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APPRAISAL REPORT
OF THE
AID PROGRAM IN TANZANIA

OPERATIONS APPRAISAL STAFF
BUREAU FOR PROGRAM AND POLICY COORDINATION

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PART I - GENERAL

A. Summary of Major Findings

1. The Context of Aid to Tanzania

An OAS appraisal of the AID program in Tanzania was conducted during October, November, and December 1976. The appraisal consisted of an OAS team visit to Tanzania in October, followed by further research and discussion in AID/W. The original focus of the appraisal was on the effectiveness and appropriateness of AID's current program and operations in Tanzania. As the study progressed, however, it became clear that operation of the AID program in Tanzania should be seen by AID's top management in a much broader context, including AID relations with socialist countries in general.

There are a variety of reasons why Tanzania, despite a comparatively small aid level, should be of major interest and concern to AID's top management. At this point, the major reasons, some of which are interrelated and overlapping, can be summarized as follows:

(a) Tanzania has played a constructive role in the southern Africa question. It figures prominently in the rising North-South debate concerning the South's demand for a new international economic order. Tanzania in the past has attacked the U.S. as the chief exploiter of the Third World, on the one hand, but accepted U.S. assistance on the other, in the belief that aid is an international tax, the price of prior exploitation, which the industrialized countries owe to the Third World. Tanzanian officials also believe that under the current structure, the terms of trade are permanently turned against the less developed countries.

(b) Tanzania may be the most interesting example of a Third World country struggling seriously with one version of new development strategies involving "redistribution with growth" within a basically socialist framework. Tanzania, however, has put a couple of novel twists on its particular development model. It visualizes building what has been referred to as a "bicycle culture," as opposed to a consumer society; and has placed equity, participation and self-reliance before growth in its development priorities. While there is much in the Tanzanian model that is consonant with AID's objectives and criteria, some aspects of the situation are disturbing, e.g., attitudes toward private enterprise, private property and freedom for Tanzanians to live and work where they wish.

There is no certainty that the Tanzanian development model will stimulate sufficient growth to raise substantially the incomes of the majority of Tanzanians. Equity without growth only shares the poverty. Unless capital accumulation can be stimulated, negative growth or capital consumption may occur to the detriment of all. A basic question, therefore, in terms of U.S. aid is not whether the U.S. favors the Tanzanian approach, but whether it will work. It has been argued that "the pushing of socialist policies beyond the capacity of available skills to manage them is the greatest risk both to the socialist experiment and to the growth rate."^{1/} This concern for management capability seems clearly applicable to Tanzania.

(c) The Tanzania case brings out the role of AID as a minor donor (exclusive of food relief), especially in a country which is distrustful of U.S. political motives and where there is a proliferation of donor assistance up to and perhaps beyond a country's absorptive capacity.

(d) Tanzania also brings out the other side of the "collaborative style" coin. In other words, how effectively can AID operate in a country where donor coordination is discouraged and where AID does not have access to a bilateral dialogue on macroeconomic considerations and major development policy issues?

(e) Finally, the Tanzania program surfaces the confusion that reigns within AID as to what sort of AID programs are appropriate within the Congressional Mandate, especially in countries such as Tanzania where the majority of the population is poor and government appears dedicated to doing something about it.

2. Tanzania is a Dilemma and a Challenge for AID

Tanzania presents AID with both a dilemma and a challenge - a test of AID's ability to contribute effectively within a "redistribution" environment. On a general level, the dilemma for AID can be summarized as follows: Tanzania is one of the world's poorest countries, with a per capita income of about \$150-\$160. It has made a serious commitment to development, basing its development programs on the principles of equity, self-reliance and participation. Its development efforts, therefore, conform closely to AID's objectives and New Directions. While U.S. security and economic interests in Tanzania are relatively

^{1/} Heilner, G.K., 1972. "Socialism and Economic Development in Tanzania," Journal of Development Studies, Vol. 8, No. 2.

low, Tanzania has been constructive in U.S. participation in the South Africa question. At the same time, Tanzania is an acknowledged Third World leader and represents a strong voice in the rising North-South debate and among the nonaligned Third World countries. President Nyerere, Tanzania's only president, and chief architect of its development model, is one of the most respected leaders in the world today. Tanzania is at the forefront of African socialism and may well have a political, economic and development model that other Third World countries will try to emulate. In many respects, therefore, it behooves the U.S. to maintain a dialogue with Tanzania and to be associated with its development aspirations.

On the other hand, Tanzania has been one of the most severe critics of U.S. foreign policy. It advocates, under its view of a new international economic order, the eventual disengagement of its economy from that of the industrialized West. It has chosen a socialist model of development which, while based on some admirable democratic principles, advocates some questionable economic and social experiments. It is attempting to transform the means of production to state or collective control. It visualizes the eventual communalization or collectivization of rural society, and is in the process of decentralizing governmental administration to the lowest possible levels. The major question in these experiments is whether it has the trained manpower and management capacity to make them work for the long-term benefit of the majority of Tanzania's population.

While Tanzania accepts external assistance from countries of all political and economic persuasions, it resists any donor involvement in policy issues, to the point that there is a question of whether a true collaborative style is possible in Tanzania. Its attitudes toward private enterprise, individual freedoms and expropriation of private property are contrary to Congressional and AID criteria and are factors that mitigate against closer U.S.-Tanzanian ties.

Up to now, President Nyerere has been a moderate and pragmatic force in guiding Tanzania's socialist policies and development program. There is, however, a distinct possibility that he will step down in two or three years, thus opening the possibility that Tanzania may move in more doctrinaire and less moderate directions.

The dilemma for AID is not a question of whether the U.S. should be associated with Tanzania's socialist experiments, but how? Is AID equipped with the skills, talents, cultural and technical knowledge to make a contribution to growth with equity in public-managed economies, like Tanzania? The fact that the U.S. is already in the role of a minor aid donor with a comparatively small commitment to Tanzania's

development program somewhat reduces the importance of these questions. The U.S. Embassy wishes to keep our role small. Also, Tanzania has been very successful in attracting other donor support. Therefore, the major questions are: What is an appropriate U.S. posture in Tanzania? What AID strategy best fits AID's New Directions and the realities of the Tanzania environment?

3. AID Program Strategy

The major conclusion of this appraisal is that the AID program in Tanzania has not yet found a comfortable niche within Tanzania's development environment - a program which is coherent in strategy and focus, realistic in terms of the constraints, supportive of Tanzania's development model, and consistent with AID's New Directions. The major underlying reasons are perceived by OAS to be:

- past ambivalence in U.S. policy towards Tanzania and lack of a consensus within the U.S. foreign affairs community as to whether the U.S. can and should be assisting Tanzania in any substantial way;
- the proliferation of other donors and competition among donors for projects and scarce local resources;
- the inability of USAID to participate in a high level development dialogue;
- the inability of USAID to establish a strong informational base and analytic capability; and
- the absence of a constructive and imaginative dialogue between the USAID and AID/W, particularly in terms of what constitutes conformance with the AID Congressional Mandate.

The combination of all these factors has subjected the AID program in Tanzania to a series of conflicting pressures, the result of which has been a patchwork approach, a drift in strategy, and an attempt to fashion a "program for all seasons." It is quite possible that USAID has attempted to carve out a sector development program that lends itself to a broad DAP-styled strategy formulation but which in fact is beyond the existing constraints and opportunities. Our analysis suggests a more limited program focus.

The 1974 DAP is generally well-written and well-conceptualized and presents a sound basis for a continued and focused emphasis on the development of key agricultural institutions. It departs from this

limited focus, however, to embrace four broad areas: policy, infrastructure and institutions, finances, and ecology. This has tended to dilute the strategy and has made it difficult to articulate a coherent and focused program in which goals are quantified and a relationship is drawn between strategy, activities and accomplishments. Parenthetically, this raises the question as to whether the DAP was not written primarily to rationalize projects on-going at the time. Also, the term "transitional production strategy" is not clear. We don't think that this transition could be made within the time frame projected - given the Embassy-imposed constraints and slowness of project implementation.

We find that the USAID's attempt to retain, complete, and enlarge older projects while at the same time to move to a food production focus and on to village development has strained USAID capabilities, led to program scatteration and has produced a gap between DAP expectations and program composition and results. A gap also has resulted in communications and understanding between the USAID and AID/W. This latter gap has been caused primarily by a lack of clarity on the part of the USAID and an over-concern on the part of the Africa Bureau as to whether USAID's programs are sufficiently responsive to the Congressional Mandate.

While the USAID strategy has lacked discipline and focus, we also find some of the Africa Bureau's concerns to be an unnecessarily puristic interpretation of the Mandate for Tanzania, especially in a country where there is a low base of agricultural, institutional and manpower capacity, where agriculture is the economic base, where 90 percent of the population is in the rural areas, and where the government is focusing its attention on rural development. We also believe that the Africa Bureau should have played a more direct and positive role in guiding and formulating an appropriate and focused strategy for AID in Tanzania.

We find AID loans, particularly AID sector loans, inappropriate tools for an AID strategy in Tanzania. USAID does not have the information base or access to a policy dialogue needed for a sector loan strategy, unless the major purpose of these loans is simply to provide balance of payments support.

The DAP and subsequent strategy documentation have failed to deal adequately with the matter of decentralization. This issue is germane to any future sector approaches and in the completion of major infrastructure and institutional development efforts. It is of particular concern in terms of integrating such activities as research, seed multiplication and manpower training - and delivering the results to the small farm level. The recently proposed village agriculture

development project is one attempt to deal with this issue but it leaves unclear what the relationship will be among the USAID and central and regional authorities.

A revised DAP is to be submitted in the Fall of 1977 in which, it is hoped, this issue will be analyzed and thoroughly reviewed in AID/W. It is noted in this regard that in the Consultative Group Meeting on Tanzania in May 1977, decentralization was a major issue. The situation was described as "fluid and concluded that it will be some time before the optimum intersection between national and regional efforts will be found."

It will be interesting to learn how the USAID plans to accommodate to this fluid situation over the next few years, especially if the AID program is expanded substantially and in the direction of more regional, district and village level activities.

4. AID Implementation

Program implementation in Tanzania was found to be slow, by almost any standard. Of the 17 active grant and loan projects, all but four or five were behind schedule, some by several years.

There appear to be a variety of factors contributing to these implementation problems. The major ones observed were:

- Faulty project design. Often the project purpose was too broad and too ambitious given the development environment. The implementation of the on-going agricultural marketing, livestock marketing and development, and to some extent, the Masai Livestock and Range Development project has suffered from an overly-ambitious design. Design problems were also factors in why the proposed Agriculture Sector Loan II and the Food Crop Production projects did not or have not reached the approval stage.
- Lack of suitable counterparts and local management capacity were found to be major factors, among others, in the implementation of the grant-financed Seed Multiplication and loan-funded Tsetse Fly Eradication projects.
- Lack of vehicles and equipment spare parts and trained maintenance personnel is a serious implementation problem affecting almost all projects observed. It is not uncommon that 50 percent of project vehicles and equipment is "deadlined" at any one time for lack of spare parts or because of poor handling and maintenance. Road conditions, the government's lack of foreign exchange, and geographic distances involved in project monitoring are also major contributing factors.

