneurs, reaches out to rural and regional businesspeople with site visits and its financial services for rural entrepreneurs program (in collaboration with other institutions), and maintains a data base on business clients, their needs, and the performance of their enterprises after TBC assistance. These data have assisted TBC, in collaboration with Mission staff, to develop and implement annual workplans which are directly responsive to the self-identified needs of customers. In similar fashion the Tanzania Venture Capital Fund maintains regular contact with actual and potential applicants and meets frequently with the proprietors of assisted businesses. The management shows detailed knowledge of and sensitivity to the needs and constraints of clients.

Business associations and other NGOs working with FED are also provided with opportunities to express directly their needs, and those of their membership. Several such organizations have approached the Mission directly with proposals for institutional development or other support, which have been sympathetically received, reviewed, and assisted where possible. Studies have been conducted at the local level to establish requisites for strengthening such associations, permitting them better to articulate and serve their members' needs. Special assessments on such issues as the financial constraints facing women entrepreneurs, the availability of credit, and diversity in the business community have enabled SO4 team members to develop new interventions, such as the risk management-profit sharing fund, which are directly responsive to issues and problems facing our customers.

As a "mature" SO with years of implementation behind it, SO5 has in place a number of well-established customer consultative mechanisms. Most of the activities in support of improved infrastructure have been under way for more than seven years, including the Agricultural Transport Assistance Program and the TAZARA project. ATAP has actively sought the input of intermediate and ultimate customers. To obtain feedback from Tanzanian women, men, and children, a series of socio-economic baseline surveys and follow-up impact assessments has been carried out in the catchment areas of particular roads and bridges targeted for rehabilitation under the program. Through these surveys, field visits, and focus group discussions, the needs and problems of road users have been in the forefront, and feedback on the effectiveness of the rehabilitation efforts has been made available. As a result, refinements have been made in various policies and procedures used in the contracting

process. Regular interaction with the Ministry and representative partners in the private sector, as well as a recent special assessment, have ensured that the views of these intermediate customers are also utilized in the consultative process.

Regular interaction with and input from concerned intermediate customers has also characterized the TAZARA activity. Additional special studies have also been carried out in connection with TAZARA and a recent socio-economic survey obtained feedback from farmers and business people who depend on the railway for the provision of goods and services. An upcoming final evaluation is designed so as to capture views on project performance from a wide range of ultimate customers. The new RTT activity solicited ultimate customer opinion and input in a unique social soundness analysis incorporating the views of more than 150 potential telecoms services consumers. Baseline studies modeled on those conducted in conjunction with ATAP will be undertaken once the field sites are finalized, and will be followed by focus groups and impact assessments. Field trips and site visits are also an important element in establishing whether customer needs are being served.

V. Customer Service Principles

We will be open about experimenting with new approaches, within clearly determined parameters, to meet our customers' needs.

In dealing with our customers, we will demonstrate the democratic ideals of transparency and accountability.

We will be responsible to the needs of Tanzanians, and assist Tanzanians to assume greater responsibility for their needs.

All SO-supported activities will meet the expressed needs of either an ultimate customer, or an intermediate customer who can demonstrate that the assistance will serve an ultimate customer(s).

We are committed to the demonstration and dissemination of sound and ethical business principles.

The identification and use of local experts and local resources in planning and judging is our high priority.

We will continually listen to all of our customers as an end to achieving our common goal of sustainable development.

We recognize that the bureaucratic constraints of a donor agency such as USAID can impose unnecessary burdens on intermediate customers and partners and we will not impose additional requirements that are not mandated by law.

We will regularly monitor our own performance to ensure that we adhere to our customer service principles.

Partnership, collaboration and teamwork will be given high priority. To this end, we will encourage intermediate customers and partners to communicate with each other, with ultimate customers, and with the Mission on a regular basis.

We will encourage an open and transparent relationship with our host country counterparts, in order to maintain a relationship of mutual trust and understanding.

We will consult regularly with our customers to learn their views on progress in achieving our targets and the relevance of our strategies, always with a view to managing for results.

VI. CUSTOMER SERVICE STANDARDS

Mission staff and SO teams will organize and /or attend regular meetings with intermediate customers and partners, including other donors.

Mission staff will each average three site visits or field trips per year as a means for direct communication with ultimate customers.

We will ensure that all vouchers for reimbursement are processed through the cognizant technical officer within three working days.

We will respond to all telephone messages from customers and partners within two working days.

We will respond to all written communications from customers and partners within five working days.

We will make user-friendly information guides about our policies, procedures, and programs freely available to customers, partners, donors, and other interested parties.

Kiswahili classes will be organized for all non-Tanzanian staff and each staff member will be able to use basic and appropriate greetings in Kiswahili.

VII. POINTS OF CONTACT

Customer Service Champion: Anne Fleuret, Program Office

SO1: Dana Vogel, Health and Population Office

SO2: Diana Putman, Project Development Office

SO3: Courtney Blair, Project Development Office

SO4: Thomas Teng, Project Development Office

SO5: Mulugeta Yohannes, Project Development Office

ANNEX C
MATRIX OF CUSTOMER CONSULTATIVE PROCESS BY SO

SO1: Increased use of family planning/maternal and child health (FP/MCH) and HIV/AIDS preventive measures

