TANZANIA AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM

(621-0166)

July 1988

Dar Es Salaam

i

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete) — Amendment Number: ____

DOCUMENT CODE: 3

2. COUNTRY/ENTITY: TANZANIA

3. PROJECT NUMBER: 621-0166

4. BUREAU/OFFICE: AFRICA BUREAU — 06

5. PROJECT TITLE (maximum 40 characters): AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 01 YY 93

7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4)
A. Initial FY 88 B. Quarter A C. Final FY 88

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY B. FX	C. L/C	D. Total	LIFE OF PROJECT E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(2,000)	(0)	(2,000)	(2,000)	(0)	(2,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country	-	11,627	11,627	-	64,650	64,650
Other Donor(s)						
TOTALS	2,000	11,627	13,627	2,000	64,650	66,650

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	2. Loan	D. OBLIGATIONS TO DATE 1. Grant	2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	2. Loan	F. LIFE OF PROJECT 1. Grant	2. Loan
(1) DFA	130	060		0	-	2,000	-	2,000	-
(2)									
(3)									
(4)									
TOTALS				0	-	2,000	-	2,000	-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 061, 079

11. SECONDARY PURPOSE CODE: 220

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code	BR	BS
B. Amount	2,000	2,000

13. PROJECT PURPOSE (maximum 480 characters)

The Project will provide support for the Government of Tanzania's efforts to alleviate constraints in the agricultural transport sector, through technical assistance and training.

14. SCHEDULED EVALUATIONS
Interim MM 03 YY 91 MM YY
Final MM 05 YY 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES: [ ] 000 [ ] 941 [ ] Local [X] Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY
Signature: Joseph F. Stepanek
Joseph F. Stepanek
Title: AID Representative USAID/Tanzania
Date Signed: MM 07 DD 21 YY 88

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

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CLASSIFICATION

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

1. PAAD Number: 621-T-602
2. Country: Tanzania
3. Category: Agricultural Transport Assistance Program
4. Date: August - 1988
5. To: Charles Gladson, Assistant Administrator Africa Bureau
6. OYB Change Number: N/A
7. From: AFR/PD, James A. Graham
8. OYB Increase: N/A
   To be taken from: N/A
9. Approval Requested for Commitment of: $ 5,210,000
10. Appropriation Budget Plan Code: GSSA-88-31621-KG39 (814-61-621-00-53-81)
11. Type Funding: ☐ Loan ☒ Grant
12. Local Currency Arrangement: ☐ Informal ☒ Formal ☐ None
13. Estimated Delivery Period: 9/88 - 9/90
14. Transaction Eligibility Date: Date Grant Agreement Signed
15. Commodities Financed

16. Permitted Source		17. Estimated Source	
U.S. only		U.S.	2,010,000
Limited F.W.		Industrialized Countries	3,200,000
Free World	5,210,000	Local	
Cash		Other	

18. Summary Description

1. The purpose of the Agricultural Transport Assistance Program (ATAP) is to provide support for the Government of Tanzania's efforts to alleviate constraints in the agricultural transport sector, through (a) policy and institutional reforms to increase the GOT's capacity to identify, select and execute rehabilitation and maintenance of rural roads, (b) provision of equipment, machinery and spare parts for the agricultural transport sector, and (c) technical assistance and training.

2. The ATAP program, which is fully justified in the attached PAAD, consists of two components: (1) A $5.21 million policy/institutional reform component, disbursed as a CIP, which is approved by this facesheet; and (2) a $2 million technical assistance and training component, which is authorized by a separate project authorization.

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19. Clearances	Date
GC/AFR.MAKleinjan MAK	8/18/88
AFR/DP:JWestley	8-22-88
AFR/PD:JGraham	
AFR/EA:DLundberg	8/22/88
PPC:JLa Pittus	
M/FM:E.Owens	8/23/88
DAA/AFR:WBollinger	8/16/88
AFR/CONT:RKing RK	8/22/88

20. Action: ☒ APPROVED ☐ DISAPPROVED

Authorized Signature: | Date:

Title: Assistant Administrator for Africa

CLASSIFICATION:

3. Prior to first disbursement under the $5.21 million policy reform/CIP component, or the issuance by A.I.D. of documentation pursuant to which such disbursement may occur, except as A.I.D. may otherwise agree in writing, the Grantee shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

a. Evidence that it has established a Rural Roads Division in the Ministry of Communications and Works with national responsibility for the development, prioritization and implementation of rural roads.

b. A Government of Tanzania-approved plan setting forth adequate measures or actions the Grantee plans to take in order to maintain its classified road network, with domestic taxes, fees and other financing.

c. Evidence that it has awarded $1.0 million or road rehabilitation contracts for gravel and earth roads to private sector firms.

d. Evidence that the Grantee has established in the Cooperative and Rural Development Bank of Tanzania a Special Local Currency Account for the deposit of local currency under the $5.21 million grant.

4. The Grantee shall covenant, with respect to the $5.21 million CIP grant, except as A.I.D. may otherwise agree in writing, that:

a. It will deposit or cause to be deposited in the Special Local Currency Account currency of the Republic of Tanzania in an amount equal to the U.S. dollar disbursement under the program grant, calculated at the highest rate of exchange not unlawful for any person in Tanzania. The funds in the Special Local Currency Account shall be used in support of the purposes of this program as mutually agreed by the parties, provided that at least five percent shall be made available for the needs of the United States.

b. The local currency in the Special Local Currency Account shall be additional to, and not a substitute for, the Grantee's existing budgetary resources for the roads sub-sector.

c. An environmental assessment for equipment that is clearly road rehabilitation equipment shall be conducted and the assessment's recommendations agreed to, within six months of the date of this agreement.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C 20523

PROJECT AUTHORIZATION

Name of Country: Tanzania

Name of Project: Agricultural Transport Assistance Program Support Project

Number of Project: 621-0166

1. Pursuant to sections 103-106 of the Foreign Assistance Act of 1961, as amended, with funds from the Sub-Saharan Africa, Development Assistance appropriation, I hereby authorize the Agricultural Transport Assistance Program Support project (the "Project") for Tanzania (the "Cooperating Country") involving planned obligations of not to exceed two million United States dollars ($2,000,000) in grant funds over a one year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is five years from the date of initial obligation, except as A.I.D. may otherwise agree in writing.

2. The Project will provide support for the Government of Tanzania's efforts to alleviate constraints in the agricultural transport sector, through technical assistance and training.

3. The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

4a. Source and Origin of Commodities, Nationality of Services. Commodities financed by A.I.D. under the Project shall have their source and origin in countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. The suppliers of commodities or services shall have countries included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of countries included in A.I.D. Geographic Code 935.

-4'

b. Covenants.

The Cooperating Country shall covenant that, except as A.I.D. may otherwise agree in writing, it will provide to A.I.D., in form and substance satisfactory to A.I.D., an annual workplan indicating the level, type, timing and cost of the technical assistance and training resources required over the following year to achieve the project purpose.

Charles L. Gladson
Assistant Administrator for Africa

8-23-88
Date

Clearances:

DAA/AFR:WBollinger	WWB	Date	8/20/88
AFR/DP:JWestley		Date	8-22-88
AFR/PD:JGraham		Date	Aug 19, 1988
AFR/EA:DLundberg		Date	8/23/88
AFR/CONT:RKing		Date	8/28/88

GC/AFR:MAKleinjan/gw 2658/79218

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/PD, James A. Graham

SUBJECT: Tanzania - Agricultural Transport Assistance Program (ATAP) (621-0166) (621-T-602)

Problem:

Your approval is required for a program grant of $5.21 million (621-T-602) and a project grant of $2 million from the Development Fund for Africa appropriation to Tanzania for the Agricultural Transport Assistance Program (621-0166). The program grant will be disbursed as a commodity import program (CIP).

Background:

The economy of Tanzania has deteriorated over the last decade. Tanzania faces high rates of inflation, large balance of payments deficits, increasing debt and accumulation of external payments arrears, a shrinking tax base and declining real per capita income.

The Government of Tanzania, in an effort to reverse this trend, adopted in June 1982 a three-year Structural Adjustment Program (SAP). In June 1986 the GOT introduced a more comprehensive medium-term Economic Recovery Program (ERP). The two-year experience in implementing ERP policies has been remarkably successful in halting the long period of economic decline. However, the achievement of a sustained rate of growth remains constrained by a number of structural problems including the state of the transportation network.

Tanzania's road network has deteriorated over a number of years. The condition of most rural roads in Tanzania is poor and transport to villages is both difficult and costly. Similarly, only 40% of the trunk road network remains in good condition, severely increasing the cost of transport and curtailing the movement of goods.

The problems in the transport sector are, in large part, the result of failed policies. In the past, the Government has applied various administrative mechanisms to improve transport operations, but the results have fallen far short of the intended outcome. The Government, concerned about the state of the transport sector, is now closely scrutinizing and taking steps to revise its transport policies.

Discussion: The Tanzania Agricultural Transport Assistance Program (ATAP) is a sector assistance program which addresses the agricultural transport sector, with particular focus on its rural roads sub-sector. Its purpose is to provide support for the Government of Tanzania's efforts to alleviate constraints in the agricultural transport sector, through (a) policy and institutional reforms to increase the GOT's capacity to identify, select and execute rehabilitation and maintenance of rural roads, (b) provision of equipment, machinery and spare parts for the agricultural transport sector, and (c) technical assistance and training. These purposes contribute to the GOT's overall goal for the roads sub-sector which is to increase the volume of inputs, commodities, and consumer goods transported by road and to reduce the costs of road transport services.

The ATAP policy and institutional reforms focus directly on the policy and institutional reforms identified for the roads sub-sector as contained in Tanzania's National Transportation Policy. Specifically, ATAP supported and institutional reforms include: (1) consolidation of technical, financial, and administrative responsibilities for the rural road network in the Ministry of Communications and Works; (2) increase in GOT budget allocations for road maintenance; and, (3) expansion of the use of private sector firms for road rehabilitation and maintenance.

To achieve these objectives, ATAP is structured into two parts: a non-project assistance component of $5.21 million (the commodity import program); and, a Technical Assistance and Training Component of $2 million.

The program assistance component will: 1) provide foreign exchange financing for transport equipment, spare parts, and machinery for the agricultural transport sector; and , 2) condition the foreign exchange financing upon GOT progress on implementing sub-sectoral policy and institutional reforms described above.

The Technical Assistance and Training Component will provide the GOT with specialist skills to establish new procedures and improve the technical capabilities of staff in order to achieve the overall program objectives. This component will include: technical consultancies, training, the development of management systems, and policy analysis. The Technical Assistance and Training component will be obligated through a separate grant agreement. While the PAAD has criteria for selection of specific activities and an illustrative list,

specific activities will be collaboratively selected and approved in an annual workplan.

Local counterpart deposits, jointly programmed by USAID and the GOT, will finance key elements in the GOT's Transport Sector Recovery Program including the rehabilitation of rural roads by private contractors, the operations of the Rural Roads Division, development of local road engineering consultancy services, and training for personnel in road transport and construction industries.

The monitoring and evaluation system for ATAP is based upon semi-annual Program Review Meetings, interim assessments, a mid-term evaluation early in 1991, and a final evaluation in 1993. These tools will be used to measure performance against benchmark indicators anticipated in program design.

A.I.D.'s strategy in Tanzania is to facilitate the movement of agricultural commodities. This is the most effective way for the U.S. Government to assist with the objective of attaining sustainable economic development and increasing incomes of Tanzanians. Two grants signed in late FY 1987 will help relieve transport bottlenecks which constrain regional and domestic income, marketing and exports. Attention, now on sector policy constraints such as institutional reform, freight tariff rates, infrastructure maintenance, and the role of the private investor, also enables A.I.D. to contribute to ongoing efforts to strengthen efficiency and competition. In the medium-term, as economic conditions improves, A.I.D.'s emphasis will broaden to include three or four other priority development projects -- but only transportation will receive a sectoral or program level attention.

Covenants and Conditions Precedent

Conditions Precedent for the non-project assistance component include: establishment of a Rural Roads Division in the Ministry of Communications and Works; a Government of Tanzania-approved plan for maintenance and financing of Tanzania's classified road network; and the awarding of $1.0 million of road rehabilitation contracts to the private sector. Covenants for the non-project assistance include periodic evaluations, requirements for management of a Special Local Currency Account and, prior to disbursement for road rehabilitation equipment, an environmental assessment of such equipment.

The technical assistance component of the program includes a covenant requiring that the GOT provide an annual workplan for technical assistance and training resources.

ECPR Decisions:

The ECPR noted the immediate emphasis of the program on road rehabilitation given prevailing conditions in the transport sector. However, as understood by the ECPR, ATAP is one of a series of current and future projects whose objective is, in the first instance, to rehabilitate Tanzania's roads, but more importantly, to build over time Tanzania's capacity to finance and implement road maintenance. The ECPR concluded also that the Mission should: work with the GOT to establish a mechanism for rapid resolution of implementation problems; ensure that the maintenance plan required in the Conditions Precedent is broad in conception, articulating human, institutional, and technical as well as financial constraints and plans for their resolution. The plan should serve as a basis for dialogue with the donor community regarding types of assistance and host government commitment needed to ensure the sustained maintenance of roads after rehabilitation.

Congressional Notification

A Congressional Notification was submitted to the Hill on July 28, 1988, and expired without objection on August 12, 1988.

Other Legal Requirements:

A Categorical Exclusion for environmental matters has been approved by the Bureau Environmental Office for the technical assistance component of the project and a negative determination has been approved for commodities not used for road rehabilitation. An environmental assessment for road rehabilitation commodities will be conducted and any recommendations agreed to by the time that disbursement for those commodities will occur. The Initial Environmental Examination is attached in Annex B. A Statutory Checklist has been prepared and is attached in Annex G. A blanket transportation waiver for offshore procurement from Europe and selected Asian ports is in process.

Recommendation:

It is recommended that you approve the attached Program Assistance Approval Document face sheet and the Project Authorization, thereby approving a program assistance grant of $5.21 million and authorizing a project assistance grant of $2 million to Tanzania.

Clearances:

DAA/AFR:WBollinger	WOB	Date 8/23/88
AFR/DP:JWestley		Date 8-22-88
GC/AFR:MAKleinjan	(draft)	Date 8/18/88
PPC/EA:JLa Pittus		Date 8/22/88
M/FM:EOwens		Date 8/23/88
AFR/CONT:RKing		Date 8/22/88
AFR/EA:DLundberg		Date 8/22/88
AFR/PD/EAP:JSchlesinger	(draft)	Date 8/18/88
SER/OP/COMS:JSaccheri	(draft)	Date 8/12/88
STATE/AF/EPS:CFreeman	(draft)	Date 8/10/88

Drafter: AFR/PD/EAP:CNorth, 8/1/88, Doc # 3611J

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Program Assistance Approval Document

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LIST OF ABBREVIATIONS

ADB	African Development Bank
AEPRP	Africa Economic Policy Reform Program
AID	Agency for International Development
BOT	Bank of Tanzania
CRDB	Cooperative and Rural Development Bank
DFA	Development Fund for Africa
EEC	European Economic Community
ERP	Economic Recovery Program
ESAMI	East and Southern Africa Management Institute, Arusha, Tanzania
ESF	Economic Support Funds
GOT	Government of Tanzania
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
MCW	Ministry of Communication and Works
MFEAP	Ministry of Finance, Economic Affairs & Planning
MLGC	Ministry of Local Government and Cooperatives
NORAD	Norwegian Agency for International Development
NTP	National Transport Policy
ODA	Overseas Development Administration, United Kingdom
PMO	Prime Minister's Officer
RE	Resident Engineer
REDSO/ESA	Regional Economic Development Services Office, East & Southern Africa
RRD	Rural Roads Division
RRE	Rural Road Engineer
SAG	Sector Assistance Grant
SAP	Structural Adjustment Program
SIDA	Swedish International Development Authority
TRM	Trunk Road Maintenance
TSRP	Transport Sector Recovery Program
USAID/T	United States Agency for International Development, Mission to Tanzania
WFP	World Food Program

EXECUTIVE SUMMARY

1. Summary

The Agricultural Transport Assistance Program (ATAP) is designed as a five year, U.S. $7.2 million, sector grant in support of a package of policy and institutional reforms in Tanzania, which will alleviate constraints inhibiting the Government of Tanzania's effort to improve its agricultural transport system. The ATAP is structured into two components: a non-project assistance component which provides $5.2 million and is disbursed as a commodity import program; and a technical assistance and training component funded for $2.0 million, which is disbursed as project assistance. At the end of the Program, the Government of Tanzania (GOT) will have: (1) increased transport services; (2) created a more coordinated and efficient GOT rural roads organization; (3) developed, financed, and initiated a plan for road maintenance; (4) expanded the participation of the private sector in the road sub-sector; and, (5) increased the numbers of trained Tanzanian personnel.

2. The Problem

An analysis of Tanzania's transport sector clearly demonstrates its pivotal role in the country's efforts to implement an economic recovery program. Nevertheless, Tanzania's transport sector has deteriorated over a number of years and it now is a major constraint to economic growth. The condition of most rural roads in Tanzania is poor and transport to villages is both difficult and costly. Similarly, the trunk road network has deteriorated to such an extent that only about 40% of the network is in good condition, severely increasing the cost of transport and curtailing the movement of goods. Trucking, which carries over 70% of total domestic traffic, including haulage of all agricultural produce from the rural areas, has been allowed to decline due to lack of institutional capacity and a shortage of foreign exchange. The railways, which are strategically located to carry the majority of long distance domestic traffic, are only able to carry 30% of the goods moved in the country. The ports are unable to adequately accommodate the country's import/export traffic. The disintegration of the transport infrastructure and the unsatisfactory operational efficiency of the sector are major impediments to the success of the GOT's Economic Recovery Programme (ERP).

In response to these problems the GOT has prepared a National Transport Policy (NTP) which provides a framework for improving the policy environment for transport services and proposes major investments for rehabilitating the country's transport infrastructure. The NTP recommends a) the concentration of future efforts on rehabilitation and maintenance of the basic network; b) the increase of resource allocations to the transport sector, particularly for roads, from 13% of the budget to 25%; c) allow transport prices to be determined by market forces; d)increase the utilization of existing assets through improved management and operations; e) adjust the institutional structure to effectively carry out required rehabilitation, maintenance and operations; and f) improve financial performance and cost recovery throughout the sector. The NTP provides the Ministry of

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Communications and Works (MCW) with overall responsibility for planning, development, utilization, and maintenance of the transport network. A Directorate of Planning and Research was recently established within MCW to handle overall transport planning and coordination. A Transport Sector Recovery Program (TSRP) is the GOT investment program for implementing the policy goals set forth in the NTP. A number of donors including USAID are supporting TSRP.

To contribute to the nation's recovery, the new USAID/T program focuses on transportation. After discussions with the Government, the World Bank and the IMF, and its own assessment of the Tanzanian economy, USAID/T decided that facilitating the movement of agricultural commodities is the most effective way the USG can assist in the immediate objective of attaining economic growth and to improve incomes for the Tanzanian people. Two grants signed in late FY 1987 will help relieve transport bottlenecks which constrain regional and domestic income, marketing and exports. Attention now to sector policy constraints such as institutional reform, freight tariff rates, infrastructure maintenance, and the role of the private investor also enables USAID/T to contribute to ongoing efforts to strengthen efficiency and competition. In the medium-term, as economic stabilization improves, USAID/T's emphasis will broaden to include a few other priority development projects - but only transportation will receive a sectoral or program level of AID attention.

Four major constraints have been identified in the roads sub-sector which, in the first instance, critically restrict the GOT's efforts to improve its road transport system and, at the same time, are appropriate areas for A.I.D. assistance. These include:

-A shortage of foreign exchange financing for transport equipment, spare parts, and technical services, particularly for private sector firms;

-A fragmented institutional structure for construction, rehabilitation, and maintenance of rural roads;

-Inadequate recurrent financing for rehabilitation and maintenance of roads; and,

-Limited indigenous capacity to rehabilitate and maintain roads.

Previous donor assistance in the roads sub-sector has been characterized by large technical assistance projects which have assumed direct implementation responsibilities for road construction, rehabilitation, and in some cases, maintenance. This approach has failed to ensure cost-effectiveness or sustainability. The Government of Tanzania is now putting into place the appropriate

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Policies, staffing, and financing which will allow it to assume greater responsibilities for road development and maintenance. The focus of USAID assistance is to support GOT policy and institutional reforms which will provide the framework for meeting the objectives it has set for the roads sub-sector.

3. The Program

Based upon a review of the targeted constraints, the desired objectives, and the final results required, USAID has determined that assistance to the roads sub-sector is best provided through program sector assistance. Project assistance is inadequate for serving the dual purposes of the program, less effective in tying assistance to specific policy and institutional reforms, and based upon past experience in Tanzania, a barrier to the GOT assuming full responsibility for road development. Program sector assistance is the most appropriate vehicle both for delivering the vital foreign exchange required by private firms in the road transport and construction industry, and for financing the GOT policy and institutional reforms in the roads sub-sector. Specifically, these reforms include: re-organizing institutional responsibilities for rural roads, increasing the share of resources allocated to the roads sub-sector, and expanding private sector participation in rural road construction and repair. Counterpart generations from program assistance also provide the most effective method for financing the key elements of the GOT's Transport Recovery Plan.

The Tanzania Agricultural Transport Assistance Program is designed to address two purposes. The first purpose is to provide critical foreign exchange financing for transport equipment, spare parts and machinery. The second purpose is to support GOT policy reforms for improving the GOT's capacity to identify, select, finance, and undertake rehabilitation and maintenance activities on rural roads. These purposes contribute to the GOT's overall goal for the roads sub-sector which is to increase the volume of inputs, commodities, and consumer goods transported by road and to reduce the costs of road transport services.

At the end of the proposed five-year life of the program, it is expected that ATAP will have enabled the GOT to:

- Increase transportation services and strengthen private sector road transport industry;

- Create a more efficient and coordinated GOT rural roads organization which effectively identifies, prioritizes, finances, and implements rehabilitation and maintenance requirements for rural roads;

- Finance and implement a plan to adequately maintain the classified road network;

- Increase the participation of the private sector in road construction and repair with the majority of GOT rural road rehabilitation contracted to private sector firms;

- Increase the number of Tanzanian personnel trained in skills critical to the road sub-sector; and

- Establish a donor coordination system for the roads sub-sector.

Three objectives have been selected for ATAP which support policy and institutional reforms identified for the roads-sub-sector in the National Transport Policy. These three objectives include: (1) To consolidate technical, financial, and administrative responsibilities for the rural road network in the MCW; (2) To increase GOT budget allocations for road maintenance; and, (3) To expand the use of private sector firms for road rehabilitation and maintenance.

To achieve these objectives, ATAP is structured into two parts: a Sector Assistance Component (Commodity Import Program); and, a Technical Assistance and Training Component.

The Sector Assistance (SA) Component will require the largest share of ATAP resources and is designed to: 1) provide foreign exchange financing for transport equipment, spare parts, machinery and technical services; and, 2) link the foreign exchange financing to GOT progress on implementing sub-sectoral policy and institutional reforms described above.

The Technical Assistance and Training Component will be used to provide the GOT with specialist skills to establish new procedures and improve the technical capabilities of staff in order to achieve the overall program objectives. This component will include: technical consultancies, training, the development of management systems, and policy analysis. The Technical Assistance and Training component will be obligated through a separate grant agreement and will be collaboratively programmed and administered by the GOT and USAID for specific activities.

Local counterpart deposits, jointly programmed by USAID and the GOT, will be used to finance key elements in the GOT's Transport Sector Recovery Program including the rehabilitation of rural roads by private contractors, the operations of the Rural Roads Division, development of local road engineering consultancy services, and training for personnel in road transport and construction industries.

The monitoring and evaluation system for ATAP is based upon semi-annual Program Review Meetings, interim assessments, a mid-term evaluation early in 1991, and a final evaluation in 1993. These tools will be used to measure program performance against benchmark indicators anticipated in program design.

1.0 BACKGROUND AND RATIONALE FOR PROGRAM SECTOR ASSISTANCE

1.1 Macroeconomic Setting

1.1.1 Economic Conditions and Growth Prospects

The economy of Tanzania has deteriorated over the last decade. Output and export earnings have declined which have led to a reduction in the domestic savings rate and a rapid fall in import volumes. Reduced imports, in turn, created acute shortages of raw materials, spare parts, and consumer goods causing further decline in production and a deterioration in the capital stock of key production and service sectors. Cumulatively, these problems have been manifested in high rates of inflation, large balance of payments deficits, increasing debt and accumulation of external payments arears, a shrinking tax base and declining real per capita income (See Annex F).

The Government of Tanzania, in an effort to reverse this trend, adopted in June 1982 a three-year Structural Adjustment Program (SAP) designed to stimulate agricultural development, improve capacity utilization and efficiency, restore financial and economic stability, and improve planning and cost control of public enterprises. In June 1986 the GOT introduced a more comprehensive medium-term Economic Recovery Program (ERP).

Adjustment and stabilization measures undertaken have since led to the exchange rate of the Tanzanian shilling being depreciated by 58 %, in real terms, between 1986 and 1988; food and agricultural subsidies eliminated; inter-regional trade restrictions abolished; some government agencies and parastatals reorganized; cooperative unions reintroduced; and large real increases in producer prices.(See Annex F).

The two-year experience in implementing ERP policies has been remarkably successful in halting the long period of economic decline. However, the achievement of a sustainable rate of growth remains constrained by a number of structural problems which the Government intends to address: (i) the allocation of foreign exchange on a priority basis to the most efficient enterprises to ensure increases in industrial capacity utilization and widespread improvements in industrial efficiency; (ii) reduction in the cost and improvement in the responsiveness of the agricultural marketing system; (iii) reduction in the budget deficit and improvements in the structure of revenue and expenditure aimed in particular at increasing resources for the maintenance and rehabilitation of existing capital assets; (iv) increased flexibility and improved efficiency in the financial system; and, (v) greater reliance on market determined price signals to achieve efficiency in resource allocation.

Over the long term, Tanzania's development efforts are constrained by rapid population growth, inadequate infrastructure (particularly transportation), relatively low levels of manpower development, and an export base vulnerable to unstable world commodity prices.

1.1.2 GOT Macroeconomic Policy Framework

The main objectives of the Tanzania three-year ERP are to increase the rate of growth of real GDP to at least 4 % a year; to reduce the rate of inflation from 32% in 1986/87 to below 10 % in 1989/90; and to reduce the balance of payments current account deficit to a sustainable level by the early 1990s while liberalizing imports. Economic growth prospects are predicated upon a continued recovery of the agricultural sector and a revival of industrial activity, through adequate production, pricing, and marketing policy measures.

The government's medium-term strategy for public expenditure, includes more resources earmarked for maintenance of existing capital stock and a containment of the growth of the civil service. It is expected that expenditure restructuring measures will contribute to a reduction in real terms in the rate of absorption of goods and services by the government. The GOT monetary policy will be directed towards strengthening the balance of payments and reducing inflation, while improving the allocation of financial resources through a more flexible interest rate policy and the improvement of existing financial institutions.

The government external policies aim at bringing down the current balance of payments deficit to a level which can be financed without restrictions for balance of payments purposes on current account transactions and related payments. The major instrument to accomplish this goal is an active exchange rate policy aimed at attaining an equilibrium exchange rate by late-1988 and sustaining it at that level. It is expected that the government will gradually remove exchange and trade restrictions and will rely more on tariffs and other indirect economic policy instruments to manage more efficiently the import demand.

1.1.3 Prospects For The Future

The immediate goal of the government is re-attainment in many sectors of earlier output levels. Due to the erosion of the capital stock of the economy for at least a decade, it will take years of rehabilitation to restore it. However, the returns to rehabilitation programs, provided they are well-focussed, and optimally funded, are likely to be quite high. The application of relatively modest amounts of additional resources at bottlenecks and other critical points in the economy should result in a strong rebound of economic activity and growth.

In the next five years, GDP is projected to grow at around 4 % per annum (See Annex F). The largest sector, agriculture, is expected to grow at an average rate of 4.2 %, with production for export rising sharply in response to greater incentives and improved input supply, and more modest growth, broadly in line with population increase, for domestic food crops. The fastest growing sector is expected to be industry, where resources in the past have been biased towards what have turned out to be inefficient enterprises. Gross output of the sector is not anticipated to grow much at first, but value added should rise by over 8 % per annum as resources are allocated to the more efficient firms, and the overall production of the sector should rise through industrial restructuring. Overall contribution to the economy is expected to remain modest because of the small size of the sector.

The services sector is expected to grow at 3.3 % per annum. Faster growth is expected in transport and commerce but the rate may be slowed by continued restraint in pay increases and staff reductions in the public sector.

Prospects to restore a viable balance of payments is expected to be slow primarily due to the large volume of external debt (See Annex F). Rescheduling and outright write-off may provide relief in the early years of the recovery, but the magnitude of the external debt which exceeds GDP even at the present overvalued exchange rate will continue to constrain Tanzania's recovery for many years to come. The low levels of exports relative to imports is another major concern. Recorded exports are currently one third of imports. As a consequence, the rate of growth of exports needs to be at least three times the rate of import growth if the trade balance is not to widen.

In conclusion, should the rate of policy reform slacken or the flow of external resources fall short of that anticipated in the projections, the recovery of the Tanzanian economy will be more gradual and at greater risk of stalling. The most critical aspect of the recovery process over the longer term is the restoration of exports and sustainability of critical infrastructure, particularly transportation.

1.2 Tanzania Transport Sector

1.2.1 Transport: A Key Development Problem

Tanzania's land area (945,000 sq km) is the tenth largest in Sub-Saharan Africa; economic activities are widely dispersed around the country. The transport sector plays a vital role in the economy, particularly in agriculture, for internal distribution and marketing of food crops as well as export of cash crops such as

cotton, coffee, tea, sisal and sugar. The transport infrastructure also serves as an important corridor for the external trade of five neighboring land-locked countries: Zambia, Burundi, Rwanda, eastern Zaire and Malawi. Roads are the predominant transport mode overall with railways taking a major share of the important import/export and international transit traffic.

The transport system comprises i) a road network of about 82,000 kms; ii) two railway systems - TRC operating about 2,640 kms of track and TAZARA (jointly owned by Tanzania and Zambia) with 970 km of track within Tanzanian territory; iii) an ocean port system operated by the Tanzania Harbours Authority (THA), centered on Dar es Salaam port with smaller ports at Tanga and Mtwara on the Indian Ocean; and, iv) lake ports operated by TRC on Lake Tanganyika, Lake Victoria and Lake Nyasa. Additionally, there are two international airports (Dar es Salaam and Kilimanjaro), eleven other paved airports and over 50 unpaved air strips. A pipe line carries crude oil from Dar es Salaam to Ndola in Zambia.

1.2.2 Major Sectoral Constraints

The transport sector has deteriorated over a number of years. The condition of most rural roads in Tanzania is poor and transport to villages is both difficult and costly. In many areas transport is largely restricted to the dry season. Similarly, the trunk road network has deteriorated to such an extent that only about 40% of it is in good condition, severely increasing the cost of transport and curtailing the movement of goods. Trucking, which carries over 70% of total domestic traffic, including haulage of all agricultural produce from the rural areas, has been allowed to deteriorate due to lack of foreign exchange to replace the aged fleet as well as to maintain the fleet in running condition with spare parts and tires. The railways, which are strategically located to carry the majority of long distance domestic goods, are only able to carry 30% of the goods movement in the country. The ports, with their deteriorated berths and equipment, are unable to adequately accommodate the import/export traffic of the country, nor compete effectively against other regional ports for transit traffic of the neighboring landlocked countries. The deteriorated state of the transport infrastructure and the unsatisfactory operational efficiency of the sector are stalling the progress of the Government's Economic Recovery Program.

The problems in the transport sector are, in a large part, the result of failed policies. (See Annex C). In the past, the Government has applied various administrative mechanisms to improve transport operations, but the results have fallen far short of the intended outcome. Because of the foreign exchange shortage, the Government allocated essential transport inputs by an administrative system which did not yield the expected benefits; the tight fiscal budget resulted in inadequate allocations for the maintenance budget

causing a precipitous deterioration of the road network; the administered tariff system for the trucking sector resulted in lower transport supply for the publicly regulated sectors; and the lack of timely tariff adjustments has caused the railways to operate in deficit. Transport policies are now receiving close scrutiny by the GOT.

1.2.3 GOT Transport Development Programs

Since the advent of the ERP in 1986, the GOT has acknowledged that the neglect of the transport sector was a great mistake. Currently, the Government's objective in the transport sector is to generate immediate improvements in the supply of transport services followed by more sustained growth in the capacity and the volume of services commensurate with the expansion taking place under ERP. The basic infrastructure (roads, rail tracks, ports) and operational units (locomotives, wagons and trucks) already exist, but in varying degrees of disrepair. To generate immediate gains in the available capacity, resources are being targeted towards rehabilitating and replacing the operational units. This effort must be supplemented by infrastructural rehabilitation, particularly roads, which require a longer lead time to improve. The policy framework is also being sharpened to remove pricing and operational controls from both the trucking and railways sub-sectors to maximize the use of the existing and improved operational units. The GOT National Transport Policy (NTP), which is currently being finalized at Cabinet level, formulates the specific steps required to realize these policy goals.

The NTP represents the first time such an exercise has been attempted in Tanzania. The NTP recognizes that inadequate maintenance has resulted in extensive deterioration of the basic transport infrastructure in the country. The condition of the network is such that a massive injection of funds is required to restore it. The NTP recommends, inter alia, that the GOT: i) concentrate future efforts in rehabilitation and maintenance of the basic network; ii) increase resource allocation to the transport sector, particularly for roads, from 13% of the budget to 25%; iii) improve the utilization of existing assets through improving the management and operations of the transport sector; and, iv) adjust the government institutional structure consistent with effectively carrying out the required rehabilitation, maintenance and operations. This implies that v) maintenance allocation for roads, which has fallen far short of requirements in the past, will need to be given top priority in the future; vi) foreign exchange allocation for road maintenance as well as recurrent operational requirements of the trucking, railways, and aviation systems will need to be secured (albeit to the extent possible given the current shortage of foreign exchange); vii) systematic effort must be made to improve the operational efficiency of the sector; and viii) financial performance and cost recovery must also be improved throughout the

sector. The NTP provides the Ministry of Communications and Works (MCW) with overall responsibility for planning, development, utilization and maintenance of the transport network. A Directorate of Planning and Research was recently established within MCW to handle overall transport planning and coordination. The Transport Sector Recovery Program has been designed by the GOT, with IBRD assistance, as an investment package for effectively financing and implementing the policy goals set forth in the NTP.

The requirements of physical rehabilitation and extension of rural roads to areas of high agricultural potential requires massive investment. A rehabilitation and modernization program is in progress for the port of Dar es Salaam in order to increase its capacity and efficiency. An emergency relief and rehabilitation program for Tanzania Railways Corporation (TRC) is being implemented, and is scheduled for completion in 1989; thereafter, a longer-term program of improvements is planned. A ten year development program is underway for the Tanzania-Zambia Railways (TAZARA) to increase the effective capacity of the railways to handle more traffic. Availability of trucks has improved as a result of foreign exchange. Continued support is required to maintain the required level of the truck fleet and its operations. Rehabilitation of the roads is getting underway, but the financial requirements for this are substantial.

1.3 AID Country Strategy

1.3.1 USAID Strategy for Tanzania

A five-year hiatus in U.S. economic assistance to Tanzania was broken by a new program resumed in FY 1987 to support Tanzania's Economic Reform Program and its larger role in providing regional transportation for landlocked Frontline States. What was to have been the termination of a 27-year-old bilateral development relationship is now a new program conditioned on the GOT's commitment to economic reform.

Because of Brooke Amendment restrictions, USAID/T began phasing out of Tanzania in 1983, a year after Tanzania stopped making payments on its USG dollar loans. But with the inauguration of a market-oriented Economic Recovery Program, highlighted by a Standby Agreement with the IMF and a Paris Club rescheduling, the Brooke Amendment was lifted in April of 1987. USAID/T began to build a new program in mid-1987.

To contribute to the nation's recovery, the new USAID/T program focuses on transportation. After discussions with the Government, the World Bank and the IMF, and its own assessment of the Tanzanian economy, USAID/T decided that facilitating the movement of agricultural commodities is the most effective way the

USG can assist in the immediate objective of attaining economic growth and to improve incomes for the Tanzanian people. Two grants signed in late FY 1987 will help relieve transport bottlenecks which constrain regional and domestic income, marketing and exports. Attention now to sector policy constraints such as institutional reform, freight tariff rates, infrastructure maintenance, and the role of the private investor also enables USAID/T to contribute to ongoing efforts to strengthen efficiency and competition. In the medium-term, as the economic situation improves, USAID/T's emphasis will broaden to include three or four other priority development projects - but only transportation will receive a sectoral or program level of AID attention.

By the end of FY 1987, USAID/T had already made major strides in formulating a new portfolio. During FY 1987, in conjunction with the Tanzanian Government, USAID signed a $12 million African Economic Policy Reform Program to further policy reform for the road transport sector. A regionally-funded SADCC project for $45.9 million to strengthen locomotive power for the TAZARA railway was also signed in FY 1987, and will be implemented from Dar es Salaam. In addition, a major food aid agreement was signed in 1987 to support the Reform Program. USAID has signed a follow-on PL-480 Section 206 program to support policy adjustments in agriculture and to help meet food import requirements.

In FY 1988, USAID/T is concentrating on the implementation of its large transportation portfolio, to which additional DFA funding will be obligated to support the AEPRP Transportation Grant signed last year.

1.3.2 Past USAID Programs in the Transport Sector

The Road Materials Testing and Use Project (621-002) was the second activity funded by AID in Tanzania in 1961. Between 1961 and 1984, AID supported 17 transport sector activities, primarily related to roads, representing a total investment of $42.6 million. These public sector activities ranged from a $2,000 grant for training a Tanzanian engineer in low-cost earth roads to the $13.1 million Tan-Zam Highway Project in 1970. This latter project constructed one of the two major paved roads in the country which remains, to this day, a pillar in Tanzania's transport sector. Eleven of the activities centered around rural road rehabilitation and maintenance. Interventions included technical assistance, training, materials and equipment. Some activities were road components of larger projects such as the Maasai Livestock and Range Management Project (621-093) and the Arusha Planning and Village

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Development Project (621-143). Nevertheless, between 1961 and 1984, USAID/Tanzania always maintained a transport activity in its portfolio. Annex K provides of a brief description of these USAID-financed transport sector activities.

1.3.3 On-going Bilateral Transport Activities

1.3.3.1 FY 1987 AEPRP Program

USAID is financing development activities in the roads sub-sector through two programs: the Tanzania Economic Policy Reform Program (621-K601) and the PL 480 Program.

On September 21, 1987, USAID signed an ESF-funded $12 million Program Grant Agreement with the Government of Tanzania for transport sector economic reform. This was the culmination of one year's preparatory work, which began with the determination that AID should concentrate its efforts on improving the agricultural transport sub-sector.

During the design of this program a "two track" approach was developed. First, to respond to the need for recapitalizing Tanzania's fleet of trucks for rural transport and equipping road rehabilitation and maintenance units, a cash grant was provided to the GOT to finance importation of private and public sector truck parts required for road transport. The second part of the program financed road rehabilitation, particularly rural feeder roads, from the counterpart funds generated from local currency payments made by the importers who use the foreign exchange financing.

The $12 million cash grant was divided into two equal tranches. The conditionality attached to the first tranche included: 1) a 25% increase, in real terms, in the national development budget for the transport sector; and, 2) agreement to award all contracts for road construction and rehabilitation on a competitive basis, including the private sector. The conditionality for releasing the second tranche requires the GOT to demonstrate that the contracting process has been open to private sector firms and that a substantial number of road rehabilitation contracts have been awarded to the private sector.

The initial conditionality was met two months after signing the grant agreement; the Program's progress since that time has been slow. The GOT administrative capacity is limited and most substantive decisions and supporting action have taken longer than expected. The lack of a Commodity Management Officer in USAID has also required reliance on REDSO/ESA's TDY services. Experience with the import program has been disappointing in that some of the initial allocation requests have had to be rejected because of irregularities. Currently, the Bank of Tanzania is informing six importers that their applications totalling about $2.4 million are

approved and that the local currency deposits are required to open their letters of credit. Experience with the foreign exchange financing to date has demonstrated that the eligibility list is too restricted. Accordingly, in mid-June USAID proposed to expand the eligibility list to include tools and equipment for the repair of road transport equipment, raw materials for the fabricating and reconditioning of spare parts, ancillary equipment permitting fuller or more efficient use of primary transport equipment (e.g. forklifts for loading trucks) and raw material for retreading tires.

Due to the delays in allocating the foreign exchange noted above, local currency generations have not been available to the GOT for road rehabilitation. Nevertheless, USAID has a TCN civil engineer in place who will monitor the GOT's road rehabilitation progress closely during the initial period. He will obtain a comprehensive understanding of the GOT tendering and implementation system both to identify improvements and to guide the significant expansion of these activities planned under the new AID, IBRD, and other donor programs.