- Lack of local construction expertise and construction materials were factors affecting the implementation rate for the Maternal Child Health Aide training project and the construction of the seed multiplication farms.
- Slowness in U.S. contractor recruitment is also an implementation problem that has affected almost all on-going USAID projects. For example, in the case of the Agriculture Manpower Development project, it was almost two years before the U.S. contract group began arriving. The Agricultural Research project was without a chief of party during the first year and a half of its implementation phase. Part of this problem appears to be due to the inability of several contractors to meet their commitments. Some are simply body shops. In other cases, this problem can be traced directly to the shortage of housing and the failure or slowness of the Tanzanian Government to meet its commitments to supply housing to USAID project contractors. This is also a large factor, as will be seen later, in contractor morale and effectiveness.
- Conflicts in attitudes and perceptions between USAID and Tanzanian counterparts have also influenced project design and project implementation in some cases. The Livestock Marketing and Development project is an example. The conflict here is probably best described as conflict between economic efficiency and ideological preferences. The Tanzanian Livestock Development Authority sees the government eventually as the monopoly buyer and seller of all cattle in the country. The USAID contract team does not see this as feasible or desirable in terms of promoting livestock development.

Another example is the Masai Livestock and Range Development project in which differing perceptions as to the primary purpose of the project have caused implementation problems. There has been a tendency on the part of elements of the Tanzania Government to perceive this project primarily in political terms - as the breaking down of Masai culture through the ujamaa village concept. USAID technicians, on the other hand, see the project as increasing Masai production and income within traditional Masai cultural and economic patterns.

The proposed USAID Food Crop Production project was canceled because of differing perceptions. The proposed project called for USAID contract technicians to work at regional government levels in advising on national maize production. This concept was resisted and ultimately rejected by regional officials who saw it as a device by which a central ministry - Agriculture - could monitor their programs.

5. USAID Administration

USAID administration and operations were found to be weak in some respects. The most significant weakness concerned the following:

- lack of contractor support and utilization;
- inadequate staffing of key positions in agriculture; and
- lack of a USAID program analysis and project design capability.

B. Some Program Strategy Options

The OAS appraisal in no sense purports to be a total reexamination of the AID program in Tanzania. Nevertheless, the OAS findings suggest the need for rethinking its strategy, purpose, scope, focus and operation. OAS has examined a series of options. These options are discussed briefly below:

1. The Status Quo

At the time the appraisal was conducted, the Embassy and USAID did not appear to be dissatisfied with the current AID level, program composition and focus of the AID program in Tanzania. The Africa Bureau, however, was uncomfortable with the current program strategy and concerned that it was not consistent internally, or in harmony with Tanzanian realities or with AID's New Directions. The Bureau was concerned also that the USAID has spread itself too thin in terms of its capabilities and the local constraints. A recent U.S. Contractor Report recommended a focus on village agricultural development. At the same time, the Tanzanians were pressing the USAID to include in its efforts a focus on a specific region - Arusha. The USAID has at times attempted to accommodate to all these views in addition to standing by its own "transitional production strategy."

The OAS appraisal findings bear out many of the concerns expressed by others. The current strategy is not making the transition from agricultural institutional development and infrastructure to food production. The USAID is spread too thin in terms of the number of projects, the implementation problems faced and the quality and quantity of authorized staff. Therefore, a decision to continue as programmed means living with a loose program strategy for which there is no real consensus, and implies slow project implementation with marginal contributions in several areas. It also means a continual battle to either upgrade staff or obtain increased staff ceilings.

2. Termination of the AID Program

A narrow-based argument could be constructed for termination of the AID program in Tanzania. On a political level, the U.S. Embassy has stated that the AID program to Tanzania could be terminated without damaging U.S.-Tanzania relationships or U.S. interests - so long as it was done gradually. U.S. and Tanzanian political views are far apart on many subjects. President Nyerere's long-range view of the international economic order calls for Tanzania's decreasing the dependence of its economy on the West. The U.S. is a relatively minor donor in Tanzania in terms of absolute levels; and, given the myriad of program implementation problems, thus far has made only a marginal impact on Tanzania's agricultural production. Tanzania does not lack aid donors who would be willing to fill any "gap," except emergency food relief, caused by such termination. In addition, Tanzanian policies on the utilization of private investment, and towards expropriation and individual freedoms raise questions in terms of AID policies and statutory criteria. The termination option could take on added reality and relevance in the event that Tanzanian policies become increasingly doctrinaire and hostile to outside advice and assistance. While there is no evidence that this will happen in the near future, it is a possibility if Tanzanian leadership should change.

3. An Expanded AID Program

The arguments for this option rest basically on the premise that Tanzania is a poor country, a model of development, struggling seriously and honestly with the challenge of growth with equity, and therefore meets the AID criteria for assistance as well or better than most AID recipients. The argument ignores issues such as absorptive capacity, the level of other donor aid, and Tanzania's ability to effectively manage the resources at its disposal. The option might become more persuasive if applied to program (balance of payments support) as opposed to more project assistance; or if applied to an intensive effort to reduce specific constraints on Tanzania's absorptive capacity, e.g., long-term and massive efforts in manpower development, land use studies, water development, or capital and technology transfer. While these kinds of concentrations may be of great long-term benefit to Tanzania, it is doubtful if they would meet AID's current criteria or funding availabilities.

4. A Restructured but Limited AID Focus in Tanzania

This option rests on the following premise: (a) that it is not in the U.S. interest to terminate the AID program in Tanzania at this time;

(b) that the current program lacks coherence, focus and manageability; and (c) that a greatly expanded AID effort in Tanzania is unrealistic in terms of U.S. political posture, Tanzania's absorptive capacity and AID availabilities. The limited focus option is also premised on the argument that AID should avoid involvement in a broad program strategy, since it does not have the access such a strategy demands. Thus AID should concentrate on a limited number of things that it can do best. Within this context, several different suboptions could be considered, for example:

(a) Concentration on Regional Planning and Development - A regional planning and development approach has been requested repeatedly by the Tanzania Government. It was proposed by the USAID last year but was rejected by AID/W. If the USAID continues with its Masai Livestock and Drought Relief projects there already is the nucleus of a regional program in the Arusha region. This approach would resolve some of the current problems of how AID operates in Tanzania under decentralization because there is receptivity to an AID presence in this region. AID would be identified with a poor population and with a disadvantaged ethnic group whose very existence is threatened by environmental factors, encroachment by non-Masai and government policies. At the same time, it would mean that AID resources are concentrated on a relatively small part of the total population of Tanzania. The approach, however, contains a high risk of failure and establishes a very visible U.S. association with the outcome. For a reasonable chance of success, AID would have to make a long-term commitment (at least ten years) to the effort. Moreover, if an integrated regional development program were undertaken, there might be a need for more resources than AID can supply. At a minimum, such a program would require at least the current level of assistance but probably only half the staff.

(b) Concentration on Village Agriculture Development - This approach constitutes a narrow interpretation of the Congressional Mandate. It would have to be initiated on an experimental basis and with recognition that the outcome would be uncertain, because AID has little demonstrated experience in this functional area. This approach also would mean a relaxation of some of AID program/project approval criteria since the information base at the outset would be small and incomplete and would have to be acquired as the program moved along. It could be a learning experience for AID as well as for Tanzania.

Such an effort would be consistent with AID policies to attempt innovative approaches to reaching the rural poor. It would be an attempt, as the U.S. Contractor Report recommended, to improve rural incomes and the quality of rural life within existing village level constraints rather than a direct attack on regional or sector constraints. Because

of the decentralization issue and the Tanzanian budget situation, this approach would require only a small AID staff presence but a relatively high AID subsidy of local costs. Consequently, current projects which do not directly support a village agricultural development effort could be phased out.

(c) Concentration on Agricultural Institutional Development - This option is premised on the argument that (1) in general USAID's original strategy of concentrating on agricultural institutional development was sound; (2) this emphasis should be resumed because the core of USAID's more successful on-going projects relate to institutional development in the agriculture sector; (3) such a focus in Tanzania is not in conflict with the Mandate; (4) AID can perform well in this subject area; and (5) because it is critical to village development, productivity, and increased rural incomes.

This approach could provide some flexibility with respect to project choices. However, on-going AID activities and those of other donors require a core of projects that emphasize and integrate more fully agriculture research, agriculture manpower development and seed research multiplication for a selected number of food and cash crops. To this core could be added adaptive research, and the development and application of intermediate or appropriate technology. It could be, therefore, a limited attempt to develop a farm systems approach to the delivery of a technology package to the small farmer. It could also emphasize a continuation of extensive village trials as a means of on-farm demonstration and reliable feedback. Other types of needed technology transfer, e.g., soils and land use research could also be included within the package.

This option has several advantages. First, it involves areas which are major, long-term obstacles to Tanzania's agricultural development. Second, these are functional areas in which AID has a high degree of expertise and, in the case of intermediate technology, a high degree of interest. Third, these activities need not involve the USAID in some of the ideological conflicts or the problems associated with the decentralization. Fourth, they would lend themselves to the development of a tight, coherent and narrowly focused strategy. Fifth, they would complement what is known of the National Agricultural Development Program being developed by the World Bank. Sixth, the expected results would be of long-term benefit to Tanzania, which will need this kind of institutional, research, manpower and technological base regardless of what direction and form its political and development models take. Lastly, this option calls for a more easily managed AID presence at about the current level of grant aid, including continuation of PL 480 and the Maternal Child Health project.

(d) Concentration on the "Hard Sciences" and Training - This option argues that a young socialist country like Tanzania must go through a series of growing pains before it realizes that some of the systems it has chosen will not produce the desired results; and that, while we do not want to alienate or disassociate ourselves from Tanzanians and their aspiration, we may be limited in what we can do harmoniously and effectively within the present ideological framework. It also recognizes that there may be limits to the degree to which we want to be associated with a system which we basically believe won't work to Tanzania's long-term advantage.

This approach also recognizes that there are no purely technical solutions to the development problem, since sooner or later broad-scale external assistance tends to intrude on the recipients' value systems. However, within the development process, certain technical problems, the solutions of which are subject to the laws of the natural sciences, will be of lasting importance to a country's development regardless of the ideology of the government in power. Examples are soil and seed classification and research, fertilizer and pesticide application, the use of satellite and other technology to determine natural resources and land use, industrial production standards and specifications, pest research (e.g., tsetse fly), and the design aspects of intermediate technology. Donors such as AID have much to contribute to the solution of these problems with minimum conflict with a country's political, social or cultural values.