Customer/Partner	Planning	Achieving	Judging
Ultimate Customers: Tanzanian women and men of reproductive age, and children	Demand analysis; FPSS social soundness analysis; logistics analysis; field and site visits; AIDS orphans assessment and analysis; TAP social soundness analysis; condom social marketing analysis	Training plans; TDHS and TKAPS; national family needs assessment; worksite assessments; focus group discussions; media surveys; field and site visits; exit interviews; mystery shopper surveys	TDHS (1991/2, 1996); TKAPS (1994, 1998); program reviews and evaluations including FPSS midterm review and final evaluation; TAP midterm review and final evaluation; CBD and LT/P assessments; field and site visits
Intermediate Customers/Partners: 1. Host government	Participation in FPSS and TAP project designs: training/logistics/needs analyses, policy components, technical, institutional and economic analyses; formulation of national population and AIDS policies and STI strategy	Annual workplans; service delivery system; training, logistics, CBD, LT/P, and program management; AIDS and agricultural policy assessment; information sharing and dissemination	Quarterly and annual reports; implementation reviews; trip reports; midterm and final evaluations; audit reports
2. Cooperating agencies, international NGOs, and private sector	Training and service needs assessments; proposal development; institutional analysis	Quarterly reports and workplans; RHCIG meetings; field visits; project planning meetings; MIS; operations research	Periodic evaluations and special assessments; field site monitoring; debriefing meetings; training reports; service availability studies
3. Local NGOs and institutions	Needs assessments; IEC technical analysis; condom logistics analysis; institutional analysis	Liaison meetings; quarterly reports and workplans; field and site visits; NGO and institutional needs assessments; cross-cluster meetings; workshops; meetings with NGO staff	Quarterly/annual reports; program assessments; performance reviews; worksite performance data; training activities; field and site visits
4. Other donors	Needs assessments; consultation on project design; CPT planning; TAP donor assessment	Liaison meetings; project workshops; quarterly health/pop sector meetings; special presentations; other coordination meetings; informal contacts	TDHS 1991/2, 1996; TKAPS 1994, 1998; special project assessments; field reports; operations research results; project reports and briefings

SO2: Foundation established for the adoption of environmentally sustainable natural resource management practices in Tanzania

Customer/Partner	Planning	Achieving	Judging
Ultimate Customers: rural women, men and children	TU/SUA baseline studies; other baseline studies; participatory rural appraisals; gender analyses; TIP, HIMA, SECAP reports	Quarterly reports; workplans; field and site visits; focus group discussions and interviews; IEEs; PRAs	Program reviews; interim, midterm and final evaluations; impact assessments
Intermediate Customers/Partners: 1. Host government	Participatory needs identification workshops; national planning and policy documents and workshops; design meetings; technical analyses; environmental assessment	Steering committee meetings; WRI policy workshop; training needs assessments; other national workshops	Annual strategic objective review; midterm and final evaluations; impact assessments
2. Cooperating agencies, international NGOs, and private sector	Design meetings; Tanga joint management workshop; document reviews	Steering committee meetings; policy workshops; field and site visits; focus group discussions; quarterly reports; special studies	Program reviews; midterm and final evaluations; periodic monitoring; impact assessments
3. Local NGOs and institutions	Participatory rural appraisals; design meetings; discussions and focus groups	Quarterly reports; field and site visits; selective interviews and group discussions	Program reviews; midterm and final evaluations; impact assessments; special studies
4. Other donors	Monthly informal donors' meetings; document reviews; environmental assessments	Monthly informal donors' meetings; field and site visits	Formal and informal briefings; joint evaluation of similar programs

SO3: Strong foundation for the transition to democratic governance established

Customer/Partner	Planning	Achieving	Judging
Ultimate customers: Tanzanian citizens	DG assessment; voter surveys and focus groups; gender analysis; TDY reports; field and site visits; interviews; debriefings; DG External Council reviews; FSN DG committee meetings; TANGO and Law Reform Commission studies	Election monitoring reports; field and site visits; interviews and focus group discussions; quarterly reports; NGO grant proposals; court records; routine monitoring	Midterm and final evaluations; program reviews; debriefings; field and site visits; interviews and focus groups; periodic and special assessments
Intermediate Customers/Partners: 1. Host government	DG assessment; TDY reports; interviews; design meetings; reviews of documents and agreements; PP review	Quarterly reports; workplans; progress reports; training plans; meetings with GOT counterparts; routine monitoring	Midterm and final evaluations; program reviews; debriefings; field and site visits; interviews; impact and other special assessments
2. Cooperating agencies, international NGOs and private sector	DG assessment; design meetings; PP and other document reviews; cooperative agreement	Monthly meetings; quarterly reports; debriefings	Program reviews; implementation reports; evaluations and special assessments
3. Local NGOs and institutions	DG assessment; TDY reports; interviews; focus group discussions; design meetings; field and site visits	NGO proposals; training plans; implementation reports; progress reports; routine monitoring; court reports; pre- and post-tests	Program reviews; midterm and final evaluations; debriefings; field and site visits; interviews and focus groups; impact and other special assessments
4. Other donors	Donor reports; design meetings; interviews; meetings with counterparts	Donor coordination meetings and reports	Formal and informal briefings; reports and evaluations; joint review of similar programs

SO4: Increased Private Sector Participation in the Economy

Customer/Partner	Planning	Achieving	Judging
Ultimate Customers: Tanzanian entrepreneurs; Tanzanian women, men and children	Private sector analyses; financial sector reform studies; baseline surveys; social soundness and gender analyses; policy dialogues; needs assessments; field and site visits; focus group discussions	Business Centre client data; association studies; business management skills workshops; field and site visits; quarterly reports; annual workplans; counterpart meetings	Midterm and final evaluations; progress reports; impact assessments and special studies; field and site visits
Intermediate Customers/Partners: 1. Host government	Baseline studies; sector assessments; feasibility studies; financial assessments; training needs analyses; training requests	Field and site visits; implementation reviews; quarterly reports; field and site visits; conferences and workshops; counterpart meetings	Midterm and final evaluations; sector impact assessments; field and site visits
2. Cooperating agencies, international NGOs and private sector	Feasibility studies; baseline studies; client interviews; needs analyses; interviews and focus groups; field and site visits	Quarterly reports; implementation reviews; board meetings and minutes; annual meetings; portfolio reviews; advisory council meetings; workplans; training reviews; debriefings; field and site visits	Monitoring; midterm and final evaluations; contractor performance reports; progress reports; special studies and impact assessments; field and site visits
3. Local NGOs and institutions	Baseline studies; needs assessments; institutional assessment; interviews and site visits	NGO proposal submissions; field and site visits; NGO progress reports and accounts; reports on assisted activities	Progress reports; evaluations and assessments; field and site visits; monitoring and accounting
4. Other donors	Sector-specific assessments; meetings and consultations; coordination workshops	Field and site visits; routine sector specific meetings; regular written reports; debriefings	Comprehensive and sector-specific assessments; midterm and final evaluations; debriefings