1.3.3.2 PL 480 Road Programs

Since 1980, over $6.0 million in counterpart funds have been provided for rural road rehabilitation projects by public sector force account from the USAID PL 480 Assistance Program. Until 1987 only a small fraction of PL 480 Title 1 counterpart funds were programmed for road development and maintenance. However, for the first Title II Section 206 Program in 1987, nearly 85% of the counterpart was earmarked for road rehabilitation activities reflecting both the GOT's and USAID's view that the deteriorating road conditions were the major impediment to increased agricultural production and marketing. The FY 1988 Section 206 Agreement is expected to earmark the largest portion of local currency generations for road rehabilitation.(See Annex L for Role of PL 480 in the Roads Sub-Sector.)

1.4 Other Donors Supporting the Transport Sector

1.4.1 IBRD

The World Bank has had an active transport sector investment program in Tanzania virtually since the country joined the Bank in 1962. Transport has been one of four major sectors of concentration for the Bank (the others have been agriculture, industry, and education and manpower development). In all, the Bank has extended credits and loans to help finance six highway projects, one trucking project, two railway projects, and five port projects. During the early years of lending, the projects concentrated on financing of construction and equipment for public parastatals. The focus later shifted to strengthening of local institutions with provisions for technical assistance and training.

Strong evidence of the IBRD's continuing interest in the overall transport sector can be found in the support it provided the GOT in preparing for, and conducting, the Transport Sector Donors' Conference held in Arusha December 14 - 16, 1987. As a result of its recent involvement, the IBRD has emerged as the clear leader in the transport sector among Tanzania's donors.

The main objective of the IBRD's current $50 million Sixth Highway Project is to rehabilitate deteriorated sections of the TANZAM Highway and priority sections of the country's gravel road (trunk) network serving the productive agricultural areas. The project continues to support the trucking industry and assists the GOT to develop more efficient and effective road transport policies. Specifically, the project includes financing for:

i) the implementation of a road rehabilitation program consisting of about 295 kms of the TANZAM Highway and 700-1000 kms of gravel roads;

ii) the implementation of an equipment rehabilitation program;

iii) technical assistance to the Ministry of Communications and Works (MCW);

iv) training of engineers, planning officers and other professionals, highway technicians, and road field personnel;

v) technical assistance to the local contracting industry;

vi) a program of maintenance spares and assistance to the trucking industry; and

vii) consulting services to carry out (a) feasibility studies and detailed engineering of three paved road sections totalling about 423 kms, and (b) a study of agricultural feeder roads.

Implementation progress on the Sixth Highway Project is slow. For at least two years, the IBRD has been considering a further highway project which would emphasize rural -- as opposed to trunk -- roads, based on the same rationale as that for the $12 million A.I.D. AEPRP Transport Sector Reform Project, i.e., that deteriorated rural roads are the major bottleneck to improved economic performance and growth in the rural sector. It is anticipated that final pre-feasibility for this proposed project will be carried out in August 1988 with feasibility conducted a few months later in November. The IBRD has indicated that it plans to insist on significant policy reforms with regard to responsibility and authority for rural road maintenance and rehabilitation as a condition for effectiveness of this credit.

1.4.2 Other Donors

Virtually all DAC donors currently active in Tanzania are involved to one degree or another in the development and rehabilitation of the transport sector. There are, for example, at least seven major donors involved in the current efforts to rehabilitate the Port of Dar es Salaam. A similar number of donors are helping both the Tanzania Railways Corporation and TAZARA. In the road transport sub-sector alone, a recent informal poll indicated that at least thirteen donors are financing road projects.

At the present time, there is no apparent overall pattern to this assistance in the roads sub-sector, aside from the generally acknowledged leadership role of the IBRD discussed earlier. Rather, each donor is working on one or more stretches of road, most often reconstructing them (although there is some rehabilitation going on as well). Current activities seem to reflect the general notion that institutional development efforts are not fruitful. A recent evaluation of a rural road rehabilitation and maintenance effort, which has gone on for nine years in connection with an integrated rural development project, indicated that there has been virtually no technology transfer and that the effort is nonsustainable by the Tanzanians when donor financing is terminated (an example, mirroring the previously mentioned IBRD disappointment in this regard). In general, donor-financed road activities depend on expatriate contracting, affect a relatively small number of road segments, and do not leave behind significant institutional improvement.

The unproductive nature of this kind of donor assistance with regard both to overall transport development and to sustainability was the major (if somewhat informally treated) theme of the mid-December 1987 Arusha conference. It is clear that improved donor coordination is needed, as a necessary but not sufficient condition, to effect institutional changes in the GOT leading to more effective transport sector (and road sub-sector) administration. Effective donor leadership is a key element. While the IBRD is indeed the recognized leader in the transport sector, they really do not have the staff on the ground to accomplish the demanding workload which this leadership requires. The lack of leadership is a major brake to more effective sectoral and sub-sectoral development. The GOT is planning to establish a Road Transport Coordination Committee chaired by MCW with representative of relevant ministries and donors to discuss technical, financial and management issues.

2.0 ANALYSIS OF THE ROADS SUB-SECTOR

2.1 The Role of Roads in Tanzania

2.1.1 Roads and Economic Integration

Road transport is steadily expanding its share of goods and passengers carried in Tanzania due to the attractiveness of its door to door service, the wide range of volumes it can accommodate, and the more flexible scheduling it permits. It is estimated that road transport carries 70% of all Tanzania's freight representing a capacity of about 1.7 billion ton-kms per year.

As road transport grows it is also fulfills another very important function- economic integration. Roads, more so than any other form of transport, connect the farms with markets, factories with shops, workers with jobs, and villages with cities. Roads lead both to rural areas and to urban areas unifying Tanzania's communities and families. Roads are the most common paths to neighboring borders and to local ports which are the gates to Tanzania's international trade. The GOT's ERP recognizes the transport sector's importance, especially the road network, in invigorating the other productive sectors of the economy and ranks it second only to agriculture in priority for new investment.

2.1.2 The Central Role of Road Transport in Agriculture

Agriculture continues to be Tanzania's most important economic sector. It contributes approximately 80% of the total export earnings, 70% of the country's employment, and 40% of the GDP. The agricultural sector depends upon road transport to deliver inputs (e.g. fertilizers, seeds, insecticide, pesticides, and implements) on time, and to market agricultural produce, initially to storage, and, from there, to other domestic and/or foreign markets. Roads also must move the people involved in agriculture, including the farmers, farm workers, extension officers, buyers, and sellers.

During recent years, road transport has not met these requirements. Agricultural inputs have not always been delivered on time resulting in higher prices for those inputs which are available, lower harvests, and smaller farm incomes. Truck shortages have caused agricultural products to pile up in agricultural areas, and increased post harvest losses resulting from damage by rain or vermin. Some cash crops have never gotten to market because of road transport bottlenecks and valuable foreign exchange has been lost.

The rehabilitation and continued maintenance of rural roads is especially critical to ease several of the constraints restricting agricultural transport and marketing. First, it would reduce the private truckers reluctance to operate in rural areas. Second, it would increase the accessibility of villages and thus extend the length of the potential crop season. Third, it would increase vehicle availability by reducing maintenance needs and vehicle down-time. Finally, it would reduce transport costs and the demand for spare parts and tires.

2.1.3 The Case for Improving Road Conditions

There is a consensus that an improved road network is the keystone to Tanzania's economic recovery. The importance of roads in terms of economic integration and agricultural production has been highlighted above. Yet there is a more strategic reason for targetting the road sub-sector for special attention. Improvements in the roads network offer the best opportunity for Tanzania to break a vicious circle - a circle wherein inadequate transport causes production and income to drop, and, as a result, fewer resources are available for either next year's production or remedying the original transport problem.

2.2 Description of the Road Sub-Sector

2.2.1 Definition of the Road Sub-Sector

The Government of Tanzania divides the country's 82,000 kilometer road network into two categories: classified roads (45,600 kms) and unclassified roads (36,400 kms). These classifications are based upon the functional characteristics of the road sector and, to a lesser degree, administrative aspects of the road. Classified roads, represent those considered essential by the GOT. The classified road network is further sub-divided into four classes: trunk roads, local main roads, regional roads and district roads.

Trunk roads, which comprise 10,000 kilometers of the classified road system, are the backbone of the country's road network, providing international, national and interregional through connections. Trunk roads connect the country's major economic areas of production, processing and consumption. The trunk road system includes the TANZAM Highway, the Dar-Moshi-Arusha, Morogoro-Dodoma, and Mwanza-Musoma roads. Approximately 3,200 kilometers of the trunk roads are bituminized while the remainder are gravel and earth surfacing.

An estimated 60% of the trunk road system is characterized by extensive failures of the surfacing, base, sub-base and structures which require significant rehabilitation before routine maintenance can be undertaken. Vehicle operating costs are considered to be the highest in East Africa. The time required to travel between regional centers is often measured in days instead of a few hours as is normal for this type of road. Transport of agricultural produce is costly and normally results in extensive damage and bruising of the produce during transit. During harvest season transport shortages occur and, in recent years, substantial amounts of produce do not get to market.

Rural roads are the arteries of Tanzania's agricultural sector. They include all roads which are not covered by the trunk road network: local main roads, regional roads and district roads in the classified road system as well as the unclassified feeder roads. Of the 72,000 kilometers of rural roads there are an estimated 21,000 km of regional roads under 20 Regional Administrations, 14,600 km of district roads under 101 District Councils, and about 36,400 km of unclassified feeder roads.

The condition of the rural road system is poor. Only a fraction of rural roads are maintained. Rural roads are difficult to traverse during the dry season and impassable during the rainy season. In many instances, commercial size transport cannot use these roads at any time.

The trucking industry, a major user of the road network, consists of an estimated 11,000 vehicles with a total capacity of 81,000 tons. Seventy-five percent are privately owned, with 60% of all vehicles owned by small operators having up to four trucks. One-truck operators control 40 % of the fleet. Most of the remainder belong to parastatals , including six Regional Transport Companies (RETCOs) organized under MCW's National Transport Corporation (NTC) and a large number of companies, the primary business of which is not transport, but which operate truck fleets to support their operations.

Average annual mileage achieved by the trucking fleet is low, estimated at about 26,000 kms per vehicle. Large, private inter-regional operators and the RETCOs achieve the most mileage, with trucks achieving 40-70,000 kms per year, and therefore they appear the most productive. On the other extreme, crop authorities and small truck owners, who are only in the transport business part-time, achieve as little as 10,000 kms per truck annually. A study by the World Bank presents the case that the major under-utilized capacity in the transport industry are the small truckers who own one or two trucks with a capacity of five metric tons or less. This view is shared by the MCW Planning Unit.

2.2.2 Road Transport Policy and Regulations

The Government of Tanzania directs and otherwise influences the roads sub-sector in a variety of ways: through road transport policies and its powers over the organization of the transport industry, financing road development, and maintenance(including taxation) and road regulation.

2.2.2.1 Road Transport Policies

The Government's objectives, policies, and regulations on road transport are governed by the broader developmental objectives and policies of the transport sector contained in the National Transport

Policy (NTP) noted above (see Annex C). The GOT is very concerned about the efficiency of the roads sub-sector since it is heavily dependent upon imported inputs. With this in view, the GOT's policy objectives for the roads sub-sector are to: 1) maximize the efficiency of road transport; 2) develop and use road transport when it is the most appropriate modality in terms of economic and operational advantages; 3) use the most suitable equipment which is also economical in terms of cost; and 4) improve the serviceability and utilization of equipment. The Ministry of Communications and Works is responsible for the development of the GOT road policies. Government policies acknowledge the importance of the private sector in providing road transport. The NTP states that private transporters will receive the necessary assistance to ensure continued efficient operations, by treating them equally with public sector as far as access to equipment and inputs is concerned. The Government has also indicated that the public sector will be expected to improve its efficiency.

One of the primary constraints to road transport, especially agricultural transport on rural roads, is the lack of financial incentives to private truckers. In the past, Regional Tender Boards have established minimum and maximum rates for ton-kms for intra-regional transport. A simple ton-km rate, based upon costs averaged over all vehicle sizes, commodities, and distances, cannot meet the diversity of haulage conditions in rural areas where the roads are bad and the haulage distances are short. When average rates are applied truckers concentrate on good roads and long hauls. Because of those problems, the GOT no longer enforces the official rate structure; the de facto decontrol of these rates is making it possible for truckers to profitably seek more remote loads. The GOT, with the assistance of a World Bank study, is examining how to relate the formal road tariff structure more to competitive market forces. The most critical constraint to the introduction of a meaningful tariff structure is of course the current poor condition of the road network.

2.2.2.2 Financing Road Development and Maintenance

The GOT financing for road construction and maintenance is primarily provided from subventions from central and local government general funds. Maintenance activities are generally funded from the GOT's own funds. Donors are the principal source of financing road construction and rehabilitation.(See Annex C)

The recurrent GOT budget for the maintenance of trunk roads is the equivalent of US $5.6 in 1988/89. Preparation of a maintenance budget for trunk roads is the responsibility of the MCW Planning and Research Division. The resident engineers posted at the Trunk Road Maintenance (TRM) headquarters in each of the 20 regions prepare their yearly work plans and also estimate the budget for same. Their budget proposals are forwarded to the Planning and Research Division of the MCW. This Division prepares the final MCW

maintenance budget (recurrent and development budget) based on the Resident Engineer's (RE) request and in line with the guidelines and ceilings from the Ministry of Finance, Economic Affairs and Planning (MFEAP). The final budget is prepared by the MFEAP.

As in all government budgets the final figure is often influenced by issues extraneous to the technical work plan prepared by the MCW. During recent years the GOT's tight budgets have neglected road maintenance. Another non-financial constraint in road maintenance is a shortage of trained staff (engineers and planners)who are able to prepare realistic budgets that reflect the road work which is required.

The maintenance budget for rural roads is prepared in the same manner as for the trunk roads, except that instead of the MCW, the Ministries responsible for the preparation of the budget are the MLGC and PMO. The proposed budget is first prepared at the village, district, and regional levels by the village and ward councils and district and regional planning officers.

As in the case of the trunk road maintenance, MFEAP has the final say on the budget and as noted above, the final approved budget may not reflect the needs and work plans of the villages, district and regional people. The shortage of trained staff for preparing a maintenance budget is even more acute for rural roads than the trunk roads as there are fewer qualified engineers and planners at the district and regional levels.

The budget allocations for rural road works at the regional and district level can only be estimated. The estimate for recurrent and development expenditures in FY86/87 is US$9.3 million. Of this, only US$3.5 million was allocated to routine maintenance (including salaries) In FY87/88, it is estimated that routine maintenance was increased to US$4.6 million. In FY 88/89, the rural road maintenance budget has substantially increased to $7.2 million. The International Bank for Reconstruction and Development (IBRD), is the major donor supporting the development of trunk roads (see section 1.4) A number of donor activities support projects in the recurrent and development expenditures for rural roads.

The GOT is examining alternative sources of financing for road development and maintenance. The GOT would like to ensure that user charges cover at least the recurrent costs of road maintenance. Towards this end, road tolls were first introduced in Tanzania in 1986 primarily along the paved sections. The introduction of road tolls for other roads i.e. gravel, has been hampered due to the bad condition of such roads.

Road tolls are currently set at 50 and 100 Tanzanian shillings for light vehicles and trucks respectively and $3 and $6 for non-Tanzanian registry or international registry vehicles in the same classes. There is no indication of a load-related fee. Tolls are collected by the Ministry of Finance at toll stations along main

roads. The MFEAP does not provide reports on the fees collected by the Road Maintenance Division of MCW. Neither do they use the weighbridge data of the MCW to develop tariffs based on road surface wear and tear costs (or road maintenance costs) caused by these vehicles.

The average daily traffic along these paved roads is estimated to be in the range of 400 vehicles, and currently there are ten road toll stations in the country. The estimated revenue from road toll tax for FY 1987/88 is U.S. $1.56 million. Effective July 1, 1988 the GOT raised the road toll rates by almost 100 per cent. These new rates also relate to loads and axle weights of vehicles and trucks. Additionally the GOT will introduce four new road stations effective January 1, 1989. As a result of the new rates and additional road toll stations, the revenue from road toll tax for FY 1988/89 is estimated to reach $4.38 million.

The GOT obtains much higher user fees through taxation of fuel, tires, and spare parts, import duties, registration fees for vehicles, road tax, and license fees.

Until now, only 50% of the user revenue accrued from the items listed above has been re-invested in the road network. The GOT is proposing to change this system, and to provide all of these funds to the road network. The MCW is charged with reviewing and advising GOT on suitable levels and mechanisms for the collection and administration of such user charges.

2.2.2.3 Road Transport Regulation

The GOT regulation of the road sub-sector includes licensing, traffic control, and road safety. Licensing for transport is administered by the Central Transport Licensing Authority (CTLA) of MCW. License fees are set by the Ministry of Finance, Economic Affairs and Planning. MCW continues to voice its concern about the detrimental effect on Tanzania's roads caused by vehicle overloading and axle weights. It intends to enforce the established axle load limits so that the road network lasts its expected life.

One of the most effective forms of government regulation of the roads sub-sector has been indirect; through the allocation of foreign exchange for new vehicles, spare parts and support equipment. The effective capacity of the Tanzanian vehicle fleet has been significantly reduced in recent years by shortages of fuel, tires, and spare parts. Many vehicles have been not operational for extended periods and many truck owners were reluctant to risk their vehicles upon poor rural roads when neither spares, tires, nor

vehicle replacements were available. Unfortunately, the private sector transporters were more adversely affected than the public sector. These problems are now less severe as a result of the GOT permitting a portion of foreign exchange earnings to be retained through the Own Import Scheme, donor support(including A.I.D.), and improvements to the fuel distribution system. However, continued donor support is crucial to maintain an adequate inflow of fuel, spares, and raw materials for tires for the foreseeable future.

2.2.3 Road Construction and Maintenance

2.2.3.1 Institutions

The construction and maintenance of the trunk road system is vested with MCW. The organizational chart of the responsible Departments within the MCW is provided in Annex D. Major trunk road construction projects, including all paving work, are done by international contractors generally financed through donor assistance. Maintenance is carried out by MCW crews located in the regions at established base camps. Heavy construction and maintenance equipment is nominally assigned to each camp but is actually maintained by the Mechanical and Electrical Services Department within the MCW. A Resident Engineer from MCW is assigned to each region to plan, coordinate and implement the Trunk Road Maintenance (TRM) activities.

Construction and maintenance of the rural road system is currently split between the Prime Minister's Office (PMO) through the Regional Administration and the Ministry of Local Government and Cooperatives (MLGC) through the District Councils. The organizational charts for the relevant offices responsible for road works in the PMO and MLGC are shown in Annex D.

Within the road sub-sector the lack of a proper definition or understanding of the exact roles and working relationships between MCW, regional authorities and local government authorities has led to both developmental and operational problems. First, there has not been any systematic maintenance of rural roads due to poor coordination between the technical organization (MCW) and the organizations with administrative responsibility for these roads. Secondly, there is no institutional structure in place to assist local authorities prepare budgets and locate financing for rural roads. Thirdly, equipment distribution and maintenance has been sub-optimal. Fourthly, since local authorities are short on technical personnel, staff supervision and development have been poor. In order to overcome these problems the GOT has proposed to form a Rural Road Division in MCW as the sole government entity responsible for coordination, overall guidance, supervision and

technical control of the development and operations of the sub-sector at all levels. This technical solution is not without significant political costs associated with the perception that decentralization principles are being jeopardized.

After many IBRD audits indicating that the GOT's policy of attempting to do all required road work by force account was generally ineffective (and what was accomplished was at unacceptably high costs), the GOT and the IBRD reached agreement that major road rehabilitation works under the Sixth Highway Project should be carried out by contractors. It is more effective for the GOT to concentrate its force account efforts on routine maintenance.

There are a number of local contractors capable of undertaking road rehabilitation and maintenance contracts. One of these, GOT road construction parastatal MECCO, has a suitable equipment base and trained staff to undertake sizable contracts. However, much of its equipment is not in working order and needs to be overhauled prior to accepting any large contract. A recently conducted IBRD study identified 28 additional private contractors, 11 large and 17 smaller firms, that are ready, willing, and, in most cases, able to undertake rural road rehabilitation work. If these domestic contractors could be encouraged to undertake road rehabilitation contracts, the ability of the GOT to further develop and improve the road transport sector will be significantly enhanced. In addition, several international contractors operating within Tanzania could carry out the work. Virtually all of them began operations under donor funded projects. They are prepared to accept additional road works provided the contract is packaged large enough and the contract has a foreign exchange element.

2.2.3.2 Staff and Equipment Resources

MCW has 2,950 established positions for engineers, technicians, mechanics, supplies officers and accountants. During the past year, a significant emphasis was placed on recruitment to fill vacant positions. Whereas a few short months ago 48% of the posts were occupied, today approximately 90% of the posts are filled. Substantial under-employment continues to exist in the Training and Supplies Divisions within MCW.

The staffing of the relevant offices for road development and maintenance at the regional and district levels is difficult to ascertain. Previous studies were unsuccessful in compiling this information since the road responsibilities overlap with all other public works activities at this level. Many regions and districts failed to report any positions. From the available data it would appear that only 20 to 25 engineers are available for 118

positions. Approximately 180 technicians are currently serving as support staff for the rural road system. Since 4-5 technicians are required to support each project engineer, full staffing of the engineering positions would require a fourfold increase in the technical staff.

As the road development and maintenance programs expand, there is likely to be a severe shortage of local engineers. The University of Dar Es Salaam offers civil engineering training which is likely to be expanded in the future. Also, the skills of the roads technicians will need to be upgraded. Specific training which is required includes: costing, grading and gravelling, drainage structures, and equipment maintenance. These skills can be transferred though a combination of coursework at the MCW Mgorogoro Training Center and on-the-job experience.

The equipment fleet currently assigned to trunk road maintenance in MCW is distributed among the 20 regional offices. Composition of the fleet includes 616 items of heavy equipment and 426 dump trucks, transport trucks and light vehicles. Total availability of the fleet is 43%. However, the availability of the heavy equipment required for maintenance is noticeably lower at 36%. Refer to Annex D for the summary of equipment.

Equipment available at the regional and district level for rural roads is also incompletely tabulated for the reasons noted above. From the data compiled, it is obvious the numbers of heavy equipment for routine and recurrent maintenance is insufficient to accomplish the task. Of the assigned equipment, 67% was available. The number of dump trucks available was somewhat higher at 69%. The light vehicles for supervisory roles were not reported as they are nominally assigned to the local administration and are not exclusively available for road works.

2.2.3.3 GOT Objectives for Road Construction and Maintenance

For the trunk roads, the GOT goal is to extend routine maintenance to 70% of the paved and gravel trunk road network. To achieve this target, the GOT plans to:

-Focus the Road Department activities on maintenance;

-Develop an adequate budget and provide financing for road maintenance;

-Expand the use of local private contractors to carry out periodic maintenance works as a means of increasing overall capacity;

-Consolidate the servicing of all equipment under seven zonal workshops in order to improve the plant and equipment availability; and,

-Strengthen personnel skills through a formal MCW Manpower Development Program

For the rural roads, the GOT's ultimate aim is to maintain 50,000 kilometers of rural roads including all regional and district classified roads and about half of the unclassified feeder roads. However, the effort required to bring these roads to an acceptable condition and to adequately maintain them far outpaces the existing financial and technical capacity of the Government. Priority is to be given to classified essential roads.

A recent study conducted for the MCW identified 10,000 kilometers of high priority rural roads to be maintained and another 1,400 kilometers requiring rehabilitation. To implement this priority maintenance program will require the GOT to:

-Establish a Rural Road Division within the MCW that will have technical and implementation responsibility for all road maintenance in the country.

-Provide financing for the priority road maintenance program and increase the budget level to meet minimum requirements on the remaining network;

-Utilize domestic contractors for the rehabilitation of 640 kilometers of essential roads;

-Assign all road maintenance equipment to seven zonal workshops from which the regions and districts can "hire" necessary equipment on an as-needed basis;

2.3. Constraints and Issues Related to the Roads Sub-Sector

2.3.1 Ranking of Constraints in the Roads Sub-Sector

Based upon USAID's analysis of the roads sub-sector, the following rank ordered constraints are the most serious obstacles to an efficient Tanzanian roads sub-sector.

Number 1: Inadequate foreign exchange financing, particularly for private sector transporters;

Number 2: Inappropriate road transport pricing policies;

Number 3: Insufficient domestic financing for road development and maintenance;

Number 4: Fragmented GOT institutional responsibility for road development and maintenance;

Number 5: Shortage of qualified personnel for road development and maintenance; and

Number 6: Poor availability of road equipment.

2.3.2 Consideration of Sub-Sector Constraints

While the above ranking suggests a clear priority in terms of the impact of the constraints on the roads sub-sector, it does not provide information on relative difficulties in addressing these constraints, the different time frames required, or the opportunities now available. These are discussed below.

Constraint 1: The availability of foreign exchange is the most pressing immediate problem facing the sector. Transporters require spare parts, tires, and fuel to keep their operations going regardless of the condition of the roads or the current policy and institutional configuration of the GOT. This constraint is very amenable to donor assistance since it merely requires a mechanism for delivering foreign exchange financing to those in the sector who need it and should be viewed as a short-medium term solution.

Constraint 2: Inappropriate road transport policies, especially road tariff structures, are critical for improving agricultural transport. Transporters must be able to obtain adequate prices to cover the higher operations costs associated with the poorly developed rural road system. The IBRD is undertaking a study of the tariff policy which will be ready early next year. This constraint should be ameliorated in the near future through joint GOT-IBRD discussions which are expected to result in changes to the tariff structure.

Constraint 3: Insufficient domestic financing for road development and maintenance is a medium- long term problem which will require significant policy changes and institutional development. Under the current environment, with the GOT requesting donors to support a large road rehabilitation effort, there are opportunities for focusing the GOT's attention on this issue. Policy changes may be possible in short-medium term while the institutional

development (staffing and training) will probably require ten years to complete.

Constraint 4: The fragmented institutional responsibilities for road development and maintenance must be solved before any road improvements can be expected. Initially this will require a tough GOT policy decision to consolidate significant responsibilities for roads in MCW. Thereafter, MCW will be required to work out systems for providing technical guidance, staffing, supervision, and logistical support to the regional and district authorities. Similar to constraint 3 listed above, this problem can be reduced in the short term but only solved over the long term. Overcoming this constraint 4 will also require significant donor coordination and discipline.

Constraint 5: The shortage of qualified personnel is a major constraint which must be addressed over the medium-long term. Currently, the lack of information on either the staffing requirements and/or the training needs reduces the opportunities for significantly addressing this constraint. Once an agreed institutional structure is in place, the first order of business should be to focus full attention on this constraint.

Constraint 6: Poor equipment availability for road work must be improved in order to generate the labor productivity required to tackle the immense size of Tanzania's road network. The IBRD is providing resources to establish central zonal workshops to alleviate this constraint.

3.0. PROGRAM DESCRIPTION

3.1 Overall Program Strategy

3.1.1 Targetted Constraints in the Roads Sub-Sector

The preceding analysis of Tanzania's transport sector clearly demonstrates its pivotal role in the country's efforts to implement the Economic Recovery Program. There is also ample evidence that the roads sub-sector, in particular, is receiving priority attention by the GOT. With respect to the roads sub-sector, four (of the six) major constraints have been identified which, in the first instance, critically restrict the GOT's efforts to improve its rural transport system and, at the same time, are appropriate areas for A.I.D. development assistance. These include:

-A shortage of foreign exchange financing for transport equipment, spare parts, and technical services particularly for private sector firms;

-Inadequate recurrent financing for rehabilitation and maintenance of rural roads;

-A fragmented institutional structure for constructing, rehabilitating, and maintaining rural roads; and

-Limited indigenous capacity to rehabilitate and maintain rural roads.

ATAP is specifically designed to support and enhance both the AEPRP and PL 480 investments in the road sub-sector which total nearly $20 million. Specifically, ATAP will complement the AEPRP and PL 480 Programs by continuing the foreign exchange financing for transport imports started under AEPRP, expanding the policy reform initiated under AEPRP, constructing the institutional framework within which both the AEPRP and PL 480 activities can be managed and sustained, and providing technical assistance and training resources to overcome bottlenecks encountered by both programs.

3.1.2. Focus on GOT Institutions and Management

Previous donor assistance in the roads sub-sector has been characterized by large technical assistance projects which have assumed direct implementation responsibilities for road construction, rehabilitation, and in some cases maintenance. This approach has failed to ensure cost-effectiveness or sustainability. The Government of Tanzania is now putting into place the appropriate policies, staffing, and financing which will allow it to assume greater responsibilities for road development and maintenance. The focus of AID assistance to the sub-sector is to support GOT policy and institutional reforms which will provide the framework for meeting the objectives it has set for the sub-sector. The details of these objectives are contained in the National Transport Policy which is currently under review by the Cabinet.

The adoption and implementation of this Policy will provide the focus for interministerial agreement and donor support and coordination. Once the National Transport Policy is in place, MCW will assume overall responsibility for setting policy guidelines and a development strategy as well as for the execution of major rehabilitation and maintenance of all roads. MCW staff and consultants would be responsible for drafting and updating the NTP as needed in order to set GOT strategies for: 1) establishing national priorities for the road network; 2) maintaining and rehabilitating classified and unclassified roads; 3) tapping sources of finance for road development and maintenance; 4) utilizing the

private sector in the roads sub-sector; 5) streamlining road regulations; and, 6) providing technical direction to regional and district institutions with responsibilities for roads. The establishment of the MCW Rural Roads Division (described below in Section 3.4.1) is a critical element in providing the Ministry with the necessary authority and resources to carry out these new functions.

3.2 Program Goal, Purpose, and Expected Accomplishments

3.2.1 Program Goal

The overall program goal is to increase the incomes of the rural poor by expanding the volume of inputs, agricultural commodities, and consumer goods transported by road and by reducing the costs of road transport services. Progress towards meeting this goal will be measured by increases in ton-kilometers of goods transported and the reductions in the real unit costs for each ton-kilometer.

3.2.2 Program Purpose and End of Program Accomplishments

ATAP is designed to address two purposes. The first purpose is to provide critical foreign exchange financing for transport equipment, spare parts and machinery. The second purpose is to support GOT policy reforms for improving GOT's capacity to identify, select, finance, and undertake rehabilitation and maintenance activities on rural roads. These purposes critically contribute to the overall program goal.

At the end of the proposed five-year life of the program, it is expected that ATAP will have enabled the GOT to:

- Increase transportation services and strengthen the private sector road transport and construction industries;

- Create a more efficient and coordinated GOT rural roads organization which effectively identifies, prioritizes, finances, and implements rehabilitation and maintenance requirements for rural roads;

- Finance and implement a plan to adequately maintain the classified road network;

- Increase the participation of the private sector in road construction and repair with the majority of GOT rural road rehabilitation contracted to private sector firms;

- Increase the number of Tanzanian personnel trained in skills critical to the road sub-sector; and

- Establish a donor coordination system for the roads sub-sector.

3.3 Structure of the Program

3.3.1 Program Assistance Approach

Based upon a review of the targetted constraints, the desired objectives, and the final results required, USAID has determined that assistance to the roads sub-sector is best provided through program sector assistance.

Project assistance is ill-suited for the achieving the broad objectives required to improve agricultural transport in Tanzania For example, general project assistance is inadequate to deliver both flexible foreign exchange financing for the private sector(transporters and road construction firms) and at the same time finance the GOT's policy and institutional reforms in the roads sub-sector. It is also doubtful whether project assistance provides the leverage needed to encourage the GOT to undertake the policy and institutional changes which are required in the sub-sector. Although project assistance could use similar conditionality to initial disbursement, once the project resources were committed it would be much more difficult to interrupt technical assistance services for lack of progress on policy and institutional reforms. Likewise, because of the AID regulations associated with project assistance (especially those related to the local currency purchased with U.S. dollars) project assistance is less attractive to the GOT and would be much more management intensive for USAID/T. Project assistance is also too narrowly defined to effectively support and coordinate all of the activities under the four participating institutions. For example if project assistance was used, all of the individual activities related to road construction, in-country training programs, and equipment purchases undertaken by the MWC, PMO, MLGC, and MFEAP would require scheduling, costing and tracking by the project. While this is not impossible it would be both difficult and complex. Finally, the planning requirements of project assistance would not provide the flexibility of addressing unanticipated changes (and corresponding financial requirements) which normally result from policy reforms. For instance, if additional financial resources are required for staff training under project assistance an amendment to the project paper and grant agreement would be required. Under program assistance local currency could be allocated without modifying either of these documents.

Program assistance is the most appropriate vehicle for addressing the major policy issues raised by the reorganization of institutional responsibilities for rural roads, increasing the share of resources (especially recurrent finances) allocated to the roads sub-sector, and expanding private sector participation in road rehabilitation. Program assistance also provides a mechanism for delivering foreign exchange financing to the private sector.

In order to achieve the goals and objectvies of ATAP program assistance will be employed. ATAP Program Assistance, in this case, is predominantly program assistance but also contains a complementary project component to overcome specific and discrete institutional constraints which stand in the way of the targetted policy and institutional reforms.

3.3.2 Program Components

The Tanzania Agricultural Transport Assistance Program (ATAP) is structured into two parts: a Program Assistance Component(Commodity Import Program); and, a Technical Assistance and Training Component (Projectized). Both components will be used to achieve common performance objectives for the Tanzanian road sub-sector.

The Program Assistance (SA) Component will require the largest share of ATAP resources and is designed to: 1) provide foreign exchange financing for transport equipment, spare parts, and related technical services; 2) link the foreign exchange financing to GOT progress on implementing sub-sectoral policy reforms including consolidating the institutional responsibilities for rural roads, increasing recurrent financing for rural road rehabilitation and maintenance, and expanding the use of private sector contractors for rural road rehabilitation; and 3) increase domestic financial resources for the road sub-sector by programming counterpart generations.

The Technical Assistance and Training Component will be used to provide the GOT with specialist skills to establish new procedures and improve the technical capabilities of staff in order to achieve the overall Program objectives. This component will be used by the GOT for: technical consultancies, training, the development of management systems, and policy analysis. The Technical Assistance and Training Component will have a separate allocation of funding. The Technical Assistance and Training Component will be collaboratively administered by the GOT and USAID for the identified technical assistance and training activities.

3.4 Description of Program Objectives

3.4.1 Program Objective 1: To Consolidate the Technical, Financial, and Administrative Responsibilities for Rural Roads

3.4.1.1 Description of the Objective

The key to improved GOT road development and maintenance activities is an institutional structure which can direct and coordinate the three participating ministries in the roads sub-sector: the Ministry of Communications and Works, the Ministry of Local Government and Cooperatives, and to the Prime Minister's Office. A strong central voice is required to establish a national strategy for roads and set

national priorities. This issue has been extremely sensitive in Tanzania in that any proposal to consolidate Government functions risks contradicting decentralization - one of the cornerstones of Tanzania's political philosophy held as virtually axiomatic for over 15 years. After considerable review and discussion, the GOT has agreed to bring the coordination, guidance and technical control for all classes of roads under the MCW. It will take even greater political resolve to implement this decision and significant additional resources to develop a workable system which provides a role for both MCW and local authorities.

The first objective of ATAP is to consolidate the technical, financial, and administrative responsibilities for rural roads construction and maintenance. This objective directly supports the policy decision of the GOT to strengthen MCW's responsibilities for the country's roads and provides resources to implement this new policy.

Disbursement of the Program Assistance funding will be conditioned upon evidence that the GOT has formed a Rural Road Division (RRD) within the MCW (initially in the Ministry Headquarters) with overall authority to plan, budget, and implement a rational development and maintenance program for rural roads.

The Rural Roads Division will have the following functions and responsibilities:

-Authority for setting policy guidelines, developing the priorities and strategy for implementation, and issuing procedures for execution of rural road rehabilitation and maintenance.

-While the preparation of the annual budget for the rural road maintenance program will continue to be the responsibility of the district and regional officials representing the PMO and MLGC, the RRD will participate and advise during the complete cycle to ensure that the budget fully reflects the cost of the work to be done and the implementation capacity of the institutions involved.

-Responsibility for staff supervision and development which will include staff postings, career development for professional staff, advisory and disciplinary communications.

The successful achievement of ATAP Objective 1 will result in: a) clear institutional responsibility for rural roads; b) improved and representative budget submissions, c) greater morale and incentives within the professional cadre, d) improved utilization of available resources, and e) systematic maintenance of the rural road network.

3.4.1.2 Relation of the Objective to Constraint

The establishment of the Rural Roads Division within the MCW is the most effective means of addressing the constraint of fragmented institutional structure for rural road rehabilitation and

maintenance. The RRD will provide the institutional mechanism for consolidating the technical, financial, and administrative responsibilities for rural roads.

3.4.1.3 AID Resources Required To Achieve Objective 1

When the RRD is established, a great deal of effort will be required to make it a functional organization. Its broad mandate as a planning and strategy unit will need to be balanced by its operational role as an advisor and liaison office to regional and district authorities. It is extremely important that this new organization, which bridges central and local governments, gets off to a good start. The MCW has requested that the ATAP component provide short term technical assistance, training, and limited commodity support to assist the RRD. The following areas of assistance will be financed from the TA and Training component.

Maintenance Management Short-term technical assistance will be provided to the RRD to develop a management system for maintaining rural roads. Preparation of an annual work plan in the targeted regions and districts will be the prime focus. In conjunction with this planning exercise, the consultants will train the RRD staff in the techniques of maintenance management. (US$60,000)

Road Inventory The National Transport Policy charged the regional and district rural road offices with the responsibility for preparing and maintaining an inventory of roads which identifies physical characteristics of the rural road network. Short term technical assistance will be provided to establish a methodology for preparing the road inventory and undertaking the initial investigations on the rural road network. The format will be suitable for updating at regular intervals or when improvements to a road warrant. (US$240,000)

Training The recent efforts to fully staff the MCW professional positions (vacancies in professional positions dropped from 55% to 10% over the last year) underscores the need to train the new staff. Short-term technical assistance will be available to assist the RRD to identify changes in policy, courses and focus to meet the needs of rural road maintenance. Consultants will also examine opportunities for incorporating the existing training programs taking place on donor-funded sites into the overall training program of the MCW. Other short term consultants may be required to work with MCW staff on specific topics of interest and/or hold in-country training courses. Recognizing the need to further train the supervisory staff in road maintenance management and technical methods, short term training courses in third country training facilities in east and southern africa would be beneficial.(US$250,000)

Donor Coordination The Planning and Research Unit within the MCW has requested assistance in developing a coordinating role of donor assistance to the road sub-sector. Short term

technical assistance will assist the GOT to establish a management system that meets the requirements of the MCW intracking donor projects and financing. Limited commodity support may also be required to maintain data. (US$75,000).

3.4.1.4 GOT Contribution

The GOT contribution, with respect to achieving this objective, includes: the recurrent costs of the RRD including salaries and operations costs; limited amounts of the Regional Administration and District Council roads budgets; and the in-country cost associated with the training courses and support program-financed consultants.

GOT owned local currency, generated under the CIP component, will be used to support Program Objective 1. Specifically, counterpart funds will be utilized to support the recurrent budget of the Rural Road Division, the in-country training activities for the MCW and the Rural Road Division, survey costs, and publication of information.

3.4.2 Program Objective 2: To Increase GOT Budget Allocations for Road Maintenance

3.4.2.1 Description of the Objective

As noted above, Tanzania's road network has seriously deteriorated because of inadequate, or in some cases neglected maintenance. As a result, massive rehabilitation and extensive maintenance is required on roads throughout the country. This effort will require substantially more financial resources than Tanzania currently has available. At the 1987 Donors Transport Conference, the GOT requested external financing to put its road network back in order. It appears that substantial donor funding for the roads sub-sector will be forthcoming. The second objective of ATAP is to increase GOT budget allocations for road maintenance, so that once the road network is rehabilitated, adequate domestic financing is available to maintain it.

The GOT's 1988/89 recurrent budget for road maintenance is estimated to be the equivalent of $ 12.8 million, $5.6 million for trunk roads and $ 7.2 million for rural roads. It is estimated that $ 9.8 million (in this year's prices) is required to maintain the 10,000 km trunk road system. According to a recent study on agricultural feeder roads, 50,000 kms of rural roads would have to be maintained annually. Under such a program, the price tag for maintaining rural roads is the equivalent of $ 8.75 million per annum in this year's prices. Therefore, based on this year's budget, there is a shortfall of domestic financing for maintenance which is equal to $5.75 million (Requirements $18.55 million less budget $12.8 million). It is likely that this shortfall is even more severe than it appears since not all of the trunk roads can be maintained in their present state and the estimate for maintaining rural roads is

based upon a national average cost and not road specific data which is believed to be higher.

