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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR THE UNITED REPUBLIC OF TANZANIA*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
January 1987-December 1991	IPF for 1987-1991	51 896 000
	Resources from the third cycle	2 000 000
	Other resources programmed	<u>7 923 000</u>
	Total	61 819 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operation of funds and programmes under the authority of the Administrator; (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The United Republic of Tanzania has a predominantly agricultural economy with a population currently estimated at 20.5 million growing at an annual rate of 3.3 per cent. As a least developed country with a per capita income of \$240 in 1984, the national economy is characterized by two distinct features: a large traditional rural sector producing food and cash crops, which by 1984 estimates contributes 46 per cent of the gross domestic product (GDP) (at 1976 prices), 75 per cent of export earnings and supports 90 per cent of the population; and a small modern, capital-intensive, urbanized sector concerned with manufacturing and services. Linkages between these two sectors are limited, although the agricultural sector has the potential to produce most of the raw materials for domestic industries and foster export growth. Industry contributes less than 5 per cent to GDP; it supplies limited inputs for agriculture as well as consumer goods for the rural population. Cash-crop farming, manufacturing, mining, transportation and construction activities rely heavily on imported inputs, while foreign exchange earnings depend largely on a small group of primary commodities. The country is therefore sensitive to the economic developments and policies of industrialized countries and especially to changes in the terms of trade.

2. From independence in 1961 until the mid-1970s, the United Republic of Tanzania made significant improvements in both social welfare and macro-economic performance. By 1978 the economy was functioning satisfactorily largely because of the coffee boom in 1977, increased foreign assistance and favourable weather conditions for crop production. During this period GDP grew by an average 4.4 per cent per annum. Primary school enrolment increased by more than 50 per cent, life expectancy rose by almost five years and access to safe water improved in both rural and urban areas.

3. Since 1978, however, the economy has experienced significant deterioration for several reasons, some external in origin or otherwise beyond government influence. The principal exogenous factor has been the deterioration of the country's international terms of trade. After peaking in the middle 1970s, prices for traditional export crops have decreased, while the cost of imports, especially oil, has risen. Ironically, the United Republic of Tanzania has not been able to take full advantage of the recent decline in oil prices, owing to lack of foreign exchange. An additional, largely exogenous factor has been the dissolution of the East African Community which forced the United Republic of Tanzania to replicate some facilities and services provided earlier by Community entities. Furthermore, the war with Uganda in 1979 caused heavy budgetary and foreign exchange costs estimated by the Government at \$500 million, the equivalent of more than one year's export earnings at current levels. Finally, several years of unfavourable weather increased the need for food imports and affected agricultural exports.

4. Adverse developments in the economy also have their origin in domestic policies. The abolition of co-operatives in the early 1970s and the establishment of crop authorities as the sole channels for the distribution of agricultural

inputs and the collection and marketing of export crops have imposed a heavy burden on the agricultural sector because of the inefficiency of the parastatal bodies that have replaced the co-operatives and their inability to develop adequate services. The crop authorities have also strained the Government budget and the country's banking system. Incentives to farmers have been eroded by a sharp decline in real producer prices. This has resulted partly from the poor performance and high marketing costs of the agricultural parastatals and also from the Government's pricing and exchange rate policies. The exchange rate was not adjusted between 1978 and 1982, notwithstanding rapidly deteriorating terms of trade and the fact that domestic inflation exceeded that of the country's trading partners. Despite devaluation, which adjusted the shilling first from TSh 9 to TSh 12 to the dollar in June 1983 and again from TSh 12 to TSh 17 to the dollar in June 1984, the currency has continued to appreciate on an inflation-adjusted basis, thereby discouraging exports of agricultural and industrial products. This overvaluation of the currency and the shortage of foreign exchange have required elaborate and inefficient administrative controls over foreign exchange allocations, contributing to severe bottle-necks throughout the economy.

5. As a result of these adverse trends, GDP contracted from 1981 through 1983 and, although growth in the range of 2-3 per cent was estimated for 1984 and 1985 as a result of the three-year Structural Adjustment Programme (SAP) adopted in 1982 to rehabilitate the economy, this has been insufficient to reverse the deterioration of most other indicators of the country's well-being. With a population growing at over 3 per cent a year, per capita income has continued to fall. Agricultural output grew by 2.3 per cent annually from 1980 to 1985 as a result of an expansion in food crop production sufficient to offset the fall in the output of export crops. Industrial output fell by 15 per cent per annum over the same period, and the industrial capacity utilization is now no more than 20-30 per cent for most industries. The country's physical infrastructure has also suffered. Transportation bottle-necks affect every sector of the economy. Fiscal policy has been tightened and inflation has eased since 1984, but the contracting revenue base has meant a fall in budgetary allocations to the economic and general services of the Government. Exports have continued to decline to the point where national ability to finance imports is no longer sufficient for a normal functioning of the economy. The medium- and long-term debt service ratio is now over 50 per cent on a due basis and arrears are substantial.