SO5: Selected infrastructure improved

Customer/Partner	Planning	Achieving	Judging
Ultimate customers: Tanzanian women, men and children	Baseline surveys; sector assessments; social soundness analyses; interviews and focus group discussions; needs assessments	Implementation reports and reviews; field and site visits; interviews and focus groups	Midterm and final evaluations; impact assessments; progress reports; field and site visits; interviews and focus group discussions
Intermediate Customers/Partners: 1. Host government	Planning workshops; coordination meetings; counterpart interviews; project document reviews; design meetings	Quarterly reports; project implementation reviews; meetings; field and site visits; interviews	Midterm and final evaluations; progress reports; impact assessments; field and site visits
2. Cooperating agencies, international NGOs and private sector	Design meetings; solicitations; baseline surveys; coordination meetings; project document reviews	Quarterly reports; special reports; implementation meetings and reviews; field and site visits	Midterm and final evaluations; performance reports; routine monitoring; impact assessments and special studies; field and site visits
3. Local NGOs and institutions	Workshops and interviews; focus group discussions; needs assessments; surveys and interviews	Field and site visits; routine monitoring; interviews and discussions	Evaluations and assessments; special studies; interviews and discussions; field and site visits
4. Other donors	IRP meetings; other coordination meetings; coordination meetings; document reviews	Joint monitoring; workshops and coordination meetings; field and site visits; sector-specific meetings	Debriefings; midterm and final evaluations; joint evaluations and studies; field and site visits; performance reports

**ANNEX D
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ANNEX E
CURRENT MISSION EVALUATIONS AND STUDIES

Study/Evaluation	SO	Purpose/Objective	Expected Completion Date	Implementing Agent/Contractor	Responsible Officer
FPSS Mid-Term Evaluation (1994)	SO ₁	Assessed progress to date of the FPSS bilateral and formed the basis for an expansion and extension of FPSS in 1995	Completed	Consultant team - varied sources	Dana Vogel
Private Sector Delivery of Health Care in Tanzania (1994)	SO ₁	Provided information on the size and scope of the private sector, linkages and regulatory issues affecting private sector health care development	Completed	HHRAA Project	Dana Vogel
Tanzanian Knowledge, Attitudes and Practice Survey (TKAPS)	SO ₁	Updates TDHS information on FP, AIDS and child survival issues. Measures demand for FP and AIDS services, and practice of FP/AIDS preventive measures	Completed	Macro International/Evaluation Project/Bureau of Statistics	F.M. Mburu
National Institutional Needs Assessment	SO ₁	Overview of NGO activity in general and on AIDS in all regions of Tanzania including business as well as not for profit	Completed	Tanzania AIDS Project	Susan Hunter
AIDSCAP Program Review	SO ₁	Provide information on the progress of the TAP results package and indicate whether private sector/NGO focus is still appropriate	Completed	AIDSCAP	Susan Hunter
National Family Needs Assessment	SO ₁	Rapid assessment of the situation of families and children affected by AIDS in eight regions of Tanzania	Completed	Tanzania AIDS Project	Susan Hunter

APPR: CP *CP*
DRAFT: SP *(P)*
CLEAR: GS *(S)*
CLEAR: GL *(S)*
CLEAR: PR *(S)*
CLEAR: JG *(S)*
CLEAR:

UNCLASSIFIED

AID/AFR/EA:SPULASKI:SP
03/14/96 7-6331
AID/DAA/AFR:CPEASLEY

AID/AFR/EA:GSLOCUM
AID/AFR/EA:PRADER (DRAFT)
AID/AFR/DP:JGOVAN (DRAFT)
AID/AFR/SD:JWOLGIN (DRAFT)

AID/AFR/EA:GLEWIS (DRAFT)
AID/G/PDSP:TMAHONEY (DRAFT)

ROUTINE DAR ES SALAAM

AIDAC

E.O. 12958: N/A

TAGS:

SUBJECT: USAID/TANZANIA COUNTRY STRATEGY PLAN: PROGRAM AND BUDGET PARAMETERS

1. AN AGENCY-LEVEL GROUP, REPRESENTING THE AFR, PPC, G, AND BHR BUREAUS, AND THE STATE DESK, MET ON FEBRUARY 9, 1996 TO DISCUSS OVERALL PROGRAM AND BUDGET PARAMETERS FOR USAID/TANZANIA'S UPCOMING COUNTRY STRATEGIC PLAN (CSP). RECOGNIZING THAT THE MISSION IS WELL ALONG IN DEVELOPING ITS PROPOSED 1996-2000 CSP AND THAT THE OCTOBER 1ST REENGINEERING GUIDELINES ON PARAMETER SETTING MAKE THIS A CATCH-UP EXERCISE, THE GROUP WAS INTENT ON PROVIDING PROGRAM/BUDGET PARAMETERS THAT WOULD GUIDE THE MISSION IN THE COMPLETION OF THE DOCUMENT AND NOT COMPROMISE THE ALREADY AGREED-UPON MID-MAY SUBMISSION DATE.