Funding could be available for financing this shortfall from revenues collected by the GOT from road users. Based on GOT documents, it is estimated that road users will contribute the equivalent of $40 million in 1988/89 in the form of road tolls, import duties on vehicles, sales taxes on fuel, spares and tires, and road licensing fees. These funds go directly to the Government Treasury. The aim of the second objective of ATAP is to increase the GOT budget allocation for maintenance, if not from these user fees, then from other general revenues.

The disbursement of the Sector Assistance Component funding will be conditioned upon the GOT preparing a plan for financing and implementing an adequate maintenance program for its classified road network. It is anticipated that a ten year time frame will be required. The plan will consist of two parts: the first part will identify the priority roads which will require maintenance; and, the second part will match these maintenance requirements against available funds and overall implementation capacity.

The successful implementation of this objective will result in: a) increasing the share of national resources allocated to the roads sub-sector; identifying financing to maintain the roads which are currently undergoing expensive rehabilitation; and developing a plan for the GOT to assume full responsibility for recurrent costs of the road infrastructure.

3.4.2.2 Relation of the Objective to Constraint

The objective of increasing the GOT budget for road maintenance is both a significant and realistic step in overcoming the current inadequate financing budgeted for road rehabilitation and maintenance. The requirement that the GOT prepare a financing plan for increasing its contribution for road maintenance is the most effective means to: come to grips with the actual maintenance costs; identify the GOT priorities for road financing; and, allocate current financing as well as to identify funding for future years.

3.4.2.3 AID Resources Required to Achieve Objective 2

Much of the detailed information on recurrent costs for rural roads will be developed by the RRD. It is very likely that short-term technical assistance may be required to collect and analyze budget data or to train local authorities in budget preparation. The following assistance will be financed from the TA and Training Component:

Performance Budgeting During the preparation of annual budgets, short term training will be provided to assist the district and regional administration of the selected regions in preparing a budget that will reflect the requirements of the local authorities and the capabilities of the RRD for implementation. The TA team would work closely with all levels of the RRD during this exercise. (US$60,000)

3.4.2.4 GOT Contribution

The GOT contribution with respect to achieving this objective includes all the recurrent costs required to maintain the classified road network.

3.4.3 Program Objective 3: To Expand the Use of Private Sector Firms To Supplement Force Account Road Rehabilitation and Maintenance Resources

3.4.3.1 Description of the Objective

In order to put Tanzania's road network back into satisfactory condition, the GOT will be required to employ its limited resources - funds, manpower, equipment, etc. - for both rehabilitating and maintaining significant portions of the road network. The force account approach, normally applied by the GOT, will not be adequate, nor effective, to undertake an effort of this magnitude. The aim of Objective 3 is to expand the use of private firms to supplement force account road rehabilitation and maintenance resources.

The GOT has adopted a general policy of employing private sector firms on road rehabilitation contracts. Under the IBRD's Sixth Highway Project, several contracts are being let for trunk road rehabilitation. The 1987 USAID AEPRP Program required that the GOT open all procurement of major road rehabilitation services to bidding by private sector contractors and to award a substantial number of road rehabilitation contracts to private sector firms. Due to implementation bottlenecks no private sector contracts have yet been awarded.

The disbursement of Sector Assistance funding will be conditioned upon the GOT awarding the equivalent of $ 1.0 million in road rehabilitation contracts for gravel/earth roads to private sector firms.

In order to meet the requirements of ATAP Objective 3, by the end of the program it is expected that:

-The capacity of the GOT to award road contracts will be expanded;

-Local contractors will be awarded contracts, on a competitive basis, for 500 kms rehabilitation of rural roads.

-The contracting capabilities within the RRD will be expanded and improved. Adequate staffing will be in place to maintain contracting with private firms. The contracting experience gained in the rehabilitation of rural roads will be passed on to other periodic and recurrent maintenance measures.

The successful achievement of this objective will result in: a) increasing national resources including finance, personnel, and management for the roads sub-sector; b) expanding private sector participation in economic development; and, c) enabling the GOT to redirect more of its own resources to the critical area of routine maintenance.

3.4.3.2 Relation of the Objective to Constraint

The objective of expanding the use of private sector firms to supplement force account road rehabilitation and maintenance resources offers a viable approach for overcoming the limited road works capacity in Tanzania. While this objective is primarily focused on awarding road repair contracts to private sector firms, ATAP will attempt to capitalize on other opportunities for using private sector resources, such as private garages, to increase the efficiency of the roads sub-sector.

3.4.3.3 AID Resources Required to Achieve Objective 3

The primary focus of the Sector Assistance Component is to make foreign exchange available for the importation of equipment and spare parts required to support the road transport sub-sector. This will directly improve the availability of heavy equipment and trucks for private contractors who wish to participate road repair and development.

To achieve the ATAP and AEPRP objectives, it is critically important that GOT's administrative capacity to award road contracts be expanded. The Technical Assistance and Training Component of ATAP will be used to assist the GOT, through the RRD, to develop procedures for contracting out the rehabilitation of gravel and earth roads.

Contract Administration Due to the limited capacity within the MCW for engaging in contract negotiations and managing contracts for rural roads, ATAP will fund a Contracting Specialist under a three year technical assistance arrangement. The Contracting Specialist will work within the MCW and RDD to prepare, award and manage rural roads contracts. This will include formalizing the tender documents and briefing local A and E firms if used. Limited short term technical assistance may be required to fill this function until a long term person can be identified and contracted. It is anticipated that the GOT's institutional capacity to rehabilitate and repair roads will be significantly enhanced by developing and refining GOT contracting procedures and training a counterpart to the Contracting Specialist.($750,000)

Repair and Servicing of Equipment The ability of private sector firms to meet the requirements of road contracts will depend upon maintaining high rates of availability for their road equipment. The transport fleet in the private sector is currently being maintained by private sector workshops and service facilities. At the same time, the number of equipment and vehicles owned by to the public sector for rehabilitation and maintenance of roads has been alarmingly low. The GOT is currently working with the IBRD to repair public sector vehicles in seven central zonal workshops.

Short term technical assistance will conduct an assessment of the private sector capacity to overhaul, rehabilitate and maintain the equipment fleet. This consultancy will recommend methods of assisting private sector workshops ($90,000).

3.4.3.5 GOT Contribution

The GOT contribution for this objective will include the financing of rehabilitation contracts, and the administrative costs of the Regional and District Engineers who will supervise the private sector contractors.

The majority of GOT owned local currency, generated under the CIP component, will be used to support Program Objective 3. Specifically, counterpart funds will be used to finance contracts for rehabilitation of rural roads, repairs, and servicing of road construction and maintenance equipment. The GOT will also be encouraged to use these funds for contracting private sector consulting services to monitor construction progress.

3.5 Financial Planning and Management

3.5.1 Construction of Cost Estimates

The construction of the cost estimates for preparing the budget for ATAP differs significantly between the two components of the program. There are no cost estimates for the Sector Assistance Component as it is planned as a Commodity Import Program for financing foreign exchange costs of imports in the transport sector.

The Technical Assistance and Training Component budget estimates have been developed with specific quantities of inputs and corresponding costs phased over the five-year life of the Program. Levels of effort may vary from year to year from those included in Annex E but the overall funding level and quantities of inputs are expected to remain firm.

3.5.2. Projected Uses of Funds

The AID financial plan for ATAP Program is presented on the next page in Budget Table 1.

3.5.3 GOT Contribution

The GOT contribution to ATAP has been described in relation to each of the program objectives above. This information is summarized in Budget Table 5 on page 37.

3.5.4. USAID Contribution

The Sector Assistance funds for the CIP will be available in one tranche when the GOT satisfies the conditions precedent for the Program Grant as listed in Section 6.1 of this PAAD.. The funds budgeted for the Technical Assistance and Training Component will be provided through direct-AID contracts after the signing of the Grant Agreement.

3.6 Implementation and Absorptive Capacity of the GOT

3.6.1 Implementation Capacity

Over the many years that USAID has supported development programs in Tanzania, the GOT has demonstrated the capability to implement development activities of similar size and nature to ATAP. The GOT generally provides adequate and appropriate controls of USAID's and other donor funds. As noted above, over the last eighteen months the GOT has significantly increased its staffing and financing in the transport sector. It is now operating a CIP-like activity under the AEPRP and will have no major difficulties in modifying its procedures to implement the Commodity Import Program planned under ATAP. With respect to the GOT's ability to carry out the reform program, the conditionality associated with the establishment of a new Rural Roads Division is expected to markedly increase the MCW's implementation capacity. The technical capabilities of the implementing ministries have also been examined as part of the design of this program and have been found to be generally adequate to implement the program. (See Annex D) Financing for specialist technicians has been provided in those areas where they may be required.

The program design does not anticipate any significant problems in the GOT's implementation of the Program. However, USAID/T is well aware of the various delays which are likely to occur related to setting up a new institution, issuing contracts to private sector firms, and establishing donor coordination in the sub-sector.

3.6.2. Absorptive Capacity

From all indications, including discussions with public and private sector representatives as well as this year's experience with the AEPRP, there are no doubts concerning Tanzania's requirements and capacity to absorb several times the amount of the proposed program. During recent years imports have been restricted by the shortage of foreign exchange. This has been especially true for capital goods where 1986 imports were only slightly more than half of the volume imported in 1980. During 1980 motor vehicle imports were valued at the equivalent of $110.4 million. As a result there is a considerable pent-up demand for foreign exchange in the road transport sub-sector. There is not likely, however to be strong demand for U.S. products, probably less than 20% of the total value of the CIP. Historically, U.S. firms have not developed or maintained commercial and trading ties with Tanzania. In 1986, the U.S. accounted for only 4% of Tanzania's imports and 3% of its

exports. With respect to the local currencies generated by the counterpart deposits, these represent less than 45% of the GOT budget for road maintenance for a single year. It is estimated that the total grant of $7.2 million will at most represent 2.5% of all expenditures planned in the sub-sector over the next five years.

3.7 Relationship of Program to AID Policies

3.7.1. AID Policy for Private Enterprise Development

The A.I.D. Policy Paper on Private Enterprise Development (March 1985) states that "the overriding intent of A.I.D.'s private enterprise policy is to promote the establishment of a climate conducive to LDC private sector activity; it is not intended primarily to finance the establishment of individual business entities per se." Thus, the proposed sector grant provides AID assistance within the framework of the Agency's Private Sector Policy.

3.7.2 AID Policy for Recurrent Costs

The A.I.D. Policy Paper on Recurrent Cost (September 1982) recognizes that many of the poorest countries in the world, particularly those in sub-Saharan Africa, are not allocating adequate budgetary resources to finance the recurrent cost of their development investments. The Policy states that "If road repairs are underfinanced even though they are more valuable to the economy than new projects which are being financed then there is a recurrent cost problem." AID Policy also suggest that in most cases this occurs because of poor host country policy choices. When this is the case AID's policy is to: 1) attempt to persuade governments to make necessary reforms; 2) enlist the support of the donor community for policy reform; and, 3) provide technical assistance in the form of expertise and training to support reforms including such areas as fiscal policies and administration. In this respect, the proposed sector grant providing AID assistance, as described above, is within the framework of the Agency's Recurrent Cost Policy.

4.0 PROGRAM IMPLEMENTATION

4.1 Implementation Responsibilities

4.1.1 Government of Tanzania

The implementation of the Program Grant and the Technical Assistance and Training Grant will be the responsibility of the Government of Tanzania. The Ministry of Finance, Economic Affairs and Planning will be responsible for coordinating programs financed by the sector grant. The Ministry of Communications and Works will be executing agent for the roads activities. Specific responsibilities for each ministry are outlined below:

Ministry of Finance, Economic Affairs and Planning

- Examining and approving the AID program grant proposal
- Negotiating and signing the grant agreement

- Advising implementing ministries of the terms and conditions of the grant agreement

- Meeting the conditions precedent to disbursement

- Evaluating and determining priority activities to be financed using resources provided through the grant

- Approving any modifications in activities to be financed by the grant agreement

- Monitoring and reporting to AID on the progress towards attainment of the program objectives

- Scheduling the Semi-annual Review Meetings and ensuring that the recommendations of those meetings are implemented

- Authorizing implementing ministries to commence incurring expenditures against items covered in the Annual Budget

- Receiving and reviewing monthly statements of expenditures from the implementing ministries

- Accounting for grant expenditures and disbursements expenditures and disbursements to the GOT and AID.

Ministry of Communications and Works

- Preparing justification and supporting documentation (including budgeting) for activities to be financed under the grant.

- Establishing and monitoring the targets for the performance indicators in conjunction with the PMO and MLGC

- Preparing the necessary documentation and justification required by the GOT to procure commodities and services financed by the program

- Preparing quarterly progress reports for submission to MFEAP

- Participating in the Semi-annual Review Meeting

Ministry of Local Government and Cooperatives

- Preparing justification and supporting documentation (including budgets) for activities to be financed under the grant in conjunction with the District Councils

- Establishing and monitoring the targets for the performance indicators in conjunction with the MCW

- Participation in the Semi-annual Review Meetings

Prime Minister's Office

- Preparing justification and supporting documentation (including budgets) for activities to be financed under the grant in conjunction with the Regional Administrations

- Establishing and monitoring the targets for the performance indicators in conjunction with the MCW

- Participating in the Semi-annual Review Meetings

4.1.2 United States Agency for International Development

The primary role of USAID/Tanzania will be to monitor and evaluate the progress of the GOT in achieving ATAP's objectives in the roads sub-sector and, in particular, the progress of the GOT in meeting the the mutually agreed performance targets. This role will be primarily performed through the semi-annual review meetings with the GOT which are described below. USAID staff will also make periodic site visits and hold discussions with individuals directly responsible for the activities supported under the grant.

In order to carry out this role, USAID/Tanzania will establish an internal program committee to manage and monitor AID inputs for ATAP. The Committee will be chaired by the Representative. Members of the Committee will be the Controller, Road Engineer, Food and Agricultural Officer, and Project Development Officer. It should be pointed out that USAID/Tanzania's management functions are significantly different between the two components. For the CIP Component, USAID/Tanzania will be monitoring program objectives and the progress of the GOT in meeting the performance targets. The USAID will have traditional management responsibility for the Technical Assistance and Training Component. Local currencies generated under the CIP Component will be jointly programmed by the GOT and USAID.

4.2 Implementation Procedures

The design of ATAP provides for two quite different types of financing: a Commodity Import Program Component; and, the Technical Assistance and Training Component. The details of each are described below.

4.2.1 Procedures for the Commodity Import Program Component

The United States' principal contribution to this program will be an $5.2 million Commodity Import Program. USAID/T has requested AID/W to modify standard CIP procedures in order to improve the efficiency and effectiveness of the CIP under DFA funding and more clearly relate to the present import financing procedures developed under the FY 1987 AEPRP. A delegation from M/SER/OP to REDSO/ESA to approve Form 11s for non-U.S. commodities has been requested and will be transmitted separately. A blanket determination of non-availability of U.S. Flag vessels for offshore procurement as well as for whatever U.S. coastal ranges do not provide U.S Flag service has also been requested and will be transmitted separately, specifying its parameters. For non-U.S. commodities the REDSO/ESA

CMO will perform the post-audits for reasonable price and compliance with other Regulation One provisions that are usually performed by AID/W. Code 935 is normally authorized for DFA activities, and AID/W does not have readily available information to review Form 11s or perform post-audits for non-U.S. commodities.

U.S. Dollar funds made available under the Grant Agreement will be allocated to private and public sector entities to import (1) road construction equipment and spare parts; (2) truck spare parts and tires including raw materials for retreading tires; (3) tools and equipment for truck and road repair work; (4) raw materials for fabricating and reconditioning spare parts for road rehabilitation equipment; and (5) ancillary equipment permitting fuller or more efficient use of primary equipment (e.g., forklifts for loading trucks).

Commodities financed under this Grant must have been manufactured or produced in, and consigned or shipped to Tanzania from a country described as a Free World country as per A.I.D. Geographic Code 935, which includes the U.S., Western Europe, Japan and many developing countries. The supplier of the commodities must also be a citizen of, or a business or corporation licensed in, an A.I.D. Geographic Code 935 country. Additionally, commodities may be shipped, transported or air freighted in a vessel, aircraft or vehicle which bears the flag or registration of a country or area included in A.I.D. Geographic Code 935, provided that the requirement of cargo preference are met or a determination of non-availability has been approved by M/SER/OP/TRANS. To the extent practical, commodities of U.S. source and origin and suppliers of U.S. nationality will be used.

The proceeds of the grant must be disbursed within a 24 month period after the grant is obligated. The terminal disbursement date, therefore, will be set 24 months from the grant agreement date and the terminal date for requesting disbursement authorizations will be set at 18 months from the grant agreement date.

The Bank of Tanzania (BOT) will provide A.I.D. with a brief quarterly report of all transactions financed by the Commodity Import Program. This report will list the letters of credit issued, the values of the letters of credit, the name of the importer, the name of the exporter, the types of goods financed, and the source of the country of the goods.

4.2.2 Procedures for the Technical Assistance and Training Component

The purpose of the Technical Assistance and Training Component is to provide technician services and specialist technical training for Tanzanian staff which is required by the GOT to achieve the objectives of ATAP. This Component will be financed on the basis of annual workplans prepared by the GOT, programmed to achieve specific targets, and monitored with respect to the impact of the financed inputs on the achievement of program objectives.

The technical assistance requirements for the first year have been programmed in this document. The technical assistance requirements for the following years will be based upon the jointly approved

annual workplan, type, timing and cost of TA and training resources required over the next year to achieve program objectives.

It is planned that these funds will be disbursed through direct AID contracting and payment procedures for both dollar and local currency costs. No host country contracting is planned with respect to AID funds. This decision is based upon several factors. First, direct AID contracting will be especially valuable for facilitating the policy dialogue which is designed as a central objective of ATAP. Specifically, direct AID contracting will provide USAID/T with a mechanism for participating in and influencing the direction and pace of the overall program. Second, while the GOT can award technical assistance contracts, it has been identified as a weak area in the institutional analysis contained in Annex D. The GOT cannot provide the contract administration and audit capability required for the proposed institutional contract. At the same time, USAID/T does not have the sufficient staff with the necessary procurement skills to develop the GOT capability to administer foreign exchange funded technical assistance and training contracts. As an aside, host country contracting for the TA and Training Component would likely detract from a principal focus of the program which is to strengthen GOT contracting with local private sector road construction firms.

4.2.3 Procedures for Local Currency Generated from the Commodity Import Program

The Ministry of Finance will be responsible for accounting for and reporting on the use of local currencies generated from the Commodity Import Program and deposited at the Cooperative and Rural Development Bank (CRDB) under a Special Local Currency Account.

A Joint Committee shall be formed to administer this Special Local Currency Account. The Committee shall be composed of representatives from the Ministry of Finance, the Ministry of Communication and Works, the Prime Minister's Office, the Ministry of Local Government and Cooperatives, the Ministry of Agriculture and Livestock Development, and USAID/Tanzania.

Local currency generated from the CIP will be programmed at the budget line item level for programs which are supportive of the overall objectives of ATAP. Specifically, they will be used for financing road rehabilitation contracting with the private sector, staff training, the institutional development of the RRD, and programs which assist to improve the maintenance capabilities of the local authorities.

The Committee will review and approve disbursements from the Special Account. Disbursement will be made to the budget line item level. The Committee will also review the progress of programs financed from the Account and, from time to time, make site visits to confirm implementation.

Executing agencies will keep accounts in such a way that the expenditure of local currencies held by them can be audited.

4.2.4 Procurement Plan

A.I.D. Modified procurement rules will be applied to the CIP component of the program. The technical assistance and training component is subject to AID procurement rules.

All procurement under the program shall be in accordance with Delegation of Authority 551, Section 5.K, and the AA/AFR approved DFA Procurement Policy Recommendations and Africa Bureau Instructions dated April 4, 1988. Accordingly, AID Geographic Code 935 is the authorized code for source and origin of goods, including motor vehicles, nationality of all services procured under the TA and Training Component, and ocean transportation services, provided that cargo preference requirements are complied with or a determination of non-availability obtained. No procurement waivers are required. Notwithstanding, all procurement under the subject Program component shall adhere to the following order of preferences: (1) Code 000; (2) Host Country; (3) Code 941; and, (4) Code 935.

In terms of technician services, ATAP will finance both long-term and short-term technical assistance positions. The long-term advisor position and short-term consultants identified in this document (See Annex F) will be contracted directly by USAID under an Institutional Contract for a three year period. A single management unit would be preferable both to reduce the Mission's workload and to develop a relationship with the GOT.

In consideration of the requirements of the Gray Amendment, the Mission will first request the assistance of AFR/PD to identify any minority or women owned firms which could provide the required services. If this search is not fruitful, full and open competitive bidding procedures will be employed.

The Technical Assistance and Training Component will also finance short term training in other developing countries. All training requirements will be identified and reviewed in the context of the annual workplan. For external training requests, these will be processed through normal GOT procedures.

Project commodities imported for the TA and Training Component will be shipped on the basis of CIF destination. Suppliers will be required to obtain all risk marine insurance. AID's shipping and marking requirements will be observed. USAID/T will be responsible for monitoring and inspecting arrivals, clearing project commodities from customs and preparing receiving reports. A list of commodities is attached in Annex E.

4.2.5 Disbursement Mechanisms

4.2.5.1 Establishment of Letters of Commitment

Upon satisfaction of the conditions precedent to disbursement of the Sector CIP Component, the GOT will submit to USAID/Tanzania a financing request to provide foreign exchange through the Commodity Import Program. Based on this request, USAID/T will prepare a

Financing Request (Form A.I.D. 1130-2) which is used to direct A.I.D./Washington to issue a Letter of Commitment to an an approved U.S. Commercial Bank in favor of the National Bank of Commerce.

Such letters will commit A.I.D. to reimburse the bank(s) on behalf of the GOT for payments made by the banks to suppliers or contractors pursuant to documentation requirements stipulated by A.I.D. in the grant agreement.

4.2.5.2 Establishment of Special Local Currency Account

The GOT through the CRDB will officially inform the MFEAP of the establishment of two Special Local Currency Accounts (SLCAs) which will be used exclusively for depositing the Tanzanian shillings to be generated from importation of eligible items covered by the grant.

One of the SLCAs will be a "short term deposit account" which bears interest and the other a "current account" which does not. The current account will be used for transactions and will be kept at a minimum balance of Tshs 1,000, amounts being drawn into it from the "short term deposit account" as demands are made by the MFEAP/A.I.D. for payment. This two account system is in keeping with the GOT procedures and structure of the AEPRP Cash Grant.

The Government will provide quarterly reports to AID on the status of the local currency special accounts showing the amounts deposited, withdrawn, and the balance in the account supported by a copy of the bank statements.

4.2.6 Payment Verification Plan

USAID/Tanzania will implement all categories of the Technical Assistance and Training Component through direct contracting and direct payment for both dollar and foreign exchange costs. These implementation and payment methods conform to the Mission's current policies on program financing and implementation as well as AID's preferred policies. In the event other implementation methods are found to be preferable during the life of the program, funds have been provided for the necessary review/audits to confirm the adequacy of the implementing entities' capabilities and procedures. The proposed methods for implementing and financing the activities planned under the TA and Training Component are contained in Chart 1 below.

4.2.7 Audits

All expenditures made by the GOT are included in the Appropriation Account which is audited annually by the GOT Auditor General. This audit is a statutory requirement to ensure financial compliance with applicable laws and regulations. In addition, the TA and Training Component budget includes funds for USAID review and external audits as may be necessary during the life of the program. Any non-federal audit will be initiated through AID's Regional Inspector General (RIG/A/N) Office in Nairobi.

4.2.8 Program Completion Date

The Program Completion Date for the Tanzania Agricultural Transport Assistance Program is September 1, 1993.

4.3 Monitoring and Evaluation

The monitoring and evaluation system for ATAP is based upon Program Review Meetings, interim assessments, a mid-term evaluation, and a final evaluation. These tools will be used to measure program performance against benchmark indicators anticipated in program design.

CHART 1
METHODS OF IMPLEMENTATION AND FINANCING

METHOD OF CATEGORY	METHOD OF IMPLEMENTATION	AMOUNT U.S. FINANCING	($ 000'S)
SECTOR COMPONENT			
Commodity Import Program	CIP	Bank Letters of Commitment	5,200
TA AND TRAINING COMPONENT			
TA - Long Term	Direct AID Contract	Direct Payment	750
TA - Short Term	Direct AID Contract	Direct Payment	605
Training- Short Term	Direct AID Contract	Direct Payment	195
Commodities	Direct AID Contract	Direct Payment	125
Studies/Evaluations	Direct AID Contract	Direct Payment	100
Contingencies/Inflation	(Through other items above)		225
TOTAL			2,000

4.3.1 USAID-GOT Program Review

Program review meetings will be the principal mechanism for coordinating joint GOT and USAID/Tanzania management and monitoring of ATAP. These review meetings will be used as formal check points for the informal, USAID and GOT day-to-day management of the program. These meetings will be convened semi-annually. The Program Review Meetings will be chaired by the Permanent Secretary, Ministry of Communications and Works. Members of this review meeting will include representatives from the Ministry of Communications and Works, Prime Ministers Office, Ministry of Local Government and Cooperatives, and the Ministry of Finance, Economic Affairs, and Planning and USAID/T.

Standing agenda items for the review meetings will include: written updates on disbursement of foreign exchange under the Sector Assistance Component; progress on local currency activities in the sub-sector including any field visits made during the preceding period; progress by the GOT on meeting the performance indicators; and any proposed modifications in activities financed by ATAP. A major function of the meeting will be to identify and take steps to resolve any procedural or implementation issues. A report will be prepared by the MCW following each meeting giving the status of progress under the grant and noting any necessary corrective actions to be taken during the next quarter.

One meeting every year will be used by the GOT and USAID to: 1) review GOT progress on implementing policy and institutional reforms in the roads sub-sector; 2) review evidence that the GOT has achieved the agreed upon program performance indicators and make revisions where necessary; 3) review financial position of activities financed during the previous year under the Technical Assistance and Training Component; and, 4) review the workplan for the coming year for the activities to be financed from the Technical Assistance and Training Component.

4.3.2 Interim Assessments

Interim assessments may be required, either by AID or the GOT, to examine an unexpected bottleneck in implementation or to gather information needed to measure the impact of the program. Interim assessments may be required at any time in the five year life-of-program. Illustrative areas where interim assessments would be appropriate are listed below.

Allocation and Distribution of Foreign Exchange: Foreign exchange is critically required by the private sector to finance spares and equipment and the counterpart funds are the basis for the public sector to finance the road contracts. Should bottlenecks in the disbursement system develop it may be necessary to investigate the cause/s. At the same time, there may be reason to review the beneficiaries of the foreign exchange program and the impact of program financing on the sub-sector.

Private Sector Contracting: There are still a number of unknowns involved in establishing a private sector road construction industry in Tanzania. It will be important for ATAP to incorporate the experience of early contracts into the structure of the program. For example, it might be necessary to assess the private sector within 12-18 months of program start-up, if the RRD were tendering rehabilitation packages, but no one was bidding. Issues which might be explored include: Is the size of package too big or too small? Is the participation of the contractor location specific? Does the contractor have adequate staff, equipment, management and supervision, technical skills, and/or capital?

4.3.3. Evaluations

Evaluations will be used to measure the progress of the program in terms of its designed performance targets and against benchmark data. (See Annex I for planned performance targets and benchmark information.) A mid-term evaluation is planned 30-36 months after signing the Grant Agreements. Approximately 60 person/days will be needed to examine the extent the program is achieving its objectives. The evaluators should include persons with skills in civil engineering, management systems, and financial and accounting systems.

Some of the issues which should be examined during this evaluation include: the efficacy of the Rural Roads Division management systems and performance of long-term TA contractor within the system; the level of RRD staffing, terms of reference, and the adequacy of GOT budget allocations to the division; number of rehabilitation projects contracted to the private sector, the number of kilometers of rural road being maintained at the required standard. The final evaluation of the Program is scheduled in May 1993 to measure the impact of the program. In addition this evaluation will examine the program management issues related to the design and implementation of the sector grant approach

4.4 Implementation Schedule

The following Implementation Schedule assumes that the Program is authorized by August 31, 1988.

Item	Month	Responsible
- Grant Agreement Signed between AID and GOT	9/88	USAID/MFEAP
- Preparation of RFP for TA Contract	10/88	USAID/MCW
- Presentation of Budget Requests for Rural Roads Division	12/88	MCW/MFEAP
- Conditions Precedent to Disbursement Met	12/88	MFEAP
- First Semi-Annual Review Meeting	12/88	USAID/GOT
- Review of TA Contract Proposals	3/89	USAID
- Disbursement of Sector Component Funds	4/89	USAID/MFEAP
- Award of the TA Contract	4/89	USAID/MCW
- Second Semi-Annual Review Meeting	5/89	USAID/GOT
- Third Semi-Annual Review Meeting	11/89	USAID/GOT
- Presentation of TA and Training Workplan	11/89	USAID/GOT
- Fourth Semi-Annual Review Meeting	5/90	USAID/GOT
- Fifth Review Meeting (Semiannual)	11/90	USAID/GOT
- Presentation of TA and Training Workplan	11/90	USAID/GOT
- Mid-Term Evaluation	1/91	USAID/GOT
- Sixth Review Meeting (Semiannual)	5/91	USAID/GOT
- Seventh Review Meeting (Semiannual)	11/91	USAID/GOT
- Presentation of TA and Training Workplan	11/91	USAID/GOT

-	Eighth Review Meeting (Semiannual)	5/92	USAID/GOT
-	Ninth Review Meeting (Semiannual)	11/92	USAID/GOT
-	Presentation of TA and Training Workplan	11/92	USAID/GOT
-	Tenth Review Meeting (Semiannual)	5/93	USAID/GOT
-	Final Evaluation	5/93	USAID/GOT
-	Program Ends	9/93	

5.0 Feasibility Analyses

5.1 Social and Institutional Analyses

The Institutional Analysis indicates that the GOT has the capability to implement and sustain the policy and institutional reforms targetted by ATAP. The Ministry of Works and Communications will be the principal implementing institution for these reforms although it will be supported by the MFEAP, PMO, and MLGC. MCW was selected for this role by the GOT in its National Transport Policy. Within the MCW, two organizational units will have a direct role in the Program. The Directorate of Planning, which is an existing MCW Unit with a good track record, will provide the policy and financial skills required by the Program. The Rural Roads Division, which will be established as part of this program, will provide the technical engineering and contracting skills required to achieve ATAP objectives. The proposed organizational structure and terms of reference for the RRD appear sound however, a special GOT study scheduled for September is planned to examine it staffing, financing, and relationship to other institutions with responsibility for rural roads. Sufficient human and capital resources are available within the MCW to adequately implement the Core Rural Roads Program planned for the next five years. Recurrent financing and staff training have been identified as critical institutional issues for the long term and these will be addressed as part of ATAP.(See Annex D)

A social analysis of ATAP activities indicates that most policy and institutional reforms will have positive social impacts. In a widest sense, rural road improvements will provide rural consumers with larger amounts of goods at lower prices and expand the access of rural producers to wider markets. These results will be very valuable to the majority of rural dwellers however, there are potentially some rural producers whose market may be disrupted by improved road transport. With respect to the specific reforms, the use of private sector contractors for road rehabilitation is expected to provide greater employment opportunities for unskilled labor and potentially higher wages. Since very little road maintenance is currently carried out by force account, existing GOT work crews should not be adversely affected. Likewise, the ATAP-supported budget reforms related to recurrent financing for roads is expected to benefit the rural majority by maintaining the improvements cited above. However,for those families not served by existing roads, more maintenance is likely to mean no new roads. A narrow range of ATAP activities, related to the establishment of the Rural Roads Division has the greatest potential for adverse social and political impact. While there has been widespread bilateral consultation, and the GOT has already made the decision to

consolidate road functions in the MCW, this decision appears to reduce the planning and implementing authorities of both the District Councils and Regional Administrations. A successful rural roads program needs the participation of all three parties. ATAP addresses this potential problem area by proceeding slowly and deliberately towards the introduction of the RRD in terms of conditionality and providing short term technical resources to the RRD to deliver training and technical assistance to these local authorities.

5.2 Economic Analysis

A major aim of AID support for GOT policy and institutional reforms and import financing is improved rural roads. An economic analysis has been prepared for the program which looks at the costs and benefits of rehabilitating and maintaining feeder roads included in the GOT's Core Rural Roads Program. This analysis indicates that feeder road improvement generates an Internal Rate of Return (IRR) in excess of 35%. This translates into an annual Net Present Value (NPV) of over US $62 per kilometer.

5.3 Impact Analyses

5.3.1 Transport Sector

The most visible impact of the program will be better rural roads which initially are expected to reduce transport costs and lead to increased volume of goods carried to and from rural areas. The most direct benefits from better rural roads will be the private and public transporters which serve the rural areas. As truck speeds rise and truck maintenance requirements per kilometer drop their incomes should increase. Traders are expected to be the next group to benefit from lower transport costs. Ultimately, the benefits of lower transport costs will be passed on to rural producers and consumers.

5.3.2 Agricultural Sector

The impact of ATAP on the agricultural sector will be limited by the size of the program ($7.2 million) and by the specific regions where road improvements take place. Where the RRD is able to employ private contractors to rehabilitate rural roads and assist local authorities to maintain them, farmers should benefit from lower costs for agricultural inputs and higher prices for agricultural produce assuming transport savings are passed on to farmers. Currently, transport costs are significant comprising 17% of final price for maize. If transport costs fall relative to commodity prices, net incomes will rise and farmers will be encouraged to produce more.

5.3.3 Rural Consumption

To the extent that the Program contributes to an increase in farm incomes and lower tariffs for transport of consumer goods, rural demand for consumer goods will increase. This may adversely affect some informal sector producers whose products are not as attractive or as inexpensive as mass produced items.

5.3.4 Assessment of Risks

The design and implementation of ATAP involves certain risks which are discussed in Annex J. With respect to the program design, USAID/T has assumed: (1) rural transportation will remain a policy and budgetary priority with both the GOT and AID and (2) institutional development is more effective than directly financing road rehabilitation and maintenance. Also, because the ATAP design precedes a major IBRD Rural Roads Project and a major GOT reassessment of its road network USAID/T has risked being out in front on the rural roads development.

During the implementation of ATAP there are other risks which may influence the ultimate success of the program. For example, AID will need to ensure that it does not get too far ahead of the GOT's willingness and ability to develop and maintain rural roads. This means being able to endure slow disbursement of both foreign exchange and local currency counterpart. There is also the risk that the GOT will not be able to organize and motivate its central ministries to focus and coordinate rural road responsibilities in the MCW. Another risk is that other donors will not agree with USAID/T institutional focus for roads development. There will be a need for them to gradually eliminate financing for donor managed road projects and provide support for the training and development of the GOT road institutions. USAID/T has considered all of these risks and has determined that they are manageable.

6.0 ESSENTIAL TERMS AND CONDITIONS

In order to facilitate the implementation of the Program, the grant agreement will contain, in substance, the following essential terms and conditions.

6.1 Conditions Precedent for Program Assistance Grant

6.1.1. Conditions Precedent to Initial Disbursement

Prior to first disbursement under the $5.21 million policy reform/CIP component, or to the issuance by A.I.D. of documentation pursuant to which such disbursement may occur, except as A.I.D. may otherwise agree in writing, the Grantee shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

a. Evidence that it has established a Rural Roads Division in the Ministry of Communications and Works with national responsibility for the development, prioritization, and implementation of rural roads.

b. A Government of Tanzania-approved plan setting forth adequate measures or actions the Grantee plans to take in order to maintain its classified road network, with domestic taxes, fees, and other financing.

c. Evidence than it has awarded $1.0 million of road rehabilitation contracts for gravel and earth roads to private sector firms.

d. Evidence that the Grantee has established in the Cooperative and Rural Development Bank of Tanzania a Special Local Currency Account for the deposit of local currency under the $5.21 million grant.

6.1.3 Special Covenants for Program Assistance Grant

The Grantee shall covenant, with respect to the $5.21 million CIP grant, except as A.I.D. may otherwise agree in writing, that:

a. It will deposit or cause to be deposited in the Special Local Currency Account currency of the Republic of Tanzania in an amount equal to the U.S. dollar disbursement under the program grant, calculated at the highest rate of exchange not unlawful for any person in Tanzania. The funds in the Special Local Currency Account shall be used in support of the purposes of this program as mutually agreed by the parties, provided that at least five percent shall be made available for the needs of the United States.

b. The local currency in the Special Local Currency Account shall be additional to, and not a substitute for, the Grantee's existing budgetary resources for the roads sub-sector.

c. An environmental assessment for equipment that is clearly road rehabilitation equipment shall be conducted and the assessment's recommendations agreed to, within six months of the date of this agreement.

6.2 Covenants for the TA Grant

In order to ensure that the Program is successful, essential covenants to be included in the TA and Training Grant Agreement are, in substance, as follows:

The Grantee shall provide to AID an annual workplan indicating the level type, timing and cost of the technical assistance and training resources required over the following year to achieve the objectives of the Program.

A N N E X E S

TANZANIA AGRICULRAL TRANSPORT SECTOR GRANT
(621-0166)

A. Request for Assistance from the GOT

B. Statutory Checklist

C. Sectoral Analysis for Program Investment

D. Institutional Analysis

E. Budget Tables

F. Economic Financial Analysis of GOT Expenditure

G. Environmental Analysis

H. Job Descriptions for Technical Assistance

I. Performance Targets and Benchmarks

J. Assessment of Risks

K. Previous USAID Road Projects

L. Role of PL 480 in Roads Sub-Sector

M. Social Analysis

N. Logical Framework

ANNNEX
A

REQUEST FOR ASSISTANCE FROM THE GOT

MINISTRY OF FINANCE, ECONOMIC AFFAIRS AND PLANNING

Telephone: 21271, P.O. Box 9111,
DAR ES SALAAM.

Ref. No. TYC/E/550/7 21st July, 1988

Mr. Joseph F. Stepanek,
A.I.D. Representative,
USAID/Tanzania,
P.O.Box 9130,
DAR ES SALAAM.

Dear Mr. Stepanek,

Re: US DOLLAR 7.2 MILLION PROGRAM GRANT

The Government of the United Republic of Tanzania has been pleased to hear that the Government of the United States has proposed a US$ 7.2 million program grant to Tanzania during the 1988 US fiscal year to assist our Government in its efforts to improve its agricultural road transport system.

The proposed grant is highly desired as it will assist in enhancing our capability in the rehabilitation and maintenance of our agricultural transport system which continue to be an essential element for the success of our Economic Recovery Program.

We would therefore kindly request your assistance in securing approval from your Government of the proposed US$ 7.2 million program grant at your earliest convenience.

Yours sincerely,

M T Kibwana

M. T. Kibwana
for: PRINCIPAL SECRETARY

/am:

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ANNEX
B

STATUTORY CHECKLIST

5C(1) - COUNTRY CHECKLIST

Tanzania FY 1988

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1988 Continuing Resolution Sec. 526. Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully? No

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without NA

Clearance:
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Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country? NA

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? No

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No

6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? No

7. FAA Sec. 620(i). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? No

8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? No

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9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No

10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds?

(a) Yes, although a 620(q) waiver is in effect.

(b) No

11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

NA

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)	As of 12/31/87 Tanzania' prior year arrears was $121,494. This was taken into account by the administrator in approving the FY 1988 OYB. Tanzania is not delinquent within the meanin of article 19 of the UN charter.
14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?	No
15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)?	No
16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?	No
17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?	No
18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive	No

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device?	No
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)	Tanzania failed to disassociate itself and this was taken into consideration by the Administrat in approving the FY 1988 OYB
21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?	No
22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?	No
23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?	Yes

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?	No
FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performace of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?	NA
FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?	NA

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED? — Yes

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.

   A Congressional Notification was submitted on July 28, 1988 and expired without objection on August 12, 1988.

2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

   No legislative action required.

3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

   No, this assistance complements multilateral donor activity in the transport sector. To the extent the transport sector in Tanzania is more efficient, regional flows of goods and increased regional cooperation should result.

4.	FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	The program will encourage increased export of cash crops and import of agricultural inputs; will expand use of the private sector to rehabilitate and maintain rural roads works machinery and equipment; will encourage greater competition in the trucking industry, and will improve the efficiency of the agricultural transport industry and the private sector construction industry.
5.	FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Import program will have preference for U.S. source and origin. Technical Assistance will be primarily U.S. private sector firms, to the extent practicable.
6.	FAA Secs. 612(b), 636(h); FY 1988 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.	The U.S. does not own excess Tanzanian Shillings.
7.	FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	No
8.	FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
9.	FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?	N/A

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

N/A a. through f. (This program is financed from the Development Fund for Africa).

b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?

c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?

d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

e. FY 1988 Continuing Resolution. If assistance is in the form of a cash transfer: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currences that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. governnent as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA

would themselves be available)? (c) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

f. FY 1988 Continuing Resolution. Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

Primary goal of program is to expand the economy of agriculturalists through imporvement of rural road system. This will support the efforts of Tanzania to become an exporter of agricultural cash crops, and its efforts to find internal markets for crops produced.