6. Despite the difficult economic environment, the United Republic of Tanzania has achieved good results in meeting the basic needs of its population and in reducing income disparities. Before independence, the difference in net income of salaries and wages between the highest and lowest paid worker was 40 to 1. This difference has progressively been narrowed and is currently estimated to be 9 to 1. Furthermore, with the take-over of major means of production, a large share of surplus generated in the economy came under State control and was available for redistribution to a larger proportion of the population. A health policy has been established which emphasizes preventive rather than curative services, expansion of rural health facilities, training of paramedical personnel and programmes to control major communicable diseases. Life expectancy has risen from 42 years in 1960 to 51 years in 1986 and child mortality has decreased from 32 per 1,000 to 20 per 1,000 over the same period. During the past decade the

number of rural health centres has increased from 105 to 300 and dispensaries from 1,500 to 2,300. In education, the adult literacy rate has risen from 10 per cent in 1960 to 79 per cent in 1986. Primary education is almost universal, with most of the 8,000 villages having primary schools, but secondary education lags behind with only 3 per cent of the secondary school age population able to attend. All new achievements, however, are jeopardized because of the difficulties Government faces in staffing, maintaining and supplying schools, health centres and other community facilities adequately.

7. In the short and medium term, it is expected that the generally unfavourable prospects for international commodity prices, as well as the limited possibilities for increased external aid, will prevent an immediate substantial improvement in the balance of payments. This constraint will inevitably continue to have a negative effect on the economy, with lower imports reducing production and creating difficulties in the maintenance of existing assets, thus resulting in further declines in exports and foreign exchange earnings. Breaking this vicious circle will require a substantial increase of foreign exchange and further improvements in producer incentives, parastatal operations, import allocations, the promotion of non-traditional exports and overall government planning, implementation and budgeting. The Government is determined to continue to address these issues under its new Economic Recovery Programme (ERP) and to this end has put into effect a stronger set of adjustment policies than has hitherto been the case. If these policies are supported by significant amounts of additional external resources to meet recurrent and rehabilitation needs, the long decline in economic performance can begin to be reversed.

B. National development strategies

8. Since independence, planning has been extensively used by the Government for reorienting the economy, providing for the basic needs of the society at large and establishing a Socialist pattern of development which emphasizes self-reliance and mass education. The Arusha Declaration (1967) set the course for the nationalization of industry, commerce and finance, establishment of parastatals and villagization. The 15-year perspective plan (1965-1980) was set out in three successive five-year plans. Zanzibar commenced planning in 1978 with a three-year plan (1978-1981). The Government embarked upon annual planning for the country as a whole in the early 1970s to transform intermediate and long-term plans into short-term operational programmes.

9. In attempting to reverse the economic difficulties of the late 1970s and early 1980s which frustrated the effectiveness of development plans and strategies, the Government introduced the National Economic Survival Plan (1981) and SAP (1982/83-1984/85). With regard to the immediate and medium-term future, the Government has decided to postpone publication and implementation of the fourth five-year plan from the planned commencement date of 1 July 1986 for at least one year. Instead, the recovery programme initiated under SAP will be prolonged for another three years beyond 1985. The broad objectives and priorities of this intensified structural adjustment programme are reflected in the "Tanzania Government Programme for Economic Recovery" (May 1986) which was presented at the June 1986 Consultative Group Meeting in Paris. The objectives and priorities of this programme form the basis of the fourth UNDP country programme (1987-1991).

10. ERP recognizes that the prevailing economic problems are structural in nature and that the removal of production bottle-necks and the establishment of a self-sustaining economy are issues of a medium- and long-term nature. Concerted efforts will therefore be aimed also towards macro-economic and sectoral policies intended to increase the production of goods and services. The major goals of these policies would be to provide adequate incentives to agricultural and other producers and to reduce the gap between the demand for and the supply of domestic and imported commodities, so as to improve price movements. ERP will concentrate on stabilizing the economy through rehabilitation, consolidation and concentration and improvements, thereby providing the basis for subsequent growth and sustained longer term development. The major objectives of the programme are:

(a) Increasing food and cash crop production through appropriate incentives, improved marketing structures and increased resource availability with emphasis on raising the productivity of small-holder agriculture;

(b) Rehabilitating the country's physical infrastructure in support of directly productive services;

(c) Increasing capacity utilization in industry and restoring positive industrial growth;

(d) Restoring the internal and external balances in the economy by pursuing prudent and appropriate fiscal, monetary and trade policies.

11. In order to achieve these objectives, the Government will rationalize economic and administrative structures through a maximum mobilization and optimum utilization of existing resources. Investments will be concentrated in agriculture for food and exports, natural resources and services that contribute directly to foreign exchange earnings, transport networks and facilities to improve crop haulage efficiency and carrying capacity and development of alternative energy sources. Exports will be promoted and investment incentives provided. For the social infrastructure, consolidation and maintenance rather than expansion will be emphasized.