2. PARTICIPANTS APPRECIATED THE MISSION'S SEVEN-PAGE DISCUSSION PAPER, THE RESULTS FRAMEWORK MATRIX AND THE MISSION DIRECTOR'S SUMMARY OF RECENT DEVELOPMENTS IN THE COUNTRY RELATING TO THE FUND AND BANK NEGOTIATIONS WITH THE GOVERNMENT, THE REFUGEE SITUATION, AND EFFECTS OF BUDGET LEVELS ON FUTURE PROGRAMS. USAID/W AGREES WITH THE OVERALL STRATEGIC THRUST OF THIS PAPER, RECOGNIZING THAT FINAL CHOICES WILL BE MADE ON THE BASIS OF OVERALL PERFORMANCE AND FUNDING POSSIBILITIES.

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3. THE DESK GAVE A BRIEF CONTEXTUAL REVIEW OF THE USAID/TANZANIA PROGRAM AND STATUS OF PERFORMANCE OF THE PREVIOUS GOVERNMENT AND THE CONSTRAINING FACTORS AFFECTING THE RECENTLY ELECTED GOVERNMENT. HIGHLIGHTED WERE THE POOR FISCAL POLICY PERFORMANCE AND MISAPPROPRIATIONS OF GOVERNMENT FUNDS OF THE PREVIOUS REGIME, INADEQUATE INFRASTRUCTURE, DESTRUCTIVE EXPLOITATION OF RANGELAND AND WILDLIFE RESOURCES, AN UNDERDEVELOPED AND BANKRUPT FISCAL SYSTEM AND A REFUGEE CRISIS CREATED BY THE CHAOS IN RWANDA AND BURUNDI. ALSO CITED WERE THE POSITIVE DEVELOPMENTS ON THE DEMOCRACY/GOVERNANCE SIDE AND THE FIRST MULTI-PARTY PRESIDENTIAL ELECTIONS HELD IN OCTOBER 1995. ATTENDEES AGREED WAS THAT IT WAS TOO EARLY TO JUDGE THE PERFORMANCE OF THE NEW GOT AND ALSO TOO EARLY TO ANTICIPATE THE RESULTS OF THE UPCOMING IMF/BANK TEAM. SUCCESSFUL NEGOTIATION OF AN ESAF COULD LEAD TO A REEVALUATION OF THE COUNTRY'S WATCH-LIST STATUS UNDER THE UPCOMING PBB EXERCISE, AND INFLUENCE BUDGETARY DECISIONS AFFECTING THE USAID PROGRAM.

4. USAID/W CONSIDERS TANZANIA AN IMPORTANT, PEACEFUL AND POTENTIALLY PROSPEROUS COUNTRY CENTERED IN A REGION STRESSED BY POVERTY AND CIVIL CONFLICT. TANZANIA CONTINUES TO PLAY A MODERATING FUNCTION THROUGH ITS EXAMPLE OF MULTI-ETHNIC STABILITY AND ITS ROLE AS A PLACE OF REFUGE.

5. STRATEGIC AND PROGRAMMATIC GUIDANCE

THE AGENCY'S ISSUANCE OF STRATEGIES FOR SUSTAINABLE DEVELOPMENT IN MARCH 1994, GUIDELINES FOR STRATEGIC PLANS IN FEBRUARY 1995, AND THE STRATEGIC FRAMEWORK 1995/96 IN SEPTEMBER 1995, CAPTURE THE ESSENCE OF THE AGENCY'S GOALS, OBJECTIVES, AND PROGRAMMATIC APPROACHES, AS WELL AS CRITERIA FOR ASSESSING STRATEGIC PLANS. THE ADS CHAPTER 201 MANAGING FOR RESULTS: STRATEGIC PLANNING DIRECTIVE, ISSUED IN OCTOBER 1995, LAYS OUT THE REQUIREMENTS FOR AND COMPONENTS OF COUNTRY STRATEGIC PLANS. TAKEN TOGETHER, THESE DOCUMENTS PROVIDE THE OVERARCHING POLICY, PROGRAMMATIC, AND STRATEGIC FRAMEWORKS FOR THE TANZANIA CSP. AS SUCH THE MISSION SHOULD USE THEM AS THE BASIS FOR DEVELOPING ITS CSP.

6. ISSUE 1: ENVIRONMENT.

IT WAS EMPHASIZED THAT THE DRAFT USAID BIODIVERSITY STRATEGY AND THE AFRICA BUREAU HAVE IDENTIFIED TANZANIA AS A KEY BIODIVERSITY COUNTRY. THIS DESIGNATION IS CONSISTENT WITH THE MISSION'S ENVIRONMENTAL STRATEGIC

OBJECTIVE (S.O.). IT ALSO HAS CERTAIN IMPLICATIONS FOR FUNDING AND REPORTING:

A) THE MISSION'S S.O. ONE SHOULD BE PLACED JOINTLY UNDER AGENCY OBJECTIVES 4.5 (SUSTAINABLE NATURAL RESOURCE MANAGEMENT) AND AGENCY OBJECTIVE 4.1 (BIOLOGICAL DIVERSITY CONSERVED). THIS CLASSIFICATION WILL REQUIRE APPROPRIATE INDICATOR DEVELOPMENT AND RESULTS REPORTING.

B) CONGRESSIONAL REQUIREMENTS (SECTION 118 AND 119 OF THE FOREIGN ASSISTANCE ACT, AS AMENDED) AND THE POLICY INCORPORATED IN THE BIODIVERSITY STRATEGY INDICATE THE NEED FOR A CERTAIN LEVEL OF ANALYSIS OF THE CURRENT STATE OF FORESTS AND BIODIVERSITY IN THE KEY COUNTRY, AND PLACING THE ACTIVITIES OF BOTH USAID AND OTHER DONORS IN THIS CONTEXT. THE COUNTRY STRATEGIC PLAN IS THE PLACE DESIGNATED FOR THIS ANALYSIS. ASSESSING THE STATE OF DEVELOPMENT OF TANZANIA'S BIODIVERSITY CONSERVATION POLICIES AND ACTIONS IN THE CONTEXT OF THE OPERATIONAL FRAMEWORK ON PAGES 5-7 OF THE BIODIVERSITY STRATEGY WOULD BE A USEFUL EXERCISE.