Since the majority of Tanzanian women are involved in agriculture, the improvement of the agricultural transport system will be especially beneficial for this group.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extencive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

1) Yes. The goal of the program is to improve rura incomes by expanding the volume of inputs, commodities and consumer goods and reducing the costs of transport. The successful achievement of this goal is also expected to improv nutrition, reduce post harvest losses and make food distribution more efficient.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outrearch.	N/A
(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.	The training activities for the road engineer and technicians will enhance the institutional capability of MCW and private firms and will make a significant contribution to implementation of development programs in rural areas.
(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:	N/A
(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;	N/A

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;	To the extent that U.S. technical assistance is provided it will enhance U.S. technical cooperation.
(iii) research into, and evaluation of, economic development processes and techniques;	N/A
(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;	N/A
(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;	N/A
(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.	N/A
(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multi-donor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?	N/A
c. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	No-technology choice will be left to private contractor decision.

d. FAA Sec. 281(b). Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.	ATAP addresses the principal development constraint as identified by the GOT and will support GOT policy reforms and strengthen the institutional capabilities of central ministries and local authority.
e. FAA Sec. 101(a). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?	Yes, should encourage private development of underutilized agricultural resources.

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?	YES
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?	Yes

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?	A Congressional Notification was submitted on July 28, 1988 and 15-day waiting period expired without objection on August 12, 1988.
2. FAA Sec. 611(a)(1). Prior to an obligation in excess of $500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?	Yes Yes
3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?	GOT Legislative action is not required.

4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)	N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?	N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.	The project complements multilateral donor activity. Since the Project will improve the GOT's rural roads network, it will encourage regional integration and development
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.	This project will encourage international trade by improving the manageme of Tanzania's rural roads and thus facilitating the marketing of Tanzania's agricultural export crops. The project will improve the GOT's ability to awar and manage private sector road contracts, whcih wil encourage initiative and discourage parastal construction monopolies.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The majority of technical assistance will be from U.S. private firms.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The U.S. does not own local currencies.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? — No

11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? — N/A

12. FY 1988 Continuing Resolution Sec. 553. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? — No

13. FAA Sec. 119(g)(4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; — No
(b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; — No
(c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; — No
or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? — No

14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)?	N/A
15. FY 1988 Continuing Resolution. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?	N/A
16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?	N/A
17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained?	N/A
18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?	N/A
19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).	Case-Zablocki requirements will be satisfied.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?	N/A
b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and	The ulitmate aim of the program is to improve the state of the rural road network which provides inputs and consumer goods vital for the rural population and provides the means to market agricultural produce for rural farmers.

insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.	This project does not provide any special assistance to cooperatives, self help efforts, women, or encourage regional cooperation.
c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used?	Yes
d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?	No
e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?	The host country will provide at least 25% of program costs.
f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?	Yes, two evaluations and interim assessments have been planned.

g.	FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.	The project addresses Tanzania's most limiting constraint to economic reform - transport. This project supports the development of institutions which can improve the rural road network.
h.	FY 1988 Continuing Resolution Sec. 538. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?	No
	Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?	No
	Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?	No
i.	FY 1988 Continuing Resolution. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?	No
	If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?	N/A

j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?	Yes
k. FY 1988 Continuing Resolution. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?	No set asides are planned. Section 8a firms will be invited to compete in the contracting for technical assistance as prime or subcontractors.
l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?	Yes
Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared	No, this project does not include any activities which will involve tropical forests.

or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity? N/A

n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas?

No

No

o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

The project will strengthen the GOT capacity to rehabilitate and maintain rural roads. However, this assistance is not related to any specific road. This project will improve rural transport services, which are critically important for the incomes and well being of the poor rural majority. It will especially benefit rural farmers to expand and market their produce. In conjunction with the program assistance component, the project will relieve ciritical policy and institutional constraints inhibiting the management of the roads sub-sector by the GOT.

p. FY 1988 Continuing Resolution If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in

ATAP will provide direct assistance to the poor rural majoirty by improving the rural road network in accordance with the policies contained in section 102 of the FAA.

accordance with the policies contained in section 102 of the FAA; (c) being provided, when conistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

This assistance will not be provided through a PVO since rural road rehabilitation and maintenance is a legitimate function of the government. The program is especially critical for ameliorating the principal agricultural constraint - lack of transport in rural areas. The program is designed to overcome the principal constraints in roads sub-sector by improving the administration and financing for rural roads, increasing the participation of the private sector in road maintenance and rehabilitation, and providing foreign exchange to private sector transporters to purchase spare parts, tires, and other transport equipment required to expand road transport services.

ANNEX
C

SECTORAL ANALYSIS FOR PROGRAM INVESTMENT

T A N Z A N I A

PROGRAM FOR TRANSPORT SECTOR RECOVERY

1. THE TRANSPORT SECTOR

Tanzania's land area (945,000 sq km) is the tenth largest in Sub-Saharan Africa; economic activities are widely dispersed around the country and transport movements over long distances are characteristic of Tanzania's transport infrastructure. The transport sector plays a vital role in the economy, particularly in agriculture, for internal distribution and marketing of food crops as well as export of cash crops such as cotton, coffee, tea, sisal, tobacco, cashewnuts and pyrethrum. The transport infrastructure also serves as an important corridor for the external trade of five neighbouring land-locked countries: Zambia, Burundi, Rwanda, Zaire and Malawi. Roads are the predominant transport mode overall with railways taking a major share of the important import/export and international transit traffic.

The transport system comprises i) a road network of about 82,000 kms; ii) two railway systems - TRC operating about 2,640 kms of track and TAZARA (jointly owned by Tanzania and Zambia) with 970 km of track within Tanzanian territory; iii) an ocean port system operated by the Tanzania Harbours Authority (THA), centered on Dar es Salaam port with smaller ports at Tanga and Mtwara on the Indian Ocean; and iv) lake ports operated by TRC on Lake Tanganyika, Lake Victoria and on Lake Nyasa. Additionally, there are two international airports (Dar es Salaam and Kilimanjaro), eleven other paved airports and over 50 unpaved air strips. A pipe line carries crude oil from Dar es Salaam to Ndola in Zambia.

The transport sector has deteriorated over a number of years. The condition of most rural roads in Tanzania is poor and transport to villages is both difficult and costly. In many areas transport can be largely restricted to the dry season. Similarly, the trunk road network has deteriorated to such an extent that only about 40% of the network is in good condition, severely increasing the cost of transport and curtailing the movement of goods. Trucking, which carries over 70% of total domestic traffic, including haulage of all agricultural produce from the rural areas, has been allowed to deteriorate due to lack of foreign exchange to replace the aged fleet as well as to maintain the fleet in running condition with spare parts and tires. Inadequate trucking volume and low operational efficiency of the parastatal trucking fleet have prevented the trucking sector from coping with the surge in agricultural production. The railways, which are strategically located to carry a majority of long distance domestic traffic, are only able to carry 30% of the goods movement in the country. The ports, with their deteriorated berths and equipment, are unable to adequately accommodate

the import/export traffic of the country, nor compete effectively against other regional ports for transit traffic of the neighbouring landlocked countries. The deteriorated state of the transport infrastructure and the unsatisfactory operational efficiency of the sector are stalling the progress of the Government's Economic Recovery Program (EPR). Given the encouraging response of the productive sector to the Government's reform initiatives, urgent improvements to the transport system must be made to translate effectively the efforts of the people and renewed agricultural growth into economic development of the country.

The Government's objective in the transport sector is to generate immediate improvements in the supply of transport services in the first instance, followed by a more sustained growth in the capacity and the volume of services commensurate with the expansion taking place under ERP. The basic infrastructure (roads, rail tracks, ports) and operational units (locomotives, wagons and trucks) already exist, but in varying degrees of disrepair. To generate immediate gains in the available capacity, resources must be targeted towards rehabilitating and replacing the operational units. This will need to be supplemented by infrastructural rehabilitation, particularly roads, which require longer lead time to improve. The policy framework must also be sharpened to remove pricing and operational controls from both the trucking and railways subsectors to maximize the use of the existing and improved operational units.

In the past, the Government has applied various administrative mechanisms to improve transport operations, but results have fallen far short of the intended outcome. The foreign exchange shortage forced the Government to allocate essential transport inputs by an administrative system which did not yield the expected benefits; tight fiscal budget resulted in inadequate allocations for the maintenance budget causing a precipitous deterioration of the road network; the administered tariff system for the trucking sector resulted in lower transport supply for the publicly regulated sectors; and the lack of timely tariff adjustments caused the railways to operate in deficit. To counter these negative effects, the Government has recently taken important steps to improve the situation by providing necessary inputs, spares and eqiupment, strengthening management, removing certain administrative controls and increasing tariffs. However, more policy measures as well as additional resources are required if the transport sector is to play the full role required of it under the ERP.

The main problem remains the massive financial requirements of physical rehabilitation and of extending rural roads to areas of high agricultural potential. A rehabilitation and modernization program is in progress for the port of Dar es Salaam in order to increase its capacity and efficiency. An emergency relief and rehabilitation program for Tanzania Railways Corporation (TRC) is being implemented, and is scheduled for completion in 1989; thereafter, a longer-term program of improvements is

planned. A ten year development program is underway for the Tanzania-Zambia Railways (TAZARA) to increase the effective capacity of the railways to handle more traffic. Availability of trucks has improved in the past two years due to the introduction of the own-funds import program and donor financed import support program. But continued support is required to maintain the required level of truck fleet and their operations. Rehabilitation of the main roads is now getting underway, but the financial requirements for this are substantial and much more will need to be done over the next five years. To complete the national transportation network, a concentrated effort must also be made to rehabilitate rural roads where the majority of the network is in poor condition.

2. INTER-REGIONAL TRANSPORT

The local movement of goods for Tanzania totaled about 7.2 million tons in 1985/86, of which trucks carry about 6.1 million tons (85% of total traffic) and remainder by rail (TRC - 11% and TAZARA 4%). In view of the large land area and the location of the main productive areas in the country, it would be logical for a higher proportion of the traffic to be moved by rail, particularly by TRC (average truck haul is about 276 km). However, this has not materialized due to the limited carrying capacity of TRC. Many of the goods which are on offer at TRC, e.g. fuel, cotton and construction materials, have not been moved due to operational bottlenecks in the rails system (low locomotive availability and long wagon turn-around time) and unsatisfactory operational management practices.

Tanzania: Domestic Traffic
('000)

	tons	ton-km	% tons	% ton-km
Tanzania-Zambia Railways	265	220,505	4%	9%
Tanzania Railways Corp.	818	579,600	11%	23%
Truck (domestic)	6,096	1,697,469	85%	68%
	7,172	2,497,574	100%	100%

Source: MCW, IBRD and consultant studies, 1987.

The Government considers the current situation as undesirable. The cost savings which the rail system can offer for long distance transport are of strategic importance to the country's economic well-being. Furthermore, some of the transport cost-sensitive commodities, such as cotton, must be transported by rail if it is to be sold profitably on the world market.

The ongoing Emergency Recovery Program for TRC should go a long way in expanding the TRC operational capacity and to capture a larger share of the long-distance market.

In terms of inter-modal competition, there are no legislative or administrative barriers regulating the competition between the two modes. As for competition within the trucking industry, ever since the effective deregulation of the inter-regional transport market, availability of trucks in this market has significantly increased (albeit at a higher price due to the poor condition of the roads). Occasional problems, however, have been experienced in obtaining transport whenever administered rates have been applied (e.g. haulage of maize for the National Milling Corporation). Contract rates, through competitive bidding, has yielded much more satisfactory results and will encourage public entities to further their use of such system. The GOT intends to keep the current policy framework, but will further encourage the railways through active support of measures to increase its effective capacity to capture a larger part of the market. This will be done through operational improvements rather than through administrative directives.

The GOT is aware that the vehicle operating cost of trucks in Tanzania and, in consequence, the general tariffs charged by truckers have been somewhat higher than the charges of neighbouring countries. This is due to the generally poor condition of the road network in the country. Since the high transport costs have general implications for the competitiveness of Tanzanian commodities abroad, as well as domestically, the Government intends to expedite the trunk roads rehabilitation program throughout the country to bring these costs down.

3. INTRA-REGIONAL TRANSPORT AND MOVEMENT OF AGRICULTURAL PRODUCTS

The major shortage of transport capacity in the country is encountered in the intra-regional market (short-distance hauls) for movement of agricultural products. The intra-regional market is segmented into the private and the Government-regulated sectors. The main characteristics of these two segments are:

- The majority of short-distance transport is undertaken by and for the private sector; carrying, inter alia, privately traded maize, firewood, charcoal, basic building materials and consumer goods. Transport is provided by traders and shop owners with their own vehicles. The availability of trucks for this market segment has significantly improved in the past year or so due to greater availability of spare parts, fuel and new trucks (through the import support and own-funds import programs). When goods are transported on contract, the rates are usually negotiated or tendered. Administratively set tariff rates do not apply to these movements.

- The movement of agricultural produce is controlled mainly by the cooperatives and marketing boards. The tariffs are administratively set and are often significantly lower than the private market rate (30-50% below) requiring other forms of incentives to entice transporters to haul the produce. The movement is highly seasonal, requiring a large number of trucks to be mobilized in short

concentrated period (3-4 months) of the year. This situation has been further aggravated by the low availability and inefficiency of the public sector operated trucking fleet. There are significant problems in securing transport.

The problems experienced in the intra-regional movement of agricultural commodities are caused by a combination of the following factors:

i) In response to increased producer prices under the ERP, publicly marketed agricultural produce increased significantly to 500,000 tons in 1986/87. For the crop year 1986/87, cotton production increased by 60% over the previous four year average; coffee production increased by 27%; maize production increased by 20%; and tobacco production increased by 17% (additional 500,000 tons of maize was marketed through private traders).

ii) The total movement requirement of publicly marketed agricultural produce is small (500,000 tons as opposed to total surface transport movement of 7.2 million tons per annum), but due to pan-seasonal pricing, farmers market their produce immediately after harvest. Given the short period between the harvest and the rainy season (3-4 months) the transport demand has a sharp peak, requiring mobilization of over 20% of the national fleet to move less than 7% of the annual movement.

iii) The incentive to move crops during the short period is intensified by the shortage of proper storage facilities, i.e. to avoid crop losses during the rainy season;

iv) Pan-territorial pricing has contributed to a national production pattern wherein nearly 80% of the agricultural production is located in outer-perimeter of the country and far away (900 to 1,300 km) from the main market and export center in Dar es Salaam. The majority of the truck fleet is based in Dar es Salaam where the relative availability of spares, fuel and tires are significantly better than the rest of the country;

v) Intra-regional rates for movement of Government controlled crops (for the majority of export crops) are set by the Regional Tender Boards, and the set rates have been far below (60-75% below) what would economically be required to transport the goods;

vi) Traders and shop owners own a large proportion of trucks available in the rural areas and they are not attracted to carrying Government controlled produce due to a) unrealistically low tariffs; b) seasonality of demand; c) low volume of goods scattered in a wide geographical areas; d) bad road condition; e) shortage of spare parts and tires; and f) market regulation prohibiting private trading of these produce;

vii) Due to increase in economic activities stemming from liberalization, there are other intra-regional activities, e.g. haulage of, privately marketed maize, construction materials, etc, which are more profitable;

viii) Low utilization of parastatal trucks, effectively reducing the available capacity for intra-regional transport;

ix) Apparent shortage of appropriate size trucks for intra-regional transport (7-10 ton capacity), reflected by the high prices being offered for second hand trucks of this type; and

x) Poor road condition.

The combination of these factors has discouraged many potential transporters from being active in this sector. On the other hand, in the privately traded intra-regional market, e.g. charcoal and maize, the transport prices are dictated by market forces and the problem of securing transport has not been as severe.

Critical issues which need to be addressed in the intra-regional transport market are;

- Poor road condition which deter truckers from providing services;
- Existing impediments to private sector participation;
- Poor truck availability of public sector fleet due to poor vehicle management and shortage of vehicle inputs (replacement vehicles, spare parts, fuel and tire);
- Apparent shortage of appropriate size vehicles for intra-regional transport;
- Ensuring continued availability of spare parts, tires, fuel and replacement trucks;
- Pan-seasonal pricing and lack of storage facilities which create severe peaks in marketing;
- Pan-territorial pricing which encourages production without due regard for distance from the central market and cost of transport; and
- Lack of information regarding where the demand for transport is to enable truckers to make appropriate arrangements for backhauls.

4. STRATEGY FOR RECOVERY 1988-1992

4.1 Trunk Roads:

The goal for the trunk roads sector is to restore the paved and gravel road network to a level of 70% in good condition by 1992 from the current 40%. To achieve this goal, the financial allocation for rehabilitation is to be expanded, maintenance allocation is to be restored to an adequate level and certain institutional changes are to be made to enable to expanded works to be carried out. Fundamental policy and institutional recommendations embodied in the NTP are summarized below:

i) The GOT road budget will be concentrated on road maintenance and rehabilitation with a goal of achieving 70% of the trunk paved and gravel roads in good condition by 1992;

ii) The GOT will insure an adequate budget will be allocated for road maintenance, and will be adjusted to maintain the real value of the budget (creation of special road maintenance supplementary fund will be considered);

iii) In order to meet the expanded work load of road maintenance, use of local contractors will be emphasized to carry out periodic maintenance works;

iv) In order to improve the availability of road maintenance equipment, the IBRD is supporting the servicing and repair of all equipment be consolidated under seven zonal workshops;

v) In order to improve the cost effectiveness of equipment use, the IBRD is additionally supporting Plant Pools to be expanded and attached to the zonal workshops. These Plant Pools will be operated on a commercial basis, including, inter alia, hiring of eqiupment to local contractors engaged in road works; and

vi) Manpower training and development will also be strengthened, with the implementation of MCW manpower development program along with the training of RRD and MCW regional office staff.

4.1.1 Maintenance Program:

In previous years, the maintenance budget has lagged substantially behind requirements, because of Government efforts to restrain the overall expenditure growth, successive devaluations, and the lack of available foreign exchange to purchase critical inputs such as spare parts, fuel and bitumen. Despite a 34% nominal increase in the maintenance allocation in 1987/88, the current allocation is only 64% in real terms compared to the 1986/87 allocation and only 35% of the required budget to properly

maintain the network. The GOT is addressing the situation in the current budget proposal. They have identified an annual allocation of TSh 806 million (US$8.4 million) as opposed to the current level of TSh 279 million (US$ 2.9 million) to support routine and periodic maintenance programs. This action will be accompanied by the following specific measures:

i) Given the expanded workload under the proposed five-year program, additional capacity for executing road maintenance will be required. Based on the ongoing program to assist the local construction industry, the Government will formulate a program to expand the on-going use of contractors for carrying out periodic maintenance works;

ii) Given the high foreign exchange content of road maintenance operations, about 30-35% on average, allocations for maintenance will be assessed in real terms, with quarterly reviews to replenish loss of value. To achieve this, considerations will be given to creation of a special road maintenance fund through a study of the existing practice of road user charges;

iii) In order to expeditiously execute the increased maintenance operations, the Government intends to formulate a program to significantly increase the availability of road maintenance equipment and vehicles through consolidation of workshops and expansion of Plant Pools. This will entail a) consolidating the servicing of all road equipment and vehicles under seven zonal workshops, including equipment belonging to other road agencies under the Ministry of Local Government and Cooperatives and the Regional Administration; b) implementing a comprehensive equipment rehabilitation and replacement program (technical assistance is about to commence); c) upgrading and equipping of zonal workshops; d) establishing plant pools at each zonal workshops with necessary equipment and management, and operating them on a commercial basis; and e) the hiring out of equipment in the Plant Pools to contractors involved in road maintenance and rehabilitation;

iv) Manpower training and development will also be strengthened. Training requirements for MCW are quite clear but further investigation is required to identify the needs of RRD and the MCW regional office staff. Training of all roads staff will be coordinated, consolidated, managed and executed by MCW and the orientation of the Morogoro Training Center will be revised to take in more students at different levels. Courses will be revised towards more practical training with emphasis on road maintenance management, and the existing facilities will be upgraded to meet the new demand; and

v) Given the emphasis being placed on maintenance, measures will be taken to a) ensure availability of necessary information to enable

better plans and follow-up of maintenance effort; b) strengthen the maintenance teams by providing them with adequately skilled personnel and appropriate equipment; and c) ensure that maintenance work by force account teams is properly planned whereby work plans are commensurate with allocated resources, and outputs at any particular period, that matches the resources dispersed.

4.1.2 CONSTRAINTS TO THE SUB-SECTOR

Principal constraints to the implementation of a satisfactory road maintenance program on the trunk roads fall under four broad headings.

- Lack of a comprehensive maintenance program and plan for effectively maintaining the trunk road network
- Insufficient and unqualified staff at regional and supervisory positions.
- Poor availability of equipment and lack of capacity to maintain equipment at regional workshops.
- Innsufficient funding of the recurrent budget to adequately cover the requisite activities in the maintenance program.

Specificaly the constraints are:

1. No clear distinction of division of responsibility for maintenance on specific road segements.
2. No established criteria for selection or prioritizing roads for maintenance.
3. No established criteria for classification of the various types of roads.
4. No systematically established work methods or procedures for maintenance to maximize utilization of available resources
5. No quality control on materials used during maintenance operations
6. Lack of qualified staff at all levels within the road maintenance organization including engineers, supervisors, technicians, equipment operators and laborers
7. Inadequate allocation of training resources to meet the immediate and long term needs of the maintenance organization

8. Lack of preventive maintenance and repairs on road maintenance equipment

9. Poorly managed and equiped facilities for maintenance of equipment

10. Inadequatelly trained mechanics and technicians for heavy plant and equipment

11. Inadequate recurrent budget allocation for road maintenance

4.1.3 Investment Program:

The current three year program (1987-1989) is only a first step towards a full restoration of the trunk road network. Over the next five years, an expanded recovery program will be considered to improve the existing trunk roads in good condition from the current 46% to 70% for paved roads, and from 37% to 70% for gravel roads. Rehabilitation of 295 km of the TANZAM highway and about 800 km of gravel roads will commence in 1988. Under the new five-year program, further road rehabilitation will be added. Overall, the investment program will be expanded to cover additional 1,640 km of roads over the next four years (TANZAM - 180 km; paved roads - 580 km; and gravel/earth roads - 850 km). Successful execution of this program will improve the condition of the trunk paved and gravel roads to 70% being in good condition by 1992. Consistent with the strategy of recovery, new construction and upgrading will be accorded a low priority (unless the road dictates high economic priority) and that the Government will concentrate its allocation of road budget for the purposes of maintenance and rehabilitation.

4.2 Rural Roads:

The rural road network in the country is in very poor condition. In the past, the efforts to improve the rural road network was too diffused and not coordinated sufficiently to ensure proper maintenance of the network. The institutional structure to support rural roads development was weak, financial allocations for both rehabilitation and maintenance were inadequate, and coordinated effort to institutionalize proper maintenance practices and administration fell short of the massive requirements to develop and upkeep about 72,000 km of network. This has resulted in paralysis of the agricultural and other productive activities in the rural areas, effectively preventing the integration of fundamental economic activities of the country with the market economy. The strategy in the sector is to first tackle the immediate requirements of the country through concentrating the efforts in restoring and maintaining the critical roads required for marketing of agricultural commodities, with particular emphasis on export crops. This effort will require significant amount of financial commitment as well as coordinated effort in strengthening the institutional structure for maintenance and management of these roads. The fundamental policy and institutional recommendation embodied in the National Transport Policy (NTP) are detailed below:

i) Responsibility for the execution of rural roads development, rehabilitation and maintenance will be vested in MCW's Rural Roads Division (RRD). Physical execution will be managed by MCW's regional office;

ii) Planning and budgeting for rural roads will remain with the Ministry of Local Government Cooperatives and the Regional Administration. The budgeted programs will be contracted to MCW for execution;

iii) Use of contractors will be expanded to carry out most periodic maintenance and rehabilitation works;

iv) The planning and budgeting process will be streamlined at both the district and regional level and an institutional structure will be developed in MCW to ensure proper execution of programed works;

v) Servicing of all road maintenance equipment currently in possession of various road authorities will be consolidated under the Zonal Workshops of MCW;

vi) Adequate budget levels for annual maintenance of rural roads;

vii) A more coordinated practice of labour-based construction and maintenance methods will be promoted; and

viii) A systematic strategy will be prepared for manpower development and training. MCW will be responsible for planning and execution of the strategy.

As part of the NTP, the Government has formulated the first phase of a Core Rural Roads Improvement and Maintenance Program which concentrates on developing the parts of the network which would assure access to agricultural areas producing export commodities. The first phase of the Core Rural Roads Improvement and Maintenance Program will provide adequate maintenance on 6,000 km of essential roads in 8 regions, and rehabilitate 1,400 km of priority agricultural roads. This will be followed up by a second phase covering 4,000 -5,000 km including other regions and districts, of which 1,000 - 1,200 km are expected to be rehabilitated.

4.2.1 Planning and Budgeting:

The Government is committed to continuing the current policy of decentralized planning and budgeting process through the Local Governments and Regional Administrations and intends to take measures to further consolidate and streamline the present arrangement. Further consideration is being given to strengthening the self-reliance of Local Governments to fund their own road development and maintenance programs. In streamlining the planning and budgeting process, the Government will give priority to i) improvement of roads which satisfy socio-economic criteria; ii) allocation of adequate resources at the local level to maintain the roads

in satisfactory condition, and iii) developing the institutional capacity to adequately maintain, at least, all essential roads. Furthermore, construction of new roads, except for those forming parts of development projects, will be accorded low priority until the rehabilitation backlog has been significantly reduced, and an adequate level of funding for maintenance of essential roads has been achieved.

4.2.2 Investment Program:

The proposed Core Rural Roads Programs (1988/89-1991/92) will be implemented in two phases, covering over 10,000 km of roads throughout the country. The first phase will cover 24 districts, where 6,000 km of rural roads have been identified as being immediately essential to agricultural production (Agricultural Feeder Roads Study completed in September 1987). Of these roads, 1,415 km require urgent rehabilitation. The 1,415 km of road rehabilitation in the first phase of the five-year Program will be undertaken over three years, 1988/89-1990/91. The estimated cost of this program is TSh 585 million (US$8.6 million). The location of the first phase roads are shown on the attached maps. The second phase will add a further 4,000-5,000 km of essential roads and rehabilitate 1,000-1,200 km of priority agricultural roads. The list of second phase will be prepared and evaluated by June 30, 1989 for implementation in the final two years, 1990/91-1991/92. At the end of the five-year program, at least 10,000 km of essential roads should be receiving regular maintenance of which some 2,600 km would have been rehabilitated. Adequate funds will need to be provided to maintain the essential rural roads through central budget

votes, supplemented by local levies for district roads. The total annual allocation for routine maintenance operations of essential roads will be increased to US$175 per km in real terms to cover the 10,000 km. In addition, the annual budget allocation to provide minimum maintenance of the remaining 40 - 44,000 km of rural roads will need to be increased from the present TSh 4,480 (US$47) per km to TSh 7,680 (US$80) per km in real terms.

COSTS, BUDGETS AND FINANCING FOR THE MAINTENANCE OF ROADS IN TANZANIA

1. Background on Rural Road Maintenance Program

A. Objectives of the 5-year Rural Road Program

The Government's Economic Recovery Program emphasizes the need to stimulate the growth of export crops and to increase the production of food crops for which domestic supply falls short of demand. The 5-year rural roads program will concentrate on the need to assure access from the key food and cash crop producing areas for purposes of both crop evacuation to the trunk road system and railways and for distribution of inputs to farmers. This means that resources for rural roads will be assigned mainly to areas of high agricultural production.

Consequently, the Government has decided to embark on a Core Rural Roads Program which will primarily enable assured access to key agricultural areas. The Core Rural Roads Program will initially be limited to 24 districts in eight regions, and is in addition to the ongoing donor-funded road programs.

The Core Program will support adequate maintenance for essential rural roads, as well as rehabilitation of those roads which satisfy socio-economic criteria. This program over the long-term is expected to encourage traders, businesses and small-scale industries to settle in the selected areas; thus providing a productive interaction between crop producers and commodity manufacturers, since availability of goods is a decisive incentive for farmers to expand production.

B. Proposed Rural Road Rehabilitation and Maintenance Pgrogram

The proposed Core Rural Roads Program will be based on the recommendations of the Agricultural Feeder Roads Study completed in September 1987. In the 24 districts selected, about 6,000 km of rural roads were identified as being essential to agricultural production. Of these roads, 1,415 km require urgent rehabilitation. Annex C-1 summarizes by district the Core Rural Roads Program.

The 1,415 km of road rehabilitation in the first phase of the 5-year program will be undertaken over 3 years, 1988/89-90/91. The second phase of the program will add a further 4,000-5,000 km of essential roads and an additional 1,000-1,200 km of road rehabilitation. The list of second phase roads will be prepared and evaluated by June 1989 for implementation in the final 2 years: 1990/91-91/92. At the end of the 5-year program, at least 10,000 km of essential rural roads should be receiving regular maintenance of which some 2,600 would be rehabilitated. The second phase is expected to include additional districts.

The Government will provide adequate funds to maintain the essential rural roads through central budget votes, supplemented by local levies for district roads. The total annual allocation for routine maintenance operations of essential roads will average US $ 175 per km, totalling about US $ 1.0 million for 6,000 km and US $1.8 million for 10,000 km.

In addition, annual budget allocations to provide minimum maintenance of the remaining 40-44,000 km of rural roads will be increased from the present US $ 66 per km to US $ 80 per km, for a total of about US $ 3.5 million. The annual allocation for road maintenance is not expected to exceed 6-8% of the recurrent expenditures of the District and Regional Councils. About US $ 1.5 million will also be required each year in foreign exchange for imported equipment, spare parts, materials and petroleum products.

The first phase road rehabilitation program (1,415 km) is estimated to cost US $ 8.6 million, averaging about US $ 6,100 per km. All roads selected satisfy recognized socio-economic criteria and have an estimated economic rate of return (ERR) greater than 12%. The pavement width of the rehabilitated roads will depend on traffic levels, but will be no more than 6.0 m, with 5.0 gravel carriageway.

Before the second phase roads are selected, MCW will undertake an inventory of all roads in, at least, the 24 selected districts and others to be included in the second phase. Also, MCW will undertake a reclassification of rural roads, based on criteria agreed with PMO and MLGC. In particular, greater emphasis will be given to economic evaluations in determining design standards, with adequate flexibility of design parameters for various road classes.

The second phase roads will be selected by District Councils and Regional Administrations and ranked according to agreed socio-economic criteria under the guidance of MCW's RRD in coordination with PMO. The second phase rehabilitation program (1,000-1,200 km) is estimated to cost US $ 7.0-8.0 million.

Routine maintenance of rural roads will be executed by field engineers/technicians under direct administrative and technical control of the RREs. Routine maintenance which comprises roadside clearing, drainage cleaning, pothole patching and minor repairs to structures is mainly labor intensive. Each field engineer/technician will oversee supervisors or headmen, and equipment mechanics and operators. Road maintenance tasks will generally be done by either hired casual labor from villages along the road or by contracting out well defined tasks to individuals, village chiefs or local contractors. Only a few semi-skilled laborers will be permanently on the district payroll.

The DRE's will require only a modest amount of unsophisticated equipment since periodic maintenance activities, such as road grading and supply of gravel and materials will be managed by the RRE. The present holdings of equipment and vehicles at both district and regional offices vary greatly, but are often inappropriate for the work, in poor condition, and especially vehicles (including motorbikes and bicycles) are completely inadequate to carry out road maintenance tasks.

Under the Core Rural Roads Program, technical assistance to MCW will determine staffing levels, vehicle and equipment needs, work procedures, and training programs for maintaining primarily, but not exclusively, the essential roads.

The development of labor-based road maintenance techniques will be expanded to all selected districts as well as to training of local contractors and MCW road brigades in the selection and use of appropriate equipment and cost effective labor/equipment mix. About 500 km of the first phase road rehabilitation program will be

set aside for labor-based construction both by force account and contractors. Although most training will be carried out in the districts, MCW's training center at Morogoro will also be equipped and expanded to provide a focal point for conducting regular courses, covering classroom and practical field applications.

The consultants that carried out the Agricultural Feeder Roads Study, will prepare simple designs, specifications and tender documents for the first phase road rehabilitation program. About four groups of roads totalling 400-500 km will be locally tendered as part of the Government's policy to increase participation of domestic contractors in road regravelling and unpaved road rehabilitation. This action will also be supported by the technical assistance and training program for local contractors, which is about to start under the Sixth Highway Project.

The remaining 500-600 km of road rehabilitation will be carried out by MCW road brigades using mainly existing equipment and teams already carrying out similar work. The work will be supervised by the relevant RREs.

The experience obtained in the first phase road rehabilitation program will help determine the mix between force account and contractor execution, and the extent and locations where labor-based work methods are appropriate. This experience will help determine the appropriate methods for carrying out the second phase work.

Summary of Financial Requirements

The 5-year Rural Road Rehabilitation and Maintenance Program will require significant financial assistance from the donor community, in addition to on going programs. The estimated financing requirement amounts to US $ 21.4 million, in December 1987 US $ terms. Annex C-3 provides details of the financing and budgetary requirements for 1987/88-91/92.

The present government funding for rural road maintenance, excluding Donor-supported rural road programmes, is estimated at US$ 4.8 million. Increased budget allocations will be required to support adequate maintenance of essential rural roads and 10% of the cost of road rehabilitation. The average annual government funding would be about US $ 5.1 million equivalent over the 5-year period.

COSTS ASSOCIATED TO RURAL ROAD MAINTENANCE

Costs attributable to rural road maintenance vary greatly, from one section of road to another depending on the condition of the road, and the type of geologic formation traversed. Notwithstanding the above, average

costs of maintenance per Km of road can be developed for estimation purposes.

Under the Agricultural Feeder Road Study, Cowi Consult has developed average costs per Km of road to be maintained. The annual cost of routine maintenance operations of essential roads is estimated to average $ 175 per Km. Essential roads under the Cowi Consult study cover some 600-1,000 Km of roads from the 50,000 Km of rural roads to be programmed for maintenance over the coming 5 years. The cost of maintaining the remaining 40,000-44,000 Km is estimated to be much lower (about US $ 80 per Km per annum) by Cowi Consult. However for reasons cited above it is recommended that the yearly cost of maintenance for all the 50,000 Km of rural roads be conservatively set at $ 175 per Km. The cost estimates in the program are thus based on this $ 175 per Km, per year rate.

BUDGETS FOR RURAL ROAD MAINTENANCE

The first phase of the Core Rural Roads Rehabilitation and Maintenance Program will provide adequate maintenance on 6,000 Km of essential roads in 7 regions involving 24 districts, and rehabilitate 1,400 Km of priority agricultural roads. The rehabilitation is estimated to cost US $ 8.6 million. This will be followed by a second phase covering 4,000-5,000 Km in other regions and districts, and a further 1,000-1,200 Km of rehabilitation. The estimated cost of the second phase rehabilitation will be about US $ 7.4 million. The financial allocation to implement the two phase Core Programme will total US $ 16 million over the next five years. This will require an increase in the annual public investment budget of the Ministry of Local Government and Cooperatives by 2%. In order to protect these roads from deterioration, the annual budget allocation for maintenance will be increased to US $ 5-6.3 million per annum over the next five years, an increase of 7% in the Ministry of Local Government and Cooperatives recurrent budget, or a less than 0.7% increase in the total Government recurrent budget.

Financing alone is not sufficient to achieve the level of recovery which is envisaged in the program. In order to fully achieve the objective of the proposed investment program, the Government is considering a number of policy and institutional adjustments as detailed in the NTP. Adjustments such as market determination of the intra-regional trucking rates, institutional changes for management of rural roads, and budgetary commitment to allocate adequate resources for recurrent maintenance are key considerations which need to be acted upon in order to reverse the current trend.

The trunk roads program calls for an increase in the rehabilitation of existing network from the current level of US $ 17 million per annum (5.4% of the total public sector investment program) to about US $ 49 million per annum over the next five years (1987/88-91/92 - average of 15.6% of the public sector investment program). The total cost of the rehabilitation program is about US $ 213 million of which US $ 98 million is already funded by external sources and the Government. The remaining program totals about US $ 115 million, of which US $ 26 million will be

sourced from Government budget and US $ 89 million remaining to be financed from external sources. This proposed program will need to be reviewed against the actual financial resources available in the country as well as the needs of the other sectors. But unless the right level of financial resources are made available, together with the necessary policy changes, the country will continue to experience severe transport bottlenecks well into the 1990s. In order to protect the roads already in good condition, as well as budget required for roads will need to increased by over 170% from the impact of this increase on the Government's recurrent budget is negligible, less than 1% of the total Government allocation for recurrent budget.

FINANCING FOR RURAL ROAD MAINTENANCE

The 5-year Rural Road Rehabilitation and Maintenance Programme will require significant financial assistance from the donor community, in addition to ongoing programmes. The estimated financing requirement amounts to US $ 21.4 million, in December 1987 US $ terms. Annex C-2 provides details of the financing and budgetary requirements for 1987/88-91/92.

The present government funding for rural road maintenance, excluding Donor-supported rural road programs, is estimated at US $ 4.8 million. Increased budget allocations will be required to support adequate maintenance of essential rural roads and 10% of the cost of road rehabilitation. The average annual government funding would be about US $ 5.1 million equivalent over the 5-year period.

Also, financing is required to undertake repairs of existing equipment and procure new unsophisticated equipment for rural road maintenance. The list of equipment needed would be prepared by the consultants assisting in the reorganization.

Other sources of financing is GOT revenue collected from taxation of fuel, tires, spare parts; import duties; registration fees of vehicles and road tax; and road tolls. Details on the revenues collected from a) motor vehicle taxes and licenses b) transport licencing fees are shown in Annex C-4.

Motor vehicle taxes and licences

This type of revenue from road users is estimated to amount to $ 7.84 million for the 88/89 fiscal year. Road tolls, which are included in this estimate, amount to $ 4.4 million.

Transport Licencing

Revenue from this source is estimated to be $ 0.33 million for FY 1988/89.

Import Duty Revenues i.e. fuel, tires, spares etc.

This revenue source accounts for a large portion of the total revenue

collected from road users. Exact figures of the amount are not easily available; nevertheless it is widely believed that revenues on such import items account for almost 80% and 85% of the total revenue from road users. Hence for FY 1988/89, the revenue from imported items such as fuel, tires and spare parts is estimated to amount to U.S. $ 32 million.

From the above, the total revenue from road users for FY 1988/89 would amount to $ 40 million.

On the basis of the tables attached at the end of the annex, 50% ($ 20 million) of the total revenue from road users would be enough to cover the recurrent costs associated with maintenance of the trunk roads and rural roads in the country for FY 1988/89. Additionally $ 20 million would be still available for other rehabilitation work on all roads. However in reality the amount of funds provided in the GOT budget for road development and maintenance is never more than 50 percent of the revenue collected from road users. Even at this rate of allocation, recurrent expenditures on maintenance of all trunk and rural roads could easily have been covered by revenues from road users. This is not to say that such revenues are sufficient to cover what should be spent, but to illustrate that revenues that should be applied to roads are usually diverted elsewhere to other sectors.

TANZANIA
Roads Sector
Core Rural Roads Rehabilitation and Maintenance Program

Region	District	Essential Rural Roads (Km)			First Phase Rehabilitation	
		Regional	District	Total	No. of Roads	Km
Kagera	Karagwe	218.4	203.0	421.4	2	98.9
	Bukoba	56.2	142.5	198.7	3	115.7
	Muleba	54.0	113.7	167.7	3	35.4
	Biharamulo	85.6	189.4	275.0	1	18.0
Mwanza	Geita	128.4	81.0	209.4	-	-
	Sengerema	173.0	78.0	251.0	-	-
	Kwimba	77.5	142.0	219.5	6	148.3
Shinyanga	Shinyanga	126.7	359.4	486.1	6	226.2
	Maswa	145.4	318.2	463.6	4	170.2
	Kahama	42.2	487.2	529.4	3	45.0
Kilimanjaro	Hai	17.9	37.2	55.1	4	37.2
	Moshi	7.0	140.1	147.1	12	70.1
	Rombo	4.5	23.3	27.8	5	14.8
	Mwanga	88.7	25.0	113.7	1	5.4
	Same	541.0	38.0	579.0	-	-
Tanga	Korogwe	56.4	131.0	187.4	-	-
	Lushoto	51.4	109.0	160.4	-	-
Iringa	Njombe	109.5	196.4	305.9	4	29.4
	Mufindi	55.3	202.4	257.7	2	23.9
Ruvuma	Mbinga	79.0	163.9	242.9	12	119.9
	Songea	39.7	302.8	342.5	5	62.8
Mbeya	Mbozi	86.7	161.2	247.9	28	164.0
	Kyela	15.8	61.5	77.3	4	30.2
	Ileje	49.9	8.0	57.9	-	-
TOTAL		2310.2	3714.2	6024.4	105	1415.4

TANZANIA
ROADS SECTOR
TENTATIVE 5-YEAR RURAL ROAD REHABILITATION AND MAINTENANCE PROGRAM 1/

	Distance (km)					Estimated Cost (US$ thousand)				
IVITY	87/88	88/89	89/90	90/91	91/92	87/88	88/89	89/90	90/91	91/92
e Program										
ntenance	-	6,000	6,000	10,000	10,000	-	1,000	1,000	1,000	1,000
abilitation	-	500	500	800	800	-	3,000	3,000	5,000	5,000
er Rural Roads										
ntenance	50,000	44,000	44,000	40,000	40,000	4,800	3,500	3,500	3,200	3,200
orts (equipment, spareparts and materials)						1,000	1,000	1,000	1,000	1,000
hnical Assistance (20 man-years)						500	500	500	300	200
AL (total US$46.8 million)						6,300	9,000	9,000	11,300	11,200
ancing										
Budget (total US$25.4 million)						4,800	4,800	4,800	5,500	5,500
ancing Gap (total US$21.4 million)						1,500	4,200	4,200	5,800	5,700

Ongoing donor-supported rural road programs and their financing requirements have not been included in these estimates

BEST AVAILABLE

BUDGETARY IMPACT OF THE RECOMMENDED RECOVERY PROGRAMME

B. Rural Roads

(US$ million)

Rural Roads Investments (1986/87-91/92

Rural Roads Investments	86/87	87/88	88/89	89/90	90/91	91/92
* Recommended Core Programme	-	-	3.0	3.0	5.0	5.0
* Ministry of Local Government Investment Programme 1/	22.8	24.0	25.2	25.2	25.2	25.2
TOTAL MLGC INVESTMENTS	22.8	24.0	28.2	28.2	30.2	30.2
% increase	-	-	12%	12%	21%	21%
* % increase in Government PSIP	-	-	1%	1%	2%	2%

1/ assumes MLGC investment programme to remain at US$30.2 million per annum from 1990/91 onward.