Lack of trained manpower probably is Tanzania's chief development constraint. A supplement to the above approach could be to train the next generation. In other words, we could design a program around general-purpose training (in the U.S., third countries, and where possible, in Tanzania) emphasizing key skills that are needed now and in the future if Tanzania is to begin to realize its development potential.

(e) Concentration on Agricultural Production - This is the final option considered. Tanzania is not achieving its potential in domestic agricultural or livestock production and also has an urgent need to boost exports of agriculture products in which it has some comparative advantage. How can AID best contribute to increased production?

The original AID strategy (set forth in the 1974 DAP) was to gradually move from a traditional focus on agriculture infrastructure and agriculture institution building to projects more directly focused on small farmer production. Thus far, the USAID has not been very successful in moving its program in that direction. Projects such as

research, extension, seed multiplication, while important in terms of institutional development, are not now impacting directly on small farmers. More production-related activities, e.g., Masai Livestock and Range Development and Livestock Marketing and Development projects, have thus far produced no discernible production increases. Proposed USAID projects in direct support of the World Bank-financed National Maize Program never got off the ground.

Intelligent selection of any new production options probably should await publication and review of the National Agriculture Development Program (NADP), which is expected in the near future. When the NADP is unveiled, it is expected to include several specific crop priorities such as rice, tobacco, sorghum, pyrethrum, etc. AID could negotiate with the World Bank and the Tanzanians for support of discrete elements of the NADP, depending upon other donor involvement and whether AID concludes that it can work effectively under decentralization.

Some of these options could be combined. For example, village development could easily be a major emphasis within a regional development concentration. Or emphasis on agricultural institutional development could be built into a concentration on the "hard sciences," or around a limited production focus.

C. Major Recommendations

Based upon an assessment of the development environment, the findings, and a brief examination of some possible options, OAS makes the following recommendations:

X 1. That USAID/Tanzania plan to move formally under a World Bank strategy umbrella in which USAID would depend increasingly on the World Bank to develop and negotiate an overall agricultural strategy with the Government of Tanzania. USAID could then select discrete elements of this strategy as its agricultural assistance program in Tanzania. USAID would depend upon the World Bank to supply the necessary macrodata and to negotiate with the Tanzanian Government on key policy issues affecting sector strategy and discrete projects.

This recommendation has met with a generally negative response from the Africa Bureau, USAID/Tanzania, and PPC. To some extent, we believe the recommendation may have been misconstrued. We did not mean to imply that USAID would abrogate its functions and dialogue with the Tanzanian government or cease to play an important role in Tanzania's agricultural development. We do believe, however, that the recommendation should be carefully considered rather than dismissed out of hand.

The National Agriculture Development Plan may be the key element in determining the soundness of the recommendation. This plan, evidently, has not yet been published. If it is published, as described to the OAS by the IBRD, much of the agricultural sector planning and strategy will already have been done (basically by the IBRD) and the IBRD will have a major role in mobilizing the financing to implement it.

In this event, we would question how much of a role the USAID could play in helping to formulate agriculture sector strategies, as mentioned in the Africa Bureau's comments on the draft appraisal. Also, we believe that Tanzania might offer a unique opportunity for the U.S. to encourage and participate in a form of "multi-lateral development programming," as mentioned in PPC comments on the draft appraisal.

2. That the USAID plan to limit the focus of its program composition. This limited focus should be primarily grant-funded with overall U.S. aid amounts remaining at about current and projected levels. Subject to discussions with the World Bank and the Government of Tanzania, it would appear that a focus on a hard core set of projects involving agricultural research, seed multiplication, agricultural credit and manpower training directed at small farmers, along the lines suggested in options 4c and 4d, perhaps in combination with production of a specific crop (option 4e), merits the strongest consideration.
3. That the USAID, in cooperation with AID/W, plan to terminate all other on-going activities except PL 480, Title II Maternal Child Health Aide training and Tsetse Fly Research as soon as possible.
4. That the USAID plan to make fuller use of AID contractors as a staff resource by integrating them more fully into USAID organization and operations, and provide enough funds in projects to ensure administrative and logistic support as near equal as possible to that furnished USAID direct-hire employees.
- X 5. That the Technical Assistance Bureau of AID/W be requested to prepare an Action Memorandum for the Administrator outlining a realistic course of action for the institutionalization and replication of the TAB-funded Tsetse Fly Sterile Male Research project.

Since the draft approval was issued, USAID/Tanzania has proposed a project which would in effect bilateralize and nationalize most of the TAB-funded SIRM tsetse research project. However, the Africa Bureau is currently studying the possibility of including all AID-funded tsetse research and control programs in Africa under a regional project in order to assure that the relative costs and benefits of various methods now under experimentation can be appropriately assessed. Depending upon the outcome of this study, this Recommendation may not be necessary.

6. That the Africa Bureau of AID/W press for early resumption of the annual meetings of the Consultative Group for Tanzania, in order to achieve a greater degree of donor coordination in Tanzania.

OAS was gratified to learn that shortly after the draft appraisal report was issued in April 1977, a productive consultative group meeting was held in Paris. The report of that meeting was encouraging, but it confirmed some of OAS's concerns relating to decentralization, absorptive capacity, over-commitment by donors, and the ability of Tanzania to manage its economy with its present levels of trained manpower.

PART II - FINDINGS AND OBSERVATIONS

A. The Development Environment

1. An Overview

With a per capita income of about \$150, Tanzania ranks as one of the world's poorest countries. It also is one of the most interesting in terms of its approach to development. With a meager natural resource endowment and a paucity of domestic financial and human resources, Tanzania is attempting within this century to make a clean break with its colonial past, to restructure its political, economic and social values, and to reduce drastically the disparities and extremes of income distribution. To accomplish this, Tanzania has chosen a socialist model of development which is built on the principles of equity, self-reliance and participation. The policy instruments by which Tanzania is attempting to achieve these goals can be summarized as follows:

- State intervention and public ownership of major industries and infrastructure.
- Increased state control of the economy, and state and collectivized control of agricultural production and agricultural marketing.
- Decentralization of government administration.
- Decreased foreign and domestic private investment.
- Communalization of rural society in which the rural population is gathered into villages to engage in communal productive activities and to receive social services.
- Restructured educational systems which emphasize agricultural sciences, socialist consciousness, and compulsory national service.
- Limitations on the accumulation of wealth.
- Establishment of conflict-of-interest rules to control corruption.
- Diminished reliance on foreign aid.
- Nonalignment in trade, aid and foreign policy.

The concept of the "ujamaa village" is the centerpiece of Tanzania's development program. Ujamaa, a Swahili word for familyhood, is founded on the belief that the traditional African extended family is an indigenous form of socialism and that free enterprise and private ownership are foreign institutions without deep roots in Tanzania. Ujamaa envisions the villageization of the entire rural population in which ultimately villagers will work cooperatively on communal lands and share equitably in economic returns and social services, without exploiting others or being exploited.

It is estimated that some 12 million people out of a total rural population of 13.5 million have been moved, sometimes forcibly into new or existing villages. In some cases, this is done by merely drawing a circle around existing population concentrations and designating it a village. Comparatively few villages have yet reached the highest order of ujamaaization. Most village production now is organized around a mixture of private plots, block farming and communal lands. It is not clear to what extent ujamaa is popular among the rural population, and to what extent it is paying off in terms of increased production and income for small farmers. There has been some forced movement of people. In some parts of the country, e.g., Arusha, Kilimanjaro and parts of Masailand, there has been very little ujamaaization. Agricultural production, countrywide, has been down for the past several years but it is unclear whether this is the result of villageization, the drought of 1973-75, or bureaucratic inefficiency. It is true, however, that public sector spending under villageization has improved social services for great numbers of the rural population. There are new schools, health dispensaries, roads and water facilities where few existed before.

Since 1972, Tanzania has increasingly decentralized its governmental administrative structure to the regional, district and village levels. The major purposes behind this move are to:

- decrease bureaucratic inefficiencies;
- move the development planning and implementation process downward and closer to the people; and
- facilitate the politicization and socialization of the rural population along socialist lines.

Basic to Tanzania's particular socialist model of development is the belief that growth should not occur at the expense of equity. This pertains to equity among regions as well as between urban and rural groups. Tanzania has also rejected certain policies normally found in other socialist economic models, such as rapid industrialization, the

transformation of agriculture by mechanization, central planning and noncooperation with neighboring nonsocialist states. Tanzania seems to be pursuing a vision of agrarian socialism - a "bicycle society" - based on a recognition of its natural, human and capital resource limitations, but one that will provide an adequate level of material existence for everyone. It does not consider this vision Utopian in any sense but rather an extension and continuation, after a destructive period of colonialism, of its cultural past. However, the model is not without its contradictions.

2. The Political Situation

Politically, Tanzania is stable and has been so since its independence in 1961. Julius Nyerere, its only president, is the major architect and force behind Tanzania's development thrust, while CCM (formerly TANU) - Tanzania's only political party - operates as the implementing arm of Nyerere's policies. CCM is structured vertically down to 10-family cells and is the political entity closest to the people. Its main task is the politicization and socialization of the people and to see that development programs adhere to basic tenets. The government is comparatively free of corruption and strongly committed to making the model work. The major point of domestic divisiveness seems to be over whether the government has moved too fast or not fast enough down the socialist path. This ties into the question of state intervention and direct rule. Nyerere has been the moderator in this debate. There is some evidence that Nyerere plans to step down in 1980, thus raising the question of what direction Tanzania will take in a post-Nyerere period.

Nyerere strongly argues that most of Tanzania's current problems are the result of past colonial exploitation, and that the present international economic order is stacked against the LDCs. He is one of the less developed world's chief proponents of a new and "more equitable" international economic order in which the LDCs have a greater voice in determining trade and aid policies.

3. The Economic Situation

Economically, Tanzania is in bad shape. A per capita income of \$150-\$160 makes it one of the poorest countries in the world. Tanzania is not well endowed with natural resources. It has an immense land area to support its 15 million plus population, but as much as 40 percent of the land is unusable due to tsetse fly infestation, lack of rainfall, or poor soil. Only about 10 percent of the land is well watered. The basis of the economy is agriculture. Over 90 percent of the population lives in the rural areas, most of which derives its livelihood from

agriculture. Agriculture currently accounts for over 40 percent of GNP and almost 75 percent of the exports. This means that 80 percent of the population is generating only 40 percent of the national income.

Tanzania is basically a nation of small farmers in which 97 percent of all farm holdings are five hectares or less. Average annual income among these small farmers is probably less than \$75 per capita. The major cash crops are sisal, cotton, sugar, tea, coffee, cashew nuts, peanuts, tobacco, pyrethrum and oil seeds. Food crops consist mostly of corn, millet, sorghum, rice, wheat, pulses, bananas, potatoes, cassava, and cloves (from Zanzibar). Most small farming is done mainly by manual labor employing small agricultural tools and implements. Very little animal power is utilized by any farmers in Tanzania. Large-scale mechanization is employed on the larger farms and the prospect of tractors is often held out to encourage villageization.