12. A noteworthy feature of ERP is the further liberalization of the economy and reliance on an increased participation of the private sector. In this respect, farmers' co-operatives, which were re-established in 1984/1985, will be strengthened to take over responsibilities from parastatal organizations in the agricultural sector. These co-operatives are expected to be more responsive to farmers' needs, as they will be owned and managed by the farmers themselves. The June 1986 Consultative Group meeting strongly endorsed the programme's emphasis on raising the productivity of the economy, in particular of small-holder agriculture and welcomed Government's intention to increase the role for market forces and the private sector in the overall development process.

13. The first translation of ERP into concrete, implementable terms has been articulated in the presentation of the budget for the fiscal year 1986/87 to Parliament. The budget contains, inter alia, the following measures:

(a) provision of adequate products and incentive packages to agriculture, including increased producer prices; (b) ensuring the availability of vital implements and adequate inputs for agricultural production; (c) frequent adjustments of interest rates in order to adjust the level of interest to the value of capital; (d) limiting government borrowing to a maximum of TSh 2.5 billion for the 1986/87 period; (e) adjusting the exchange rate as of 20 June 1986 from TSh 25 per United States dollar to TSh 40 per dollar, and reducing the operational costs of the Government by reintroducing a cost recovery programme in secondary education and freezing employment.

14. Lastly, the broad framework agreement with the International Monetary Fund finalized in August 1986 constitutes an important economic policy framework for attracting new external financial resources for the implementation of ERP.

C. Technical co-operation priorities

15. The United Republic of Tanzania does not have a formal national technical co-operation plan, identifying technical assistance needs related to development plans and strategies. The Government recognizes, however, that carefully designed and well placed technical assistance components are critical to both the immediate and the longer-term success of ERP, first, in assessing, developing and utilizing effectively the required human resources, and, further, in building the medium- to long-term institutional capacity necessary to support a programme of national growth.

16. There are several immediate priority areas for technical assistance, especially in support of structural adjustment and the mechanisms to be employed in identifying these needs and in co-ordinating the activities of various donors designed to meet them are of critical importance. Accordingly, the Government proposes to undertake an assessment of its critical technical co-operation requirements within the framework of the fourth country programme and requests UNDP assistance in this exercise. Although it would have been preferable to base the fourth programme on the results of such an assessment, the Government decided not to delay the preparation of the country programme any further in view of the launching of ERP in July 1986.

17. The identification of projects and programmes, for which financial allocations have already been made, was guided by the policy framework and sectoral priorities of ERP on the one hand and by programming missions of United Nations agencies on the other (e.g. the Food and Agriculture Organization of the United Nations, the International Labour Organisation, the United Nations Industrial Development Organization and the International Civil Aviation Organization). Based on the outcome of these missions, the assessment of the previous country programmes and the results of SAP, the priority needs for technical assistance pertain to strengthening the Government's management capabilities in the identification, formulation, planning, monitoring, evaluation and co-ordination functions at the central, regional and district levels. Secondly, technical assistance is required to improve and introduce technical capabilities at the sectoral and sub-sectoral levels in support of key projects of ERP.

D. Aid co-ordination arrangements

18. In the United Republic of Tanzania, aid co-ordination takes place at different levels and with varied degrees of formalization. The restructured Ministry of Finance, Economic Affairs and Planning has the direct responsibility for the co-ordination of external assistance flows. In the past, however, co-ordination has often been ad hoc, mainly by the sectoral ministries. With the restructuring at the centre, there is reason to believe that improvements are possible. In this respect, the strengthening of planning and monitoring systems will be necessary to give substance to these efforts.

19. At the field level, co-ordination of bilateral and multilateral assistance is enhanced through informal monthly meetings of the donor missions based in Dar es Salaam, alternatively chaired by the World Bank and UNDP representatives. The preparation of the country programme has benefited from this arrangement, since it provides a forum for discussions on technical co-operation requirements. This process was reinforced by sectoral discussions between the resident United Nations executing agencies' representatives and sectoral ministries and finalized by consultations between UNDP and the Ministry of Finance, Economic Affairs and Planning.

20. The country programme reflects joint programming within the United Nations system and with major bilateral donors. A particularly successful example is the Joint Consultative Group on Programming (JCGP) involving the United Nations Children's Fund, the United Nations Fund for Population Activities, the World Food Programme and the United Nations Development Programme, where part of the indicative planning figure has been pre-programmed by the Government to facilitate and support schemes in rural areas, particularly those involving women in productive activities. This initiative has now attracted the Food and Agricultural Organization of the United Nations, the International Labour Organisation and the United Nations Volunteer programme, the last of which has appointed a liaison officer to monitor progress.