Rural Roads Maintenance Budget (annual)

	87/88	88/89	89/90	90/91	91/92	TOTAL
* Core Programme Maintenance	-	1.0	1.0	1.8	1.8	5.6
* Other Rural Road Maintenance	4.8	3.5	3.5	3.2	3.2	18.2
* Imports (equipm't, spare parts)	1.5	1.5	1.5	1.3	1.2	7.0
TOTAL RURAL ROADS MAINTENANCE	6.3	6.0	6.0	6.3	6.2	30.8
Current MLGC Recurrent Budget 1/	82.2	82.2	82.2	82.2	82.2	411.0
	8%	7%	7%	8%	8%	8%

1/ assumes MLGC recurrent budget to remain as US482.2 million per annum (1986/87 allocation)

VOTE 50 - MINISTRY OF FINANCE, ECONOMIC AFFAIRS AND PLANNING

(Tanzania Shillings)

A. ESTIMATE of the Revenue expected to be collected in the year ending 30th June, 1989 by the Ministry of Finance, Economic Affairs and Planning

Code Number	Description	1986/87 Actual Collection	1987/88 Approved Estimates	1988/89 Estimates	1989/90 Tentative Projection
	1300-Motor Vehicle Taxes and Licences				
1301	Motor Vehicle Licences.....	99,564,034	94,736,000	203,550,000	244,260,000
1302	Motor Vehicle Registration Tax.....	8,538,756	12,661,000	22,700,000	27,240,000
1303	Motor Vehicle Tax Transfer.....	38,151,439	55,277,600	40,570,000	42,590,000
1306	Motor Vehicle Road Licences.....	58,034,319	105,575,400	126,820,000	152,180,000
1309	Road Toll Tax.....	137,627,151	156,083,700	438,070,000	438,080,000
	Total Motor Vehicle taxes and Licences...	341,915,699	424,333,700	831,710,000	904,350,000

VOTE 47 - MINISTRY OF COMMUNICATION AND WORKS

A. ESTIMATE of the Revenue expected to be collected in the year ending 30th June, 1989 by the Ministry of Communication and Works

Code Number	Description	1986/87 Actual Collection	1987/88 Approved Estimates	1988/89 Estimates	1989/90 Tentative Projection
	SUB-VOTE 196-TRANSPORT LICENSING AUTHORITY				
	2100-Fines, Fees, Penalties and Forfeitures				
2115	Transport Licensing Fees.....	17,343,850	30,125,000	203,550,000	244,260,000
2140	Recovery of Public Money.....	_	100(t)	100(t)	100(t)
2141	Recovery of Stores.....	_	100(t)	100(t)	100(t)
1306	Motor Vehicle Road Licences.....				
1309	Total Fines,Fees,Penalties & Forfeitures..	17,343,850	30,125,200	33,632,200	46,200,200

TANZANIA

Trunk Roads: Detailed Breakdown of the Financing Gap

(US$ million)

I. TRUNK ROAD MAINTENANCE

	Current Budget	Recommended Allocation	Increase
* Recommended Budget Increase:	4.1	11.2	173%
* MCW Recurrent Budget Increase:	29.0	36.1	26%
* Government Recurrent Budget Increase	751.4	758.8	1%

IV BREAKDOWN OF THE RECOMMENDED ROAD MAINTANANCE PROGRAMME

		87/88	88/89	89/90	90/91	91/92	TOTAL
TANZAM:							
Routing:	Government	0.3	0.4	0.4	0.4	0.4	1.9
Resealing	Government	0.1	0.2	0.2	0.2	0.3	1.0
	Donors	-	-	-	0.7	0.8	1.5
	Sub-total	0.4	0.6	0.6	1.3	1.5	4.4
PAVED:							
Routine:	Government	0.7	0.9	0.9	0.9	0.9	4.3
Resealing	Government	0.2	0.8	1.0	1.0	0.9	3.9
	Donors	-	2.0	3.1	3.1	3.1	11.3
	Sub-total	0.9	3.7	5.0	5.0	4.9	19.5
GRAVEL/EARTH:							
Routine:	Government	1.6	2.2	2.1	2.1	2.1	10.1
Resealing	Government	0.9	1.1	1.3	1.3	1.3	5.9
	Sub-total	2.5	3.3	3.4	3.4	3.4	16.0
EQUIPMENT:	Donors	-	2.2	2.2	2.2	2.2	8.8
TOTAL	Government	3.8	5.6	5.9	5.9	5.9	27.1
	Donors	-	4.2	5.3	6.0	6.1	21.6
	TOTAL	3.8	9.8	11.2	11.9	12.0	48.7

TANZANIA

Trunk Roads: Detailed Breakdown of the Financing Gap

(US$ million)

I. TRUNK ROAD INVESTMENTS

	87/88	88/89	89/90	90/91	91/92	TOTAL
* Ongoing Three Year Programme	11.9	11.5	-	-	-	23.4
* Sixth Highway Project	3.6	23.1	23.7	24.2	-	74.6
* Recommended Addition 1/	-	18.0	18.8	27.3	50.4	114.5
	15.5	52.6	42.5	51.5	50.4	212.5
Total Government Investment 2/	316.4	316.1	316.0	316.0	316.0	1,580.5
Roads as % of Total	4.9%	16.6%	13.4%	16.3%	12.8%	12.8%

1/ breakdown given in below table
2/ assumes constant US$316 million per annum for Goverment investment programme beyond 1989/90

II. BREAKDOWN OF THE RECOMMENDED ADDITIONAL REHABILITATION PROGRAMME

		87/88	88/89	89/90	90/91	91/92	TOTAL
TANZAM:	Government	-	-	-	1.0	3.5	4.5
	Donors	-	-	-	5.7	20.0	25.7
	Sub-Total	-	-	-	6.7	23.5	30.2
PAVED:	Government	-	0.9	1.0	1.0	1.0	3.9
	Donors	-	4.8	5.6	5.6	5.6	21.6
	Sub-Total	-	5.7	6.6	6.6	6.6	25.5

II. BREAKDOWN OF THE RECOMMENDED ADDITIONAL REHABILITATION PROGRAMME

		87/88	88/89	89/90	90/91	91/92	TOTAL
GRAVEL/EART	Government	-	1.5	1.5	1.8	2.7	7.5
	Donors	-	-	-	1.5	6.9	8.4
	Sub-Total	-	1.5	1.5	3.3	9.6	15.9
STRUCTURES:	Government	-	2.6	2.6	2.6	2.6	10.4
	Donors	-	5.5	5.4	5.4	5.4	21.7
	Sub-Total	-	8.1	8.0	8.0	8.0	32.1
EQUIPMENT:	Donors	-	2.7	2.7	2.7	2.7	10.8
TOTAL:	Government	-	5.0	5.1	6.4	9.8	26.3
	Donors	-	13.0	13.7	20.9	40.6	88.2
	TOTAL	-	18.0	18.8	27.3	50.4	114.5

ANNEX
D

INSTITUTIONAL ANALYSIS

INSTITUTIONAL ANALYSIS

SUMMARY

The GOT has the capacity to implement and sustain the policy and institutional reforms targetted by ATAP. The GOT's efforts in the transport sector are clearly articulated in the National Transport Policy (NTP) document and have been described in detail and fully costed out in the National Transport Recovery Program (NTRP).

These reforms are specifically aimed at increasing financial and human resources, eliminating unnecessary and wasteful duplication and employing private sector contractors to expand local road development and maintenance capacity. This means that rehabilitation and periodic maintenance of rural roads, including the CORE RURAL ROAD PROGRAM, will be undertaken by the private sector, while routine maintenance will be handled by the public sector. Under such an arrangement or division of work or tasks, the limited GOT staff resources could be effectively used in monitoring and supervising rural road rehabilitation and maintenance contracts as well as doing the lighter routine maintenance works. Furthermore, the equipment needs and requirements of the GOT to maintain rural roads will be fewer and easily manageable as more and more of the private firms undertake road rehabilitation and maintenance contracts.

Assuming that budgetary resources can be made available by the GOT, the participation of the private sector contractors in road rehabilitation will be the most important institutional change that could happen to the road sub-sector. Tanzania has local contractors who can undertake rural road rehabilitation and maintenance works. However, their experience is limited mainly due to the fact that road work has been a monopoly of the public sector for many years. To address this constraint the World Bank is financing a training package for local contractors under its Sixth Highway Project.

With the above planned contrator training program, the spare parts and machinery available under the AEPRP and ATAP programs, and with the proposed "opening up" of road works for private firms, it is expected that the private sector will be able to re-consolidate its staff, equipment and organization to undertake construction, rehabilitation and maintenance of roads. It is worth noting that with respect to staffing issues, the private sector, not being bound by the low GOT salary scales for civil servants, is in a better position to attract and recruit staff in the open market by offering higher salaries and better fringe benefits than the GOT. Hence the private sector has a better chance of recruiting the few qualified staff currently available in the country.

With regard to the overall staff requirements in the road sub-sector, both public and private sector firms considered, a number of key actions have been planned and programmed by the GOT and the World Bank under the Sixth Highway Project. The GOT is committed to support the MCW Morogoro Training School. With the help of the World Bank, between 100 and 140 road inspectors and road foremen will be trained every year in this school. Under the Sixth Highway Project, some $ 2 million is earmarked for training about 90 enginers, road planning officers, and other professionals needed in the road sub-sector to supplement the 60 civil engineers who graduate yearly from the DAR ES SALAAM University. Another $ 4 million has been also budgetted under the Sixth Highway Project for assistance to the DAR ES SALAAM Technical College, from where about 25 to 50 technicians for the road sub-sector will be graduating yearly. The WORLD BANK loan also provides financing for road equipment rehabilitation and related T.A. A seperate technical assistance, although focussed to trunk roads, is also being provided under the Sixth Highway Project.

To sum up, the GOT (public sector) and the private sector will lack no manpower resources to immediately commence the Core Rural Road Program. The GOT training plan outlined above will adequately address the medium term and partly the long term human resource needs and requirements within the road sub-sector. Further review of the plan, as ATAP progresses, will determine any revisions that may be necessary on training. As is, the training plan, in conjunction with the TA provided under ATAP for the RRD as will as the TA provided for MCW under the Sixth Highway Project, is adequate for the MCW to undertake the CORE RURAL ROAD PROGRAM.

INSTITUTIONAL ANALYSIS

1. Background:

The Ministry of Communications and Works (MCW) was formed in July 1984 by merging the Ministry of Transport and Communications and The Ministry of Works. MCW is thus presently responsible, either directly or through parastatals, for all transport and communications matters in mainland Tanzania.

The exisiting road network in Tanzania is divided into four classes of road in accordance with Government Notice published in the Gazette on May 5th, 1967. The four classes are:

Trunk roads constitute the country's principal network, providing international, national and interregional through connections.

Local main roads are the principal connections other than trunk roads between contiguous regions or within regions. They generally link regional centers to the network of trunk roads, or constitute links between trunk roads.

Regional roads are roads of regional importance which connect the rincipal urban, agricultural or industrial centers to roads of the two preceding classes, or directly to regional centers.

District roads serve the districts by connecting villages and settlements to higher class roads.

MCW has direct responsibility for developing and maintaining the 10,000 km of trunk roads through its Construction and Maintenance Department (CMD). Furthermore, the Mechanical and Electrical Services Department (MED) maintains the ministry's plant, equipment and vehicles, and the Supplies Department carries out all procurement and manages MCW's stores.

The term "rural roads" refers to all roads not covered by the trunk road network. Presently, the three main classes of rural roads are: regional, district and unclassified feeder. The upkeep of these roads are the respective responsibility of Regional Engineers, District Engineers and Village Governments. In addition, some roads fall directly under the responsibility of agricultural produce parastatals, such as tea and coffee producers. There are an estimated 21,000 km of regional roads under 20 Regional Administration, 14,600 km of district roads under 101 District Councils, and about 36,400 km of unclassified feeder roads. Only a few km of rural roads are paved.

Since Independence in 1961, there have been several changes in distribution of responsibility of rural roads on mainland Tanzania. District roads have usually continued under district authorities, but the responsibility for regional roads and regional workshops have oscillated between the central ministry and regional administrations. Since 1985, the newly created Ministry of Local Government and Cooperatives (MLGC)

became responsible for funding of district roads, although District Councils can also directly raise funds. MLGC is represented at the regional level by a Regional Local Government Officer. The Prime Minister Officer (PMO) coordinates development planning of rural roads in the 20 Regions through a Regional Commissioner; funding is provided under PMO's budget.

2. Staff and Management of Road Maintenance:

The MCW is organized into a number of departments, each headed by a Commissioner or Director. At the regional level MCW is represented by regional Resident Engineers who are in charge of Trunk Road Maintenance (TRM). The organizational chart of the three most relevent road departments is shown in Figure 1.

The Prime Minister's Office (PMO) is involved in the road sector through the regional administration headed by the Regional Commissioner (RC). The RC is appointed by the President and has the status of Cabinet Minister. The Regional Development Director (RDD) is the chief executive officer in charge of all functional officers at the regional level. A Regional Engineer (RE) is seconded to the regional administration from the MCW. They have little contact with the MCW or the Resident Engineer assigned to TRM. Within the region, the RE is responsible for roads, buildings and other public works projects as directed by the RDD. The structure of the Prime Minister's Office is shown in Figure 2.

The Ministry of Local Government and Cooperatives (MLGC) is defining its organization and roles. It has loosely modeled its relationship with the district and District Councils (DC) on the PMO's example. One major distinction is that the DCs are local governments and can raise revenues for themselves. The central government is represented at district level through the District Commissioner and the District Administrative Officer (DAO). The District Commissioner also chairs a District Development Committee (DDC), an advisory body to the DC. The District Executive Director (DED) is responsible directly to the DC and is the accounting officer. The District Engineer (DE) is also an employee of the DC and is administratively controled by the DED. Most of the DEs are technicians instead of qualified engineers. The organizational chart for the MLGC is shown in Figure 3.

The relationships between the relevant rural road organizations at the regional, district and MCW levels is shown in Figure 4.

MCW has the requisite organization to manage all aspects of road infrastructure and equipment maintenance; about 90% of the 2,950 authorized positions of engineers, technicians, mechanics, supplies officers, and accountants are filled. However, MCW doubled the number of professional staff within its establishment during the past year. Consequently, MCW has insufficient trained and experienced staff to both

program, execute and monitor trunk road maintenance. The on-going concentrated effort to increase the number of professionals through fellowships for graduate courses in India, and to increase the output of technicians from the Dar es Salaam Technical College, will eventually assist in filling many training requirements. Although, considering the present low number of professionals and technicians graduating each year from Tanzanian institutions, as well as the extremely low government salary scales (US$35-55 per month), it is inconceivable that MCW will be able, in the foreseeable future, to satisfactorily maintain by force account all the trunk roads, as well as to increase its participation in rural road development and maintenance. It should be noted that the GOT recently proposed an increased salary scale for "rare professions" which includes engineers. This should make the profession more attractive and help fill the manpower gap in the medium term.

Proposed Reorganization of Rural Road Administration

The linkages and coordination among MCW headquarters (including Resident Engineers and District Engineers) are almost non-existent. Under the present arrangements, it has proven difficult to provide a uniform focus on systematically developing and maintaining rural roads. Furthermore, engineers/technicians at district and regional levels do not effectively participate in the planning stages. Consequently, realistic road development and maintenance programs and their cost estimates are seldomly prepared.

The World Bank (IBRD), under its 6th Highway Project, has promoted the reorganization of the road subsector so that technical and coordinating responsibilities for the development and maintenance of roads will be under the MCW. The draft National Transport Policy has incorporated the concept as necessary to meet the objectives of the sector. The Prime Minister's Office has approved the consolidation and has directed further analysis be carried out to itemize the overall implications. This is currently in progress with a preliminary report due by Septemeber 1988.

The present organizational chart showing lines of communication was discussed previously. Rural road planning and preparation of cost estimates are presently instigated at district level, coordinated at regional level and budgeted under PMO or MLGC votes. The present bottom-up planning system will be strengthened and the review process rationalized along the lines indicated in Figure 5.

For rural road development and rehabilitation programs, PMO and MLGC, at headquarters and in the regions, are to strengthen their capacity to prepare and rank projects according to socio-economic criteria. Moreover, the execution of agreed projects will be made more effective through better definition of functions and responsibilities at different levels of the three government agencies: PMO, MLGC and MCW.

Execution of rural road maintenance, rehabilitation and development projects will be managed by MCW's regional offices. This will require significant re-orientation of MCW's regional organization and increased

staffing levels. Procedures will have to be worked out between the regional offices and MCW headquarters. The main orientation of the required reorganization of MCW will be to delegate executive responsibility to its regional offices, as presently done for trunk roads through the Resident Engineers, for implementation of all road programs. At headquarters MCW through a separate rural roads division (RRD) will provide technical support in the planning and execution stages, and will monitor progress. Headquarters staff will comprise a small group of engineers, technicians and accounts officers. In the planning stages, MCW's Planning and Research Department will assist in reviewing socio-economic justifications of road rehabilitation and development projects. Figure 6 outlines the proposed organizational arrangements among MCW, PMO and MLGC.

A Rural Roads Engineer (RRE) in each regional office will have the overall responsibility for executing agreed programs, and for coordination with MCW headquarters. In particular, the RREs will provide technical and costing advice in the regional and district planning and budgeting process. The RRE will have the authority to contract out and supervise road rehabilitation, regravelling and reshaping works, and will allocate equipment for force account routine maintenance operations and road brigades through arrangements with the regional workshops. Contractors will be given every opportunity to tender for road works, renting equipment as needed from Plant Pools. Because of the present limited capacity of the local construction industry, MCW road brigades will also be used to undertake rural road rehabilitation, regravelling and reshaping. The number of these brigades will depend on the size of the agreed annual programs, as well as the expected participation of local contractors.

In order to manage the road networks more effectively in the future, MCW staff will concentrate on planning, supervision and monitoring of road maintenance activities and, in step with the developing capacity of the local construction industry, will contract out most of the non-routine tasks, such as paved road resealing, unpaved road regravelling and reshaping, structures and major equipment repairs. Major road construction, upgrading and rehabilitation is expected to be undertaken by international contractors for some time to come.

Although data available is incomplete, there appears to be only 20-25 engineers and about 180 technicians presently on RE and DE staffing lists; few districts have a qualified engineer. Consequently, for rural road maintenance planning, execution and monitoring to be carried out effectively, engineers/technicians will be regularly assigned to the districts and regions as part of their career development within MCW. Because of the present shortages of engineers/technicians in Tanzania, some posts may have to be filled by NGO volunteers or individuals provided from bilateral sources.

Because of staffing constraints and lack of experience of recent graduates, MCW will further boost its training programs at its Morogoro Training Center, with greater concentration on practical courses and more

emphasis on management of road maintenance activities. The functions of the various levels within MCW's organization will be reviewed and the number of staff positions consolidated to reflect the ministry's limited role in force account activities, and greater emphasis in road maintenance planning, supervision and monitoring.

Force account routine road maintenance operations will be carried out by field engineers/technicians under the RRE. They will be given the necessary autonomy to undertake their agreed programs, and will be the first-line contact with the DEs and Village Governments. They will also be able to undertake petty contracts with individuals and village government for execution of labor-intensive tasks. Priority in establishing the above procedures for executing rural road programs will be given to the regions and districts participating in the Core Rural Roads Programs.

3. Plant and Equipment:

The plant and equipment currently assigned to the MCW, PMO and DC's is the subject of an ongoing study. The result will be a detailed analysis of the fleet size, distribution, composition and availability. Estimates of fleet size, composition and availability from previous studies are shown in Table 1.

The road construction and maintenance equipment with MCW currently numbers 616 pieces of heavy equipment and 426 dump trucks, transport trucks and light vehicles. Total availability of the fleet is 43%. However, when the heavy equipment is considered separately the availability is noticeably lower at 36%. This indicates that only one out of three pieces of heavy equipment is in a repaired state and capable of working on the road. The equipment assigned to the district and regional level is considerably less in number and only marginally more available for work (67%). Although the exact number of equipment is unknown due to breakdowns in reporting, it is evident that the total number is considerably less than that required to acomplish the maintenance program.

All plant and equipment assigned to MCW is nominally attached to a Regional Workshop. Regional workshops come under MCW, but in practice the REs and MCW's Resident Engineers, who are responsible for trunk and road maintenance, run separate workshops and equipment. District Engineers manage their own fleet. The organization of the workshops, at all levels, is disoriented with generally poor mechanical services and an abundance of broken down equipment. Even MCW's central workshop at Morogoro is poorly equipped and inefective as MCW's principal provider of mechanical services.

The Sixth Highway Project is assisting in improving workshop practices by concentrating major repair work at seven zonal workshops. Also, where practical, repair work will be contracted to established private garages. Further efforts will be required to consolidate workshops throughout the

country and to bring all servicing of road plant, equipment and vehicles under MED, including units presently managed by the Regional and District Engineers.

In the future, MCW force account will concentrate on routine maintenance tasks, regravelling and reshaping of unpaved roads, and some resealing of paved roads. Consequently, MCW's equipment holdings will be consolidated to essential needs, and repair activities will be organized around the seven zonal workshops in order to provide more efficient services. On-site servicing would be limited to preventive maintenance and minor repairs under the control of Regional Workshops.

MCW will assist contractors by increasing the number of Plant Pools throughout the country, which will hire out equipment. Furthermore, MCW in its program to consolidate the organization of workshops based on the seven zonal workshops will also contract out repair work wherever possible to established private garages. The Plant Pools will be attached to zonal workshops and will be operated on a commercial basis. The most suitable arrangements will be recommended by workshop consultants currently engaged under the IBRD 6th Highway Project.

4. Road Maintenance Budget:

Insufficient funding of road maintenance since the early 1970s has caused continuous deterioration of the trunk road networks. Less than half of the paved roads and only one quarter of the unpaved roads are presently in good condition. Although budget levels were increased in the early 1980s, recent sharp devaluations of the Tanzania Shilling have caused the allocations for road maintenance activities to drop in FY87/88 to about 35% of an adequate level.

Recurrent and development expenditures for rural roads in FY86/87 are estimated to have been US$9.3 million. However, only US$3.5 million ($66/km) was allocated to routine maintenance (including salaries), about 78% of the remainder covered road programs supported by donor agencies in a few regions. The low level of rural road funding, which has persisted over several years, has resulted in a general deterioration of the networks throughout the country. Furthermore, considering the overall FY86/87 budget allocations in the regions, only 7% of the PMO recurrent budget and 22% of the development budget were allocated to regional roads. Also, MLGC's FY86/87 budget for District Councils, plus local revenues, amounts to no more than 3% of its overall recurrent expenditures and about 14% of its overall development expenditures.

About US$4.6 million appears to have been allocated in the FY87/88 budget for routine and periodic maintenance, and a further US$2.8 million for

TABLE 1 - Equipment Fleet Summary

Plant Type	Working Cond.	Not Working	Total
MCW Equipment			
Bulldozers	39	94	133
Graders	72	146	218
Wheel Loaders	24	55	79
Track Loaders	6	9	15
Compactors	37	25	62
Agr. Tractors	36	42	78
Bitumen Dist.	2	11	13
Scrapers	5	6	11
Excavators	1	1	2
Compressors	1	4	5
Subtotal	223 (36%)	393 (64%)	616
Dump trucks	107	61	168
Transport trucks	12	12	24
LDVs	12	6	18
Subtotal	131 (62%)	79 (38%)	210
TOTAL	354 (43%)	472 (57%)	426
Regionl and District Equipment			
Bulldozers	8	5	13
Graders	24	20	44
Loaders	8	3	11
Tractors	18		18
Subtotal	58 (67%)	28 (33%)	86
Dump Trucks	55	25	80
Subtotal	55 (69%)	25 (31%)	80
TOTAL	113 (68%)	53 (32%)	166

rehabilitation of roads and structures. However, these figures are only approximate because the presentation of approved road maintenance work programs does not correspond to budget allocations. This matter will be addressed in future budget preparations, where budget allocations will be matched with realistic work programs.

The present condition of rural roads, except the few covered by donor-assisted programs, can only be described as poor. This is not surprising considering the low priority given in the past to the road vote. However, with about 50,000 km of rural roads (regional, district and about half the feeder roads) which should be maintained, the annual amounts required to bring all the roads to acceptable condition and to maintain them adequately are well beyond the short-term financial capacity and technical capability of the GOT. Consequently, priority will have to be given to maintenance of essential roads while rehabilitation projects will be contracted to private sector firms.

The Government is committed to provide adequate funds to maintain the essential rural roads through central budget votes, supplemented by local levies for district roads. The total annual allocation for routine maintenance operations of essential roads will average US$175 per km, totalling about US$1.0 million for 6,000 km and US$1.8 million for 10,000 km.

In addition, annual budget allocations to provide minimum maintenance of the remaining 40-44,000 km of rural roads will be increased from the present US$66 per km to US$80 per km, for a total of about US$3.5 million. The annual allocation for road maintenance is not expected to exceed 6-8% of the recurrent expenditures of the District and Regional Councils. About US$1.0 million will also be required each year in foreign exchange for imported equipment, spare parts, materials and petroleum products.

The first phase road rehabilitation program (1,415 km) is estimated to cost US$8.6 million, averaging about US$6,100 per km. All roads selected satisfy recognized socio-economic criteria and have an estimated economic rate of return (ERR) greater than 12%. The pavement width of the rehabilitated roads will depend on traffic levels, but will be no more than 6.0 m, with 5.0 m gravel carriageway.

5. Road Maintenance Programs:

5.1. Trunk Road Rehabilitation and Maintenance Program:

The proposed Trunk Road Rehabilitation and Maintenance Program will complement and expand activities financed under the ongoing Sixth Highway Project and the road rehabilitation projects supported by various donor agencies. Particular emphasis will be given to rehabilitating paved and gravel roads and in instituting regular periodic maintenance such as resealing and regravelling.

Although the program covers a 5-year period, little work will begin before the second year (FY88/89) when the rehabilitation works along Tanzam highway and high priority gravel roads should commence under the Sixth Highway Project. Consequently, over the four remaining years, the program includes rehabilitation of 480 km (48%) of the Tanzam highway, 580 km (25%) of other paved roads, and 1,650 (25%) of gravel and earth roads; the latter will be upgraded to gravel standard. The total cost of trunk road rehabilitation is about US$142 million.

The 5-year program will also include rehabilitation of bridges and culverts, which are increasingly causing traffic bottlenecks, and will complete the camps and facilities needed for MCW to manage road maintenance activities. Easily erected bridge units will also be procured to cope with emergencies. By 1992, all structural work should be substantially completed, costing about US$37 million. The IBRD will be conducting an appraisal mission during August-November to continue support to this sector under an Integrated Road Development program.

5.2. Rural Road Rehabilitation and Maintenance Program:

The Government's Economic Recovery Program emphasizes the need to stimulate the growth of export crops and to increase the production of food crops for which domestic supply falls short of demand. The 5-year rural roads program concentrates on the need to assure access from the key food and cash crop producing areas to the trunk road system and railways, for purposes of both crop evacuation and distribution of inputs to farmers. This means that resources for rural roads will be assigned mainly to areas of high agricultural production.

Consequently, the Government has decided to embark on a Core Rural Roads Program which will primarily enable assured access to key agricultural areas. The Core Rural Roads Program will initially be limited to 24 districts in eight regions, and is in addition to the ongoing donor-funded road programs.

The Core Program will support adequate maintenance for essential rural roads, as well as rehabilitation of those roads which satisfy socio-economic criteria. This program over the long-term is expected to encourage traders, businesses and small-scale industries to settle in the selected areas; thus providing a productive interaction between crop producers and commodity manufacturers, since availability of goods is a decisive incentive for farmers to expand production.

The proposed Core Rural Roads Program will be based on the recommendations of the Agricultural Feeder Roads Study completed in September 1987. In the 24 districts selected, about 6,000 km of rural roads were identified as being essential to agricultural production. Table 2 summarizes by district the Core Rural Roads Program.

The 1,415 km of road rehabilitation in the first phase of the 5 year program will be undertaken over 3 years, 1988/89-90/91. The second phase

of the program will add a further 4,000-5,000 km of essential roads and an additional 1,000-1,200 km of road rehabilitation. The list of second phase roads will be prepared and evaluated by June 1989 for implementation in the final 2 years: 1990/91-91/92. At the end of the 5-year program, at least 10,000 km of essential rural roads should be receiving regular maintenance of which some 2,600 would be rehabilitated. The second phase is expected to include additional districts.

The second phase roads will be selected by District Councils and Regional Administrations and ranked according to agreed socio-economic criteria under the guidance of MCW's RRD in coordination with PMO. The second phase rehabilitation program (1,000-1,200 Km) is estimated to cost US$7.0 - 8.0 million.

6. Private Sector Construction Contractors:

There are currently 853 registered local construction contractors in Tanzania classified as follows:

Class	Per Contract Capacity (US$)	Number
1	above 1,200,000	36
2	750,000 - 1,200,000	21
3	400,000 - 750,000	57
4	250,000 - 400,000	92
5	100,000 - 250,000	93
6	50,000 - 100,000	147
7	below 50,000	407

Most of these local contractors engage exclusively in building construction. Only a few do any road works. The reasons for this lack of participation in the road sector is historical.

Prior to independence in 1961, Tanzania had only two paved trunk roads totalling less than 250 miles. The then Public Works Department could construct and maintain the country's road network at relatively low cost with minimal equipment usage and a large supply of cheap labor. It had a small, but well organized, staff whose work was primarily administrative and supervisory. Traffic volumes were low and roads deteriorated at a much slower pace.

After independence, the GOT embarked on an up-grading scheme to improve the standard of the trunk roads. This was done primarily through donor financing and was carraied out by international construction firms on a turn-key basis. Some of these international firms established offices in Tanzania and were, therefore, available for further road works contracts, again mostly donor financed. This effectively cut the small, developing, indegenous contracting firms out of the road works market who then focused on the expanding building industry.

The Mwananchi Engineering and Construction Company, MECCO, was started by a long time Greek resident in Tanzania in the late 1940's. With the road "Boom" after independence, MECCO expanded rapidly and took in additional local partners. After the Arusha Declaration of 1967, the majority shares of MECCO were purchased by the GOT. It eventually became a full parastatal organization in 1974. It has held an advantage in receiving contracts form the GOT since that time. However, in 1974 the company boardered on bankruptcy. Today it continues to have cashflow problems highlighted by its nonparticipation in the ongoing USAID cash transfer for spare parts and equipment. An IBRD study recently indicated that MECCO required approximately US$734,000 to rehabilitate the equipment fleet to remain competative. To what extent MECCO, the only public sector road contractor, will participate in the up coming road contracts is unknown.

There are, however, a number of smaller private firms identified which are well managed, financially solvent, and capable of carrying out road rehabilitation contracts. The IBRD study identified 12 firms, including MECCO, that are capable of undertaking major road rehabilitation contracts. If their existing equipment were rehabilitated and serviced at a collective cost of US$3.0 million, they could undertake the regravelling of 1245 kilometers per year (refer to Table 3 and 4).

This raises two interesting points. First, the required foreign exchange to bring their entire fleet to full capacity is well within the US$6.0 million of the first tranche of the AEPRP. Secondly, with the capacity to regravel 1245 kilometers of road per year, these 12 contractors have more than sufficient capacity to undertake the 640 kilometers identified for contract work in the Agricultural Feeder Road Study. These contractors are also identified for further contracts to rehabilitate the trunk road system, but excess capacity exists to be utilized during the five year road rehabilitation program.

The IBRD consultant also identified 17 private contractors who could undertake smaller projects, possibly using labor based techniques, on the district and feeder road system (refer to Table 5). They are based in twelve locations throughout the country. Their total equipment replacement and rehabilitation requirements are US$1.5 million, averaging about US$88,000 per company. All of the contractors would be capable of contracting the roads for the RRD.

FIGURE 1

The Road-relevant Departments of MCW

(Source: Agricultural Feeder Road Study
MCW, March 1988)

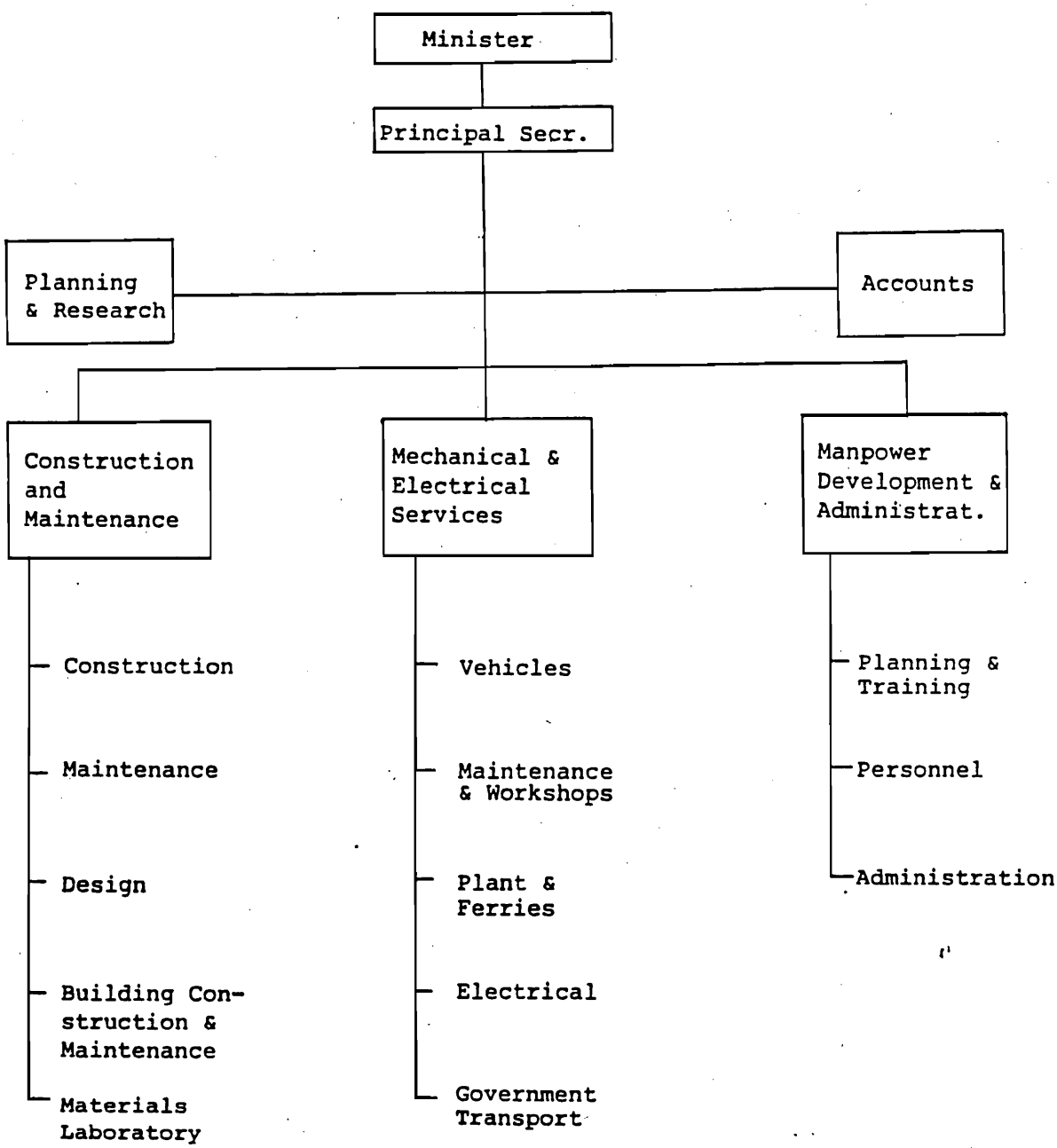


FIGURE 2

PMO's Regional Administration Branch

(Source: AFRS, MCW March 1988)