C) THERE IS A PARTICULAR NEED TO PLACE USAID BIODIVERSITY CONSERVATION AND NATURAL-RESOURCES MANAGEMENT ACTIVITIES IN THE CONTEXT OF THE MISSION'S OTHER STRATEGIC OBJECTIVES AND ACTIVITIES. THE DRAFT USAID BIODIVERSITY STRATEGY PROVIDES USEFUL GUIDANCE ON THESE AND OTHER ISSUES AND WILL SERVE AS A VALUABLE RESOURCE TO THE MISSION IN FORMULATING THE CSP. FURTHER INFORMATION CAN BE OBTAINED FROM PPC/ENV.

7. ISSUE 2: EARMARKS.

(A) IT WAS EMPHASIZED THAT CURRENT EARMARKS ARE STRONGLY INFLUENCING USAID/TANZANIA'S PROGRAM DIRECTION, WITH A LARGE PERCENTAGE OF FUNDING GOING TO CHILD SURVIVAL, POPULATION, AIDS, AND THE ENVIRONMENT, AND LESS TO ECONOMIC GROWTH AND DEMOCRACY/GOVERNANCE. PRODUCTIVE SECTOR FUNDS IN PARTICULAR ARE IN SHORT SUPPLY AND COMPETITION FOR THEM ACROSS THE BUREAU WILL BE INTENSE. LOWER RESOURCE LEVELS FOR THE FORESEEABLE FUTURE WILL HAVE AN IMPACT ON PROGRAM PRIORITIES AND MAY NECESSITATE ADJUSTMENTS TO THE MISSION'S PORTFOLIO, POSSIBLY DROPPING ONE OR MORE STRATEGIC OBJECTIVES.

(B) WITH A GREATER PART OF THE OYB NOW GOING TO CHILD SURVIVAL (CS), THE CSP SHOULD OUTLINE THOSE AREAS OF CS INVOLVEMENT AND CLEARLY FEATURE CS RESULTS WITHIN THE APPROPRIATE RESULTS FRAMEWORK(S). WHILE CS INTERVENTIONS HAVE OFTEN BEEN INTERGRATED INTO BROADER HEALTH AND FAMILY

PLANNING OBJECTIVES, IN THIS CSP WE ASK THE MISSION TO EXPLORE THE LOGIC AND USEFULNESS OF FRAMING CS ACTIVITIES AS A SEPARATE STRATEGIC OBJECTIVE.

8. ISSUE 3: REGIONAL THEMES AND PRIORITIES.

(A) GHAI. THE CSP SHOULD TAKE INTO ACCOUNT THAT THE COUNTRY IS PART OF THE GHAI EVEN THOUGH THE GOVERNMENT MAY NOT YET BE CLEAR AS TO ITS ROLE/INVOLVEMENT, NOR VIEW ITSELF AS AN ACTIVE GHAI MEMBER. USAID/W IS AWARE OF THE MISSION'S INTEREST IN THE GHAI, AND REAFFIRMS THE RECENT MD/COM CONFERENCE AGREEMENT THAT CSPS FOR COUNTRIES IN THE GREATER HORN SHOULD REFLECT THE GHAI PROGRAMMING PRINCIPLES.

TANZANIA DOES HAVE A REGIONAL ROLE TO PLAY, AS IS MANIFEST WITH THE RWANDA/BURUNDI CRISES. THE CSP SHOULD INTERRELATE REGIONAL AND BILATERAL ISSUES/CONCERNS AND CONSIDER IMPLICATIONS OF REGIONAL ISSUES SUCH AS REFUGEES AND FOOD SECURITY ON THE COUNTRY AND, CONVERSELY, TANZANIA'S ROLE AND INFLUENCE ON REGIONAL CONFLICT AND CRISIS PREVENTION AND FOOD SECURITY.

REFUGEES/HUMANITARIAN ASSISTANCE CONSIDERATIONS NEED TO BE PART OF THE CSP FRAMEWORK, BUT MAY BEST BE ADDRESSED AS A SPECIAL OBJECTIVE. MANAGING FOR RESULTS ADS 200, CHAPTER 201.5.10C, STATES THAT UNDER EXCEPTIONAL CIRCUMSTANCES, A MISSION OR OFFICE MAY INCLUDE ACTIVITIES IN ITS PORTFOLIO WHICH COULD NOT BE ASSOCIATED WITH EXISTING OPERATING UNIT OBJECTIVES, BUT WHICH PRODUCE RESULTS TO SUPPORT OTHER US GOVERNMENT ASSISTANCE OBJECTIVES. SPECIAL OBJECTIVES MAY BE JUSTIFIED IF ONE OR MORE OF THE FOLLOWING CRITERIA ARE MET. . . (THE RELEVANT CRITERION BEING) THE ACTIVITY REPRESENTS A RESPONSE TO A LEGISLATED EARMARK OR SPECIAL INTEREST WHICH DOES NOT MEET THE CRITERIA FOR A STRATEGIC OBJECTIVE.

SINCE OUR NATIONAL INTERESTS IN THE COUNTRY'S REGIONAL IMPACT ARE AS IMPORTANT AS OUR BILATERAL INTERESTS, THE MISSION MAY MAKE A CASE FOR GHAI RESOURCES SO LONG AS THE ACTIVITIES MEET THE SPECIFIC CRITERIA ESTABLISHED FOR THE USE OF GHAI FUNDS, INCLUDING MEETING THE TEST OF REGIONALISM.