Agricultural production has lagged behind the population growth rate (currently between 2.7 and 3.0 percent) for the past several years. During the period 1972-75, domestic inflation was running at about 30-35 percent. It is now about 20 percent. Foreign exchange reserves account for only one month of imports. Several reasons have been advanced to explain these economic ills:

- the low level of investment in agriculture over the years;
- severe drought from 1973 to 1975 which cut production, necessitated massive food imports and depleted foreign exchange reserves;
- the rise in the price of oil and other essential imports, which caused further strains on foreign exchange, cutbacks in imports needed for domestic production inputs, and which imported a good deal of inflation; and
- acceleration of the "villageization" process which further disrupted domestic production, particularly in food crops.

USAID estimates that most food crop production could be doubled within a few years with a combination of newly-developed land and the agricultural technology that now exists within the country. The problems seem centered on the delivery systems and the lack of a capacity to manage those systems effectively. Prices paid producers still lag behind world market prices at real exchange rates. This encourages smuggling. However, the inability to provide inputs, collect harvests and transportation costs appear to be the most serious bottlenecks. About

40 percent of the parastatals were reported to be operating at a loss, and many others are not producing the expected level of income. Thus the parastatals have failed to provide the needed surplus from which to finance other development programs. Instead, they have become a drain on the Treasury.

The Tanzanian Government, however, has shown a willingness to experiment and to take corrective action short of changing the basic structure of its chosen economic model. These actions have included allocating more resources to the productive sectors, raising agriculture prices (which are fixed centrally and do not always account for differences in the costs of production and transportation), curbing imports, emphasizing exports, raising taxes and reducing public expenditures.

Despite these factors, Tanzania's development prospects, even by its own criteria, are not bright in the short to medium range. The following are some of the major reasons why:

- poor resource endowment;
- susceptibility to drought;
- the prospect that the terms of trade will continue to be adverse in the near future, thus keeping production (for export and domestic consumption) low while keeping domestic inflation high;
- sluggish production and underutilized productive capacity due, among other things, to lack of incentives and inefficiencies in the transportation, marketing and distribution systems;
- inadequate foreign exchange to finance essential imports;
- inadequate trained manpower and capacity to manage a centrally-controlled, decentrally-administered, multidimensional development program;
- recurrent budget expenditures rising much faster than domestic revenue.

Tanzania may have reached a crossroads on its development path in which it must soon choose between continuing its emphasis on statism and equity, even if it means economic stagnation, or backing off from the theory in the interests of increased production. The evidence to date suggests that while increased equity has been achieved, it has been at the expense of almost everyone and not just the richest.

There are some indications to suggest that a shift in strategy is already underway. Temporarily at least, the Government has slowed down the rate

of nationalization of small entrepreneurs, villageization and the communalization of farm land. There also seems to be a shift in the allocation of resources to productive sectors and away from social services. Whether these shifts will go far enough or fast enough to get the economy moving again, and without causing a domestic political rift within the CCM is a moot question.

Within this context, the Tanzanian Government also must make some other basic decisions with respect to balancing allocations among productive sectors, i.e., should it emphasize cash crops in the interest of increasing needed foreign exchange, or food crops in the interest of narrowing the food gap? Even with significant new investment it could take at least five years to restore agriculture production to a pre-1972 growth rate of 5-6 percent. More important, perhaps, is the question of whether Tanzania has the trained manpower to manage effectively an economy that is likely to remain essentially state-controlled. It can be argued that it does not now have that capability.

This suggests a heavy long-term dependence on external technical assistance and capital financing. At the same time, however, Tanzania is showing all the symptoms of suffering from a limited absorptive capacity. The main symptoms are competition for limited projects, rising recurrent expenditures, a rising debt service ratio, slow project implementation, lack of counterparts and trained personnel to staff new institutions, lack of efficient systems to deliver new technology, and the number of deadlined project vehicles due to lack of maintenance and spare parts.

4. Other Donor Aid

One stopgap solution has been the heavy reliance on external assistance (capital, technical and more recently food). In this, and despite the apparent contradiction with the principles of self-reliance, Tanzania has been favored. External aid figures are hard to come by, but it is estimated that some 24 donors plus 28 voluntary agencies committed to Tanzania over \$300 million (a figure considered to be understated) in grant and loan assistance in FY 1977, of which some \$18.0 million (FY 78 CP) is the AID commitment. This is the rough equivalent of \$20 per capita. External assistance, involving almost all sectors, accounts for about 62 percent of the total development budget and about 50 percent of total government investments. About 80-85 percent of the development budgets of the Ministries of Agriculture, Health, Education, Works and Water are financed by foreign assistance. The USAID estimates, however, that the government of Tanzania is financing most of the recurring budget. The ratio of foreign aid to utilization of domestic resources has been increasing as production and growth have stagnated. No reversal of this trend is in sight. External aid has brought several thousand foreign

experts to Tanzania, most of whom require a counterpart relationship and Tanzanian financial or in-kind support. Foreign aid is thus both a burden and a windfall.

The World Bank and Sweden are the leading donors in Tanzania, each accounting for about one-quarter of external aid. The World Bank, however, is clearly the dominant donor in terms of access to policy levels. Bank officials talk in terms of a 20-year commitment to Tanzania and Bank assistance has ranged from program assistance, to physical infrastructure projects, to village development. Increasingly, however, World Bank grants and loans are being focused on rural development, one aspect of which is formulation of a National Agricultural Development Program (NADP).

This plan, not yet published, is expected to have a 20-year time horizon and contain a comprehensive approach to agriculture, e.g., a farm system approach to crop production, manpower development, seed development, mechanization, procurement planning, etc. The National Maize Program (NMP) initiated in 1974, which has been less than successful, is considered the first phase of the NADP. Whether the NADP is published as a Plan will have an important bearing on USAID's role in formulation of an agricultural sector strategy and the composition of its agriculture program.

The World Bank by far is the closest of any donor to the development policy decisions of the Tanzanian Government, which tends to discourage any form of donor coordination, presumably to prevent donor leverage and intervention. Whether IBRD has influenced policy decisions is not clear. The lack of donor coordination remains a major problem in Tanzania, although IBRD has been active in this regard.

Decentralization is a continuing issue affecting all donors. While the concept may be sound, and is apparently bringing development programs closer to the people, it encourages expenditure of scarce resources on establishment of institutions for each region, and the redistribution of income among regions in the interest of equity. External donors must accommodate to the regions becoming increasingly autonomous in terms of the planning and expenditure of resources, although regional budgets continue to be approved centrally. Decentralization has had the effect of integrating the executive with the political branch of government. Therefore, donors are caught between the central ministries with which they have traditionally dealt and the regions.

A 1975 World Bank study concluded that since its inception in 1972, decentralization has speeded project implementation, improved

interregional equity and interregional and intervillage communications. It also concluded, however, that decentralization had brought no marked improvements in the quality of projects, cost consciousness, motivation of the people to participate more fully in the process, or in financial controls. Obviously, all of these factors have serious implications for donors.

From the donor standpoint, perhaps the most favorable aspects of Tanzania's development environment are the Government's continued serious commitment to development, the comparative absence of corruption and the Tanzanian receptivity, within limits, to new ideas. While Tanzanians distrust the U.S. politically, they do seem to admire American technology. At the technical level, relationships are good and relatively open. There seems to be an unspoken understanding on both sides, however, that policy issues and problems that bear on but go beyond the context of projects are not subject to official discussion and negotiation. Tanzanians make it clear that they are not looking for expatriate "advice or advisors." They are interested in foreigners only to supply financing and to carry out technical functions. This has limited USAID's access to the bigger picture and to the development of an adequate information base. This, in turn, has caused difficulties in the implementation of some projects, and definitely raises the question of whether a true "collaborative style" is possible in Tanzania, especially if the U.S. becomes a relatively major donor.

The World Bank appears to be an exception to this donor isolation. This can be partially explained by the fact that it has an apolitical posture and is the largest donor in Tanzania, contributing roughly a fourth of all external assistance. In any event, the World Bank appears to be deeply involved in macro planning and major policy issues, albeit on an informal and unpublicized basis. It has a small staff in Tanzania, but is backed up by a large regional office in Nairobi. Thus, the World Bank is in an excellent position to provide the basic macro data and coordination among donors.

B. The AID Rationale and Strategy

The U.S. has been giving assistance to Tanzania since 1953. Cumulative U.S. bilateral assistance since that date totals over \$200 million. The United States is a minor aid donor in Tanzania, accounting for a little over 6 percent (2.5 percent exclusive of PL 480) of total aid and ranking about tenth (also exclusive of PL 480) in terms of aid level.

Summary of Recent and Projected AID Levels
(Obligations in \$ millions)

| | <u>FY 74</u> | <u>FY 75</u> | <u>FY 76^{1/}</u> | <u>FY 77^{3/}</u> | <u>FY 78^{3/}</u> | <u>FY 79^{3/}</u> |
|--------------------|--------------|--------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Development Grants | 6.2 | 4.3 | 8.5 | 6.7 | 11.0 | 17.1 |
| Development Loans | - | 12.0 | 3.9 ^{2/} | - | - | - |
| PL 480 | | | | | | |
| Title I | - | 7.6 | 6.5 | 7.6 | 6.5 | 3.9 |
| Title II | <u>2.6</u> | <u>16.0</u> | <u>18.0</u> | <u>8.4</u> | <u>4.2</u> | <u>4.9</u> |
| Totals | 8.8 | 39.9 | 37.0 | 22.7 | 21.7 | 25.9 |

- ^{1/} Includes Transition Quarter
^{2/} To complete TanZam Highway costs
^{3/} Source: FY 1979 Congressional Presentation

On balance, the rationale for other than a modest AID program in Tanzania is weak. This may seem at first glance to be an exaggerated and unwarranted statement, given Tanzania's ranking as an RLDC and its serious commitment to development. The statement rests, however, on three basic propositions:

- the apparent necessity to maintain only a modest U.S. political posture ("show of interest") in Tanzania;
- a level of external assistance greater than Tanzania can effectively absorb; and
- the inability of USAID to establish a policy-level dialogue and macro information base on which a substantial and comprehensive AID program could be based.

To these can be added the conceptual question of how much American expertise has to offer in support of a socialist model of development.

The U.S. has no major compelling political, security or economic interests in Tanzania, although Tanzania has played a useful and

constructive role in U.S. involvement in the South African question. Tanzania's socialist policies towards private enterprise, private investment, and expropriation have held little attraction for U.S. business investment. Tanzania has been a thorn in the side of the U.S. at the UN and in other international fora and constantly vilifies the U.S. in its press and public statements. Lastly, even though Tanzania wants some U.S. participation in its development programs, for "balance" if for no other reason, there is reason to believe that for indigenous political reasons it might reject a large U.S. assistance effort.