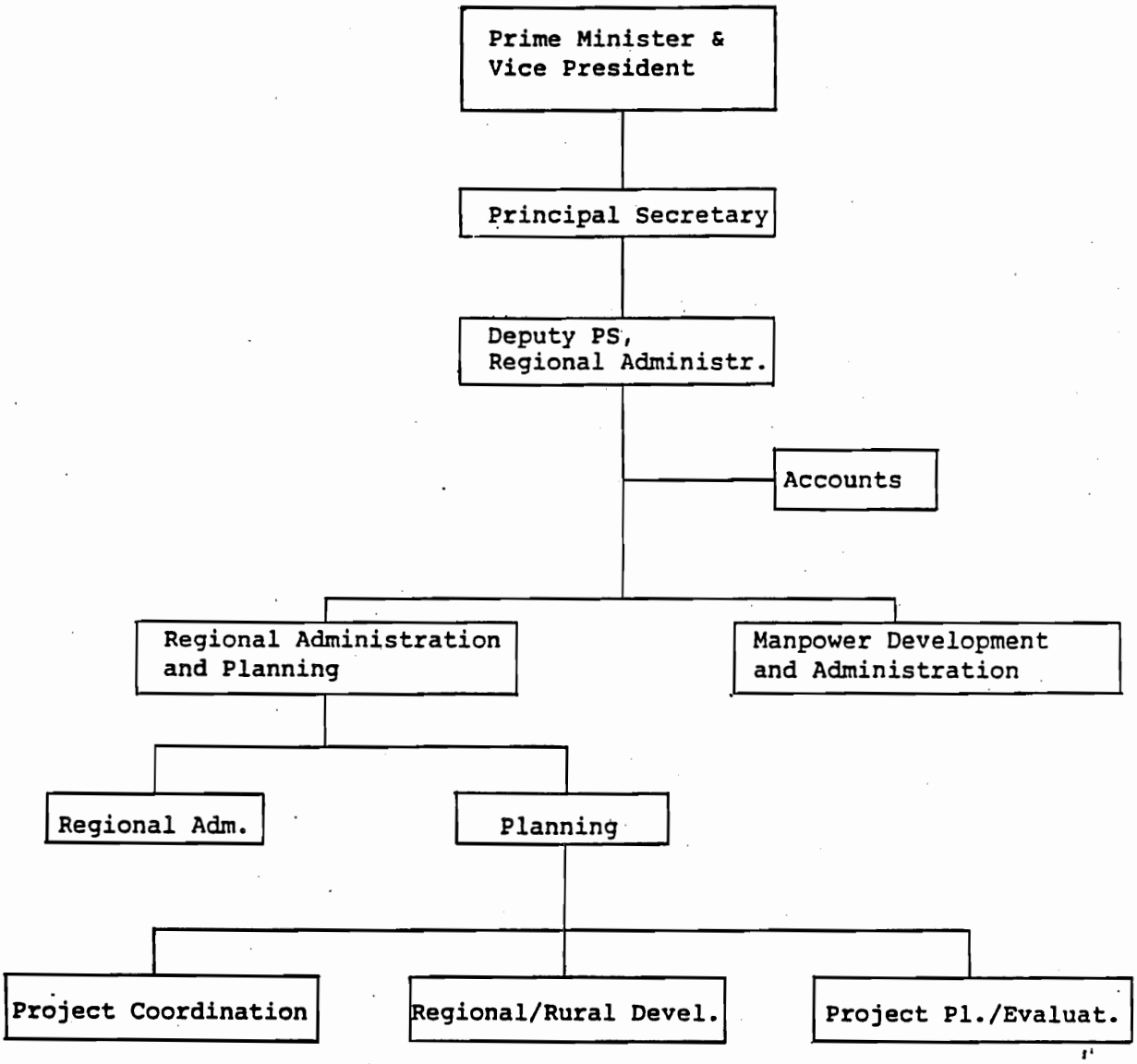
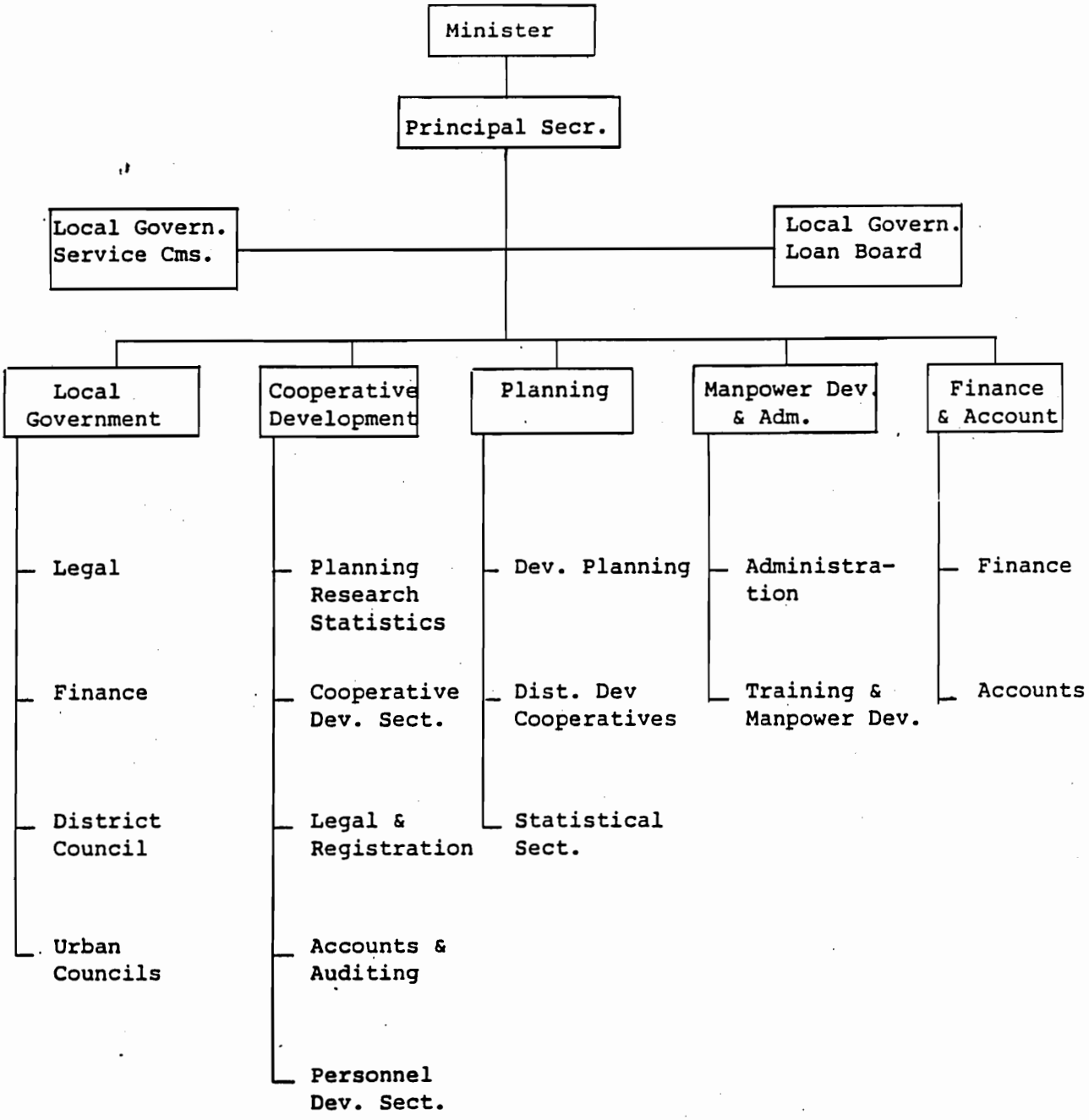


FIGURE 3

Ministry of Local Government and Cooperatives

(Source: AFRS, MCW March 1988)

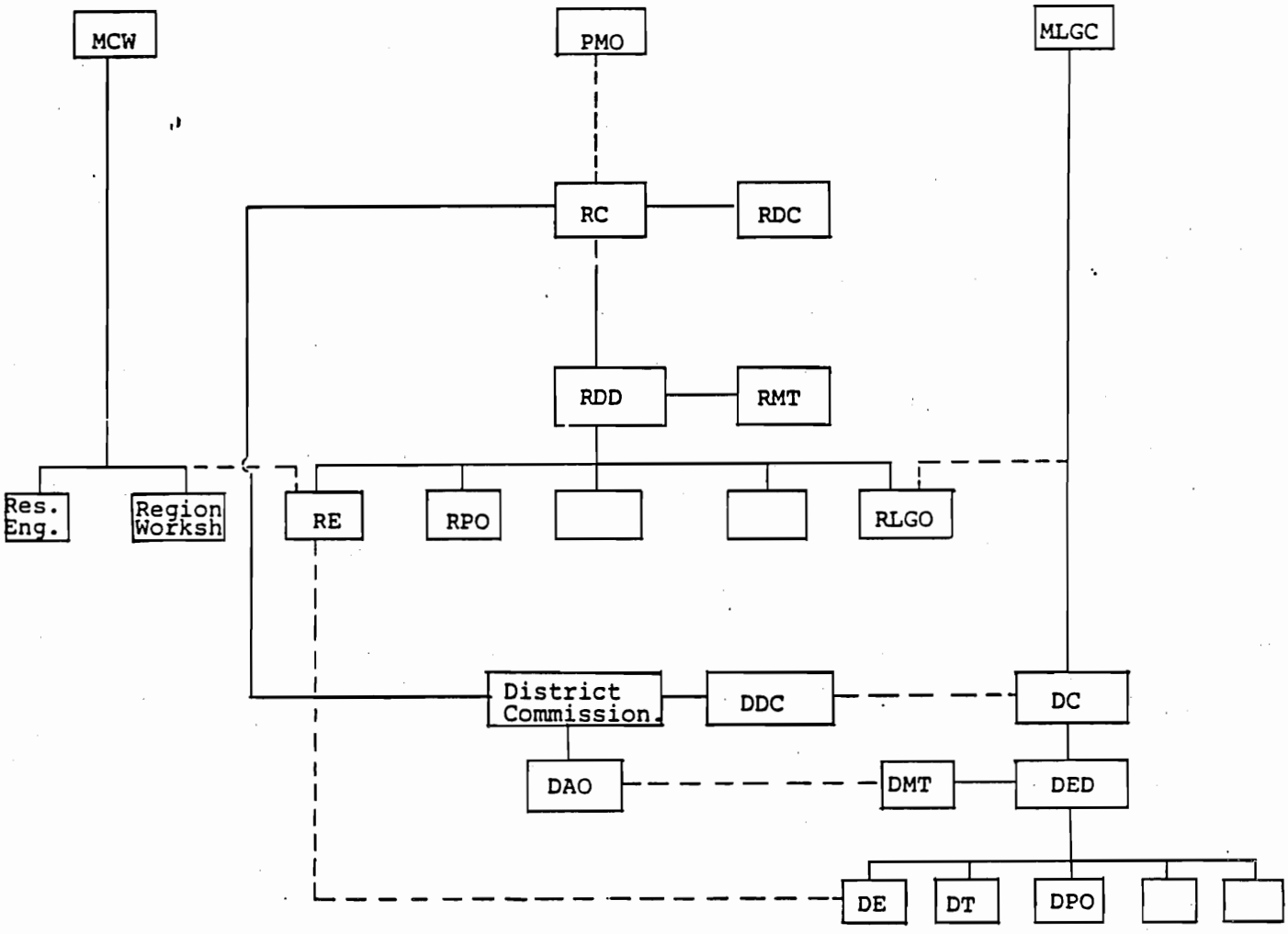


BEST AVAILABLE

FIGURE 4

Road-relevant Bodies at Regional and District Level

(Source: AFRS, MCW March 1988)



BEST AVAILABLE

FIGURE 5.

Planning and Budgeting for Rural Roads Maintenance

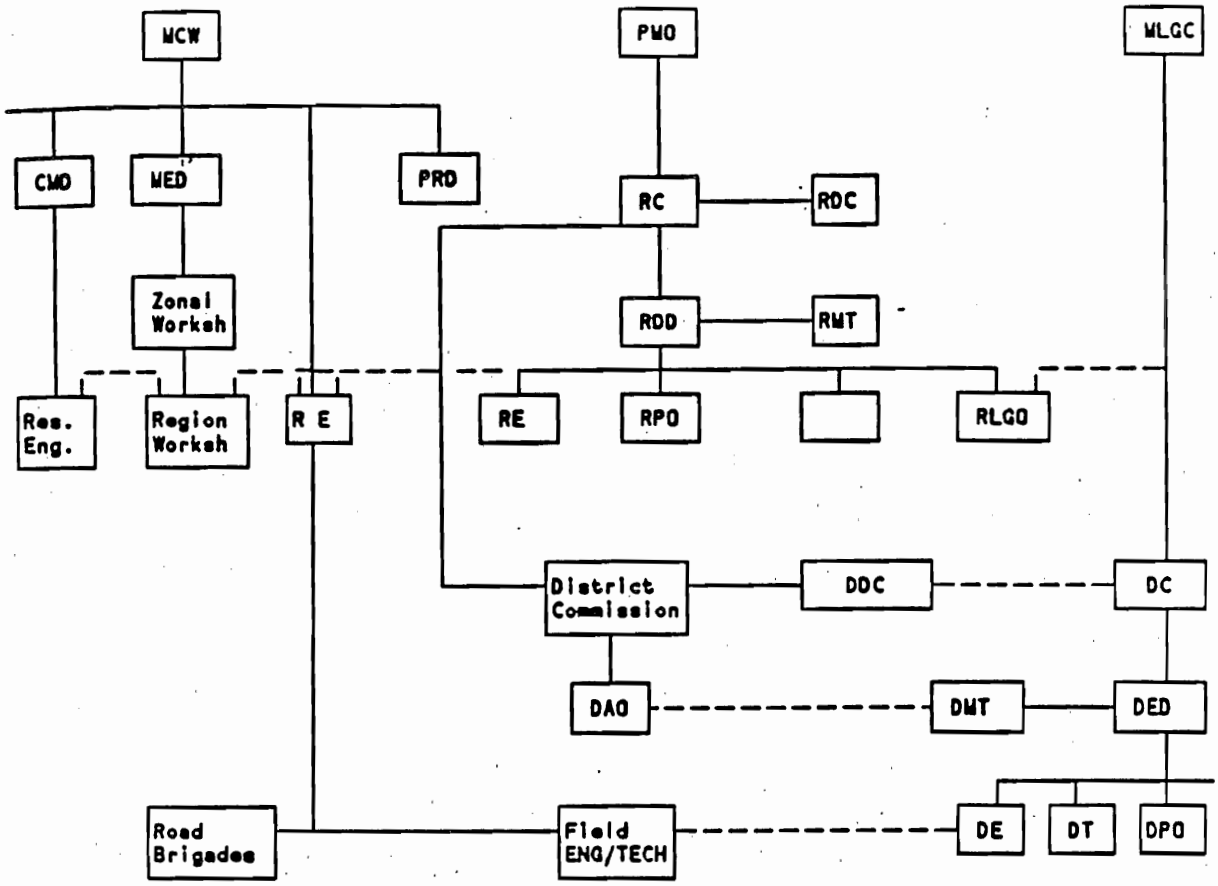
(Source: AFRS, MCW March 1988)

Function	Body and Key Officers
Financial assessment of National Rural Roads Maintenance Plan. Preparation of annual estimates of recurrent expenditure	MFEAP-Treasury
Review of regional maintenance plans. Adjustment of budgets to individual regions and to the different road categories and priorities	MCW, Chief Engineer Maintenance
Preparation of cost estimates for regional roads. Compilation of all estimates in an annual, Regional Rural Roads Maintenance Plan	RE
Review of DC requests and cost estimates. Discussion with DE on regional priorities	Regional Management Team, Roads Sub-team: RE, RLGO, DEs
Decision to request for new roads to be gazetted and for changes in the maintenance priorities among district roads	District Council, Economic Services Committee
Review of district road network. Preparation of cost estimates for priority roads among major and minor district roads	District Management Team, particularly the DE, DT and DPO

BEST AVAILABLE

(Source: Donor Conf. Report, 12/87)

TANZANIA
Roads Sector
Proposed Organizational Arrangements for Rural Roads



LEGEND

MCW	Ministry of Communications and Works
PMO	Prince Minister's Office
MLGC	Ministry of Local Government and Cooperatives
CWD	Construction and Maintenance Department
MED	Mechanical and Electrical Services Department
RRD	Rural Roads Department
PRD	Planning and Research Department
RC	Regional Commissioner
RDC	Regional Development Committee
RDD	Regional Development Director
DED	District Executive Director
DE	District Engineer
DT	District Treasurer
DPO	District Planning Officer
RMT	Regional Maintenance Team
Res Eng	Trunk Roads Resident Engineer
RE	Regional Engineer
RRE	Rural Roads Engineer
RPO	Regional Planning Officer
RLGO	Regional Local Government Officer
DDC	District Development Committee
DC	District Council
DAO	District Administration Officer
DMT	District Management Team

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TABLE 2

TANZANIA
Roads Sector
Core Rural Roads Rehabilitation and Maintenance Program

(Source: AFRS , MCW March 1988)

Region	District	Essential Rural Roads (Km) Regional	District	Total	First Phase Rehabilitation No. of Roads	Km
Kagera	Karagwe	218.4	203.0	421.4	2	98.9
	Bukoba	56.2	142.5	198.7	3	115.7
	Muleba	54.0	113.7	167.7	3	35.4
	Biharamulo	85.6	189.4	275.0	1	18.0
Mwanza	Geita	128.4	81.0	209.4	-	-
	Sengerema	173.0	78.0	251.0	-	-
	Kwimba	77.5	142.0	219.5	6	148.3
Shinyanga	Shinyanga	126.7	359.4	486.1	6	226.2
	Maswa	145.4	318.2	463.6	4	170.2
	Kahama	42.2	487.2	529.4	3	45.0
Kilimanjaro	Hai	17.9	37.2	55.1	4	37.2
	Moshi	7.0	140.1	147.1	12	70.1
	Rombo	4.5	23.3	27.8	5	14.8
	Mwanga	88.7	25.0	113.7	1	5.4
	Same	541.0	38.0	579.0	-	-
Tanga	Korogwe	56.4	131.0	187.4	-	-
	Lushoto	51.4	109.0	160.4	-	-
Iringa	Njombe	109.5	196.4	305.9	4	29.4
	Mufindi	55.3	202.4	257.7	2	23.9
Ruvuma	Mbinga	79.0	163.9	242.9	12	119.9
	Songea	39.7	302.8	342.5	5	62.8
Mbeya	Mbozi	86.7	161.2	247.9	28	164.0
	Kyela	15.8	61.5	77.3	4	30.2
	Ileje	49.9	8.0	57.9	-	-
TOTAL		2310.2	3714.2	6024.4	105	1415.4

TABLE 3

LIST OF CONTRACTORS SHOWING THE AMOUNT OF REGRAVELLING AND RESEALING OF ROADS THAT CAN BE DONE ANNUALLY

(Source: IBRD Report, R.K. Singh 6/19/88)

SN.	NAME AND ADDRESS OF CONTRACTOR	REGRAVELLING IN KM.	RESEALING IN KM
1.	MECCO, P.O. BOX 720, DAR ES SALAAM	100 km	100
2.	J.W. LADNA P.O. BOX 20260 DAR ES SALAAM	100 km	80
3.	UNICO P.O. BOX 2357 DAR ES SALAAM	100	100
4.	BECCO P.O. BOX 1698, DAR ES SALAAM	100	100
5.	BUILDERS (V.M. CHAVDA) P.O. BOX 381, DAR ES SALAAM	100	50
6.	MILO CONSTRUCTION CO. P.O. BOX 5853, DAR ES SALAAM	50	NIL
7.	JANDU PLUMBERS P.O. BOX 407, ARUSHA.	25	NIL
8.	MILKHA SINGH JAWAL SINGH P.O. BOX 68, ARUSHA.	50	NIL
9.	J.S. KHAMBHAITA P.O. BOX 65, MOSHI	120	50
10.	PENFOLD CO. P.O. BOX 41, MOSHI	100	80
11.	TAJ MOHAMED P.O. BOX 204, MOROGORO	100	NIL
12.	NYANZA ROAD WORKS P.O. BOX 1273, MWANZA.	300	100
	TOTAL	1245	680

TABLE 4

LIST OF CONTRACTORS, C.I.F. VALUE, TYPE OF EQUIPMENTS

(Source: IBRD Report, R.K. Singh 6/19/88

S/NO.	NAME AND ADDRESS OF THE CONTRACTOR	C.I.F. VALUE OF EQUIPMENT TO BE PURCHASED. U.S. DOLLAR	COST OF FAST MOVING SPARE FOR 3 TO 5 YEARS IN U.S.DOLLAR	COST OF SPARES REHABILITATION OF EXISTING EQUIPMENT U.S. D.	TOTAL IN U.S. DOLLAR	TYPE OF EQUIPMEN
1.	MECCO, BOX 720, DAR ES SALAAM	-	148,600/=	743,000/=	891,600/=	
2.	J.W. LADWA BOX 20200, DAR ES SALAAM	298,000/=	75,000/=	150,000/=	523,000/=	Tipper - 4Nos. Truck - 2 Pick-up -3 W/shp equipment - 1
3.	UNICO BOX 2357, DAR ES SALAAM	568,000/=	167,600/=	270,000/=	1,005,600/=	Tipper - 6 - 10 Ton Lorry - 2 - 10 Ton
4.	BECCO, BOX 1698, DAR ES SALAAM	1,540,000/=	328,400/=	102,100/=	1,970,500/=	Tipper - 10 -10 Ton wheel loader -1 Excavator - 1 mobile W/shop-1
5.	BUILDERS(V.M.) CHAVDA) BOX 381, DAR ES SALAAM	1,265,000/=	313,000/=	300,000/=	1,878,000/=	Tipper - 6 - 10Tons grader- 2 Bulldozer-1 Wheel loader -1 Low loader -1 Roller - 1
6.	MILO CONSTRUCTION BOX 5853, DAR ES SALAAM.	723,000/=	150,600/=	50,000/=	923,600/=	Tipper - 5 -10Tons Grader - 1 Bulldozer -1 Roller - 2 Water Bowser -1
7.	JANDU PLUMBERS, BOX 407, ARUSHA.	378,000/=	115,600/=	200,000/=	693,600/=	Tipper - 5 - 7Tons Grader - 1 Wheel loader -1 Water Bowser -1

TABLE 4 (Cont.)

8.	MILKHA SINGH JAWAL SINGH, BOX 68, ARUSHA.	380,000/=	96,000/=	100,000/=	576,000/=	Tipper - 4 -7Tons. Grader - 1 Roller - 1 Bulldozer - 1
9.	J.S. KHAMBHATTA, BOX 65, MOSHI	560,000/=	166,000/=	270,000/=	996,000/=	Tipper - 6 - 10 Ton Lorry - 2 10 Tons.
10.	PENFOLD CO. BOX 41, MOSHI	370,000/=	124,000/=	250,000/=	744,000/=	Tipper - 6 7Ton. Wheel loader - 1 Bulldozer - 1
11.	TAJ MOHAMED BOX 204, MOROGORO	848,000/=	219,600/=	250,000/=	1,317,600/=	Tipper - 10 ; 7 Tons. Grader - 1 Shovel - 2 Roller - 2 Water Bowser - 2
12.	MWANZA ROAD WORKS, BOX 1273, MWANZA.	763,000/=	206,600/=	270,000/=	1,239,600/=	Tipper - 10 7 Tons Excavator - 1 Roller - 1 Land Rover 4 wheel drive- 1
		7,693,000/=	2,111,000/=	2,955,100/=	12,759,100/=	

TABLE 5

LIST OF CONTRACTORS WHO CAN UNDERTAKE LABOUR BASED FEEDER ROADS REHABILITATION WORKS

(Source: IBRD Report, R.K. Singh 6/19/88

1. Lyamuya Construction Company
P.O. Box 1027,
MOSHI.

2. Central Engineering Works
P.O. Box 423,
DODOMA.

3. SIBA Construction Company,
P.O. Box 180,
NACHINGWEA.

4. M.S. SINANI Company
P.O. Box 94,
MTWARA.

5. MANWSONS Construction Company
P.O. Box 400,
MUSOMA.

6. Timber and Furniture Store Ltd.
P.O. Box 1812,
MWANZA. also for BUKOBA AREA.

7. V.J. Mistry Company,
P.O. Box 1007,
BUKOBA

8. Concrete Structure Building Contractors
P.O. Box 1462,
MBEYA.

9. Lyatuu Construction Company,
P.O. Box 390,
SHINYANGA

10. Kambale K. Lungira Building Contractor
P.O. Box 143,
SUMBAWANGA.

11. NONDWA Construction Company,
P.O. Box 115,
KIGOMA.

12. NEW Builders,
P.O. Box 1754,
TANGA.

13. Pioneer Building Construction Company
P.O. Box 20203,
DAR ES SALAAM

14. Southern Enterprises,
P.O. Box 9404,
DAR ES SALAAM.

15. Reliable Construction Company
P.O. Box 1023,
DAR ES SALAAM. also for SHINYANGA AREA

16. Dalip Singh
P.O. Box 550,
MBEYA.

17. Paulo Katoto Building Contractor,
P.O. Box 9693,
DAR ES SALAAM. also for MWANZA AREA.

ANNEX
E

BUDGET TABLES

BUDGET TABLE 1
AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM (ATAP)
U.S. DOLLARS (000's)

DESCRIPTION	YR 1	YR 2	YR 3	YR 4	YR 5	TOTAL
1. SECTOR ASSISTANCE COMPONENT (CIP)	5,200	0	0	0	0	5,200
2. TA AND TRAINING COMPONENT						
Long-Term Technical Assistance	75	250	250	175	0	750
Short-Term Technical Assistance	0	370	235	0	0	605
Training (Third Country)	0	120	66	9	0	195
Commodities	60	40	0	0	0	100
Other Costs	12.5	12.5	0	0	0	25
SUBTOTAL	147.5	792.5	551	184	0	1.675
3. EVALUATIONS AND AUDITS	0	15	35	15	35	100
4. CONTINGENCY (5%)	7.5	40.5	27	10	2	87
5. INFLATION (5%)	0	40.5	60	30	7.5	138
TOTAL ESTIMATED EXPENDITURES	5.355	888.5	673	239	44.5	$7.200

BUDGET TABLE 2

TECHNICAL ASSISTANCE PLAN
TANZANIA AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM
U.S. DOLLARS ('000)

Area of Specialization	GOT Department Counterpart	Total Person-Months	Total Cost FX	Total Cost LC	Distribution YR 1 mos.	YR 1 $	YR 2 mos.	YR 2 $	YR 3 mos.	YR 3 $	YR 4 mos.	YR 4 $	YR 5 mos.
1. Long Term													
a. Road Contract Specialist	MCW	36	750,000	-	4	75,000	12	250,000	12	250,000	8	175,000	0
SubTotal - Long-Term		36	750,000	-	4	75,000	12	250,000	12	250,000	8	175,000	0
2. Short Term													
a. Maintenance Management	MCW/BBD	4	60,000	-	0	-	3	40,000	2	20,000	0	-	0
b. Budgeting	"	4	60,000	-	0	-	3	40,000	1	20,000	0	-	0
c. Road Inventory	MCW/Planning	14	210,000	-	0	-	9	130,000	5	80,000	0	-	0
d. Donor Coordination	"	4	60,000	-	0	-	3	40,000	1	20,000	0	-	0
e. Training Supervisors	MCW/BBD	8	125,000	-	0	-	5	70,000	3	55,000	0	-	0
f. Private Sector Specialist	MCW	6	90,000	-	0	-	3	50,000	3	40,000	0	-	0
SubTotal - Short-Term		40	605,000	-	0	-	26	370,000	14	235,000	0	-	0
GRAND TOTAL		76	$1,355,000	-	4	$75,000	38	$620,000	26	$485,000	8	$175,000	0

BUDGET TABLE 3

TANZANIA AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM (ATAP)
U.S. DOLLARS (000's)

Type and Post	Duration	Total Cost	Distribution YR 1		YR 2		YR 3		YR 4		YR 5	
	mos	$	mos.	$	mos.	$	mos.	$	mos.	$	mos.	$
I. Out-of-Country Training												
A. Degree N/A												
-												
SubTotal-Degree	0	-	0	-	0	-	0	-	0	-	0	-
B. Non-Degree												
- Botswana Roads Training Center	30	90,000	0	-	12	36,000	18	54,000	0	-	0	-
- Kisii Training Center. Kenya	30	30,000	0	-	9	9,000	12	12,000	9	9,000	0	-
- Observational Travel	10	75,000	0	-	10	75,000	0	-	0	-	0	-
SubTotal - Non-Degree	70	195,000	0	-	31	120,000	30	66,000	9	9,000	0	-
TOTAL	70	$195,000	0	-	31	$120,000	30	$66,000	9	$9,000	0	-

BUDGET TABLE 4

TANZANIA AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM (ATAP)

COMMODITIES PROCUREMENT SHEET

U.S. DOLLARS (000's)

Item Name	Specifications	Probable s/o	Procured By	Distribution	Date Needed	Unit Price ($)	Quantity Needed	Total Cost ($)
Vehicle	4 wheel drive station wagon	935	USAID/T	T/A	1/89	25,000	2	50,000
"	spare parts	"	"	"	"	2,500	2	5,000
Computer	IBM system 2 or equivalent	000	"	MCW	1/89	15,000	2	30,000
								85,000
					18% Contingency and Inflation			15,000
							Grand Total	$100,000

BUDGET TABLE 5

GOT CONTRIBUTION

(TShs 000's)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL
1. OBJECTIVE 1						
A) Rural Roads Division	500	750	1,000	1,500	1,750	5,500
B) Counterpart Programming	-	20,000	50,000	50,000	50,000	170,000
Sub-Total	500	20,750	51,000	51,500	51,750	175,500
2. OBJECTIVE 2						
A) Recurrent Maintenance Costs for Classified Road Network	1,160,000	1,190,000	1,220,000	1,210,000	1,200,000	5,980,000
Sub-Total	1,160,000	1,190,000	1,220,000	1,210,000	1,200,000	5,980,000
3. OBJECTIVE 3						
A) Contract Administration (Rural Roads)	200	250	300	350	400	1,500
B) Counterpart Programming	-	50,000	100,000	100,000	50,000	300,000
Sub-Total	200	50,250	100,300	100,350	50,400	301,500
4. PROGRAM MANAGEMENT	2,000	1,500	1,500	1,500	1,500	8,000
TOTAL	1,162,700	1,262,500	1,372,800	1,363,350	1,303,650	6,465,000

ANNEX
F

ECONOMIC FINANCIAL ANALYSIS OF GOT EXPENDITURE

A. MACRO-ECONOMIC FRAMEWORK

A.1 Economic Conditions and Growth Prospects

Summary and Introduction

The Tanzania three-year Economic Recovery Program (ERP) launched in 1986 has brought immediate relief to the economy in the form of debt rescheduling, new stand-by credits, increased bilateral aid, slight balance of payments improvement and increased exports and imports. Further, and more importantly, it seems the long period of economic decline which started in 1979/80 has finally been arrested.

The changes and achievements realized so far have sparked a positive response both from the international community and the domestic economy. The World Bank, for example, approved a large program credit for Tanzania and chaired Consultative Groups which elicited increased pledges from donor governments. The IMF approved a standby arrangement and most recently a Structural Adjustment Facility for Tanzania. The Paris Club rescheduled Tanzanias official debt.

In the domestic economy, Tanzania feels the positive impact of the policies. Consumer goods are in plentiful supply, even in rural areas. Despite the devaluation, inflation is under control and in 1987 per capita income rose for the first time in almost a decade. The government, however, will have to undertake further measures to build and sustain the reforms it has initiated. These changes could lead to increased opportunities for U.S. exporters and investors. The government private investment code appears to be much more receptive to new foreign investment than in the past. A revitalized USAID program offers opportunities for U.S. firms as does the larger lending programs of the World Bank and the African Development Fund.

Economic Conditions:

Tanzania is predominantly an agricultural economy. Almost 85% of the 23 million people are small scale private farmers. Population is growing at 3.3% and urbanization has been rapid, showing an annual average increase of 11%. Output growth has barely kept pace with the increase in population and in 1987 Tanzania's per capita income averaged only $240.

For more than a decade, Tanzania's policies failed to realize the Country's vast economic potential but managed to foster political stability and social harmony. For example, the economic policy structure during the 1970's and early 1980's favoured urban consumers over agricultural producers. This emphasis had a detrimental effect on the growth of the economy because agriculture employs 80% of the working population, and accounts for almost half of the GDP and 78% of the exports (See Table 1). Principal exports include coffee, cotton, sisal, tea, tobacco, cashews, and pyrethrum. As an unrealistic exchange rate devalued their shilling returns and as parastatal marketing authorities levied ever greater charges to cover their inefficient operations, farmers lost incentives to maintain their fields. The resultant drop in exports created a shortage of foreign exchange, which had crippling effects throughout the economy. Inability to pay for imports, imported inputs, spare parts, and replacements caused industry to decline to 20 - 25 per cent of capacity, cutting its share of GDP from 12.5% in 1978 to 7.6% in 1986 (Table 2). Similar shortages hobbled transportation which is a very critical sector in a country where most of the production occurs far from cities where the goods are consumed or exported. The shortage of inputs and parts has also seriously hurt agriculture, completing a vicious circle.

A.2 The Economic Recovery Program (ERP)

In response to the economic crisis which continued to deepen, government programs in the 1980's showed a growing awareness of the needs for change. First, the GOT introduced the National Economic Survival Program (1981-82) and then the Structural Adjustment Program (1982-85). Both policy steps were inadequate to deal with the acute economic decline. Then, in mid 1986, the GOT announced the three-year Economic Recovery Program of which key components are:

1. Greater flexibility of exchange rates.

2. Fiscal and Monetary discipline, with an intent to divert new credit from government and the parastatals to the private sector.

3. Focus on agriculture, with secondary emphasis on transportation, communications and industry.

4. Rehabilitation of infrastructure rather than initiation of new projects.

The policy changes introduced under ERP have sparked a positive response from the domestic and international community as well as arrested the long period of economic decline. The following is a brief description of ERP and the 1987-90 Policy Framework Macro-economic policies.

Exchange Rate:

As shown in Chart 1, the lack of timely adjustment of the nominal exchange rate, in the face of a large differential between the rate of inflation in Tanzania and that of the country's trading partners, has resulted in a substantial overvaluation of the shilling since 1980. This overvaluation, which has been made more critical by terms of trade deterioration and a sharp rise in the country's external debt (Annex F) (Table F.4), has seriously eroded the profitability of the export sector. It has also encouraged, in the face of falling import capacity, a growing parallel market where foreign exchange is traded at many times its official price. Distortions in the exchange rate have resulted in the whole resource allocation system of the economy functioning inefficiently.

The GOT intends to eliminate this exchange rate overvaluation. The shilling, officially valued at 16 to the dollar in March 1986, was devalued to a rate of 40 to the dollar by June 20, 1986. Weekly adjustments according to the ERP and Policy Framework Paper requirements have since brought the rate to 96 to the dollar in June, 1988. Equilibrium exchange rate is expected to lie somewhere between TShs. 115 - 125 per dollar. The growth prospects for this GOT action, in conjunction with increases in agricultural producer prices, will be an increase in the profitability of exports, allowing imports to be valued at prices approaching their true opportunity costs and bringing about a new and more realistic structure of the relative prices in the economy to achieve efficient resource allocation.

Trade Liberalization:

The government intends to remove trade restrictions, rationalize domestic trade behaviour and promote exports. As a first step, the government has progressively reduced the category of goods subject to price control from over 400 in 1986 to 22 in 1987 and to 12 basic necessities in July of 1988. As prices of goods are decontrolled, the regulations that "confine" goods to specific parastatals for importation and wholesale distribution are also being dismantled while at the same time enlarging the category of goods under the more efficient Open General License policy.

Own fund imports and export retention schemes have been retained to provide incentives to exporters. The retentions which range between 10 - 50 per cent are required to import raw materials, spare parts and an expanded list of essential incentive goods. Further, in 1987 export retention holders were permitted to transfer exchange proceeds among themselves to facilitate efficient trade.

Agricultural Policies:

Producer Prices:

The government is committed to the ERP policy of raising the real level of producer prices and ultimately limiting them more closely to developments in world market prices. Due to the periodic adjustments in the exchange rate, producer prices have been reviewed more often with an intention of setting them at levels equivalent to 60 - 70% of the f.o.b. price or to ensure an annual increase of at least 5% per annum in real terms, whichever is higher. Along with restoration of growth and an increase in export earnings, the 1988/89 budget stipulates the introduction of quality margins in the official structure of prices to better reflect prices paid in world markets for higher grades.

Marketing structure:

Improvement in the efficiency of agricultural marketing cooperatives, boards and corporations is vital for ERP success to revamp agriculture. The liberalization of domestic trade in food grains and the removal of permits in interregional trade have increased agricultural production. Reform of the institutional structure to foster greater competition and permit direct marketing for large private producers and cooperative unions will improve efficiency in the agricultural sector. The government intends to make the NMC parastatal a buyer of last resort with strong stipulations that its operations must be performed efficiently with a profit motive as its driving force.

Agricultural Support Services:

The 1988/89 budget lays priority on ensuring timely input delivery to the farmers, revitalized research and extension services, transportation and storage as well as providing more

services to the livestock sector. The budget removed all import duties and sales taxes on imported agricultural inputs and, with the commitment to remove import distribution monopoly parastatals, the government hopes to achieve efficiency in the availability of more inputs to the farmers.

Industry:

The 1988/89 budget in conformity with ERP policies has placed emphasis on the improvement of industrial capacity utilization with more resources being allocated only to efficient industries. Priority will be channeled to industries catering to the domestic market, particularly fertilizers, leather goods, paper and shoe factories as well as those industries which increase revenue to the government such as beer and cigarette industries.

Industrial sector reforms including internal management, restructuring and rehabilitation of some public enterprises awaits approval of the new Policy Framework Paper and the World Bank funding due sometime in October, 1988.

Balance of Payments Position

During 1986 and 1987, Tanzania's balance of payments remained under severe strain as the dollar value of exports continued to decline and government efforts to mobilize additional resources were only partially successful. The unfavourable performance of exports was partly due to poor world market prices for traditional commodities. For example, coffee prices plumetted by 38% in dollar terms in 1987, and the volume exported by Tanzania fell by 4% The volume of sisal and cashewnuts declined, while unit prices of tea and tobacco also fell. Only cotton gained in both price and volume.

The volume of imports rose to more than $1.1 billion, registering an increase of almost 50% over the level of 1983. This dramatic short term improvement has been a critical factor in restoring economic activity in Tanzania. Of particular importance has been "own-funded" import schemes which accounted for over $300 million of mostly consumer goods.

The most optimistic aspects of the trade situation, however, is the sharp rise in manufactured exports, which rose from $39 million in 1986 to $63 million in 1987. Manufactures still account for less than one fifth of total exports but the performance in 1987 suggests that this could change significantly.

Largely because of the increase in exports and the reduced external interest obligations due to debt rescheduling, the current account deficit has fallen from $312 million in 1986 to $264 million in 1987. Imports rose also, not only due to the own-funded import schemes, but because the foreign exchange inflows which finance own-funded imports are treated as remittences and these imports do not increase the current deficit. Further, the build-up of donor funding has been slower than expected because of the lags between the very positive donor commitments to help the recovery process and actual disbursements.

Fiscal Position

Budget Deficit:

The government is committed to fiscal discipline. The 1987/88 budget projected an overall deficit of TShs. 15.1 billion, or an estimated 9% of GDP compared to 11% in 1986/87 and 16% in 1985/86. Government net bank borrowing has been reduced from TShs. 5.6 billion in 1985/86 to TShs. 1.6 billion in 1986/87 to TShs. 236 million in 1987/88. The 1988/89 budget estimates net GOT bank borrowing to rise slightly to TShs. 600 million. Despite this impressive performance, over 30% of the total budget continues to be financed by donor support.

Public Expenditure:

The 1988/89 budget focuses on rehabilitation of existing infrastructure particularly agriculture, transport, industry, water and energy. The only new project is the National Census which is planned for 1988. Of the TShs. 28.4 billion planned for development expenditure, 41.8% will be used to rehabilitate the productive sectors (agriculture and industry), 34.3% for economic infrastructure (transport, water and energy), and 19.1% for social services.

Subsidies for parastatals have been abolished and employment levels continue to be frozen except for teachers and medical personnel.

Public Services:

The 1988/89 budget has addressed the problems of public services including salary levels and non-wage benefits. Salaries have been raised by 10-20% for the high and low salary brackets, respectively. Transport and housing allowances have also been instituted. The government, in addition to removing budgetary subsidies to many public enterprises, intends to reduce the size of the parastatal sector and subject the remaining ones to stricter management and performance standards in line with the recommendations of the proposed Policy Framework Paper expected in October, 1988.

Status of Macro-economic Framework

Viewed from an economy-wide growth perspective, it can be fairly claimed that the adjustment policies introduced under ERP have been remarkably successful. Indeed, given the extreme difficulties facing the economy in the period up to 1984, the revival has contributed to economic growth in several key areas:

First, there has been some growth in real GDP per capita for the first time since 1980. Between 1986 and 1987 GDP grew at 3.9%, just sufficient to generate positive growth when we consider an annual population growth of 3.3. per cent. Second, a more efficient economy is evolving, with important shifts in economic activity away from large scale, mostly inefficient parastatals towards smaller scale, more efficient private enterprises. Third, trade distortions are being eliminated with commodities under control reduced to 12 in 1988/89 compared to over 400 in 1985/86.

The Tanzanian shilling has depreciated by over 58.2% in dollar terms between 1986 and 1988 to reach TShs. 96 per dollar. Potential users of foreign exchange are now being forced to economize on this scarce resource, reflecting that exchange rates are approaching their equilibrium rate which could be in the range of TShs. 115 - 125 per dollar.

The external debt service burden for Tanzania has been eased somewhat by the October 1986 rescheduling of over $659.8 million in arrears and $197.3 million of maturing debt. Debt write-off by France, Germany and some Nordic countries in 1988 has reduced the burden considerably with further promises from Britain, Canada and Japan to help ease Tanzania's debt burden. Balance of

payments improvements have been noted in 1987/88 with deficits of $357 million financed by IMF net resources ($39 million), build up of arrears ($180 million) and debt rescheduling ($148 million). The 1988/89 budget is committed to further reduction in government deficits by removing all subsidies going to inefficient parastatals as well as restricting net government bank borrowing to TShs. 600 million compared to TShs. 5.6 billion in 1986.

Inflation, at 29.9 per cent in 1987, is still high but is slightly lower than the 1986 level of 32.4 per cent. As the economy fully recovers, inflation should come down to the Policy Framework Paper projected level of 20 per cent or lower.

The 1988/89 budget speech affirmed the desire of the government to implement all the ERP policies and acknowledged the success of the adjustment programs which need to be continued, consolidated and sustained.

B: PROGRAM BENEFIT-COST ANALYSIS

Benefit-cost analysis is used to permit ranking of identified agricultural feeder roads for rehabilitation and maintenance. The overriding principle used is to align analysis with ERP requirements which calls for maintenance of currently under-utilized resources and attributing priority to programs with a positive impact on the balance of payments.

Estimation of Benefits:

Benefits are estimated as the value of additional agricultural output expected to be generated by the rehabilitation of feeder roads less production and evacuation cost related to realization of this increased output. Forecasting increased production induced by rehabilitation of feeder roads involves three steps:

1. Estimation of base year agricultural production;

2. Forecasting of likely increase in land utilization and yields in response to road rehabilitation; and

3. Calculation of the forecasted increase in marketable surplus.

The valuation of agricultural produce was made by applying world market prices to the forecasted increase in production. Table F.1 depicts the world market prices adopted:

ANNEX F

Commodity World Market Prices

World Commodity	Index	Average based on	World Market Price 1000 US$/TON	World Market Price 1987 Price 1000 TSHS/TON
Coffee	Other mild arabicas	1950-84	3.75	196
Tea	Kenyan	1950-84	3.55	185
Cocoa	Accra, Ghanian	1950-84	2.65	138
Cotton	'A" Index	1955-84	2.35	37
Tobacco	Indian	1972-84	2.30	120
Maize	US,No.2 yellow	1955-84	0.15	8
Rice	Thai	1950-84	0.50	17

Estimation of Cost:

In the estimation of the cost of additional inputs only imports were considered. Cost of additional inputs were limited to fertilizers, pesticides and energy consumption of tractors, mills etc. A causality between cost of additional inputs and world market prices was found and the following percentages were established.