(B) REFUGEES. THERE IS NO QUESTION THAT THE PRIMARY BENEFICIARIES OF THE REFUGEE PROGRAMS IN WESTERN TANZANIA ARE WOMEN AND CHILDREN, AND THE MISSION MAY WISH TO ADDRESS CHILD SURVIVAL IN A BROADER CONTEXT THAN CURRENTLY ENVISIONED IN ITS STRATEGY.

THE CONSENSUS WAS STRONG THAT THE MISSION SHOULD NOT HAVE REFUGEES AS A STRATEGIC OBJECTIVE BUT SHOULD ENSURE THAT ITS EFFORTS AT MONITORING AND REPORTING ON THE REFUGEE SITUATION ARE EXPLICITLY REFLECTED IN THE STRATEGY, PERHAPS AS A SPECIAL OBJECTIVE. THE MISSION'S ACTIVITIES SUPPORTING THE INTEGRATION OF THE REFUGEE PROGRAM RESOURCES INTO SUSTAINABLE DEVELOPMENT ACTIVITIES SUCH AS INFRASTRUCTURAL IMPROVEMENTS AND ENVIRONMENTAL PRESERVATION FOR TANZANIA ARE INNOVATIVE AND SHOULD BE PURSUED AS A REGIONAL MODEL FOR INTEGRATING DEVELOPMENT ASSISTANCE WITH HUMANITARIAN ASSISTANCE.

(C). LELAND INITIATIVE. THE MISSION IS ALSO ENCOURAGED TO LOOK AT THE LELAND INITIATIVE TO SEE IF IT COULD BE INCORPORATED INTO THE CSP. INTERNET CONNECTIVITY AND TELEMATICS HAVE THE POTENTIAL TO BE POWERFUL, INEXPENSIVE, AND EFFICIENT TOOLS FOR IMPLEMENTING STRATEGIC OBJECTIVES AND CROSS-CUTTING THEMES, SUCH AS IMPROVED GOVERNANCE, COMMUNITY ENVIRONMENTAL MANAGEMENT, SMALL ENTERPRISE DEVELOPMENT, NGO CAPACITY-BUILDING, NPI AND LOCAL RESOURCE MOBILIZATION. RECOGNIZING THIS, THE AFRICA BUREAU AUTHORIZED THE AFRICA GII GATEWAY PROJECT (LELAND INITIATIVE) IN SEPTEMBER 1995, WITH A GOAL OF ESTABLISHING FULL END-TO-END INTERNET CONNECTIVITY IN AFRICA AND PROMOTING ITS USE FOR SUSTAINABLE DEVELOPMENT PURPOSES. NOTING THE INITIATIVE INTENDS TO PURSUE COOPERATIVE EFFORTS WITH A NUMBER OF PARTNERS AND CUSTOMERS THROUGHOUT AFRICA, THE MISSION SHOULD INDICATE WHETHER THE INITIATIVE COULD ADD VALUE TO THE PROPOSED STRATEGY AND, IF SO, HOW IT WOULD BE INTEGRATED ACROSS THE PROGRAM OR IN SUPPORT OF PARTICULAR STRATEGIC OBJECTIVES.

9. ISSUE 4: PARAMETERS.

(A) WITHIN THE PARAMETERS GIVEN BELOW, THE BUREAU BELIEVES THAT USAID/TANZANIA SHOULD HAVE THE LATITUDE TO FASHION A STRATEGY THAT MEETS HOST-COUNTRY NEEDS, AS WELL AS AGENCY CAPABILITIES, PRIORITIES AND COMPARATIVE ADVANTAGES. RECOGNIZING THAT STRATEGIC OBJECTIVES DO NOT ALWAYS OPERATE IN ISOLATION FROM ONE ANOTHER, WE ENCOURAGE THE MISSION, WITHIN ITS CAPABILITIES, TO CONTINUE FORGING THOSE CROSS-SECTORAL LINKAGES THAT TO DATE HAVE YIELDED HEIGHTENED PROGRAM INTEGRATION AND RESULTS. GIVEN THE RESOURCE CONSTRAINTS FACING THE BUREAU, THE MISSION SHOULD CONTINUE CONSIDERING MANAGEMENT OPTIONS - BOTH BILATERAL AND REGIONAL - CAPABLE OF DELIVERING SIGNIFICANT RESULTS WITH OE AND PROGRAM CUTS.

THE BUREAU EMPHASIZES THAT THE FY 1996 BUDGET LEVELS ARE SIGNIFICANTLY LOWER THAN THOSE IN PREVIOUS YEARS AND THAT

EARMARKS WILL CAUSE US TO CONCENTRATE IN SECTORS THAT COULD CONSIDERABLY CHANGE THE FOCUS AND BALANCE OF PROGRAMS.

(B) PROGRAM/BUDGET SCENARIOS. FOR REASONS NOTED ABOVE, TANZANIA IS AN IMPORTANT COUNTRY TO US. ALTHOUGH WE MUST ASSUME OVERALL USAID BUDGET LEVELS WILL CONTINUE TO BE TIGHTER IN THE FORESEEABLE FUTURE, WHICH OF THE FOLLOWING SCENARIOS WILL APPLY TO TANZANIA ULTIMATELY DEPENDS ON THE RECORD OF COUNTRY AND PROGRAM PERFORMANCE. THUS, IF THERE IS ACCEPTABLE PROGRESS ON ECONOMIC REFORMS AND CORRUPTION ISSUES, TANZANIA WOULD MERIT A LEVEL MORE IN KEEPING WITH ITS POVERTY AND POPULATION, AND GHAI/SADC CONNECTIONS.

NOTING THAT THE CSP IS A MULTI-YEAR DOCUMENT, THAT FUTURE AFR LEVELS ARE UNCERTAIN, AND THAT THE PURPOSE OF A CSP IS TO EXPLORE A RANGE OF STRATEGIC CHOICES AND OPTIONS, THE MISSION IS ENCOURAGED TO DEVELOP THREE SCENARIOS.