The State Department has insisted on a modest U.S. presence in Tanzania based primarily on a "show of interest" rationale and sufficient to provide an entree to diplomatic dialogue. This casts AID in the role of a minor donor. The U.S. Embassy in Tanzania has quantified the AID role in terms of aid levels and USAID staffing. Flexibility is allowed with respect to program content.

The match between AID's New Directions and Tanzania's own development objectives and practices often is the dominant rationale given for a sizeable AID program in Tanzania. Tanzania is well within the "benchmark" definitions of the poor majority. There is participation, a concern for equity, and a concentration of key sectors affecting the poorest. The strength of this rationale, however, is somewhat diluted if other AID criteria emphasizing efficient use of AID resources, on "collaborative style," and promotion of private enterprise were to receive heavy emphasis.

Beginning in 1971/72, USAID initiated a series of long-term (5-10 year) projects to support a program of agriculture infrastructure and institutional development. The Tanzania DAP, written in 1974, outlined a "transitional production strategy" for agriculture until about 1980. The strategy singled out four areas - policy, infrastructure and institutional development, financial requirements and ecological obstacles - in which the AID program would be used to "attack" some key constraints.

In the initial years, the AID strategy was to be essentially a continuation of a "production preparatory or institutional development" emphasis that had characterized the AID program since 1961, and later move to a more production-oriented focus, or in the language of the DAP "to build an implemental bridge, a diffusion process between applicable innovations and infrastructure that we and others have created, and the actual production unit in which we should be getting more involved." This is still the basic USAID strategy.

The DAP recognized the USAID's limitations in the policy sphere and planned to confine its efforts in this area to influencing agricultural incentives via a "low profile" dialogue within the parameters of such projects as agricultural marketing and agricultural credit. In terms of infrastructure and institutional development, the strategy was to continue on-going activities in agricultural research, seed production, manpower training, agricultural marketing, livestock marketing and development, and rural road building and maintenance.

Financial constraints, meaning the Tanzanian Government's lack of money, were to be addressed via PL 480 and agriculture sector loans, in order to save or make available more foreign exchange and local currency. Ecological constraints were to be attacked primarily by continuation of the on-going tsetse fly research, tsetse clearance and the Masai Livestock and Range Management grant and loan projects, and perhaps the use of satellite technology to determine natural resource capabilities.

More specifically, this collection of projects was aimed at: establishing a national research system; developing a foundation seed and seed multiplication technology and institutional capability; upgrading the state marketing authority's performance in marketing, storage, processing and distribution of food crops; improving the Tanzania Rural Development Bank's ability to extend credit, especially to small farmers; training middle-level extension workers; effecting "social change" as well as addressing all aspects of livestock development in Masailand; improving livestock marketing in support of an IDA loan; demonstrating a land clearance and spraying approach to tsetse fly control and developing a sterile male fly technology as another means of controlling tsetse. The exact aims of PL 480 proceeds and agriculture sector loans were not defined in the DAP. However, PL Title I has been used to help the food gap and is now being considered to help establish a food grain reserve.

In addition to a focus on agriculture, the DAP strategy also called for lesser concentrations in health, population, nutrition and education. Continuation of the on-going Maternal Child Health project was to be the main thrust in health and population. Under this project, 18 maternal child health centers are to be built and staffed for training personnel in rural health and family planning for placement in rural health dispensaries and clinics. Nutrition problems were to be addressed through continuation of the PL 480 Title II program and possible future assistance to the Tanzania Food and Nutrition Center.

Since the DAP was written several new projects were proposed by the Mission. They are an Agriculture Sector Loan II (\$4 million), a farmer

training grant project, a project to assist the Faculty of Agriculture, a Crop Production project, an Arusha regional planning project, a project to promote intermediate technology and, more recently, a pilot program in village agricultural development. Of these, only the farmer training and village development projects have been approved for future development. None of the above new projects has been approved for implementation. In addition, the USAID has implemented PVO projects in dairy assistance (Heifer Program), health (Hanang), and vocational education (Operation Bootstrap).

The U.S. has had an active PL 480 Title II program for several years. This program is administered in three channels: (a) by the Tanzanian government, where the emphasis has been on short-term relief for famine-stricken victims of drought; (b) a Catholic Relief Services (CRS) program which emphasizes school feeding, maternal child health, child feeding in day-care centers and a small "self-help" food-for-work element; and (c) the World Food Program, which has supported refugee relief projects in western Tanzania.

PL 480 Title I programs were new to Tanzania beginning in 1975. Through shipments of corn and rice, the emphasis has been on meeting the commercial market food gap caused by the recent drought. Unless drought conditions reoccur, USAID does not anticipate PL 480 Title I requirements beyond FY 1977. However, Tanzania has requested U.S. assistance to establish a food security program. Accordingly, a Title I contribution of 60,000 tons of corn in FY 1978 is under consideration. Tanzania does not have adequate storage and other facilities to maintain such a program.

USAID's original strategy, as proposed in the 1974 DAP, was to first focus on agricultural institutional development and infrastructure and then move to a strategy more focused on food production. However, AID/W has been uneasy about this strategy in terms of its internal consistency, its seeming lack of consistency with AID's New Directions, and a belief that USAID is spreading itself too thin. Consequently, in August 1976, a major assessment of Tanzania's agricultural development environment was carried out by a U.S. contractor. The contractor report, entitled "A Conceptual Framework for Agricultural Assistance to Tanzania," was published in October 1976. The report recommended that USAID revise its current strategy away from agricultural institutional development, infrastructure and food production in favor of a village agricultural development program which would emphasize raising small farmer income.

The USAID has had a mixed reaction to this proposal. While it is willing to consider an experimental project in village development,

it is reluctant to abandon its original "transition production strategy" until it completes its agriculture infrastructure and institutional development objectives. It is also increasingly concerned about its overall strategy in terms of the decentralization issue. Consequently, the USAID proposed that a major strategy review session be held in the Spring of 1977 in Tanzania, to be attended by high-level officials of the Africa Bureau and PPC. The Africa Bureau did not agree and instead (a) authorized the USAID to proceed with a PRP on a village agricultural development project as the initial activity in what is to be the central program strategy focus, (b) recommended that this new strategy be hammered out in AID/W with the USAID's Assistant Director and Chief of Agriculture. The USAID declined the invitation, believing with considerable justification that such a strategy session should take place in Tanzania. Finally, the USAID agreed to submit a revised DAP in the Fall of 1977.

The Tanzanians, on the other hand, have tried to persuade AID and other donors to focus on a particular region. They have requested that various donors finance a regional development study of a specific region with the implication that donors would subsequently finance a comprehensive regional development program for that region. In the case of AID, the Tanzanian Government suggested that USAID select the Arusha region, given AID's long involvement with various projects in that area. The USAID proposed such a project but it was never approved by AID/W.

In summary, we find that there has been a lack of direction and coherence in AID strategy formulation in Tanzania. Several factors have contributed to this strategy drift, major among which are:

1. Lack of consensus within the U.S. foreign affairs community, but particularly between AID/W and the USAID, as to how the U.S. should be assisting Tanzania, what constitutes conformance with the AID Congressional Mandate, and how to respond to Tanzanian preferences.
2. The issue, unresolved at the time of the appraisal, as to how the USAID can best implement programs in Tanzania within a decentralized government administrative structure. All but one of USAID's current activities have been negotiated in support of programs administered by central government ministries. Decentralization has left the role, responsibilities and functions of some of these ministries in doubt.
3. The constraints on AID levels and staffing imposed by the U.S. Embassy.

4. The inability of the USAID to establish a strong macro-information base and macro-analytic capability and a development dialogue on major policy issues with the highest levels of the Tanzanian Government.

5. Some competition among donors for attractive, feasible projects; although the USAID maintains that in the fields of food crops and mother and child care, the Government of Tanzania usually looks first to the USAID.

In addition, an expropriation issue was a complicating factor in the recent past. The issue concerns Section 620(e) of the Foreign Assistance Act and involved uncompensated claims by American citizens for expropriation of assets totaling about \$500,000. This complicated AID lending proposals and authorization of PL 480 agreements. One claimant recently died, which appears to have resolved the major issue.

C. Program Implementation

By almost any standard, program implementation in Tanzania has been slow and difficult, and results thus far have been mixed. It is too early to judge to what extent project purposes will be achieved. At the time of the OAS appraisal, the USAID had 12 grant projects and four loans under various stages of implementation, plus PL 480 Title I and Title II programs. Nine contract groups were involved in project implementation. In addition, eight new grant activities (some of which are sub-activities of on-going projects) and one new loan proposal were in various stages of identification, preparation, review, or implementation with most of these calling for additional contractors. Project management responsibilities for these 25 plus activities were divided among 11 USAID staff members.

Of the 16 major active grant and loan projects, all but four or five were behind schedule, some by several years. For example, the Tsetse Research Loan, after five years of implementation, is only about 10 percent or less completed. The Seed Multiplication project, after 7-8 years of implementation, is less than half completed. Both the Agricultural Research and Agricultural Manpower Development projects were two to three years behind schedule almost from the beginning of actual implementation. The Masai Livestock and Range Development project, after seven years of implementation, has not met its original objectives and is not likely to meet them by the project completion date.

The reasons for implementation difficulties vary considerably. The following, however, were observed to be problems that have afflicted

almost all project implementation to some degree: faulty project design; lack of adequate counterparts or local financial support; inadequate project monitoring because of distance and road conditions; lack of vehicles, spare parts, maintenance and trained drivers; lack of local construction expertise and local and imported construction materials; conflicts between AID and counterparts on policy issues and attitudes; lack of a local management capacity, contractor recruitment, and inadequate contractor support for the approximately 50 USAID contractors presently at post.

Of those mentioned, project design, policy issues, management and manpower capabilities, logistical support (vehicles and spare parts), and contractor recruitment and support appear to be the major causes of slow or unsatisfactory implementation. This can be demonstrated further by a brief examination of three relatively successful and six problem projects.

Three activities in particular, despite implementation difficulties, now appear to be meeting their objectives. They are the Agricultural Research project, the Manpower Training Program for Maternal Child Health Aides and the TAB-funded Sterile Insect Male Release Tsetse Fly Research project.

The Agricultural Research Project was begun in 1971 but due to difficulties in contractor recruitment did not get fully underway until several years thereafter. Its purpose is to develop an effective agricultural research system, emphasizing crops grown by small farmers. Despite these difficulties, results thus far are encouraging. The project has produced and released at least one new maize variety and upgraded several maize and legume varieties. The project will be expanded to include other grains grown by small farmers. The research results have been made available to the seed multiplication farms. The major threat to the success of the project is the lack of a well-organized and trained extension service, since the research work has advanced to the point that technology packages can be prepared and delivered. While some extension has taken place via village trials, it is generally agreed that some means must be found to develop a better extension service and integrate it more fully with research.