21. During the last cycle, co-ordination and parallel programming of IPF and Capital Development Fund (UNCDF) financed projects became widespread with \$7.4 million approved by UNCDF for the country. By comparison, the present figure of programmable UNCDF resources appears to be on the low side at \$3.4 million, which represents unspent commitments from third-cycle approvals. New proposals will be discussed in the first half of 1987. UNCDF funds have in the past attracted substantial co-financing or parallel funding from other donors, notably the African Development Fund.

II. THE COUNTRY PROGRAMME

A. Assessment of the third country programme

22. The third country programme reflected the basic elements of the National Economic Survival Programme (NESP) and SAP, which emphasized renovation, consolidation and the full utilization of economic and natural resources. The

country programme concentrated primarily upon those projects designed for impact on immediate development needs in the key sectors of agriculture, industry and transport, whose improved performance was expected to stimulate economic growth. Of the original total programmed IPF resources (\$46.9 million), 41.4 per cent was to be applied to agriculture and 26.1 per cent to industry. Two civil aviation projects (URT/77/061 and URT/81/014) were critical in providing essential training to meet vital air transport needs and complemented the building of the new international airport with French resources.

23. A significant feature of the earlier country programme was the degree of flexibility in the allocation and utilization of IPF resources so as to include longer term development projects at a later stage once the economy had recovered. Exceptionally, 22.6 per cent of the IPF was kept as uncommitted reserves. However, with the reduction of the IPF programmable resources to 55 per cent at the end of 1982, this reserve vanished. At the project level, budget reductions resulted in losing a measure of effectiveness in attaining immediate objectives, since planned inputs and activities were financially truncated.

24. With the financial constraints caused by the IPF reduction, the catalytic role of the third country programme became evident in attracting funding from other donor sources. The special labour-intensive public works scheme (URT/77/033) with a total IPF allocation of \$1.7 million mobilized over \$12 million in capital grants from Denmark, the Netherlands, the Federal Republic of Germany, the OPEC Fund, the European Economic Community and the World Food Programme. This was recently expanded to include EEC funding for a small-scale irrigation project in Pemba. A similar scheme in Zanzibar (URT/73/024 and URT/84/002) attracted complementary funding from UNCDF totalling \$2.5 million, while the Tanzania Industrial Research and Development project (URT/81/037) benefited from a \$1.2 million contribution from EEC.

25. The country programme also provided unique support in meeting special development needs which other donors were unable to provide. Examples included the East African Community Mediation project (URT/84/006) after the Community's dissolution, and the project supporting the building of the new capital at Dodoma (URT/81/008). The JCGP programmes undertaken as a follow-up of the United Nations Secretary-General's initiatives for Africa in 1984 have been successful. Through this collaborative and co-ordinated effort jointly financed and implemented by four United Nations agencies (UNDP, UNFPA, UNICEF and WFP), a modality to meet basic needs is effectively applied in a region affected by chronic dry climatic conditions. Funds committed by these United Nations agencies for 1985/86 above amount to \$1.3 million.

26. Notwithstanding many of the above achievements, the mid-term review in 1984 and subsequent assessments pointed out various constraints and problems, some of which are summarized below:

(a) Project extensions were repeatedly requested for nearly all projects during the third cycle. This indicated that problems existed in implementing projects, either because they were poorly designed or because of inadequate funding and sometimes insufficient counterpart support. UNDP and the Government

endeavoured to rectify this situation through strict application of recently revised UNDP programme procedures and a more thorough monitoring and evaluation of projects;

(b) The actual level of Government involvement and participation in project formulation, monitoring, evaluation and implementation was limited. Tripartite reviews were either not well attended by the concerned Ministries or were attended by officials who were not authorized to take decisions. Project monitoring visits by the Government's co-ordinating agencies were seldom made because the officers involved tended to be overburdened with other responsibilities. Project documentation was mostly prepared by UNDP and United Nations agencies, and actual awareness and knowledge about UNDP procedures and operations by the Government needed strengthening. A UNITAR training course in UNDP programme procedures in Botswana in 1984, attended by senior UNDP field staff and their Government counterparts, proved to be a very useful learning experience which strengthened the Government's capabilities in implementing the country programme;

(c) Government delays in the clearance of expert candidates, the selection and processing of fellowships, untimely budgeting and disbursement of government counterpart funds for procurement of essential project equipment and supplies, as well as for wage payments for labour provided to projects, and the lack of counterparts for international project personnel, are general recurring problems affecting project delivery;

(d) Project training components have not always been fully utilized, though the training of Tanzanian staff is one of the prime objectives of United Nations technical co-operation. In the second half of the third cycle, tripartite review meetings placed greater emphasis on expediting the implementation of project training components by both the Government and UNDP, resulting in an overall improvement.