-- A \$26 MILLION "TURNAROUND" SCENARIO, WHICH WOULD SIGNIFY THAT THE GOT IS DOING WELL, AND THAT ECONOMIC PERFORMANCE IS ON TRACK AND THE BANK/FUND ARE OPTIMISTIC.

-- A \$21 MILLION "HIGH" SCENARIO, I.E., SOME CONTINUED EFFORT IN ECONOMIC REFORM AND POLITICAL LIBERALIZATION, WITH BENCHMARKS DEVELOPED BY THE MISSION THAT WOULD TARGET INVESTMENTS IN GROWTH.

-- A \$15 MILLION "LOW" SCENARIO, I.E., CONTINUED PROBLEMS WITH THE ECONOMIC REFORM AGENDA, GOVERNANCE, HUMAN RIGHTS.

THE MISSION SHOULD VIEW THE "HIGH" SCENARIO AS IN THE REALM OF WHAT THE BUREAU PROJECTS IT CAN FUND DURING THE INITIAL YEARS OF THE CSP. THE TURNAROUND OR BREAKTHROUGH SCENARIO WOULD SIGNIFY AT THE VERY LEAST A TRANSITION FROM WATCH TO CORE/FOCUS STATUS. PLEASE REALIZE THAT SCENARIOS ARE PEGGED AT CERTAIN LEVELS FOR ANALYTIC PURPOSES, AND THAT FUNDING COMMITMENTS IN A MANAGEMENT CONTRACT MIGHT FALL WITHIN A RANGE RATHER THAN AN ABSOLUTE LEVEL.

WHILE FUNDS FOR PRODUCTIVE SECTOR GROWTH ARE IN SHORT SUPPLY, SHOULD THE MISSION CHOOSE TO DEVELOP A "GROWTH" OBJECTIVE, IT SHOULD BE MODEST IN THE INITIAL STAGES AND ORIENTED TOWARD IMPROVING GOT ECONOMIC MANAGEMENT AND ACCOUNTABILITY. ON THE DEMOCRACY/GOVERNANCE FRONT, WE WOULD EXPECT THE MISSION TO DEVOTE RESOURCES TO D/G ACTIVITIES IN ALL THREE SCENARIOS, GIVEN THE ABOVE-MENTIONED GOVERNANCE PROBLEMS AND THE FACT THAT TANZANIA HAS JUST COME THROUGH ELECTIONS AND IS IN THE EARLY STAGES

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OF A POLITICAL TRANSITION. DEPENDING ON OUTCOME OF THIS TRANSITION, THEMES OF "DEMOCRATIC CONSOLIDATION" MIGHT BE APPROPRIATE LATER ON IN THE CSP PERIOD.

REGARDING ECONOMIC AND D/G REFORMS, THE CSP SHOULD INCLUDE STANDARDS AND KEY BENCHMARKS FOR ASSESSING COMMITMENT AND PROGRESS OR ABSENCE THEREOF, UNDER EACH SCENARIO.

IN DISCUSSING THESE THREE SCENARIOS, THE BUREAU RECOGNIZES THAT THIS SERIES OF PROGRESSIVE FUNDING REDUCTIONS MIGHT LEAD THE MISSION TO FOCUS ON THE NEGATIVE CONSEQUENCES OF MOVING FROM THE BEST TO THE WORST SCENARIOS. WHILE WE ANTICIPATE THAT THE CSP WILL HIGHLIGHT LOSSES IN RESULTS AND PROGRAM IMPACT IN GENERAL, WE ALSO EXPECT THAT EACH SCENARIO WILL PRESENT A COHERENT AND POSITIVE STATEMENT OF WHAT CAN BE ACCOMPLISHED AT THE PARTICULAR FUNDING LEVEL.

(C) MOVING TOWARD UNIFIED BUDGETS. AS THE AGENCY MAKES PROGRESS IN ESTABLISHING UNIFIED BUDGETS FOR OPERATING UNITS, PLEASE BE AWARE THAT BUDGET PLANNING LEVELS NOTED ABOVE HAVE INCLUSIVE AND ADDITIVE ELEMENTS. IN WORKING THROUGH THESE INDICATIVE LEVELS AND ILLUSTRATIVE RESULTS PACKAGES FOR EACH OF ITS STRATEGIC OBJECTIVES, THE MISSION SHOULD NOTE THAT INCLUDED IN THESE LEVELS ARE ALL GLOBAL BUREAU FIELD SUPPORT REQUIREMENTS, OFTEN REFERRED TO AS EX-G FUNDS; AND ANY AFR/SD AND REDSO PROGRAM-RELATED ACTIVITIES INITIATED BY THE MISSION. ADDITIVE TO THE PLANNING LEVELS ARE TANZANIA-FOCUSED ACTIVITIES INITIATED BY AFR/SD OR REDSO REGIONAL FUNDS, OR BY GLOBAL BUREAU CORE FUNDS, I.E. THOSE THAT ARE PART OF GLOBAL BUREAU CENTERS' AND OFFICES' OYBS AND USED TO SUPPORT THE BUREAU'S WORLDWIDE ACTIVITIES IN RESEARCH, TECHNICAL LEADERSHIP AND NEW INITIATIVES; P.L. 480 TITLE II PROGRAMS; BHR/PVO CHILD SURVIVAL AND OTHER MATCHING GRANT PROGRAMS, SUCH AS MICROENTERPRISE; AND THE AMBASSADOR'S SELF-HELP AND 116E FUNDS.