The Maternal Child Health Aide Project has as its purpose the development of an institutional capacity to provide comprehensive maternal child health and child spacing services to the rural population as part of a rural health program. The project, initiated in 1973 and scheduled to end in 1982, is aimed primarily at financing the construction and equipping of 18 training centers which eventually will produce some 2,500 trained maternal child health aides (MCHAs) by 1980

to staff rural dispensaries and rural health clinics. These aides will be equipped to provide a wide variety of services and advice on maternal child health care and on family planning practices. The project is about one year behind schedule due to construction delays caused by lack of imported construction materials and difficulties with local contractors. At the time of the OAS team's visit, 14 centers were nearing completion and training programs had begun in most of them. The remaining four centers are scheduled for completion in 1977.

The project has a high potential for making a significant contribution to Tanzania's rural health program. It is well received, designed and managed. It faces, however, three problems that could jeopardize its success. The project is tied closely to the health activities financed by other donors. Sweden and Norway in particular, along with the Tanzanian Government, are financing the construction of several hundred rural health dispensaries and rural health clinics where the USAID project-trained MCHAs will be placed. This construction program is behind schedule due to the difficulties in securing materials and qualified contractors.

A related problem is the increasing difficulty the Tanzanian Government is experiencing in financing recurrent expenditures. This is not likely to endanger the construction of the remaining MCHA centers and training programs, but it could jeopardize the Government's ability to maintain the clinic and dispensary construction schedules, as well as its ability to hire and maintain the salaries of the full number of MCHAs planned under the USAID project. Lastly, the MCHA project is being financed with Title X funds as one of its primary purposes is to offer family planning services in the rural areas. Judging from discussions and observations, this aspect of the project has not yet received the planned degree of emphasis and support from the Tanzanian Government. At the time of the OAS appraisal, the USAID was exploring ways to elicit this support.

The Sterile Insect Release Method (SIRM) Tsetse Fly Research Project has had a troubled history. Originally started in 1970, it has experienced an unbelievable series of problems and delays ranging from lack of Tanzanian Government support, to unexpected changes in the project site, to U.S. contract technicians abandoning the project.

The project is aimed at developing a method of controlling the tsetse fly infestation of East Africa by producing and introducing a sterile male fly to interrupt the reproduction cycle of the female tsetse. The project was divided into three phases:

- I - Establishment of a captive colony of tsetse in Tanzania
- II - Expansion of the colony to produce sufficient flies for sterilization
- III - Suppression or eradication of the tsetse in an area at least 100 miles square.

The project is located at Tanga. It is staffed by four USDA/PASA technicians and centrally funded by TAB. A new project manager was obtained in 1973 and the project has been making steady progress since that time. The last funding commitment is scheduled for FY 1977, and the current PASA expires in 1979. Phases I and II are essentially complete. The project has achieved its Phase II target of being able to produce 30,000 sterile males per month from a fly colony of 60,000 and preparations are being made to advance to Phase III. A test site has been prepared and it is planned to begin releasing sterile males into the test area in late 1977. Twelve months will be required to monitor and evaluate the results of Phase III.

Project officials are confident of the outcome. They believe that the SIRM, used in conjunction with spraying, will prove to be an effective method of control within the test area. They are deeply concerned, however, about the future of the project beyond FY 1979. The project has not been structured to develop a Tanzanian or African institutional capability to absorb, finance and manage the project after the research and test phases are over. While a few counterparts have been trained, and the project is organizationally located within the Ministry of Agriculture, it has been essentially an expatriate effort. Aside from the questions of institutional, technical and management capacities, there is no assurance that the Tanzanian Government can afford to take over the project and extend it to other areas. These institutionalization questions have been raised by USAID, the USDA/PASA officials and also in a recent evaluation. Yet TAB apparently has made no decisions as to which of several options to follow. Some of the more obvious options, which were pointed out in a recent evaluation, are:

1. abandon the project once the research is completed;
2. continue the project as a TAB utilization project under a 211(e) grant;
3. continue the project as an Africa Bureau or USAID project;
4. seek African participation in assuming responsibility;

5. seek an international organization to sponsor the project;
6. some combination of 2, 3, 4 and 5.

Most of the options, except 2 and 3, could involve a serious time loss unless a great deal of forward planning and action begins in the near future. Options 2 and 3 would continue the research and application, if Phase III is successful, without loss of time or investment, but may accomplish little in terms of institutionalizing this program within indigenous organizations. The project, while impressive in terms of the research done thus far and even more impressive in terms of its potential contribution to reducing a major obstacle to African development, is nevertheless a good example of AID-funded research activities initiated and conducted without regard to what happens at the end of the research and AID funding.

In other projects, design and implementation problems have not only seriously affected the rate of implementation but also raise questions concerning achievement of basic objectives. Following are some examples.

The Tsetse Eradication Loan is probably the worse case. Initially, a delay of at least two years was experienced due to U.S. procurement problems. The project lost the planned expatriate supervisory team due to squabbles with the Tanzanian Government over expatriate salaries and income taxes. Equipment was abused and became inoperative because of poor maintenance and lack of spare parts and fuel. Project monitoring was infrequent from REDSO and the USAID because of geographic remoteness. There were unilateral changes in priorities by the Tanzanian Government. More recently, poor budget management resulted in a shortage of counterpart funds. Another problem seems to have been until recently a reluctance on the part of the USAID to confront the Tanzanian Government with these problems at the ministerial level.

The Agricultural Marketing Project was too ambitious. The project was originally designed to establish effective agricultural marketing institutions and systems. The project design underestimated the task and did not take sufficiently into account the existing institutional inefficiencies, e.g., the inefficient and corrupt regional co-ops, which eventually collapsed. This collapse, plus reorganization of the national marketing authority into the National Milling Corporation (NMC) left the project in limbo for a time.

Lack of vehicles, trained drivers, maintenance and spare parts have greatly impaired the food crop collection and distribution system. Half of NMC's vehicles are deadlined at any given time because of poor maintenance and lack of spare parts. This is not an unusual vehicle and equipment "deadlined" rate for projects observed in Tanzania.

The project, however, has produced some unplanned positive results. The project staff was influential in handling emergency food procurement during the recent food crisis and in obtaining producer price changes as incentives to production. A substantial amount of training has been done and the project also has made significant improvement in NMC's financial procedures.

While the project may accomplish many of the targeted institutional outputs in the remaining three years, we doubt that it can resolve the basic marketing organization problems at the farm level (one of the original purposes of the project) within that time frame.

The Livestock Marketing and Development Project, started in 1974, began with a meager analytical base. The original project purpose was ambitious "to assist Tanzania establish an effective and efficient marketing system and achieve self-sufficiency in livestock production for domestic consumption and exportable surplus." The "self-sufficiency" aspects of the project purpose have been dropped in recent Congressional Presentations, with the focus now more on institutional improvements of the Tanzania Livestock Development Authority (LIDA) and the Tanzania Livestock Marketing Company (TLMC), as well as assisting water and range management aspects of an IDA loan and providing a subsector analysis. The subsector analysis only recently was finished.

The project has made good progress in its institutional and infrastructure improvement aspects. It is helping small farmers through guaranteed prices and better market facilities, although there is still widespread distrust of the "government buyer." Major problems with design and policy, however, have developed. LIDA is dedicated to the concept that TLMC eventually should be the sole buyer of livestock in Tanzania. Thus far, TLMC accounts for about one-fifth of the total buying and has lost money on most of its transactions, experiencing a 30 percent loss rate between buying and selling. The institution is not now solvent, and it is doubtful whether it ever can be.

There is also a question whether Tanzania can in the foreseeable future adequately supply the domestic market and also export. IBRD-IDA credit emphasizes exports, while the USAID project emphasis is on domestic supply. In addition, the project plan does not contain an extension element. Without an effective extension system, institutional and technological improvements are unlikely to reach the small producer to any significant degree. In summary, we see this project's success endangered by the inherent conflict between economic efficiency and Tanzania's ideological preferences.

The Seed Multiplication Project, in combination with the Agricultural Research and Agriculture Manpower Development projects, may be one of the most significant of USAID's current activities. Its purpose is quite specific: to establish four seed farms capable of producing and multiplying certified seed of superior varieties. The project is several years behind schedule. After seven years of a ten-year effort, only three farms are in operation. The original design did not include adequate plans for research, irrigation, storage and extension elements. The project ran into serious construction problems, lack of counterparts and Tanzanian management capacity, and vehicle maintenance and spare parts requirements. In addition, the U.S. contractor for some time was unable to attract and retain qualified staff.

Despite these problems, improved seeds are being produced on the two farms in operation. However, the Tanzania Seed Company - the organization charged with multiplying the seed through contract growers and distributing it to small farmers - is not functioning efficiently. Consequently, the seed farms' full potential and impact on small farmer production are not being realized. The inefficiency of the Tanzania Seed Company, and the lack of an effective extension service to disseminate the new seed technology, are major project management issues between the USAID and the Tanzanian Government. Unless these issues are resolved, what otherwise appears to be a very sound project may not be successful.

The Masai Livestock and Range Development Project has had implementation problems since its inception in 1969. The main problem seems to have stemmed from differences in perception between the USAID and the Tanzanians as to the purpose of the project, its scope and whether it is meeting its primary targets. The project's goal originally was domestic self-sufficiency and an exportable surplus in livestock. The project purpose, as stated in the FY 78 Congressional Presentation, has been to obtain a "high level of livestock production and marketing in the Masai district" This was to be achieved primarily by improved infrastructure (range management plans, water development, disease control, and training facilities) and the creation of cooperative institutions (ranching associations to manage the infrastructure).

The project has been successful in establishing improved infrastructure facilities and creating an awareness among the Masai of the importance of new livestock technology. The attempt to establish ranching associations for all practical purposes has failed. The project is producing many of the physical outputs intended, but has not yet produced any discernible or measurable impact on increased livestock production, Masai incomes or their standard of living. There is a lack of agreement between the USAID technicians and the Tanzanian

Government as to whether the primary focus of the project is production or a means of socializing the Masai along ujamaa lines. The ranching association scheme was based on traditional Masai social groupings and organization but the economic activities were designed to take place within a market economy. With the acceleration of ujamaa in the 1970s, Tanzanian Government officials evidently began to see the project primarily in political terms and as a means of breaking down the traditional culture of the Masai and integrating them more fully into Tanzanian society. There are indications that this conflict and its consequences were not sufficiently perceived by the USAID and contract staff.

The economic and cultural future of the Masai is uncertain. The Masai appear to be threatened by a serious deterioration of their rangeland brought about by overgrazing and overstocking. A "destocking" program is as yet unsuccessful and some observers contend that the project has contributed to further overgrazing and range deterioration in the areas served by newly-constructed or renovated water facilities. On the other hand, if Masai rangeland is restored, the Masai will be threatened by continued encroachment by the non-Masai.

The original design and purpose of the Masai project were too extensive. Moreover, the subsequent direction of the project has been towards expanding its scope rather than reducing it. An examination of the difficulties faced by this project provides an illustration of how a basic conflict between technical approaches and political/ideological goals can affect project implementation.