27. Government failure to attain some of the targets and objectives contained in SAP is in part due to a limited capacity to plan and manage the development process as a whole and to mobilize and utilize available resources effectively, including external assistance. Similarly, the third country programme did not take into sufficient account the technical co-operation needs in this field, especially where multilateral technical assistance with relatively modest financial resources can play an effective role and have a major impact. The emphasis of the new fourth country programme on the overall management functions of the Government is a direct result of this experience.

B. New programme proposal

28. The fourth country programme spans a five-year period from 1987 to 1991, extending beyond the 1986-89 ERP. The IPF for the programme is set at \$51,896,000. An estimated \$2 million will be carried over from the third cycle. In addition, unspent UNCDF resources amounting to approximately \$3,400,000, support from the United Nations Development Fund for Women of \$74,000, and FAO/Technical Co-operation Programme funds of \$549,000 all contribute to broadening the resource

base. Parallel financing of \$3,900,000 from bilateral donors will continue to support the Labour Intensive Public Works Programme (URT/77/033) in the fourth cycle.

29. The overall objectives of the country programme are the same as those established for the ERP, namely (a) increased food and cash crop production; (b) rehabilitation of the physical infrastructure; (c) increased industrial capacity utilization; and (d) restoration of internal and external balances in the economy. In addition, the strengthening of planning and management in the productive sectors through designated focal points has been defined as a fifth objective of the programme to include:

(a) The Government's management capability at the national, regional and district levels, covering identification, formulation, planning, monitoring, evaluation and co-ordination functions;

(b) The technical capabilities at the sub-sectoral level in support of the implementation of key projects within the framework of ERP.

The rationale for these two areas of concentration stems from the Government's responsibility to ensure that all managerial and technical processes be geared towards the successful implementation of ERP and of subsequent development programmes.

Increased food and cash crop production with special emphasis on small-holder operations

30. The total IPF earmarked for this sector is \$21,910,000, of which \$3,810,000 has already been committed to ongoing projects and extensions and \$18,100,000 for new projects.

31. Over 80 per cent of agricultural production is small-scale farming characterized by rudimentary technology, insufficient supplies of inputs and tools, poor infrastructure for marketing and distribution and inadequate producer incentives. Fifteen years of declining agricultural output, rising population and a growing urban sector have made the country an importer of maize, its main food crop.

32. Government policies are directed towards reversing the decline in food and export crops through the provision of better producer prices, an improved marketing structure and distribution of inputs and the expansion of irrigation facilities. The reintroduction of co-operatives to replace the crop authorities will help significantly to renovate the agricultural sector. This, however, will require a more effective rural extension network.

Agricultural and rural development planning

33. To reverse the negative growth trends of agricultural production in Zanzibar, the Government has identified the acute shortage of professionally skilled and experienced manpower in the Zanzibar Ministry of Agriculture as one of the main

problems. Assistance is therefore required to reinforce the human resource base so that agriculture and livestock development plans and policies can be properly devised, monitored and evaluated, inter alia, on the basis of improved statistics.

34. Particularly with regard to increased agricultural production and also the rehabilitation of physical infrastructure, ERP and subsequent development plans will have considerable impact in the rural areas. Rural development planning at the regional and district levels must provide a strong basis on which to formulate and implement these plans. Therefore, through continued support to the Institute of Rural Development Planning (Dodoma), the country programme will assist in practically oriented training, research and consultancy programmes aimed at creating a permanent source of professionals.

35. The following projects have already been identified, with tentative financial allocations as indicated: (a) Agricultural Planning in Zanzibar (\$2,400,000); (b) Strengthening Rural Development Planning at the Regional and District Level (\$250,000).

Irrigation

36. On the mainland, assistance in support of irrigation will exploit the potential of irrigated rather than rainfed agricultural production. The need for strengthening the institutional capacity of the Irrigation Division of the Ministry of Agriculture and Livestock Development to plan, design and manage small-scale irrigation systems in particular, has been identified by FAO. Assistance is directly linked to and reinforced by ongoing and future UNDP assistance programmes to develop such systems and to rehabilitate existing traditional irrigation schemes in selected areas, along with improving and introducing appropriate agricultural and livestock production technologies. The project URT/80/011 (Usangu Village Irrigation) is cited by the Irrigation Division as a model on which future irrigation schemes might be based. The following projects have already been identified with tentative financial allocations as indicated: (a) Assistance to Irrigation Division (\$2,400,000); (b) Usangu Village Irrigation II (\$2,900,000); (c) Irrigated Rice Cultivation Zanzibar II (\$650,000); (d) Traditional Irrigation, Kilimanjaro (\$1,000,000).

Agricultural extension

37. The development of an effective extension service is directly linked to the second element of the fifth objective of the country programme, whereby the improvement and introduction of technical capabilities will contribute to increasing the productivity of small-holders. These programmes will cover the production of certified seeds, the storage of agricultural products at the household level, low-cost methods for tsetse fly control and the improvement of livestock production, including livestock disease control.