(D) PL 480 TITLE II. BHR/FFP CONVEYED ITS APPRECIATION OF THE MISSION'S OVERSIGHT CONTRIBUTIONS TO DATE AND EXPRESSED AN INTEREST IN WORKING WITH THE MISSION ON POTENTIAL HUMANITARIAN RESPONSE COMPONENTS OF THE STRATEGY. DAVE HAGEN, BHR/FFP, IN AN E-MAIL TO THE MISSION DIRECTOR HAS SUGGESTED TWO POSSIBLE SCENARIOS WHICH THE MISSION MIGHT WANT TO CONSIDER: FOOD SECURITY AFFECTING TANZANIA IF THERE IS DROUGHT OR PEST INFESTATION, AND THE ISSUE OF THE CARE AND FEEDING OF THE RWANDA/BURUNDI REFUGEES. BHR/FFP IS WILLING TO ASSIST THE MISSION IN DRAFTING CONTINGENCY PLANS FOR EITHER OF THE ABOVE SCENARIOS.

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(E) STAFFING. THE BUREAU CONSIDERS IT HIGHLY UNLIKELY THAT IT CAN FIND ADDITIONAL OE RESOURCES TO FUND A USpsc TO DEAL WITH THE REFUGEE/HUMANITARIAN FOOD ISSUES. PROVIDED THE PSC FITS WITHIN USAID/TANZANIA'S CEILING, THE MISSION MIGHT CONSIDER PROGRAM FUNDING, PERHAPS THROUGH PVO SUPPORT ACTIVITIES, AS AN ALTERNATIVE TO OE FUNDING. IN ANY EVENT, GIVEN THE LIKELIHOOD OF A CONTINUED REFUGEE ASSISTANCE PROGRAM IN TANZANIA AND THE SUGGESTION FOR A STRATEGIC SPECIAL OBJECTIVE IN THIS SECTOR, THE MISSION SHOULD BE REVIEWING ITS CURRENT STAFFING PATTERN AGAINST ITS NEW CSP AND MATCHING STAFF RESOURCES ACCORDINGLY.

IN THE INTERIM, MISSION IS ENCOURAGED TO FORMALLY SEEK FROM OFDA FUNDING OF THE USpsc FOR THE PROPOSED SIX-MONTH EXTENSION.

(F) TRUST FUND. THE BUREAU DOES NOT CONSIDER THE PLANNING AND USE OF TRUST FUNDS A PROBLEM AT THIS TIME AND IS NOT AWARE OF ANY CHANGES TO THE CURRENT POLICY IN WHICH OMB HAS AUTHORIZED USAID THE USE OF OE TRUST FUNDS AT THE LEVEL REQUESTED. THE MISSION SHOULD CONTINUE TO BUDGET FOR TRUST FUNDS UNTIL THE ACCOUNT IS DEPLETED.

10. OTHER CONSIDERATIONS

(A) SECTOR ANALYSES. RECENT REVIEWS OF COUNTRY STRATEGIC PLANS HAVE SHOWN THAT THE QUALITY OF TECHNICAL ANALYSES, AND THE WAY IN WHICH THEY ARE DISCUSSED IN THE STRATEGY AND DURING PROGRAM WEEK, CAN MAKE OR BREAK A REVIEW. THE ADS GUIDANCE ON STRATEGIC PLANNING, WITH ITS EMPHASIS ON CLARIFYING SOS AND DEVELOPMENT HYPOTHESES, MAKES IT CRITICAL THAT THESE ANALYSES BE USED EFFECTIVELY IN EXPLAINING TANZANIA'S DEVELOPMENT CHALLENGES AND THE WAYS IN WHICH USAID AND OTHER PARTNERS RESPOND TO THEM. USAID/W WOULD APPRECIATE KNOWING PRIOR TO CSP SUBMISSION WHICH ANALYSES, STUDIES, AND EVALUATIONS THE MISSION PLANS TO INCLUDE AS CSP APPENDICES. IT IS IMPORTANT THAT AFR/EA HAVE COPIES OF THEM SO THAT WE CAN DUPLICATE THEM AND HAVE THEM AVAILABLE FOR DISTRIBUTION WHEN THE CSP ARRIVES. ALSO, TO MAKE LIFE EASIER AND GIVE NON-TECHNICAL REVIEWERS A GRASP OF TECHNICAL ISSUES, ANY SYNOPSES WHICH THE MISSION ALREADY HAS AVAILABLE WOULD BE VERY MUCH APPRECIATED.

(B) PERFORMANCE MONITORING. OVER THE PREVIOUS CPSP PERIOD THE MISSION HAS SUBMITTED HIGH-QUALITY ASSESSMENTS OF PROGRAM IMPACT (APIS), BACKED BY A GOOD PERFORMANCE MONITORING PLAN. AS THE MISSION DISCUSSES HOW THE ACHIEVEMENT OF THE S.O.S WILL BE JUDGED, I.E., THE PROPOSED PERFORMANCE INDICATORS AND TARGETS FOR EACH S.O.

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OVER THE CSP PERIOD (ADS SERIES 200, CHAPTER 203), NOTE THE IMPORTANCE OF: (1) CAPTURING PAST PERFORMANCE AND INTEGRATING IT INTO THE CSP'S CURRENT BASELINES; (2) SETTING PERFORMANCE TARGETS FOR THOSE YEARS FOR WHICH ACTUAL DATA WILL BE AVAILABLE; AND (3) REPORTING ON KEY PERFORMANCE INDICATORS ON A REGULAR BASIS.

11. TIMING OF THE CSP SUBMISSION AND REVIEW:

-----SUBMISSION TO USAID/W: MAY 1ST, 1996
-----ISSUES MEETINGS: MAY 30TH AND 31ST, 1996
-----PROGRAM WEEK: JUNE 4TH TO JUNE 7TH, 1996. Y

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CLEARANCES (CONTINUED)

AID/AFR/DRCO:LHOWEY (DRAFT)
AID/PPC/PC:RDELANEY (DRAFT)
AID/BHR/PPC:DESPOSITO (DRAFT)
AID/BHR/FFP:DHAGEN (DRAFT)
AID/PPC/ENV:DWHYNER (DRAFT)
AID/G/PHN/POP:JROSE (DRAFT)
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