The Proposed Food Crop Production Project, which reached the PP stage in February 1976, was approved by AID/W, and recently canceled by the USAID, is an example of the USAID's problems in dealing with the decentralization issue. Basically, the project was designed to furnish almost \$3 million in technical assistance in support of the National Maize Program, financed by AID, Dutch and IBRD/Arab Fund loans. Three project technicians were to be used to help staff a Project Support Unit (PSU) within the Ministry of Agriculture, and five agronomists were to be stationed in five regions to advise the Regional National Maize Coordinator and to provide liaison services between these regions and the PSU. The PP identified no major issue, but did mention that the research base for the NMP was weak. The PP did not anticipate any management problems.

In November 1976, the USAID canceled the project stating that "the project as proposed has become the victim of reality and strength of the regions under decentralization program." The regions involved were not willing to accept the U.S. technicians at the regional level

because it was looked upon as an attempt by the Ministry of Agriculture to impose restrictions on the regions. The USAID apparently believes that this problem applies only to national programs administered through the region and cites the Masai project as an example in which regional officials welcome expatriate presence. It can be argued on the other hand that the Arusha region represents a rather distinct involvement, and as pointed out earlier, has a fairly high potential for the same type of conflict. The USAID, however, has stated that it does not expect to encounter these kinds of problems in the proposed village experimental development project. However, in view of the seriousness of this issue, we believe the question of national-regional relations be thoroughly investigated during the project design stage.

We believe that cancellation of the Food Crop Production project also raises questions concerning the proposed farmer training element of the Agriculture Manpower project (to be centered within the Ministry of Agriculture and administered through the regions) and also the proposed Village Agricultural Development project which, while more directly tied to the regional/district political structure, will depend upon centrally administered programs such as research and extension. For these reasons, we are not as optimistic as the USAID that the decentralization issue as it pertains to project design and implementation can be managed easily.

D. USAID Operations

At the time of the OAS appraisal, the USAID's staffing pattern showed 20 U.S. direct hire, 19 local national direct hire and 47 contractor employees. Except for one USAID direct hire, employees are stationed in Dar es Salaam, while contractor and PASA personnel are stationed at eight locations, including Dar es Salaam. All USAID DH positions were filled and on board at the time of the appraisal. The Mission is organized into offices of the Director, Program, Management and Finance, Agriculture and Maternal Child Health. There is an Area Development Coordinator located in Arusha who reports to the Chief of Agriculture. There are nine employees assigned to agriculture and one to Maternal Child Health. A Food for Peace Officer is assigned to the Director's Office.

In general, we found the USAID direct hire, PASA and contract employees to be a dedicated, hard-working, but not particularly cohesive group. Overall management and staffing were found to be weak in several key areas. Mission morale in general could only be described as fair to good. Major specific findings in terms of USAID organization, staffing and administration are as follows:

1. Staffing

The full complement of DH staff found at the time of the OAS team visit was evidently a rare luxury for USAID Tanzania. In the past, several positions had been vacant for months. The USAID was concerned that AID/W had been unable to fill these vacancies, some of which were finally filled by "forced placement."

Staffing and management are particular problems in Agriculture, which is USAID's biggest and most important division. The major weaknesses appear to be the lack of broad-gauged leadership and innovative and analytical capabilities.

At the time of our appraisal, five project managers were in charge of 10 major projects which are supported by 9 contracts and approximately 45 contract employees. The project managers' time seemed to be consumed by project documentation details, project monitoring and contractor support problems. Little time or talent were available for project design, analysis and evaluation activities. Few staff members appeared to be qualified for the broader aspects of project management, especially with respect to guiding, analyzing and negotiating the overall direction of projects.

Mission management tended to deal with contract Chiefs of Party primarily via the project managers. Therefore, project managers sometimes form a screen between top USAID management and project implementors. None of the Chiefs of Party contacted by the OAS team could remember being visited at their ministry offices by the Chief of Agriculture or the Mission Director.

2. Program Analysis and Project Design

The USAID is aware that it lacks a project design capability. This point was made in the OAS appraisal of REDSO/EA. The USAID has had to depend on assistance from REDSO and AID/W for such help, which often has not been provided on a timely or completely satisfactory basis. This situation has caused the USAID to tend to disassociate itself from the design responsibility when project implementation faltered. A notable exception to this was observed in the case of the redesign of the Maternal Child Health Aide project in which the project manager was clearly in charge of the redesign activity, which included TDY assistance.

The decision has been made to assign a project design person to Tanzania from REDSO/EA, but at the time of the OAS appraisal the assignment was being delayed by a lack of delegation of authority and U.S. Embassy approval of an increase in the USAID ceiling.

3. Contractor Support and Utilization

This was found to be the weakest aspect of Mission management and operations. The OAS team found a high degree of alienation and separation (professionally, socially and in terms of amenities) between USAID direct hire and USAID contract employees. The OAS team contacted every Chief of Party in Tanzania and talked to several contract employees as well. With one or two exceptions, the consensus among AID-financed contract personnel was that there are unnecessary distinctions made between direct hire and contract personnel. Several made the statement that they felt closer and more at home with the Tanzanians than with the USAID. The major complaint was that they did not feel "a part of the AID team" in terms of decisions, information flow, program and project planning, and the daily operations of the USAID.

The availability of amenities also plays a large role in the USAID/contractor problem. For example, contractors do not have commissary and pouch (except for first-class mail) privileges. Apparently contractors, in addition to their household allowance, are able to bring in up to 500 pounds of consumables within the first six months of their arrival and none thereafter, while U.S. Mission employees can import up to 1,000 pounds at the beginning of their first tour. It is our understanding that within the terms of the existing U.S.-Tanzanian bilateral agreement, there is little that can be done about the commissary question. Also, utilization of the diplomatic pouch is subject to State Department regulations and policies. The disparity over the importation of consumables, however, does appear to be within AID's authority to alter; and we are informed that the USAID has requested AID/W to increase contractor allowances from 500 to 2,000 pounds.

Housing has been a major problem for the USAID and contractors alike because of a constant shortage of suitable housing. However, in the case of contractors, housing is furnished by the Tanzanian Government, which has been slow to fulfill its commitments. In several cases, the USAID has had to intervene with project funds to get the housing constructed or leased. In some cases, the housing situation has had a devastating effect on contractor recruitment, contractor arrivals, contractor morale, and ultimately project implementation. Contractors also complain of a lack of vehicular support. Project vehicles are purchased through project funds, and turned over to the appropriate ministry which, by agreement, makes them available to the project contract technicians. Problems of spare parts and maintenance are serious.

A major problem for contract Chiefs of Party has been the amount of their time spent on solving logistics problems for members of their

contract party. In the past, USAID felt that these problems could be serviced by its small GSO staff. Recently, however, the USAID has made an effort to correct some of these problems and is to be commended for it. It first authorized the establishment of a Contract Support Unit (CSU) staffed by Tanzanian nationals and financed by prorating the costs among the various contractors. This effort has not been successful.

Consequently, at the time of the OAS visit, the USAID was considering establishing a Contract Logistics Support Office (CLSO) under the supervision of the USAID General Services Officer. The CLSO would be headed by a Contracts Logistics Support Manager seconded from one of the existing contracts. The financing for the CLSO would come from USAID Trust Funds and by prorating costs among the "Other Cost" elements of the various project agreements involved.

We question whether it is permissible under contract regulations and policies to second a contract employee from an existing AID-financed contract for this purpose. We doubt that these contractor logistics problems can ever be fully resolved short of USAID providing the full range of logistics support services to contractors that are available to direct hire, consistent with AID regulations and agreements with the Tanzanian Government. We therefore believe that AID/W must change its policies to permit USAID to provide direct support for contractors. This suggests increasing USAID's GSO staff accordingly or obtaining these services under an institutional or personal services contract.

The USAID, in commenting on USAID-Contractor relations, has stated: "Professionally, we are two semi-autonomous communities of equals who work well enough together, keep our distance where this is wise, but come together when needed in the interests of the program." However, OAS continues to believe that the USAID could and should make a much greater effort to involve contractor personnel, especially at the Chief-of-Party level, into USAID's organization, operations and program planning. This would not only improve relationships, morale, and promote a greater sense of team spirit, but in view of the staffing problems discussed earlier, also would add a significant dimension to USAID's staff resources.

PART III - ANNEXES

Annex A - Economic and Social Data

| | |
|----------------------------|-----------------|
| <u>Population</u> | 15.6 million |
| Annual Growth Rate | 2.7 percent |
| Labor Force in Agriculture | 80-90.0 percent |
| Population in Urban Areas | 7.0 percent |

Health

| | |
|--------------------------------|----------|
| Life Expectancy | 45 years |
| Infant Deaths per 1,000 Births | 160 |
| People per Doctor | 26,800 |

Education

| | <u>1960</u> | <u>1975</u> |
|---------------------------------|-------------|-------------|
| Primary and Secondary Students | | |
| -- Number (thousands) | 478 | 1,178 |
| -- As percent of 5-19 Age Group | 13% | 22% |
| Literacy Rate | | 15-20% |

| | 1973 | 1974 | 1975 | % Change 1974/1973 |
|---|-------|-------|-------------------------------------|-----------------------|
| INCOME, PRODUCTION, EMPLOYMENT | | | | |
| (In U.S. \$ millions)* | | | | |
| GDP at Current Prices | 1,614 | 1,937 | 2,315 | + 19.5 |
| GDP at Constant (1966) Prices | 1,232 | 1,259 | 1,317 | + 4.6 |
| Per Capita Income, Current (Dollars) | 115 | 144 | 156 | + 3.3 |
| Gross Capital Formation, Current Prices | 400 | 497 | 584 | + 17.5 |
| Plant & Equipment Investment | 143 | 173 | 280 | + 61.8 |
| Building Construction | 77 | 88 | 112 | + 27.3 |
| Gross Capital Formation (1966) Prices | 267 | 295 | 302 | + 2.4 |
| Indices: 1966 = 100 | | | | |
| Industrial Production | 169 | 171 | 189 | + 10.6 |
| Average Industrial Wage | 126 | 176 | 200** | + 13.6 |
| Labor Force (Wage Earners) ('000) | 473 | 484 | 466 | - 3.7 |
| Population (Million) | 14.0 | 14.4 | 14.8 | + 2.8 |
| Electricity Sales (Million Kwh) | 431 | 459 | 486 | + 5.9 |
| MONEY AND PRICES | | | | |
| Money Supply (Currency in Circulation + Demand Deposits) | 395 | 492 | 609 | + 23.8 |
| Interest Rates (Commercial Lending) | 5-10% | 5-10% | 6 $\frac{1}{2}$ -10 $\frac{1}{2}$ % | - |
| Indices: 1970 = 100 | | | | |
| Wholesale & Retail Trade (Current) | 145 | 172 | 202 | + 17.4 |
| Cost of Living (In Dar es Salaam) | 124 | 163 | 243 | + 49.1 |
| Cost of Living (National Average) | 125 | 149 | 188 | + 26.2 |
| BALANCE OF PAYMENTS AND TRADE | | | | |
| Foreign Exchange Reserves | 143 | 33 | 46 | + 39.4 |
| Public Debt Outstanding | 416 | 565 | 790 | + 39.3 |
| Debt Service (% Export Earnings) | 4.7 | 4.5 | 7.1 | + 57.8 |
| Balance of Payments | + 37 | - 95 | - 96** | - |
| Balance of Trade (Deficit) | (126) | (352) | (410) | (+ 16.5) |
| Exports, FOB | 361 | 401 | 387 | - 3.5 |
| U.S. Share | 26 | 29 | 23 | - 20.7 |
| Imports, CIF | 487 | 753 | 797 | + 5.5 |
| U.S. Share | 14 | 55 | 99 | + 80.0 |
| Consumer Imports only | 148 | 272 | 250 | - 8.0 |
| CENTRAL GOVERNMENT FINANCES | | | | |
| Total Expenditures | - | 582 | 860 | + 47.8 |
| Defense Expenditures | - | - | - | - |
| —as a % of total expenditure | - | 11% | 12% | - |
| —as a % of GDP | - | 3% | 3% | - |
| Domestic Revenues | - | 405 | 524 | + 29.4 |

* Based on 1973/75 exchange rate of U.S.\$1=Tanzanian Shillings 7.14. Exchange rate at the time of appraisal was U.S.\$1-TS 8.40.