ANNEX F

Commodity	Imported Input Costs as a % of World Market Price
Coffee	20
Tea	20
Cotton	20
Tobacco	20
Maize	10
Paddy	10
Beans	5
Other cash crops	5
Other food crops	5

Economic costs were estimated as the import contents of transport. Rail and shipping costs were estimated based on tariffs charged by the Tanzania Railway Corporation (TRC) and Tanzania-Zambia Railway (TAZARA). The import content of rail and shipping services were assessed by TRC accounting information for both TRC and TAZARA operations. Road transport costs were estimated based on a recent World Bank Study 1/

The following ton/km rates were adopted for analysis using 1987 prices:

Mode	Ton/km rate (Tshs)
Trucks	10. 0
Ferry boat	4.50
Rail	1.33

1/ Tanzania, Efficiency of the Trucking Industry, The World Bank, May 2, 1986.

Estimation of Rehabilitation and Maintenance Costs.

Road inventories were used to decide on necessary rehabilitation works of approximately 1,450 kilometers. The cost estimates for rehabilitation which include 20% contingency range between 250,000 - 750,000 TShs per km (90% of the roads). Annual maintenance costs for routine and recurrent maintenance average 7,550 - 14,360 T.Shs. per km depending on the class of road, type of terrain, soil conditions and availability of construction materials. Detailed rehabilitation and maintenance costs are depicted in Table F.5.

Ranking Feeder Roads

Final ranking of feeder roads for the rehabilitation program was assessed according to Economic Net Present Value (ENPV) based on the estimated benefits less input and transport costs, and on the estimated rehabilitation and maintenance costs.

The ENPV was calculated in fixed 1987 prices, using a real economic rate of return of 12% per annum. This high interest rate was chosen to reflect Tanzania's current scarcity of foreign exchange funds. The basic ENPV calculations were supplemented with simple sensitive analysis which assumed a 20% decrease in benefits and a 20% increase in costs. In addition, the Economic Internal Rate of Return (EIRR) was calculated to supplement the ENPV calculations.

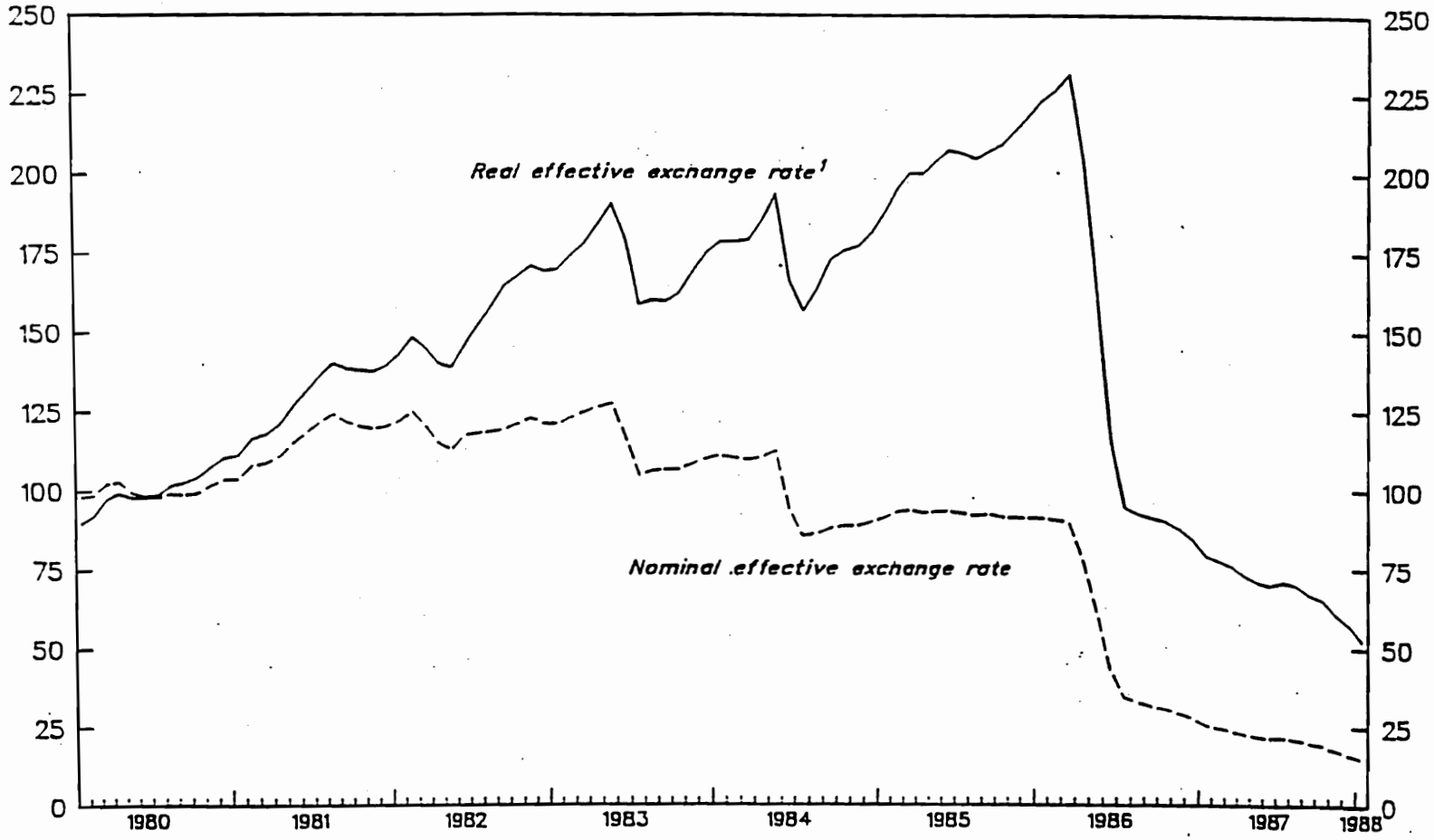
Results of these economic analyses are depicted in Table F 6. The results indicate program benefits in excess of the opportunity cost of capital estimated at 12 percent per annum. Over 50,000 km of feeder roads have been ranked in order of priority using the ENPV and EIRR criteria. For most roads, the internal rate of return is higher than 35 percent or an annual net present value of T.Shs. 6000 ($62.5) per kilometer. Viewed over a five-year period, the net program returns exceed $15.5 million or 100 percent greater than the amount of dollars transferred. As such, the returns to transportation programs are quite high and a revitalized USAID program in this area will be a great support to the Tanzanian government effort to achieve sustained economic growth.

CHART I

TANZANIA

INFORMATION NOTICE SYSTEM INDEX OF REAL EFFECTIVE EXCHANGE RATE

(1980=100)



Source: Information Notice System.

[1]Trade weighted index of nominal exchange rate deflated by seasonally adjusted consumer prices; increase means appreciation.

on: 23.5 million (1987)
capita: US$240 (1987)

TABLE F.1: TANZANIA - MACRO ECONOMIC INDICATORS a/

Indicator	Amount (million US$ at current prices) 1984	Annual Real Growth Rates (%) Actual 1980	1981	1982	1983	1984	1985	1986	1987	Projections 1988	1989	1990	1991
ACCOUNTS													
domestic product c/	4,494	0.6	-1.3	0.9	-0.4	2.5	2.5	3.0	3.8	4.0	4.0	4.0	4.0
culture	2,417	2.8	2.3	2.6	1.1	2.6	3.5	4.8	4.5	4.4	4.2	4.0	3.8
stry	462	-10.8	-13.8	-7.2	-8.5	-11.5	-15.0	2.0	8.0	10.0	8.0	8.0	8.0
ices	1,615	3.3	-0.4	3.0	-0.7	4.3	3.5	1.4	2.7	3.0	3.4	3.6	3.8
mption	4,678	6.8	-6.0	0.7	1.6	6.1	7.2	9.6	3.7	3.4	2.3	3.3	2.4
investment	718	-13.6	4.3	0.8	-17.2	4.8	-9.0	-2.2	-8.1	-2.9	4.0	4.0	4.0
ts of GNFS	473	0.6	18.7	-18.5	-14.1	-9.0	-9.1	4.3	12.3	12.1	11.7	3.5	9.4
ts of GNFS	922	-0.4	-7.9	-3.9	-21.8	5.9	15.2	20.0	2.6		0.8	0.1	-0.1
domestic savings	267	-29.0	34.3	9.9	-14.8	-9.6	-18.4	-40.0	-12.7	19.1	39.7	22.4	19.9
eflator (1978 = 100)		130.9	154.7	185.4	183.2	180.0	191.7	249.2	299.0	343.6	395.0	434.8	483.6
nge rate (T.Shs. per US$)		8.2	8.3	9.3	11.1	15.3	17.5	35.0	70.0	100.0	120.0	125.0	125.0

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	Share of GDP at Market prices (%) (at current prices)						Average Annual Increase (% (at constant prices)	
	1980	1983	1984	1985	1986	1991	1980-85	1986-91 b/
Domestic Product c/	100.0	100.0	100.0	100.0	100.0	100.0	0.9	4.0
iculture	41.6	43.7	43.2	43.7	44.5	45.0	2.4	4.2
lustry	14.8	6.0	5.1	4.2	4.2	5.1	-11.3	8.5
vices	33.2	44.9	45.1	45.7	45.7	43.6	2.2	3.3
ption	90.5	82.2	84.0	87.4	93.8	87.6	1.8	3.0
investment	22.4	19.3	17.3	17.3	16.4	15.6	-6.3	1.0
s of GNFS	12.7	13.6	11.9	11.9	9.9	14.1	-5.6	10.9
s of GNFS	25.7	15.1	15.4	16.7	20.1	17.3	-4.8	0.8
domestic savings	9.4	17.0	15.2	12.1	2.2	8.2	-1.5	20.0

	As % GDP				
	1980/81	1982/83	1985/86	1986/87	1987/88
FINANCE					
rent revenue	18.4	18.7	18.0	23.4	25.0
rent expenditure	20.0	22.2	20.7	25.7	26.7
plus (+) or deficit (-)	-1.6	-3.5	-2.7	-2.3	-1.7
ital expenditures	10.2	6.9	5.9	5.3	5.6
eign Financing	5.1	4.0	2.2	2.5	2.8

	1975/82	1982/85	1986/91
INDICATORS			
growth rate (%)	2.8	2.1	4.0
per capita growth rate (%)	-0.5	-1.2	0.7
	8.4	10.3	3.4
nal savings rate	0.4	-0.2	0.1
t elasticity	-0.8	-0.7	0.2

ainland only. GNP per capita is at official exchange rate.
stimate.
t market price; components are expressed at factor cost.

e: Data provided by Tanzanian Authorities; and Mission staff estimates.

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TABLE F.2: Tanzania: Selected Economic and Financial Indicators, 1983-1989/90

	1983	1984	1985	1986	1986/87	1987/88	1988/89	1989/90 ESTIMATES
				(Changes in percent)				
GDP and prices								
Real GDP	-2.0	3.2	2.3	3.0	3.5	4.0	4.0	4.0
Consumer prices								
End of period	27.3	36.1	28.2	33.2	32.4	20.0	15.0	8.0
Average	27.0	36.2	33.3	32.4	32.9	25.0	20.0	12.0
Government budget 1/								
Revenues excluding grants	22.1	26.5	16.5	54.9	46.4	61.7	56.0	60.0
Total expenditure	13.3	24.4	24.6	54.1	34.5	72.0	54.0	56.0
Money and credit (end of period)								
Total credit	15.8	21.9	22.0	18.7	29.6	22.3	13.5	12.0
Of which: Government (net)	(17.5)	(21.9)	(28.0)	(9.3)	(6.8)	(-5.8)	(-30)	(-11.0)
Money plus quasi-money	13.2	22.4	27.5	17.0	22.1	10.0	10.0	9.3
Velocity (GDP relative to M2	2.77	2.77	2.80	2.85	3.30	3.42	3.68	3.86
Interest rates (12-month saving deposit)	7.5	7.5	10.0	15.0	21.5 2/	24.0	26.0	26.0
External sector (on the basis of U.S. dollars)								
Exports, f.o.b.	-8.3	-2.8	-22.5	21.7	12.0	19.0	16.3	15.6
Imports, c.i.f.	-25.3	9.0	11.9	5.1	7.4	7.7	3.8	3.3
Nominal effective exchange rate	-15.6	-19.2	-2.2	-69.5	-45.9	-48.0	-2.10	-14.0
Real effective exchange	2.2	4.0	8.7	-61.3	-26.6	-20.0	-15.0	-13.0
				(In percent of (GDP)				
Overall government budget deficit 1/								
Checks-issued basis	-8.5	-8.1	-9.0 3/	-10.9	-8.0	-13.0	-13.4	-12.6
Checks-cleared basis	-8.5	-7.1	-6.7 3/	-10.9	-10.1	-12.0	-12.6	-11.9
				(in percent of merchandise exports)				
External current account								
Deficit								
Excluding grants	115.0	124.7	192.0	154.6	176.4	165.0	143.7	122.2
Including grants	92.7	87.3	124.3	50.2	53.5	49.2	37.8	27.4
Scheduled external debt service 4/								
Including IMF	35.3	66.4	55.7	55.5	54.8	52.1	47.7	41.2
Excluding IMF	30.2	62.1	53.3	52.1	53.1	51.2	46.8	39.2
				(In millions of U.S. dollars)				
External current account Balance, excluding grants (deficit-)	-435.7	-484.4	-548.4	-537.5	-625.5	-696.5	-701.7	-687.5
Overall balance (deficit-)	-0.2	-158.7	-394.6	-297.3	-255.8	-214.8	-144.9	-74.3
Stock of payments arrears	452.5	438.5	638.0	1,069.0 5/	1.069.0 5/	...	...	...
				(In weeks of imports)				
Gross Official reserves	4.0	1.6	0.8	2.4	2.2	5.1	7.1	8.4

Sources: Based on data provided by the Tanzanian authorities IBRD and MISSION staff estimates.

1/ On a fiscal year basis, beginning on July 1 of each year.
2/ Effective April 1, 1987.
3/ If the exchange rate and interest rate adjustments implemented and planned for 1986/87 had taken place in the 1985/86 budget, the overall deficit to GDP ratio would have been increased by about 7 percentage points.
4/ In percent of exports ofgoods and services, and private transfers.
5/ Arrears eligible for rescheduling as of September 30, 1986. US $659.8 million of arrears rescheduled in October 1986.

TABLE F.3: TANZANIA - EXTERNAL TRADE a/

Annex F

Indicator	Amount (million US$ at current prices) 1984	Real Growth Rates (% at Constant Prices) Actual 1980	1981	1982	1983	1984	1985	1986	1987	Projected 1988	1989	1990	1991
EXTERNAL TRADE													
Merchandise exports	366.7	-1.8	15.7	-12.7	-14.1	-10.7	-0.9	5.3	12.8	14.2	13.3	2.0	11.9
Major primary products	265.8	-8.5	33.5	-16.3	-18.7	-14.6	-4.2	7.8	11.8	15.6	6.2	6.2	13.2
Others	100.9	9.9	-36.7	9.8	7.6	3.3	3.9	1.0	7.1	10.7	31.7	-6.8	8.7
Merchandise imports	839.3	-2.3	-6.3	1.5	-21.8	1.8	12.9	20.4	2.5	0.3	0.7	-0.7	-0.3
Foodgrains	72.7	286.3	-7.9	31.9	-20.0	-8.3	0.1	-36.0	1.3	-0.3	0.0	0.0	0.0
Petroleum	227.4	27.1	-15.9	-2.8	3.5	1.0	4.9	55.2	6.6	3.9	4.5	4.5	3.8
Machinery & equipment	251.3	-25.5	10.4	-12.5	-35.3	-0.9	10.1	14.7	1.6	-0.7	-0.5	-0.5	-2.9
Others	287.9	-7.7	-17.2	12.6	-19.5	6.9	26.6	23.6	1.6	-0.4	-1.8	-1.8	-0.5
PRICES													
Export price index	93.6	100.0	96.3	80.9	86.3	93.6	82.7	101.6	95.3	103.1	111.1	122.0	124.9
Import price index	91.2	100.0	100.9	95.7	92.4	91.2	89.7	84.0	86.9	90.4	94.0	97.6	101.4
Terms of trade index	102.6	100.0	95.5	84.5	93.4	102.6	92.2	121.0	109.7	114.0	118.2	125.0	123.2

	Composition of Merchandise Trade (%) (at current prices) 1975	1980	1985	1991 b/	Average Annual Increase (%) (at constant prices) 1976-80	1980-85	1986-91 b/
Exports	100.0	100.0	100.0	100.0	-1.8	-7.1	11.8
Major primary products	66.3	55.6	61.7	71.4	-5.8	-8.2	10.1
Others	33.7	44.4	38.3	28.6	6.7	-2.3	16.7
Imports	100.0	100.0	100.0	100.0	-1.8	-4.8	0.5
Foodgrains	17.7	11.7	8.1	4.2	-6.2	-5.1	0.1
Petroleum	8.0	22.9	14.0	21.9	0.8	-1.3	4.5
Machinery & equipment	31.1	34.5	30.9	27.7	2.2	-11.0	-0.6
Others	43.2	30.9	47.0	46.3	-5.8	-0.7	-0.4

	Share of Trade with Industrial Countries (%) 1975	1980	1987	Share of Trade with Developing Countries (%) 1975	1980	1987	Share of Trade with Capital Surplus Oil Export Countrie 1975	1980	1987
DIRECTION OF TRADE									
Exports	47.4	57.6	58.6	48.9	35.8	34.3	3.6	8.7	6.3
Imports	58.0	67.3	63.0	34.8	26.5	32.1	6.2	10.7	2.6

a/ Data are for all Tanzania (Mainland and Zanzibar).
b/ Estimate.

Source: Data provided by Tanzanian Authorities and Mission Staff Estimates.

TABLE 7.4: TANZANIA - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT

(Million US$ at current prices)

Indicator	Actual							Projected				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
BALANCE OF PAYMENTS												
Export of goods and services	694	759	530	487	474	366	460	540	643	784	852	959
of which: Merchandise f.o.b.	595	583	413	379	387	256	350	400	494	593	675	774
Import of goods and services	1,309	1,299	1,173	904	934	1,169	1,300	1,390	1,453	1,636	1,684	1,684
of which: Merchandise c.i.f.	1,229	1,102	1,095	819	839	994	1,083	1,140	1,190	1,250	1,303	1,350
Net transfers b/	18	22	24	14	50	215	250	200	160	120	100	100
Current account balance	-670	-500	-410	403	-402	-590	-590	-656	-600	-632	-652	-605
Official grant receipts	109	109	96	99	100	200	350	400	450	460	470	480
U & LT loans (net)	227	259	299	192	124	115	-48	18	35	59	148	187
Official	130	167	231	189	111	-	5	66	68	89	169	195
Private	97	92	59	3	13	-	-53	-48	-33	-21	-12	-7
Other capital c/	337	187	202	122	173	203	299	268	219	173	74	2
Change in reserves (-- increase)	3	32	31	0	5	10	-5	-30	-35	-40	-40	-40
International reserves	90	107	44	44	39	29	34	64	99	139	179	219
Reserves as months imports	1.0	1.1	0.5	0.6	0.6	0.4	0.4	0.7	1.0	1.3	1.6	1.9
EXTERNAL CAPITAL AND DEBT												
Gross disbursements	297	379	351	394	399	494	612	730	717	731	774	817
Official grants d/	109	109	96	99	100	200	350	400	450	460	470	480
Concessional loans	110	227	187	116	143	110	169	223	200	241	274	306
IDC	20	69	53	14	30	13	13	45	60	87	104	117
OPEC	3	17	2	-	22	8	16	6	2	0	0	0
IBRD e/	35	84	65	65	59	62	112	115	130	146	165	188
Other	62	57	67	36	23	19	28	15	10	7	5	2
Non-concessional loans	78	43	68	180	96	51	93	107	26	29	30	29
Official export credits	27	11	29	120	45	20	11	5	12	10	25	29
IMF	22	17	10	25	16	11	7	4	1	1	1	0
Other multilateral	-	4	6	7	11	6	33	69	0	0	0	0
Private	29	11	23	30	24	4	41	28	12	8	4	0
Internal Debt	3,023	3,179	3,210	3,506	3,610	3,803	3,543	3,456	3,401	3,421	3,540	3,775
Debt outstanding and disbursed	3,032	2,219	2,380	2,712	2,906	3,026	2,977	2,995	3,029	3,089	3,228	3,423
Undisbursed debt	991	969	830	874	744	857	566	461	371	332	312	351
Debt service f/												
Total service payments	71	72	62	69	70	60	301	335	311	280	217	207
Interest	30	32	34	39	39	21	102	92	79	67	69	56
Payment as % exports	10	10	12	12	16	13	62	62	40	30	25	21
Average interest rate on new loans (years)	2.4	2.7	2.6	2.6								
Official	1.0	2.7	1.0	2.0								
Private	9.4	-	7.5	13.6								
Average maturity of new loans (years)	28.7	29.3	31.9	36.0								
Official	29.9	29.3	30.7	37.3								
Private	10.9	-	12.6	11.0								

Memorandum Items:

Debt Outstanding and Disbursed by Bank Group.	440	529	625	690	807	821	871	996	1,033	1,033	1,033	1,040
- As % of all debt outstanding and disbursed.	15	17	19	20	22	22	27	29	30	30	29	28
Debt Service on MLT.	71	72	62	60	70	60						
% of MLT debt service to Bank Group.	31	26	46	51	62	61						

	As % of Debt Outstanding at End of	
	1983	1984
Maturity structure of debt outstanding maturities due within 5 years	33	37
Maturities due within 10 years	60	62
Interest structure of debt outstanding interest due within first year	1	3

a/ Estimates based on DOF data provided to mission staff. Information on service payments for 1985 and 1990 is incomplete.
b/ Excluding official grant receipts but including contra entry for aid funded imports.

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TABLE F.5:

ESTIMATED REHABILITATION AND MAINTENANCE COSTS

Region	District	Road No.	Road Length (km)	Estm. Rehab. Cost (TShs)	Rehab. Cost per km (TShs/km)	Estm. Annual Maint. Cost (TShs)
Kagera	Karagwe	1	51.8	14,049,240	271,221	745,920
		6	47.1	15,155,160	321,766	678,240
	Bukoba	2	56.2	13,828,500	246,059	809,280
		3	44.7	15,320,940	342,750	491,700
		5	14.8	4,874,640	329,368	162,800
	Muleba	4	8.4	4,133,040	492,029	120,960
		7	2.3	833,160	362,243	17,480
		8	24.7	6,970,980	282,226	355,680
	Biharamulo	6	18.0	6,209,640	344,980	136,800
Mwanza	Kwimba	1	35.1	17,499,840	498,571	386,100
		2	46.8	13,205,880	282,177	514,800
		3	22.3	8,587,680	385,098	200,700
		4	8.9	3,060,960	343,928	80.100
		5	28.4	12,853,800	452,599	312,400
		5a	6.8	2,529,360	371,965	74,800
		3+4	31.2	11,648,640	373,354	280,800
		5+5A	35.2	15,383,160	437,022	316,800
Shinyanga	Kahama	1	29.0	8,766,300	302,286	319,000
		6	9.7	3,500,400	360,866	87,300
		8	6.3	2,595,360	411,962	56,700
	Shinyanga	1+1A	36.0	17,301,960	480,610	396,000
		2	27.3	23,307,720	853,763	393.120
		3	48.7	19,737,600	405,290	535,700
		4	23.5	7,538,160	320,773	258,500
		5	53.3	17,864,700	335.173	586,300
		9	37.4	15,199,320	406,399	411,400
		3+4	72.2	27;275,760	377,781	794,200
	Maswa	1	22.0	8,651,040	393,229	242.000
		2	79.1	26,092,920	329,873	870.100
		7	51.2	19,894,800	388,570	563.200
		9	17.9	10,280,220	574,314	196,900
		1+7	73.2	28,545,840	389,970	805,200

Note: 1) Price level: June 1987.
2) Rehabilitation cost includes 20% for contingency.
3) Annual maintenance cost comprises expenses for routine and recurrent maintenance
4) Cost of periodic maintenance (every 5 years) is estimated to 50% of the rehabilitation cost.

Source: Government of Tanzania, Ministry of Communication and Works, "Agriculture Feeder Roads Study" DAR ES SALAAM, Sept. 1987

Table F.6 Project Ranking List

Region	District	Road Number	Road Length (Km)	Road Accum (Km)	Total NPV Purchase (T TShs)	Cost of Rehabil (T TShs)	Annual Maint Cst (T TShs)	Total NPV Road Cst (T TShs)	NPV Project (T TShs)	NPV bnft -20% (T TShs)	NPV cost +20% (T TShs)	IRR %	Se lec- ted
Kagera	Karagwe	6	47.1	47.1	309983	12629	678	12802	297181	235185	294621	49.6 %	X
Kagera	Karagwe	1	51.8	98.9	274526	11708	746	12045	262481	207576	260072	48.8 %	X
Kagera	Bukoba	2	56.2	155.1	260829	11524	809	11969	248860	196694	246466	48.2 %	X
Ruvuma	Mbinga NB	2+2a+2b+5	42.6	197.7	239245	18173	469	17653	221592	173743	218061	41.9 %	X
K'Njaro	Moshi NB	1+2	19.7	217.4	230931	9761	217	9429	221503	175316	219617	49.8 %	X
Ruvuma	Mbinga NB	6+6a+6b	30.4	247.8	223324	17485	334	16809	206516	161851	203154	41.7 %	X
Kagera	Bukoba	3	44.7	292.5	190624	12768	492	12648	177976	139851	175446	43.3 %	X
K'Njaro	Hai	4	12.4	304.9	181927	5195	136	5050	176877	140492	175867	55.1 %	X
Ruvuma	Mbinga NB	3+3b	36.5	341.4	181296	17462	402	16889	164408	128148	161030	39.0 %	X
Mbeya	Mbozi NB	23a+24+24a+27a+27b	33.7	375.1	167885	10866	312	10604	157281	123704	155161	44.0 %	X
Shinyanga	Shinyanga NB	3+4	72.2	447.3	163559	22730	794	22395	141164	108452	136685	34.2 %	X
Mwanza	Kwimba NB	3+4	31.2	478.5	148285	9707	281	9476	138809	109152	136914	43.8 %	X
Mwanza	Kwimba	2	46.8	525.3	145128	11005	515	11040	134088	105062	131880	41.6 %	X
Mbeya	Mbozi NB	11+12+12a	14.2	539.5	132894	8157	210	7923	124971	98392	123386	44.7 %	X
Kagera	Muleba	8	24.7	564.2	113323	5809	356	5955	107369	84704	106178	46.4 %	X
Kagera	Bukoba	5	14.8	579.0	108543	4062	163	4034	104509	82800	103702	51.1 %	X
Kagera	Biharamulo	6	18.0	597.0	108342	5175	137	5032	103310	81642	102304	48.0 %	X
Iringa	Mufindi	1	18.0	615.0	100738	2886	162	2936	97803	77655	97215	54.5 %	X
Shinyanga	Shinyanga	5	53.3	668.3	106343	14887	586	14768	91574	70306	88621	34.0 %	X
Mbeya	Mbozi NB	8+9+9a+10	27.0	695.3	99544	9559	243	9281	90263	70354	88407	39.0 %	X
Shinyanga	Maswa NB	1+7	73.2	768.5	110536	23788	805	23398	87138	65030	82458	29.0 %	X
Shinyanga	Maswa	2	79.1	847.6	103353	21744	870	21591	81762	61091	77444	29.1 %	X
K'Njaro Hai	Hai	1	13.8	861.4	80943	5162	152	5042	75901	59712	74892	44.1 %	X
K'Njaro Hai	Hai	3	3.1	864.5	69770	2376	34	2267	67503	53549	67049	52.9 %	X
K'Njaro Hai	Hai	2	7.9	872.4	65494	2368	87	2339	63155	50056	62687	51.6 %	X
Shinyanga	Kahama	1	29.0	901.4	67280	7305	319	7294	59986	46530	58527	37.1 %	X
Mbeya	Mbozi NB	20+21+22	18.3	919.7	69530	10228	165	9786	59744	45838	57787	33.9 %	X
Kagera	Muleba	4	8.4	928.1	61364	3444	121	3394	57969	45697	57290	45.7 %	X
Mwanza	Kwimba NB	5+5a	35.2	963.3	68518	12819	387	12539	55979	42276	53472	30.7 %	X
Shinyanga	Shinyanga	9	37.4	1000.7	67463	12666	411	12432	55031	41538	52544	30.6 %	X
K'Njaro	Moshi	6	6.2	1006.9	58354	3701	68	3554	54801	43130	54090	44.4 %	
Iringa	Njombe	6	10.0	1016.9	57460	3413	90	3319	54141	42649	53477	45.1 %	
Mwanza	Kwimba	5	28.4	1045.3	61474	10712	312	10460	51014	38719	48922	31.6 %	
Mbeya	Mbozi	6	7.3	1052.6	51755	1620	66	1610	50145	39794	49823	53.5 %	
K'Njaro	Moshi	13	8.7	1061.3	50875	2153	96	2153	48722	38547	48291	49.3 %	
Shinyanga	Shinyanga	1	36.0	1097.3	60740	14418	369	14002	46739	34590	43938	28.0 %	
K'Njaro	Moshi	11	7.6	1104.9	44559	2216	84	2193	42366	33454	41928	47.3 %	
Ruvuma	Mbinga	6c	4.4	1109.3	43219	2244	48	2166	41053	32409	40620	47.0 %	
Ruvuma	Songea	6	24.0	1133.3	46298	5594	216	5542	40756	31496	39648	35.8 %	
Ruvuma	Mbinga	3a	10.4	1143.7	44861	4341	114	4221	40641	31669	39797	38.8 %	
K'Njaro	Moshi	8	10.4	1154.1	40077	3600	114	3530	36547	28531	3584	39.7 %	
K'Njaro	Rombo	7	4.5	1158.6	38127	2613	50	2512	35615	27990	35113	43.4 %	
Iringa	Njombe	11	9.8	1168.4	35158	1767	88	1781	33377	26346	33021	46.9 %	
Iringa	Njombe	5	7.0	1175.4	35042	1872	63	1840	33202	26193	32834	46.4 %	
Ruvuma	Songea	2	9.4	1184.8	34980	1919	85	1917	33062	26066	32679	45.8 %	
K'Njaro	Moshi	7	3.7	1188.5	34828	1834	41	1772	33056	26091	32702	46.8 %	
Mbeya	Mbozi	12	6.1	1194.6	33350	1642	55	1614	31736	25066	31413	47.5 %	

Source: Government of Tanzania, Ministry of Communication and Works,
"Agricultural Feeder Roads Study"
DAR ES SALAAM, Sept. 1987

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Project Ranking List....Continued

REGION	DISTRICT	ROAD NUMBER	ROAD LENGTH (Km)	ROAD ACCUM (T TShs)	TOTAL NPV PURCHASE (T TShs)	COST OF REHABIL (T TShs)	ANNUAL MAINT CST (T TShs)	TOTAL NPV ROAD COST (T TShs)	NPV PROJECT (T TShs)	NPV bnft -20% (T TShs)	NPV cost +20% (T TShs)	IRR % (%)
Shinyanga	Maswa	7	51.2	1245.8	47475	16579	563	16310	31164	21669	27901	23.4%
Iringa	Mufindi	4	5.9	1251.7	31093	1076	53	1084	30009	23791	29792	52.0%
Kilimanjaro	Moshi	2	3.8	1255.5	29716	1472	42	1436	28280	22337	27993	47.5%
Kilimanjaro	Rombo	2	2.4	1257.9	27965	1426	26	1370	26595	21002	26321	47.3%
Shinyanga	Shinyanga	2	27.3	1285.2	44325	19423	393	18705	25621	16756	21880	21.1%
Kilimanjaro	Rombo	6	1.6	1286.8	24872	275	18	283	24589	19615	24532	68.3%
Mbeya	Mbozi	5a	4.6	1291.4	25668	1163	41	1147	24521	19388	24292	48.6%
Kilimanjaro	Moshi	5	4.4	1295.8	26563	2181	48	2107	24456	19143	24034	41.0%
Mbeya	Mbozi	4	4.2	1300.0	25668	1379	38	1343	24325	19192	24057	46.5%
Kilimanjaro	Rombo	1	4.9	1304.9	25395	1066	54	1075	24320	19241	24105	49.3%
Mbeya	Mbozi	24a	3.7	1308.6	25081	803	33	799	24282	19266	24123	53.2%
Mbeya	Mbozi	5	6.5	1315.1	25668	1417	58	1410	24259	19125	23977	45.8%
Ruvuma	Mbinga	2b	1.7	1316.8	24721	569	19	559	24162	19217	24050	58.1%
Mbeya	Mbozi	23a	3.7	1320.5	25081	1072	33	1050	24031	19015	23821	49.5%
Shinyanga	Maswa	9	17.9	1338.4	31349	8567	197	8286	23064	16794	21407	26.4%
Kagera	Muleba	7	2.3	1340.7	23327	694	18	674	22653	17988	22518	54.6%
Ruvuma	Mbinga	2a	4.7	1345.4	24721	2442	52	2355	22365	17421	21894	38.7%
Kilimanjaro	Moshi	16	2.7	1348.1	23022	1208	30	1172	21850	17246	21616	46.8%
Mbeya	Mbozi	15	3.0	1351.1	22598	1244	27	1200	21397	16878	21157	46.3%
Ruvuma	Songea	3	10.5	1361.6	23320	2250	95	2241	21079	16415	20631	38.6%
Mbeya	Mbozi	20	4.8	1366.4	23177	2845	43	2718	20458	15823	19915	36.1%
Mbeya	Mbozi	21	6.2	1372.6	23177	3302	56	3163	20013	15378	19380	34.2%
Mbeya	Mbozi	17	5.7	1378.3	22598	3072	51	2942	19656	15136	19068	34.8%
Mbeya	Mbozi	27a	603	1384.6	21240	1878	66	1850	19390	15142	19020	39.8%
Mbeya	Mbozi	22	7.3	1391.9	23177	4080	66	3904	19273	14637	18492	31.7%
Mbeya	Mbozi	27b	5.5	1397.4	21240	2261	50	2183	19057	14809	18621	37.7%
Mbeya	Mbozi	26	7.1	1404.5	21240	2383	64	2318	18922	14674	18458	37.0%
Ruvuma	Mbinga	6a	1.8	1406.3	18810	458	20	457	18354	14592	18262	57.0%
Ruvuma	Mbinga	6d	2.0	1408.3	18810	721	22	706	18105	14343	17964	51.0%
Ruvuma	Songea	14	10.9	1419.2	21234	3810	98	3701	17533	13287	16793	31.3%
Mbeya	Mbozi	12a	3.0	1422.2	17813	747	27	737	17076	13514	16929	49.6%
Kilimanjaro	Moshi	17	2.5	1424.7	17281	435	28	447	16834	13378	16745	56.1%
Iringa	Njombe	11a	2.6	1427.3	17579	769	23	752	16827	13311	16677	49.2%
Mbeya	Mbozi	11	5.1	1432.4	17813	1211	46	1199	16614	13052	16375	43.1%
Kilimanjaro	Moshi	18	2.8	1435.2	17281	682	31	683	16598	13142	16462	50.2%
Shinyanga	Kahama	8	6.3	1441.5	18265	2163	57	2102	16162	12509	15742	36.3%
Kilimanjaro	Rombo	4	1.4	1442.9	16450	321	15	322	16128	12838	16063	60.1%
Mwanza	Kwimba	1	35.1	1478.0	30294	14583	386	14182	16112	10054	13276	20.0%
Mbeya	Mbozi	10	5.5	1483.5	17813	2047	50	1984	15829	12267	15433	36.7%
Ruvuma	Songea	7	8.0	1491.5	17674	1899	72	1879	15795	12260	15419	37.3%
Ruvuma	Mbinga	3b	4.5	1496.0	15718	1363	50	1346	14372	11229	14103	40.0%
Mbeya	Mbozi	3	1.9	1497.9	13717	591	17	577	13140	10397	13025	49.4%
Kilimanjaro	Moshi	15	1.4	1499.3	13359	559	15	544	12815	10143	12706	49.8%
Mbeya	Mbozi	1	5	1504.3	13717	1192	45	1179	12538	9794	12302	40.0%
Kilimanjaro	Mwanga	2	5.4	1509.7	15490	3336	59	3201	12290	9192	11650	29.3%
Mbeya	Mbozi	2a	11.4	1521.1	13717	2790	103	2756	10960	8217	10409	29.6%
Mbeya	Kyela	7	14.0	1535.1	13645	2723	126	2730	10915	8186	10369	29.6%
Mbeya	Mbozi	2	8.0	1543.1	13717	2930	72	2841	10876	8132	10307	29.2%
Mbeya	Mbozi	14	4.3	1547.4	12241	1673	39	1619	10623	8174	10299	34.6%
Shinyanga	Kahama	6	9.7	1557.1	12623	2917	87	2852	9771	7247	9201	28.2%
Mwanza	Kwimba	5a	6.8	1563.9	7044	2108	75	2078	4965	3556	4549	25.1%
Mbeya	Kyela	4	3.4	1567.3	2584	1128	31	1098	1486	970	1267	21.1%
Mbeya	Kyela	2	7.4	1574.7	6720	6479	107	6202	517	-827	-723	12.8%
Mbeya	Kyela	1	6.6	1581.3	1330	1999	59	1953	-623	-889	-1014	8.2%
Mbeya	Kyela	6	5.4	1586.7	2812	5873	49	5549	-2737	-3300	-3847	5.3%
Mbeya	Kyela	9	12.5	1599.2	3827	6928	113	6630	-2803	-3568	-4129	6.5%

Source: Government of Tanzania, Ministry of Communication and Works,
"Agriculture Feeder Road Study"
DAR ES SALAAM, Sept. 1987

ANNEX
G

ENVIRONMENTAL ANALYSIS

ANNEX G

INITIAL ENVIRONMENTAL DETERMINATION

Project Country:	Tanzania
Project Title:	Agricultural Transport Sector Grant
Funding: FY(s) 88	$7.21 Million
Prepared by:	Edward McGowan, REDSO/ESA Environmental Officer

Negative Determination: X (transport equipment other than road maintenance equipment)

Positive Determination: X (road maintenance equipment)

or

Categorical Exclusion: X (TA and training component)

This Grant assistance is to be provided through two mechanisms: 5.2 million dollars is to be provided through a commodity import program grant, and 2 million dollars is to be provided through a project grant for training and technical assistance. The program assistance will be provided through the mechanism of a commodity import program for the importation of equipment, machinery and spare parts for the agricultural transport sector. This is expected to include (1) road construction equipment and spare parts; (2) truck spare parts and tires including raw materials for retreading tires; (3) tools and equipment for truck and road repair work; (4) raw materials for fabricating and reconditioning spare parts for road rehabilitation equipment; and (5) ancillary equipment permitting fuller or more efficient use of primary equipment (e.g., forklifts for loading trucks). Since AID will have knowledge of the specific commodities to be financed, although not of the specific roads to be repaired with the imported commodities, the CIP portion of this assistance does not fit within the justification for a categorical exclusion contained in 22 CFR Part 216.2.c.(2)(ix).

Since some of the equipment which will be financed under the commodity import program, can be used for either construction of new roads or maintenance of existing roads, there is a potential to signficantly impact the environment. Under Regulation 16, certain actions are classified as normally having a significant impact on the environment and thus requiring an environmental assessment ("EA"). Penetration road building or road improvement projects are among such actions.

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Thus, the program grant agreement will contain a covenant requiring completion of an EA for commodities which are clearly road rehabilitation equipment pertaining to them and GOT agreement to the assessment's recommendations within six months of the date of the grant agreement. Disbursement for commodities is not anticipated to occur prior to this date. In accordance with Regulation 16, a scoping statement for the EA will be prepared by the REDSO environmental officer and approved by the Africa Bureau environmental officer. The scoping statement should address, among its other issues, the question of monitoring, to be funded from local currency generations or from the TA/training grant, and should include an analysis of the local capability in Tanzania to carry out this monitoring.

Commodities other than those which could be used for construction of new roads or maintenance of existing ones would not normally have a signficant effect on the environment and thus are not subject to this condition precedent. A negative determination is appropriate for these commodities

The local currency generations under this program, which will be GOT-owned, will be used to finance road rehabilitation contracting. Regulation 16 and IEE procedures do not apply to host-country owned local currencies, and thus the road rehabilitation contracting financed by the generations are not considered in this IEE. However, agency guidance (87 State 327494, October 21, 1987) states that "missions are urged to pay particular attention to host country environmental protection and mitigation procedures in the local currency programming process." Thus, the mission may wish the environmental review done for the commodity EA to address this aspect as well, recognizing that it is not subject to Regulation 16 procedures.