38. At the household level, where most of the harvested foodcrops are kept, post-harvest losses are estimated to have reached 30 per cent because of inadequate storage. So far, efforts have concentrated largely on improving storage facilities at the village level and beyond. Assistance will therefore be provided by

developing and building functional low-cost structures for small-holders using locally available materials and by improved storage practices.

39. Tsetse fly infestation is widespread. Traditional techniques for tsetse control are problematic, expensive and controversial in terms of environmental impact; livestock productivity is therefore low. UNDP assistance will be used to determine the applicability of new, low-cost technology, developed and tested elsewhere in Africa.

40. In the livestock sector, UNDP assistance will be directed in particular towards an FAO regional integrated dairy development scheme to improve small-holder dairy production through better feed, extension techniques and training of co-operative personnel. Complementary donor-financed project packages will originate from and be linked directly to this UNDP/FAO core project. These packages will include the development of rural dairy co-operatives, fodder and vaccine production, artificial insemination and expansion of heifer breeds. The following projects have already been identified with tentative financial allocations as indicated: (a) Agricultural Extension (\$2,100,000); (b) Seed Production (\$2,000,000); (c) Post Harvest Losses/Farm Storage (\$2,900,000); (d) Tsetse Fly Control (\$1,100,000); (e) Livestock Development Mainland (\$35,000) and Integrated Dairy Development (\$1,450,000); (f) Livestock development, Zanzibar (\$200,000) and Disease Control and Modern Livestock Production Methods Zanzibar (\$1,400,000); (g) Manufacturing of Livestock Vaccines (\$1,100,000); (h) Grain-eating Bird Control (\$25,000).

Rehabilitation of physical infrastructure in support of directly productive services

41. The total IPF earmarked for this sector is \$5,900,000, \$1,500,000 for ongoing projects, \$3,100,000 for extensions and \$1,300,000 for new projects.

42. Recovery in agriculture is also impeded by an inadequate supporting physical infrastructure. This applies specifically to the transportation sector which causes serious bottle-necks in the distribution of goods within the country and the transportation of export crops to processing centres and ports.

43. The transport network consists of about 3,600 kilometres of railroads; 50,000 kilometres of roads (of which 5 per cent are bituminized and 20 per cent are primary trunk roads); three major ports (Dar es Salaam, Mtwara and Tanga) and several minor ones; two international airports (Dar es Salaam and Kilimanjaro) and about 50 domestic airfields. Road transport accounts for approximately 60 per cent of total internal freight traffic. The main problem faced by the system is that the infrastructure has deteriorated and is inadequately maintained because of both operational weaknesses on the part of the agencies responsible for maintenance and a lack of resources, especially foreign exchange, to carry out repair work. Vehicles and spare parts are in short supply and are not necessarily being allocated to the most efficient users. Shortages of serviceable vehicles and spare parts are being made more acute by the poor condition of roads, sometimes causing truckers to refuse loads even when higher prices are being offered. The railway system is also affected by operational inefficiencies and poor maintenance of track and rolling stock.

44. The Government, in some cases with the help of aid agencies, has adopted a number of policies to deal with transportation problems, emphasizing rehabilitation and the efficiency with which existing resources should be used rather than the creation of new capacity. The transportation planning function has been reinforced to identify priority areas for rehabilitation and structural improvement. There has been a concerted effort to co-ordinate aid programmes in the port and railways sectors through the organization of sectoral donor meetings. Resource allocation procedures and tariff structures are under review. In trucking, the groundwork for a better co-ordinated approach has been laid in a proposed National Road Transport Policy currently under study.

45. Against the background of the existing situation and within the context of sectoral policies, areas where UNDP technical assistance will complement the activity of other donors have been identified. These include a national inventory of immobilized transport stock with an identification of impediments to making this stock operational and increasing effective utilization. Further, needs for feeder road construction and rehabilitation will be determined so as to complement the World Bank's Sixth Highway project.

46. Direct UNDP involvement in the maintenance and improvement of feeder roads will continue in the ongoing project URT/77/033, Labour Intensive Public Works Programme. Improved management capability will enable national, regional and district development planners to undertake economically viable projects using labour-intensive techniques. In addition to feeder roads, the programme will also cover the rehabilitation of village water supply and irrigation systems. The project is expected to mobilize further multilateral and bilateral aid in addition to the \$12 million already generated.

47. UNDP will also continue to provide assistance to the civil aviation sector through training in air traffic control, communications operations, telecommunications engineering, fire and rescue and aircraft maintenance.

48. The following projects have already been identified, with tentative financial allocations as indicated: (a) Immobile Transport Stock Inventory (\$800,000); (b) Feeder Roads Construction Study (\$500,000); (c) Labour Intensive Public Works Programme (\$3,100,000); (d) Civil Aviation (\$1,400,000).