**Estimates

Agricultural Production (average 1971-76 annual growth rate)

| | |
|---------------------------------------|--------|
| Total Production | 0.8% |
| Per capita Production | 1.9% |
| Agricultural Production as a % of GDP | 40.0% |
| Agriculture as a % of Export Earnings | 65-75% |

Main Imports from U.S. (1975) in Metric Tons and U.S.S millions

Corn (191, 891 metric tons) 32.8; rice (30,942 mt) 15.3;
other grains/products (43,800 mt) 16.0; machinery and transport
equipment 21.0; consumer goods 4.6; chemicals and pharmaceuticals 3.8.

Sources: CERP-0004 - Economic Trends Report, Dar es Salaam, August 6, 1976.

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Annex B - External Assistance

The Government of Tanzania does not publish data on external assistance. The following data for FY 1976/77 have been pieced together from various sources and are considered to be conservative estimates.

| | <u>FY 1977</u> (U.S.\$ millions) |
|-------------------------------------|-------------------------------------|
| <u>Multilateral Assistance</u> | |
| World Bank (IBRD/IDA) | 80.0 |
| Africa Development Bank | 5.0 |
| UNDP | 1.0 |
| Other UN | .4 |
| ABEDIA | .7 |
| East Africa Economic Community | <u>32.0</u> |
| Subtotal | 119.1 |
| <u>Bilateral Assistance</u> | |
| Canada | 8.3 |
| Sweden | 55.0 |
| Denmark | 15.0 |
| Norway | 14.0 |
| Finland | 9.6 |
| Joint Nordic Fund | 3.0 |
| The Netherlands | 15.5 |
| Federal Republic of Germany | 35.7 |
| United Kingdom | .4 |
| China | .8 |
| USSR | .6 |
| Romania | .4 |
| Cuba | .8 |
| India | 5.8 |
| Kuwait Fund | 4.0 |
| Japan | - |
| Italy | 1.2 |
| United States | <u>18.0*</u> |
| Subtotal | 188.1 |
| Total Estimated External Assistance | \$307.2 |

*From FY 1978 CP--includes PL 480

SUMMARY OF ACTIVE AND PROPOSED PROJECTS
(In thousands of dollars)

TABLE H

| Project Title | Project Number | FY of Initial Obligation | Gross | | | | | | Loan** | | | | | | | | |
|---|----------------|--------------------------|-----------------|--------------|-----------------|--------------|----------------|--------------|-------------------------|---------------------|------------------|----------------------|--------------------|-----------|----------------|-----------|--------------|
| | | | Through 9/30/76 | | Estimated FY 77 | | Proposed FY 78 | | Future Year Obligations | Through 9/30/76 | | | Estimated FY 77 | | Proposed FY 78 | | |
| | | | Obligations | Expenditures | Obligations | Expenditures | Obligations | Expenditures | | Amount of Agreement | Amount Disbursed | Principal Repayments | Interest Collected | Agreement | Expenditures | Agreement | Expenditures |
| Food and Nutrition | | | | | | | | | | | | | | | | | |
| Seed Multiplication | 621-0092 | 1970 | 2,263 | 1,777 | 728 | 724 | 900 | 905 | - | - | - | - | - | - | - | - | - |
| Mixed Livestock and Range Management | 621-0093 | 1970 | 3,026 | 2,230 | 633 | 841 | 745 | 886 | 488 | - | - | - | - | - | - | - | - |
| Agricultural Marketing Development | 621-0099 | 1971 | 1,289 | 1,061 | 320 | 381 | 131 | 213 | 45 | - | - | - | - | - | - | - | - |
| Agricultural Research | 621-0107 | 1971 | 1,254 | 886 | 1,062 | 793 | 1,046 | 978 | 3,145 | - | - | - | - | - | - | - | - |
| Agricultural Credit | 621-0117 | 1974 | 2,570 | 1,115 | 179 | 733 | 316 | 781 | 685 | - | - | - | - | - | - | - | - |
| Agricultural Manpower Development | | | | | | | | | | | | | | | | | |
| Livestock Marketing and Development | 621-0119 | 1974 | 1,789 | 701 | 846 | 1,200 | 1,554 | 960 | 1,531 | - | - | - | - | - | - | - | - |
| Village Agricultural Development Center | 621-0122 | 1974 | 1,515 | 1,010 | 898 | 895 | 862 | 857 | 1,125 | - | - | - | - | - | - | - | - |
| Dairy Production Assistance (Helfer Project International PVU) | 621-0143 | 1978 | - | - | - | - | 800 | 296 | 9,200 | - | - | - | - | - | - | - | - |
| Agriculture Projects Support | 621-U-017 | 1973 | 752 | 302 | - | 450 | - | - | - | - | - | - | - | - | - | - | - |
| Agriculture Sector Loan 1 | 621-T-018 | 1975 | - | - | - | - | - | - | - | 2,600 | 1,972 | - | - | - | 618 | - | - |
| | | | | | | | | | | 12,000 | 6,000 | - | 24 | - | 6,000 | - | - |
| Education and Human Resources Development | | | | | | | | | | | | | | | | | |
| Vocational Training (Bootstrap-PVO) | 621-0139 | 1974 | 60 | 32 | - | 48 | - | - | - | - | - | - | - | - | - | - | - |
| Population | | | | | | | | | | | | | | | | | |
| Manpower Training Program for Maternal and Child Health Aides | 621-0121 | 1973 | 5,938 | 3,028 | 1,445 | 3,043 | 1,500 | 1,764 | 1,970 | - | - | - | - | - | - | - | - |
| Not Included | | | | | | | | | | | | | | | | | |
| 1. On-going TAB-funded Tsetse Fly Sterile Male Research Project | | | | | | | | | | | | | | | | | |
| 2. Proposed project in Intermediate Technology | | | | | | | | | | | | | | | | | |
| Total | | | 20,454 | 12,142 | 6,111 | 9,108 | 7,854 | 7,642 | 18,189 | 14,600 | 7,972 | - | 84 | - | 6,618 | - | - |

*Detailed project narrative - See Table IV or V.

**Loan terms: repayment period varies from 20-60 years; 10 years grace; interest 7% during grace, 3% amortization repayable in U.S. dollars. Loans repayable in less than 40 years are noted.

U.S. Fiscal Year - Millions of Dollars

| PROGRAM | U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS | | | | | TOTAL 1946- 1976 |
|--|---|------|------|------|-----|------------------------|
| | 1973 | 1974 | 1975 | 1976 | 76 | |
| I. ECONOMIC ASSISTANCE - TOTAL | 8.8 | 8.8 | 29.9 | 29.6 | 1.3 | 165.5 |
| Loans | 2.6 | - | 19.6 | 4.3 | - | 40.4 |
| Grants | 6.2 | 8.8 | 10.3 | 25.3 | 1.3 | 123.8 |
| A. A.I.D. and Provenance Agreements | 7.2 | 6.2 | 16.3 | 7.2 | 1.3 | 73.9 |
| Loans | 2.6 | - | 12.0 | - | - | 28.5 |
| Grants | 4.6 | 6.2 | 4.3 | 7.2 | 1.3 | 44.4 |
| Country Security Assistance | (-) | (-) | (-) | (-) | (-) | (-) |
| B. Food for Peace (PL 480) | 1.6 | 2.6 | 23.6 | 22.4 | - | 83.1 |
| Loans | - | - | 7.6 | 4.3 | - | 11.9 |
| Grants | 1.6 | 2.6 | 16.0 | 18.1 | - | 71.2 |
| Type I - Food Loan Agreements | - | - | 7.6 | 4.3 | - | 11.9 |
| Approved by U.S. Cabinet - Loans | - | - | - | - | - | - |
| Process in Foreign Country - Planned for Country Use | - | - | - | - | - | - |
| Type II - Food Grants | 1.6 | 2.6 | 16.0 | 18.1 | - | 71.2 |
| Emergency Relief, Loan, Grants, & World Food Program | 0.4 | 0.8 | 13.6 | 12.1 | - | 43.2 |
| Voluntary Relief Agencies | 1.2 | 1.8 | 2.4 | 7.0 | - | 28.0 |
| C. Other Economic Assistance | - | - | - | - | - | 9.5 |
| Loans | - | - | - | - | - | - |
| Grants | - | - | - | - | - | - |
| Peace Corps | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| II. MILITARY ASSISTANCE - TOTAL | | | | | | |
| Grants or Loans | | | | | | |
| Grants | | | | | | |
| A. MAP Grants | | | | | | |
| B. Credit Sales under PLS | | | | | | |
| C. Military Assistance Service-Program (MASFP) Grants | | | | | | |
| D. Transfers from Loans Stocks | | | | | | |
| E. Other Grants | | | | | | |
| III. TOTAL (ECONOMIC AND MILITARY ASSISTANCE) | | | | | | |
| Loans | | | | | | |
| Grants | | | | | | |
| Other U.S. Commitments (Loans and Grants) | | | | | | |
| A. Loans under Loan Stocks | | | | | | |
| B. All Other Loans | | | | | | |

NO MILITARY PRINCIPALS

NO PRINCIPALS

*Less than \$500K. 76 - Terminal Quarter. P - As of September 30, 1976. P - Preliminary. NA - Not Available.
 1/ Includes the transition quarter.

Note: Table does not reflect \$3.9 million in loan funds authorized in FY 1976/TQ and recent FY 1977. PL 480 agreements (see p. 34 of appraisal).