The TA and Training Grant Component of the Program meets the criteria for a categorical exclusion in accordance with Section 216.2.C.2(i) as education, technical assistance, or training programs with no direct effect on the environment.

Concurrence: _____ 8/18/88
(For.) Bureau Environmental Officer
Bessie L. Boyd, AFR/TR/PRO

clearance: GC/AFR _____ Date: _____
MAKleinjan, GC/AFR

3654J

ANNEX
H

JOB DESCRIPTIONS FOR TECHNICAL ASSISTANCE

TERMS OF REFERENCE FOR CONTRACTING SPECIALIST
(Broad Guidelines)

Due to the strained capacity within the Ministry of Communication and Works for managing contract negotiations and implementing rural road contracts, ATAP will provide a Contracting Specialist under a 3-year TA arrangement.

The Contract Specialist will work with a senior counterpart and his/her staff within the MCW and RRD and shall be responsible for the development of sound procedures for the preparation, award and management of contracts for the rehabilitation and maintenance of rural roads. In general this entails formalizing systems to— a) establish tender documents, b) brief local consultants on contract administration; and c) provide management of road contracts. In so doing, the bidding and award of contracts shall be guided by and be based on competitive procedures, to be established within the framework of existing contract laws in the Republic of Tanzania.

Furthermore, the Contract Specialist and the counterpart shall develop/establish competitive bidding procedures with the aim of securing for the public quality roads on a cost effective basis; protecting the public against collusive contracts; securing fair competition upon equal terms to all bidders; closing avenues for favoratism and fraud; and affording an equal advantage to all desiring to do business with the public by giving an opportunity for an exact comparison of bids. Specifically, the Contract Specialist together with his/her counterpart shall:

(1) establish uniform procedures for public advertisement to bidders invited to submit proposals; preparation of plans, specifications and related information about the work and the location where such materials can be obtained by prospective bidders; formal submission of proposals to the contracting agency, together with the deposit of financial security gauranteeing that the bidder will accept the award of a contract if he/she is the lowest responsible bidder; and consideration of proposals under uniform criteria and the subsequent award of contracts to successful bidders.

(2) establish standards for the responsibility, authority and obligations of consulting firms, engineers, and inspectors involved in monitoring and supervising the performance and work of contractors engaged in the rehabilitation and maintenance of rural roads.

(3) establish procedures for the resolution of disputes that may arise between the contractor and the client during the execution of the contract.

It must be understood that not only is the MCW in a strained capacity to manage and implement road rehabilitation and maintenance contracts, but it would also have to cope with a private sector that is currently characterized as having limited relevant and specific experience in road rehabilitation/maintenance contract works. Consequently the Contracting Specialist and his/her counterpart shall take cognizance of these constraints and strive to establish a sound competitive bid selection, bid award and contract execution system that serves the public interest in introducing and promoting uniform contract procedures and at the same time encourages the development of a broad, vigorous and financially sound road construction industry within the private sector.

To this end, contract documents shall be developed on a firm legal basis but in a clear and simple format, that leaves no room for ambiguity or confusion in the interpretation of the terms and conditions of the contract. Hence the general condition of contract to be developed by the Contract Specialist and his/her counterpart for the RRD shall:

have clear definitions of all key legal and technical terms used;

lay out detailed bidding requirements and conditions on the qualification of bidders; the contents of the bid forms; interpretation of quantities in the bid schedule; examination of quantities in the bid schedule; examination of plans, specifications, special provisions and site works; preparation of bid forms; irregular bids; bid guarantee; submission of bids; late bids and modifications or withdrawals; combination or conditional bids; public opening of bids; disqualifcation of bidders; and materials guarantee;

expound the award and execution of contracts such as consideration of bids; return of bid guarantee; contract vis a vis bonds; additional bond security; and failure to execute the contract;

describe in detail the scope of work as relates to the intent of the contract; alteration of plans or character of work; maintenance of traffic during road rehabilitation and maintenance period; rights in and use of materials found on the work; and final cleaning up;

formulate the details on the control of work i.e. the authority of the engineer, supervisor or inspector to approve, initiate or suspend work; the description of plans and working drawings; degree of conformity of work with plans and specifications; degree of priority or complementarity of the plans, specification and general provisions; cooperation required between contractors,and with other entities; construction stakes, lines and grades; removal of unacceptable and unauthorized work; load restrictions on the job site and beyond; maintainance of work during rehabilitation work; consequences of failure to maintain the road; acceptance; claims for adjustments and disputes;

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describe the control required on materials such as the source of supply and quality requirements; local material sources; sampling, testing and cites specification; storage and handling of unacceptable material;

delineate the legal relations and responsibilities of the parties to the contract i.e. laws to be observed; permits and responsibilities; use of explosives; public convenience and safety; property and landscape; forest, park and public land protection; opening section of the road to traffic; contractors responsibility for work and utilities; construction safety requirements and third party beneficiary claims; responsibility for damage claims and claim settlement procedures;

set out the mode and requirements for the prosecution and progress for work i.e. subcontracting; notice to proceed; prosecution and progress; any limitation of operation;form and character of workmen, methods and equipment; determination and extension of contract time; failure to complete work within contract time; termination for default; damages for delay and time extensions; suspension of work; and final settlement of contract;

fix measurement and payment procedures which relate to measurement of quantities; scope of payment; compensation for altered quantities; rate work (i.e. labor and material and equipment needed outside the contract work); mobilization payments; eliminated items; partial payments; acceptance and final payments; and

incorporate environmental aspects of road rehabilitation and maintenance especially as they relate to drainage requirements and soil erosion so as to mitigate adverse impacts of the activities supported under ATAP on the environment. The Contract Sepcialist shall also prepare or oversee the preparation of relevant courses on environmental aspects of road rehabilitation and maintenance.

ANNEX
I

PERFORMANCE TARGETS AND BENCHMARKS

PERFORMANCE TARGETS AND EVALUATION BENCHMARKS

1. IMPACT OF THE PROGRAM ON THE SUB-SECTOR GOAL

The ATAP goal for the sub-sector is:

To increase volume of inputs, agricultural commodities and essential consumer goods transported by road and to reduce the costs of transport services.

Initial Status: a) 1.7 billion mt-km of freight carried by the trucking sector.

b) Cost of road transport averaged 10 TSh. per ton-km.

End of Program Achievements:

- a) The volume of freight hauled by road has increased to 3.1 billion mt/km by 1993.

- b) Cost of transport services has been reduced to 8 TSh. per mt-km by 1993 (cost in real terms and at 1988 prices).

IMPACT OF THE PROGRAM AT THE PURPOSE LEVEL

The program purposes are:

To increase foreign exchange financing to transport equipment, spare parts, machinery and technical servicing.

To support policy reforms for improving the GOT's capacity to identify, select, finance and implement rural road rehabilitation and maintenance.

Initial Status: As described in Annex D.

End of Program Achievements:

- Increased transport services and strengthened private sector road transport and construction industries;

- Created a more efficient and coordinated GOT rural roads organization which effectively identifies, prioritizes, finances, and implements rehabilitation and maintenance requirements for rural roads;

- GOT financed and implemented a plan for adequately maintaining the classified road network;

- Increased participation of the private sector in road construction and repair with the majority of GOT rural road rehabilitation contracted to private sector firms;

- Increased number of Tanzanian personnel trained critical to the roads sub-sector; and

- GOT donor coordination system established for the roads sub-sector.

3. PROGRAM OBJECTIVES

Program Objective 1

The first ATAP objective is:

To consolidate technical, financial and administrative responsibilities for rural roads construction, rehabilitation and maintenance.

Initial Status: No central road authority for rural roads.

Performance Targets:

Year 1: GOT has undertaken a study of the TOR and staffing requirements for rural roads division.

Rural Roads Division has been established within MCW with terms of reference, identified staff positions, and a budget.

Donor Coordination:
The GOT has established a Road Transport Coordination Committee chaired by MCW with representatives from the PMO, MALD, Treasury, MLGC, and donors which meets not less than twice per year to exchange information and discuss technical, financial and management issues.

Year 2: RRD issues a strategy for rural roads development and institutional coordination.

RRD contracting procedures for rural road rehabilitation are complete.

RRD has developed and is delivering a road maintenance training program (including procedures for using private contractors) to local authorities.

RRD has initiated a road inventory program.

Year 3: RRD prepares a policy for reclassifying the rural road network.

Year 4. RRD has completed road inventory in core areas.

Year 5: RRE's in all 20 mainland regions.

Program Objective 2

ATAP's second objective is:

To increase GOT budget allocation for road maintenance.

Initial Status: Current roads maintenance budget equivalent to $12.8 million and no central financing plan for road network.

Performance Targets:

Year 1: The GOT has prepared a plan for financing the maintenance of the classified road network.

Year 2. RRD has developed guidelines for preparing maintenance budgets on rural roads to be used by local authorities.

Year 3. Based upon consultations with the regional and district authorities, MCW prepares estimate of budget required to maintain roads and of the implementation capacity available to utilize this level of funding.

Year 4. Road maintenance budgets for targeted regions are based upon work plans.

Year 5. Additional regions prepare road maintenance budgets based upon work plans.

Program Objective 3

The third program objective is:

To expand the use of private sector firms to supplement force account for road construction and repair.

Initial Status: No contract has been awarded for the rehabilitation of a rural road.

Performance Targets:

Year 1. Contract procedures have been put in place.

Year 2. The GOT Rural Roads Division has awarded contracts to private sector firms for the rehabilitation of not less than 150 km of rural roads.

Year 3: The GOT Rural Roads Division has awarded contracts to private sector firms for the rehabilitation of not less than another 150 km of rural roads.

Year 4: The GOT Rural Roads Division has awarded contracts to private sector firms for the rehabilitation of not less than 200 km of rural roads.

Year 5: A total of 500 km of road rehabilitated and maintained.

4. PROGRAMMING OF PROGRAM INPUTS

Input 1 - Commodity Import Program (CIP)

Initial Status: A $ 5.2 million CIP provided to GOT in 1988.

Performance Targets:

Year 1: BOT has issued import licenses valued at not less than $2.0 million.

Year 2: The BOT has issued import licenses valued at $ 3.2 million, of which a majority is to the private sector.

Input 2 - Local Currency Account

Initial Status: Counterpart generations equivalent of $ 4.68* million will be generated over the life of the program.

Performance Targets:

Year 1: The Committees meets semi-annually to review disbursements and implementation progress.

$ 1.5 million earmarked for road rehabilitation.

Year 2: The Committees meets semi-annually to review disbursements and implementation progress.

$ 1.5 million earmarked.

Year 3: The Committees meets semi-annually to review disbursements and progress.

All $ 4.68 million has been earmarked for road rehabilitation and maintenance by the third year of the program, and not less than $ 1 million disbursed.

Year 4: The Committees meets semi-annually to review disbursements and implementation progress.

A total of not less than $ 2.5 million disbursed.

*CIP less Trust Account deposit.

Year 5: The Committees meets semi-annually to review disbursements and implementation progress.

A total of $ 4.68 million disbursed.

Input 3 - Technical Assistance and Training

Initial Status: A total of 85 person-months of technical assistance and 70 person-months of training is planned under the TA and Training Component.

Performance Targets:

Year 1:	53.5	Person-months	TA
	31	Person-months	TRNG
Year 2:	16	Person-months	TA
	30	Person-months	TRNG
Year 3:	12.5	Person-months	TA
	9	Person-months	TRNG

ANNEX
J

ASSESSMENT OF RISKS

Assessment of Risk

1. Introduction.

The purpose of this annex is to discusses various risks associated with this program design and its implementation.

2. Risks to Program Design.

In order to achieve program purposes, two broad assumptions are made in program design: (1) that rural transportation will remain a policy and budgetary priority for the country and for AID; and (2) that institutional development of road maintenance capacity rather than the construction of roads directly, is the best means to sustain the desired result of maintained roads. The rationale for these major assumptions is discussed as follows:

First, since the completion of the USAID/T Concept Paper in early 1987 and the signing of the FY1987 AEPRP for Tanzania, USAID continues to believe that rural roads are central to the country's development. Road development is critical for promoting economic integration, economic growth, and value added in transport processing and manufacturing; enhaning agricultural productivity, because of better input delivery; and reducing risk and increasing production from a more diversified agricultural base. In addition, the country's two major rail lines are still very poorly linked to their hinterlands. With population growth, a desire to reduce urban migration, the development of less drought-prone crops and the control if not eventual eradication of the tsetse fly (which prevents full utilization of large portions of Tanzania), the importance of an integrated feeder roads network will grow. In short, USAID/T does not foresee any reduction in the importance of this sectoral priority. USAID/T has no plans to undertake any other sectoral priority at a program or sectoral level of involvement. Present donor commitments to other sectors also suggest that the GOT will not be making an appeal to AID for involvement in a second sector.

Second, Tanzania should develop its own capacity to build and maintain roads. A direct donor approach has been made necessary in the past, and remains so for a few donors, but has failed to ensure cost effectiveness or sustainability. Efforts to develop centralized governmental approaches and parastatal construction companies have also failed. In the absence of the promulgation of a consistent set of relevant policies and budget allocations,

Tanzania will remain forever dependent upon turn key like, donor funded, import intensive roads projects. Again, USAID/T does not foresee any factors that would cause the abandonment of an institution-building or systems approach which focuses on policy and institutional reforms.

In addition to these two principle design decisions, two subsidiary issues are flagged. The World Bank plans its pre-appraisal team visit for August, 1988, and then an appraisal team visit in November. Not until early 1989, does the Bank expect GOT decisions regarding interministerial authorities over roads. In short, the GOT will not be making initial decisions on basic organizational policy until well after the AID sector grant is signed. Hence, key decisions will be formulated as conditions to initial disbursement and detailed design; consultancy and other issues will, of necessity, be left to convenants and to PILS. This situation is not as "open" as it at first appears because of principles and conditions agreed to in the FY 1987 AEPRP, and the defacto deregulation of truck rates and of some grain marketing controls.

The GOT is also embarking on a major reassessment of its national roads network. Many sectoral issues will have to be addressed in coming years as the program gains momentum. Neither the GOT, nor AID, is in a position to address all of these issues at once. Topics that are important but must be delayed include regular maintenance capacity and responsibility for the minor, unclassified roads; road service charges; and axle weight rules and enforcement.

3. Implementation Risks.

The program approach proposed for this grant entails serious risks which AID should be prepared to take. Numerous risks external to program design but inherent in AID and GOT procedures and in the implementation stage may cause the program design to go away.

(A) AID will need to ensure that it does not get ahead of the GOT's willingness and ability to develop road maintenance systems. This will be a 15 to 20 year national priority. The PAAD itself represents an initial five year program. AID should avoid the temptation to plan other sectoral uses of AID funding simply to increase the absorption of planned country levels.

(B) There will also be a great temptation during implementation for AID to be drawn into progressively lower levels of Tanzanian administration in order to get the job done. This program is not being designed to place AID financed or outside supervisors and advisers at regional and district levels. Should this happen, it would represent policy, institutional and management failures of sorts.

(C) Impatience may also arise because of the slow release of counterpart if road contracting proceeds slowly and counterpart builds up. In this case, AID and the GOT will need to agree on alternative developmental uses for counterpart that at the same time would sustain commitment to the RRD.

(D) Under AID guidance for Program Assistance, local currency need not be tied when the foreign exchange is linked to a positive list of imported commodities. This feature allows local currency to be supportive of other priorities within the development budget without a "build up" of counterpart, and a resulting need to disburse, which can cause an erosion of road construction discipline. A similar problem of timing can apply to the FX. Holding up FX disbursement to ensure that conditionality is met can be disruptive of imports.

(E) Rehabilitated roads financed through local currency will not be designed or reviewed to meet standards which AID requires under an AID dollar contract (i.e. FAA Sections 611(a) and (e) are not applicable). This risk gives us some pause in light of AID's recent guidance on local currency programming. To address this risk, the program will include assistance to the GOT to develop its own standards which would, in all probability, be similar to AID standards. We cannot and do not intend to hold the GOT to the specifics of AID engineering, financial and environmental standards directly. Nor do we intend to exercise direct approval of rehabilitation contracts road by road.

4. GOT Priorities and Capabilities.

The GOT may not be able to organize and motivate its central ministries to do the job. The control and allocation of resources by several interested ministries may prove to be a higher priority than establishing a unified GOT commitment to reform and effectiveness. Governmental intransigence may also be explained by its socialist commitment to decentralization and to "equity" (no private road contractors, no unequal rural growth). The GOT may continue to award contracts preferentially to parastatals, despite the GOT's commitment both in last year's AEPRP and as proposed in this document to award contracts impartially. Control on the disbursement from a local currency special account is also obviously weaker than control on the disbursement of dollars.

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We believe, however, that the leverage of future year programs, coordinated with a similar World Bank policy objective, will be sufficient to prevent such a preferentiality from happening. Even with technical assistance, we recognize that the GOT may not be able to develop, in a timely manner, the required administrative capacity to manage such a national effort. There is also a risk that the program could achieve GOT systems objectives and yet no roads. To minimize this risk, TA is being included. AID can react to these problems by attempting to stay the course, by becoming more intimately involved, or ultimately, by changing sectoral priorities. It is important to recognize now that AID may be forced to decide in 3-4 years that the program and/or the program approach must be terminated or drastically modified.

5. Private Sector Capacity.

There is very little private sector roads rehabilitation capacity "out there" in rural Tanzania, or even based in Dar es Salaam. This program, like the AEPRP before it, is being designed to bring the industry along with the direct provision of technical assistance and equipment.

6. Donor Coordination.

There is a risk that donors will not agree sufficiently with AID program approach either to ensure the gradual elimination of direct donor projects or the effective implementation of such an approach. We know for example that several donors have large expatriate road teams in the field and that the World Bank may support the rehabilitation of parastatal workshops. This program approach, therefore, potentially puts us at odds with other donors. We intend to take a leadership role within the donor community to persuade other donors to adopt our approach, and in the medium term, to draw in other donors, such as the Japanese. A systems or program approach, involving the World Bank and a few other donors, will require true collaboration in Dar Es Salaam and in donor capitals.

ANNEX J

7. Accountability.

The risk is that no matter how the program is established with measurable policy and system indicators, it will be easier to seek the concrete and to hold USAID responsible for actual works completed. The program design will clearly stipulate what the program objectives are and how, specifically, they will be measured. The program will include an accounting for all foreign exchange, and for all local currency to a defined level of release and accountability. AID will exercise its right to monitor and audit all foreign exchange and cash cover deposit records, and will monitor and audit the counterpart for full deposit, interest earned, and formal release against agreed ministerial procedures and budgets. AID will not approve the release of counterpart for each road rehabilitation contract, nor will AID engineering approvals of each contract be required. For program evaluative purposes, spot field checks and sample surveys of contractors and of roads will be undertaken to assess the integrity and impact of systems established.

There is also the risk that the modified cash transfer procedures established under the FY 1987 AEPRP, and which are to be continued here, will not adequately serve to control reasonable price or 935 source origin requirements.

As USAID will undertake a financial management review of the foreign exchange disbursed under its AEPRP in mid FY 1989, this risk will be assessed at that time.

ANNEX
K

PREVIOUS USAID ROAD PROJECTS

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AID FUNDED TRANSPORT SECTOR ACTIVITIES

1.	621-002	Road Materials Testing and Use	1961-63	$	30,000
		Activity tested soils for use in building all weather rural roads.			
2.	621-017	Low Cost Road Construction	1961	$	2,000
		Financed a Tanzanian to visit U.S. to receive training on construction of low-cost earth roads.			
3.	621-046	Public Works Service	1962-70	$	534,000
		Supplied 4 civil engineers for roads projects. Supervised various road construction and maintenance. Analyzed and up-dated 1st 5 year development plan for roads. Prepared contract documents for 6 major construction projects. Prepared feasibility studies to improve roads in National Parks and also a feasibility study for the Rwanda-Tanzania road link.			
4.	621-047	Southern Link Road Survey	1963-71	$	464,000
		Carried out 2 phase engineering and economic survey of proposed 413 mile road linking Dar to the Zambia border.			
	621-050	Technical Education	1964-75	$	1,989,000
		Provided trainers for mid-level engineering technicians and developed training programs.			
6.	621-051	Public Service Staff Support	1964-74	$	1,423,000
		Provided OPEX personnel to train civil servants and also overseas training. Included were ComWorks staff.			

7.	621-061	Culvert and Equipment Loan	1964-66	$ 905,000
		Provided financing to purchase culverts for 2500 miles of road plus some tools, as supplement to Public Works Service Project (621-046).		
8.	621-062	Bunda-Nansio Road	1964-68	$ 1,455,000
		Funded 66 miles of gravel road construction.		
9.	621-064	Economic and Engineering Survey	1965-75	$ 581,000
		Assisted ComWorks in carrying out feasibility studies for roads, sewerage and drainage schemes. Included 4-person TA team for two years.		
10.	621-081	Transportation Support for Zambian Emergency	1966-67	$ 154,000
		Emergency maintenance of two sections of the Great North Road (later the TanZam HIghway) totalling 154 miles, consisting of regravelling by Public Work Dept through force account.		
11.	621-081	Tanzania-Zambia (TanZam) Highway	1970-77	$ 13,081,000
		Provided reliable road link between Dar and Zambia. Two sections totalling 268 miles were finance by AID, the other two sections were financed by World Bank and Sweden.		
12.	621-083	TanZam Highway Supplemental Services	1969-75	$ 30,000
		Carried out study to investigate possibility of Tanzania-Zambia increased commodity haulage and cost benefit analysis.		
13.	621-091	National Parks Equipment	1968-74	$ 900,000
		Loan to finance acquisition of road building and maintenance equipment for 5 national parks.		

14. 621-093	Maasai Livestock & Range Management	1970-81	$ 4,768,000
	One component of the multi-sectoral development project was the construction of 145 miles of rural access roads.		
15. 621-098	Management & Engineer Services	1969-75	$ 911,000
	Provided TA service and training to plan, coordinate and implement engineering projects including roads.		
16. 621-118	Tsetse Fly Eradication	1971-77	$ 778,000
	One component was design for the construction of feeder roads.		
17. 621-143	Arusha Planning & Village Development	1978-84	$ 14,591,000
	One component of the project was rural road rehabilitation as an extension of the Maasai Livestock and Range Management Project (621-093)		

ANNEX
L

ROLE OF PL 480 IN ROADS SUB-SECTOR

PL 480 PROGRAM FOCUS

The PL 480 program in Tanzania helps ensure that there is an adequate supply of food to the country's urban population, releases scarce foreign exchange for economically productive uses, and generates local currency to support the government's Economic Recovery Program.

The primary U.S. food assistance in Tanzania is the sale of grant food aid under the terms of Title II section 206. Specific objectives of the program incorporate priority USAID/Tanzania policy and program concerns directly related to the reorientation of agricultural marketing and rural roads rehabilitation.

In fiscal 1987, the first year of the Section 206 bilateral government-to-government program, 25,000 metric tons of wheat flour were supplied for government sale and generated over $ 7.5 million in local currency. Programming of the proceeds will result in the investment of the local currency equivalent of 6.5 million dollars in rural roads rehabilitation projects. A follow-on fiscal program also will provide food commodities for government sale — 10,000 tons of wheat flour for the mainland and 5,000 tons of rice for Zanzibar — that will generate 5.5 million dollars in local currency for development, the major portion of which will again be committed to rural roads rehabilitation.

In addition to providing the initial local currency resources to implement a rural roads strategy, the PL 480 program has been used by USAID/Tanzania to support movement toward structural reforms in agricultural marketing via policy dialogue on self-help measures required within the PL 480 agreement and through the implementation procedures established for the program.

Policy objectives identified in negotiations of the first year 206 program included increased agricultural producer prices; liberalization of intra-regional trucking rates; and the removal of barriers to the importation and distribution of agricultural inputs. Negotiation of the FY 1988 Section 206 Program centered on privatization of food marketing and joint mainland-Zanzibar approaches to food aid planning and use of local currency proceeds.

The quantity of commodity (wheat flour) provided under the 1987 program was sufficient to bring about significantly expanded distribution of wheat flour to the private sector. Private traders who previously had not received allocations of flour from the parastatal National Milling Corporation (NMC) were added to the distribution lists approved by regional committees appointed by the Prime Minister's Office. This was in part a consequence of the availability of the commodity in excess of the demand of parastatal organizations and private bakeries that ordinarily have been priority access to flour, a commodity that is chronically in short supply.

The intent of the 1988 Section 206 program is to further institutionalize private sector participation in the marketing of wheat flour by requiring that 60 percent of the U.S. flour is made available to private traders and cooperatives on a "right of first refusal" basis. Expansion of the private sector role in food distribution and marketing should, in the medium term, assist in rationalizing transportation infrastructure investment decisions as well as lay the basis for market determined pricing of commodities. This would be in sharp contrast to present practice, which, for example, requires NMC to absorb the cost differential for transportation of commodities from port or processing sites to retail sales locations. Under these circumstances and with controlled wholesale and retail prices, transportation costs and inefficiencies tend to be overlooked as simply part of the parastatal's substantial operating deficit and growing debt burden.

Implementation of the 1987 program also established a framework for administration of local currency proceeds that has emphasized the responsibilities of local governments and the agencies proposing projects to present rationalized budgets and provide performance-oriented reporting to justify continued disbursements. A title II Accounts Committee which is chaired by the Commissioner of External Affairs in the Treasury and includes a USAID representative, reviews and approves all proposals for project funding: representatives of the Ministry or local government entity proposing projects are required to justify project design and budgets. Disbursements are generally made on a quarterly basis against project reporting of expenditures and performance. District engineers usually represent rural roads projects before the Title II committee.

A number of changes will be sought in the use of PL 480 local currency proceeds that are earmarked for support of rural roads rehabilitation. These will be designed to achieve complementarity between the PL 480 funded projects and the financing provided for rural roads rehabilitation through DFA program assistance:

— Road rehabilitation projects funded by PL 480 local currency proceeds will be restricted to those areas of the country where major road rehabilitation works are planned in conjunction with program assistance i.e. the Shinyanga, Arusha/Kilimanjaro, and Ruvuma areas.

— Roads considered for PL 480 funded-rehabilitation will be the short, widely dispersed feeder roads linking fields with the larger roads which have priority for major rehabilitation contracts. In practice these feeder roads have been improved or rehabilitated through projects managed by district engineers primarily utilizing work gangs rather than heavy equipment.

ANNEX
M

SOCIAL ANALYSIS

SOCIAL ANALYSIS

Tanzania, with a population of 25 million and a land mass of 945,000 square kilometers, has some 120 tribal groups. Of these, 95 percent are Bantu with the resulting consequence that the majority of the people share many linguistic and cultural characteristics. Because of these shared linguistic and cultural characteristics, it can be assumed that the main social issues of ATAP would be uniform through the whole Tanzanian population group.

Although the villagization policy has been pursued by the GOT for the last 15 years, the foundation of the Tanzanian society continues to be the extended family. It is through the family that Tanzanians find security. Family ties are strengthened by contact and contact in the rural village setting requires travel. Roads provide the basic means for families to maintain these contacts: for attending weddings, funerals, and other celebrations; visits to the sick, messages, counselling; etc. Family members residing in towns are expected to assist other members in getting established with jobs or education. In turn, members in rural areas provide food for city dwelling relatives - bags of grain once per month, a few chickens or several dozen eggs, or maybe an occasional goat. In Tanzania, there is a constant flow of people between villages and towns and much of it is by roads, of course, if and where such roads exist.

In addition to the above benefits directly attributable to the social setting of the country, the rehabilitation and maintenance of rural roads, to be attained as a result of ATAP, is expected to trigger numerous other social benefits such as:

Education

Good quality and easily accessible rural road networks are related to higher quality of education for adults and children in the rural areas, as teachers and school supplies can more easily and on a timely basis reach rural schools.

Health

Improved and accessible rural roads can be used by the sick to reach government or private hospitals. And in such instances, easier and more frequent access might save lives, especially where time is a critical factor. Also rural people would have greater access to medical facilities and supplies. Furthermore the movement of medical personnel from the larger hospitals which oversee rural clinics can be facilitated when there are easily accessible roads.

ANNEX M

Community Development Activities

There is a definite and important linkage between roads and community development activities i.e. rural water supply, self-help school construction, etc., as improved access roads would increase the likelihood of providing assistance and supplies for these sorts of community development activities more quickly and readily. Cooperatives and self-help programs are standing national policies in Tanzania and such programs are common in the rural areas. However, their implementation is usually hampered or delayed due to transportation difficulties for supplies, spare parts, etc.

Provision of Essential Government Services

The Governemt and Party structure extends from the national capital to every village. At the village level, there is a village chairman, village secretary, and cell leaders. In many cases, there are local agricultural and livestock extension agents as well. However, contact between these officials in the villages and their counterparts at the ward, district and regional levels is often limited due to lack of adequate transportation facilities. In the case of agriculture and livestock, improved access by road would facilitate production in at least two ways. First, needed supplies - new varieties of seed, chemicals needed for livestock dips, or pesticides and fertilizers - could be brought into the communities with greater ease. Secondly, supervisory agricultural, livestock, and other service agents could maintain closer contact with the communities for which they are responsible.

This in turn could result in better communication, improved guidance and more accurate record keeping which would ultimately be of great assistance in development planning and implementation.

Furthermore, Tanzania has some sort of small-scale disaster almost every year: floods, crop destruction due to pests, and isolated drought. Disaster response is hampered because of the poor condition of rural roads. In many areas, it costs as much to transport relief supplies as it does to purchase them, mainly because of truckers' reluctance to risk costly breakdowns, which are a common phenomenon along the rural roads as they exist now.

BENEFICIARIES

Due to the fact that the Tanzanian economy is presently subsistance where farmers sell small amounts of surplus through marketing cooperatives, the impact of improved feeder roads is more likely to be throughout the communities rather than to benefit any particular special interest groups. Nevertheless, there are still very many small shopkeepers, vehicle owners and private enterpreneurs who

would benefit differentially from improved transportation services. ATAP is also designed to promote and encourage the development of private road construction firms and private vehicle owners and truckers.

Those most directly benefiting from ATAP will be private firms which will receive contracts to rehabilitate and maintain rural roads and those traders, merchants and agents who will be allowed to import commodities under the CIP component. The Rural Roads Division in MCW will also benefit from TA, commodities and training supplied by the program. Transporters using rehabilited and maintained roads will benefit as a result of less repairs, tire wear and depreciation on their trucks. Residents of those areas where roads are rehabilitated/maintained will benefit from more goods and services at more affordable costs.

The major social consequences of rehabilitating and maintaining rural roads are the secondary effects of more effective and less costly transport of goods and services, providing better access to markets, health facilities, education, extension services and other amenities. The combination of increased information flow within the rural sector and between the rural and urban communities and the improved transportation network is likely to accelerate changes in the employment pattern in the region. There may be more urban migration of wage-earning males, but, depending on the distance, these workers may seek day-labor that allows them to return to their rural home at night. Rural laborers will look further afield providing a more even distribution of jobs. Work opportunities for unskilled and semi-skilled laborers in road rehabilitation and maintenance may create income generation during the off-season for agricultural communities. Furthermore, the increased opportunities for off-farm jobs in rural areas may slow the urban migration that currently exists in Tanzania. To indicate the magnitude of such a migration, Dar es Salaam, which had a population of 300,000 in 1968, now has about 2.0 million people.

Improved roads can be expected to assist women by providing better adult education facilities, easier access to medical facilities, better and more widely available local services. In addition, the improvement of communication between local communities and administrative and supply centers might materially improve the lives of women through the improvement of better maintenance of such facilities as water supplies. In many instances, women now must transport water for daily domestic use over relatively long distances. During the dry season, this work increases substantially if there are no dependable sources of water for domestic use. While there is a considerable room for improvement on social services and benefits directed specifically to women, there is little reason to suspect that the improved rural roads would entail any negative consequences for women.

A few groups may however be adversely affected by ATAP. As roads "open up" the rural areas to manufactured goods, rural producers - tinsmiths, local beer brewers, etc. - may find their markets disrupted. Also communities in rural areas not targeted for road rehabilitation/maintenance will continue to see their primary links deteriorating.

To conclude, ATAP, by assisting in the development of the road sub-sector, will support an effort that has been identified as critical to the Economic Recovery Program being implemented by the Government. Hence as the economy picks up, as a result of improvements in the transport sector, renewed emphasis can be given to the obvious social benefits provided by rehabilitated and maintained rural roads: access to higher levels of public services, such as health centers, schools, organized markets; a wider reach of government extension services; and establishment of links between villages to encourage social interaction and mobilization as well as broader community development. Furthermore, the results of any such economic growth will far exceed the few negative or advance effects cited above.

PARTICIPATION

During the program development and design process, concerned ministries of the government such as the MCW, MFEAP and PMO were consulted while senior technical officers of the key program implementing ministry, MCW, participated in the preparation of the ATAP document. During these exercises, the requirements and/or preferences of the MCW relating to technical assistance for the establishment and operations of the RRD, the recurrent costs for rural road maintenance, and the involvement of the private sector in the rehabilitation and maintenance of rural roads were duely accomodated after thorough discussion. The CIP component of the program was developed in consultation with the MFEAP. The World Bank and many other donors involved with the road sub-sector were also consulted. Furthermore, private contracting firms, importers, and local and foreign consulting firms were interviewed and their cases were considered, as appropriate, in the preparation of the ATAP document. Thus the concept and goals of the ATAP program have been thoroughly explained to those who will be either directly involved in the implementation of the program or who will indirectly benefit from it.

It is worth noting that the ATAP approach requires local institutions to implement the central ministries program with AID support rather than direct implementation of the program being the responsibility of AID. The MFEAP and the Bank of Tanzania will be heavily involved in the implementation of the commodity import component of the program. These institutions are currently doing similar work under the AEPRP progam, and have gained valuable experience in the process which will be applied to ATAP. Hence it is felt that implementation of the CIP component of ATAP will pose no problems to MFEAP and BOT, even if some procedural differences exist between the cash transfer and CIP types of programs.

the expansion of the public sector. There is a great deal of bureaucratic red tape associated with new positions in any civil service and Tanzania is no exception. And there is also the limited pool of qualified engineers in the public sector from which to staff the division. It is interesting to note in this regard, that the Principal Secretary in the Office of the President, who is also head of the civil service, has recently proposed the creation of a special salary scale for "rare professions." Engineers are second on the list after medical doctors. Coupled with the 1988/89 salary increases and improved benefit package to civil servants, the engineering profession should soon become a more attractive career. In the medium term, this is expected to ameliorate the engineering staff situation.

To further mitigate any of these possible implementation obstacles the ATAP design, with the consultation of the GOT, has tried to:

1. set objectives that are "realistic" to all parties,

2. devise an implementation schedule that can be realized,

3. keep U.S. inputs, TA, training, and commodities to a minimum, and

4. build in as much GOT implementation flexibility as possible, focusing AID efforts towards monitorining and accountability only.

IMPACT

It is not possible for Tanzania, with its limited resources to completely take over financing for all rural road rehabilitation in the very near future or even in the medium term. It is, however, possible with some outside financing assistance, for Tanzania to maintain and rehabilitate roads using both GOT and private sector manpower and expertise if it adheres to the ATAP aproach. To the extent that this approach succeeds, other donors may adopt it. By addressing the underlying issues of policy, budget allocations, institutional structures and procedures, rather than the immediate problem of directly rehabilitating so many kilometres of roads in so many years, ATAP aims towards a medium to long term impact lasting far beyond the life of the program.

The MCW will have prime responsibility for the utilization of local currency generated by ATAP for maintaining rural roads. With the establishment of a Rural Roads Division and the long-term and short-term technical assistance component of the program, the MCW will be assisted in the establishment of a system for maintaining rural roads with its own labor force and for the rehabilitation and maintenance of rural roads using local private contracting firms.

Although this program places responsibility for implementation squarely on the government and local institutions, there will be semi-annual reviews to examine progress towards achieving program objectives, as well as continuous consultation between USAID and the Government, private sector and donors during the implementation of the program.

SOCIO-CULTURAL FEASIBILITY

There is general agreement among parties concerned with the objectives of ATAP. The GOT, USAID and other donors believe that the foundation of an improvement in the road sub-sector must contain the elements of (a) better policy, (b) consolidated organizational structure and (c) increased budget allocations. In short what should be done is quite clear. How this should be done is another matter and in this regard some implementation obstacles may arise under the ATAP program. In the past donors agreed to build, rehabilitate and sometimes even maintain certain sections of roads. This was done by using international consultants, contractors, heavy equipment and lots of money. The GOT was responsible for supplying a pool of unskilled labor, and maybe a few counterparts. Under this project arrangement the roads indeed got constructed and rehabilitated. However, after few years, the roads deteriorated as there was nobody or systems to maintain them. Although there is clearly something wrong with this approach,it is still widely practiced in Tanzania. So the first implementation obstacle is that AID's program approach could be in conflict with the traditional project approach that is prevalent in Tanzania.

The semi-annual reviews and the planned continuous consultation between USAID and GOT during the program implementation is expected to gauge, measures and identify specific obstacles which could work against achievement of program objectives and recommend any remedial actions. In this regard the long term benefits and advantages of the program approach will be re-emphasised to GOT instutitions for purposes of curbing any of the possible implementation obstacles.

Another critical element of ATAP is the establishment of a Rural Roads Division in MCW. The political aspect of this program element has already been discussed. Consolidating technical, administrative and financial responsibilities for rural road rehabilitation and maintenance might be viewed by some as running contrary to the long - established policy of de-centralization. It should be noted, however, that all relevant ministries have already agreed in principle to the RRD. There are other obstacles as well. The IMF - GOT agreement imposes limits on

ANNEX
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LOGICAL FRAMEWORK

LOGICAL FRAMEWORK

TANZANIA AGRICULTURAL TRANSPORT ASSISTANCE PROGRAM

(621-0166)

GOALS	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
SUBSECTOR GOAL: To increase the volume of inputs, commodities, and consumer goods transported by road and to reduce the costs of transport services	Increased volume of commodities transported Lower unit costs for mt/km MT/km increases	Traffic counts Surveys Surveys	GOT will continue to permit private sector to freely set tarriffs, maintain access, and no truck monopolies develop
PROGRAM PURPOSE: To increase foreign exchange financing for transport equipment, spare parts, and machinery	END OF PROGRAM STATUS Increased transportation services and strengthened private sector road transport and construction industry	GOT Central Bank Records	Road Transport will continue to be a GOT policy and budgetary priority
To support policy reforms for improving the GOT's capacity to identify, select, finance, and undertake rehabilition and maintenance activities on rural roads	-More efficient GOT rural roads organization which effectively identifies, prioritizes, finances and implements the rehabilitation and and maintenance requirements for rural roads	Ogranizational responsibilities defined for rural roads within the GOT	GOT is able to retain trained staff Rural Transport will remain a policy and budgetary priority
	-The GOT is financing and implementing a plan for adequately maintaining the classified road	GOT Budgets	GOT has access to foreign exchange to finance non-local costs associated with maintenance and rehabilitation
	-Increase participation of the private sector in road construction and repair with the majority of rural road rehabilitation contracted to private sector firms	Number of private contracts	
	Increased number of Tanzanian personnel trained critical to the roads sub-sector	Records of GOT/private firms	
	-GOT donor coordination system established for for the roads sub-sector	Accuracy of GOT information on donor activities in the roads sub-sector	

POLICY CONSTRAINT	POLICY OBJECTIVE	CONDITIONALITY	INDICATORS	END OF PROGRAM STATUS
-Fragmented institutional structure for rehabilitating and maintaining rural roads	-To consolidate technical, financial, and administrative responsibilities for rural roads in MCW	-Establishment of a Rural Division in MCW which sets objectives for rural roads development, maintains a national ranking of rural road rehabilitation and maintenance priorities, and supervises all rural road rehabilitation and maintenance activities.	Rural Roads Division established with terms of reference, staffing, and an approved GOT budget	-More efficient GOT rural road organization
-Inadequate GOT financing for rehabilitation and maintenance of rural roads	-To increase GOT budget allocations for road maintenance	-GOT to prepare a plan for maintaining its classified road network from domestic financing	-GOT Budget reflects planned allocation for rural road maintenance beginning in GOT FY 1989/90	-GOT financing adequate for maintaining 50,000 kms of rural road per annum
-Limited existing capacity to rehabilitate and maintain rural roads	-To expand the use of private sector firms to supplement force account road	-The GOT will have awarded $1.0 million of road rehabilitation contracts for earth and gravel roads to the private sector	-Amount of rehabilitation contracts awarded to private sector firms	-Majority of rural road rehabilitation contracted to private firms

INPUTS	LEVELS OF EFFORT	ESTIMATED COSTS
1. Foreign Exchange		
-Commodity Import Program	################	$5,200,000
-Technical Assistance (LT)	4 person years	$ 750,000
-Technical Assistance (ST)	30 person-months	$ 605,000
-Training (Third Country)	6 person-months	$ 195,000
-Commodities	################	$ 100,000
-Other	################	$ 25,000
-Evaluations/Audits	7 person-months	$ 100,000
-Inflation/Contingency	################	$ 225,000