49. The International Drinking Water Supply and Sanitation Decade (IDWSSD) has provided an opportunity for the United Republic of Tanzania to attract UNDP and other donor assistance. To enable the Government to co-ordinate and channel multilateral, bilateral and NGO funding to viable projects, UNDP will provide management expertise and training under a World Bank executed project for economic planners and the IDWSSD National Action Committee (NAC).

50. The following project has already been identified, with a tentative financial allocation as indicated: (a) Assistance to National Action Committee (NAC/IDWSSD) (\$100,000).

Increased capacity utilization in industry and restoration of industrial growth

51. Resources earmarked for this sector amount to \$3,165,000, \$15,000 for an ongoing project and \$3,150,000 for new activities.

52. Consumer goods industries like food, beverages, tobacco, textiles, garments and shoes, account for 70 per cent of industrial production. Industrial output has continued to decline in recent years, falling by 11 per cent in 1984 and a further 15 per cent in 1985. Industrial output in 1985 was only one third of its 1978 level and accounted for only 4.5 per cent of GDP compared with 12 per cent in 1978. Capacity utilization in manufacturing has decreased continuously and most enterprises now operate below one third of capacity.

53. Work carried out by the World Bank and the Government on the domestic resource costs of different parts of the industrial sector suggests that it must be extensively restructured as recovery proceeds. The Government has taken a variety of measures to stem the decline in manufacturing production. Since SAP was introduced, emphasis has shifted away from new investments in favour of rehabilitation, increased utilization of existing capacity and completion of ongoing investments. An export promotion package was initiated, including export retention schemes, export credit guarantees, concessional interest rates and semi-liberalization of imports through the own-funds import scheme. Additional incentives for exports were exchange rate adjustments, price decontrol and loosening of some import controls. The Government is determined to continue following these policies and allocate resources only to efficient enterprises engaged in activities it deems important. Priority consideration will depend on whether the industrial activity will (a) increase the availability of selected consumer goods (e.g. soap, textiles, shoes, food and beverages), (b) increase the supply of intermediate inputs and raw materials in support of agricultural production, transportation or manufacturing of consumer goods, (c) generate net export earnings, and (d) generate additional public sector revenue (e.g. beer, soft drinks, cigarets).

Management

54. Assistance will be directed towards the improvement of management, financial reporting and accounting procedures and techniques used by the Department of Industries of the Ministry of Trade and Industries in Zanzibar as well as in the Zanzibari parastatal organizations. In addition industrial planning and promotion functions will be strengthened, with a particular emphasis on agro-based industries.

55. Further possibilities will be explored to provide direct assistance in productivity improvement and implementing management accounting systems in industrial public enterprises on the mainland. In-depth evaluations of assistance to several national institutions are planned, for example, the National Institute of Productivity (NIP) and the Tanzania Industrial Studies and Consultancy Organization (TISCO).

56. A closely linked assistance programme will focus on the development and expansion of a special unit in the Ministry of Industries to serve as focal point for the formulation and implementation of a national comprehensive scheme on industrial training and consultancy.

57. The following projects have already been identified, with tentative financial allocations as indicated: (a) Strengthening Ministry of Trade and Industries (Zanzibar) (\$1,200,000); (b) Productivity Improvement and Management Accounting (\$1,000,000).

Vocational training

58. Technical assistance will also be used both to strengthen key vocational training throughout the Government and private sector, with special emphasis on departments in the Ministry of Labour and Manpower, and to develop capabilities to co-ordinate vocational training activities at the national, regional and district levels. In-plant training programmes for apprentices will be an integral part of the assistance provided.

59. The following projects have already been identified with tentative financial allocations as indicated: (a) Development Apprenticeship/In-plant Training (\$750,000); (b) Vocational Training (\$15,000).

Agro-industries

60. A UNIDO study of 1983 revealed the potential for the economic exploitation of essential oil-bearing plants such as cloves, cardamom, cinnamon, camphor, ginger, lemon grass and chillies cultivated in the country which could strengthen the pharmaceutical industry. UNDP will support efforts in this area.

The following project has already been identified, with a tentative financial allocation as indicated: Commercial Production of Essential Oils (\$200,000).

Restoration of internal and external balances in the economy by pursuing prudent fiscal, monetary and trade policies

61. Earmarkings for this sector amount to \$6,510,000 from the IPF, \$710,000 for ongoing projects and \$5,800,000 for new projects.

62. The rapid return to an import level of \$1,200 million, the amount sought by the Government, would facilitate a strong rebound in economic activity and make the introduction of further measures easier. Under the recovery programme the Government will lower the overall budget deficit further by reducing expenditure relative to GDP. Although the share of revenues in GDP of above 20 per cent in 1985/86 cannot realistically be increased much further, every effort will be made to broaden the revenue base by increasing contributions from the beneficiaries of the Government's programmes and improving tax collection. Customs revenues should improve, as action on the exchange rate raises the burden of tariffs relative to the price at which imported goods are actually traded in the domestic market.

63. Over the longer term, as the value of the shilling is made more realistic, and the balance of payments improves through the recovery of exports, less reliance will need to be placed on the administrative allocation of foreign exchange. In due course the allocation of foreign exchange by the Central Bank for current account transaction can be phased out, as the exchange rate, supported by tariffs, becomes more influential in determining the level and composition of imports.

64. UNDP will provide assistance to strengthen the central ministry's aid co-ordination functions to ensure effective and maximum utilization of external financial resources for identified ERP objectives. Considerable importance is attached to this programme in view of past experience and the fact that the international community, as before, is requested to finance both local and foreign costs of projects on a concessional basis and substantially to increase general support to the budget.

65. Special measures will be taken under the fourth country programme to facilitate a quick response to short-term assistance in support of identifiable needs for such areas as import licensing, procurement and foreign exchange allocation. To this end, the existing programme support project URT/80/020 will be expanded. Through this arrangement longer-term follow-up assistance programmes to realize the fourth ERP objective should be identified for implementation.

66. Although the ongoing assistance to the Ministry of Finance in the field of general departmental organization and management is scheduled to be completed in 1987, provisions are being made to permit a follow-up project to concentrate on the reorganization and operation of the Ministry's Department of Customs and Sales Tax to improve tax collection. In addition, the country programme will provide assistance in areas related to increasing foreign exchange earnings through export and investment promotion, including the exploration, evaluation and development of selected natural resources.

67. The following projects have already been identified, with tentative financial allocations as indicated: (a) Aid Coordination (\$2,000,000); (b) Short Term Consultancies (\$300,000); (c) Assistance to the Ministry of Finance (\$160,000); and Reorganization and Operation of Customs and Sales Tax Department (\$1,500,000); (d) Export Promotion (\$2,000,000); (e) Mineral Exploration, Evaluation and Development (\$550,000).

Overall planning and advisory activities

68. IPF resources of \$1,840,000 are earmarked for these activities, \$1,340,000 for ongoing projects and \$500,000 for a new project.

69. In addition to the four specific development objectives of the ERP to which UNDP assistance under the fourth country programme relates directly, there are technical co-operation needs which apply to several of the key productive sectors and objectives of the ERP simultaneously. These needs pertain to management authority and designated focal points in support of overall programmes and strategies and are essential linkages between the ERP components and objectives. The country programme focuses on some of these management constraints at this macrolevel as a fifth objective.

70. A fundamental component in ERP is a sound information base, particularly with regard to strategic economic and manpower development data. UNDP assistance will address problems in the collection, processing and dissemination of information, especially data that will contribute to a more rational utilization of the labour force in all sectors. The country programme will also provide support to planning commissions in central ministries responsible for ERP implementation.

71. The following projects have already been identified, with tentative financial allocations as indicated: (a) Assistance to Planning Commission, Zanzibar (\$500,000); (b) Development of Labour Market Information (\$600,000).

Other activities

72. Assistance to the Capital Development Authority, for which funds are earmarked under the fourth country programme, is not related to any of the objectives of the ERP. The rationale behind this specific request is to provide the final elements of United Nations technical assistance in order to complete and consolidate important planning and to enable the Capital Development Authority to function without full-time expert advisers beyond 1988. The extension of the ongoing project thereby contributes to consolidating and securing investments already made under previous IPFs. The important and first low income housing project for the new capital (financed by UNCDF) will also continue to be managed by the project. An amount of \$740,000 has been set aside for this purpose.

C. Unprogrammed reserve

73. An unprogrammed reserve of \$14.6 million, or 27 per cent of available resources, is essential to retain programme and resource flexibility as ERP progresses through various stages of recovery. It will also provide the support lost during the third cycle as a result of financial constraints which now becomes more urgent in view of the changing situation in southern Africa, the United Republic of Tanzania being a front-line State.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING			
A. <u>UNDP-administered sources</u>			
	\$		\$
Third cycle IPF balance	2 000 000		
Fourth cycle IPF	51 896 000		
Sub-total IPF			<u>53 896 000</u>
Special Measures Fund for Least Developed Countries			
Special programme resources	-		
Government cost-sharing	-		
Third-party cost-sharing	-		
Operational funds under the authority of the Administrator			
- UNIFEM	74 000		
- UNCDF	<u>3 400 000</u>		
Subtotal UNDP non-IPF Funds			3 474 000
B. <u>Other Sources</u>			
Funds from other United Nations agencies or organizations committed as a result of the country programme exercise FAO (TCP)	549 000		
Parallel financing from non-United Nations sources	3 900 000		
Subtotal, other sources			<u>4 449 000</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING			61 819 000
II. USE OF RESOURCES			
Ongoing Projects	10 475 000		
New Project Proposals	28 850 000		
Programmed Reserve	7 923 000		
Subtotal Programmed Reserve			47 248 000
Unprogrammed Reserve	14 571 000		
TOTAL USE OF RESOURCES			<u>61 819 000</u>
