

Ex-ante Evaluation

1. Name of the Project
Country: The United Republic of Tanzania Project: Fourth Poverty Reduction Support Credit (Loan Agreement: March 9, 2007; Loan Amount: 2,000 million yen; Borrower: The Government of the United Republic of Tanzania)
2. Necessity and Relevance of JBIC's Assistance
<p>The United Republic of Tanzania is a core country in East Africa and one of priority countries for the Japanese Official Development Assistance. The socialist economic system by the early 1980s in Tanzania deteriorated the state economy and brought significant delays in economic and social development in Tanzania. Over US\$2 billion of foreign debt in Tanzania including the debt from the Japan has been canceled under the HIPC Initiative (1998) and the Enhanced HIPC Initiative (2000). Although recent intensive development efforts in Tanzania have brought stable economic growth (annual average growth rate of 5.8% since 2001), further reforms are necessary to achieve poverty reduction and economic growth to overcome low GNI ratio at US\$340 (2005) and 36% of poverty ratio.</p> <p>The Government of Tanzania developed the National Strategy for Growth and Reduction of Poverty (NSGRP) (MKUKUTA in Swahili) in 2005 which focuses three clusters as the national strategy for economic growth and poverty reduction (“Growth and Reduction of Income Poverty” “Improvement of Quality of Life and Social Well-being” and “Governance and Accountability”). MKUKUTA clearly states the importance of “growth” through increase of private investment, infrastructure development, and human development as engine for economic growth, whereas the former poverty reduction strategy (2000 to 2003) emphasized social sector development in order to directly provide basic social services for the poor</p> <p>In terms of improving aid effectiveness and ownership of the Tanzanian Government for development implementation, the Government of Tanzania and international development agencies have encouraged the alignment and harmonization of for development activities in Tanzania. In this context, the General Budget Support (GBS) was introduced in 2001 as a new aid modality for financial support to the Tanzanian Government to implement poverty reduction strategy. Currently, 14 donors participate in the GBS. Japan is one of founding members of the GBS. In addition to technical assistance to donor coordination and policy review as a lead donor in Agriculture sector, Japan has continued provision of the GBS by grant aid since 2001. The World Bank's Poverty Reduction Support Credit (PRSC) in Tanzania has been implemented three times since 2003 under the GBS framework. In May 2006, the Fourth Poverty Reduction Support Credit (PRSC4) was approved by the World Bank's Board Executive Directors as the first support to MKUKUTA as the series of five annual PRSCs (PRSC4-PRSC8).</p> <p>In the Medium-Term Strategy for Overseas Economic Cooperation Operations (FY2005-2007), JBIC has placed emphasis on countries in sub-Saharan Africa with good solvency and governance. Although Tanzania has not received Japanese ODA loans since 1982, JBIC appreciates Tanzania's current development efforts by closely coordinating with donors and understands that it is relevant to resume support to Tanzania with consideration of its debt sustainability.</p> <p>As a consequence, it is highly significant for JBIC to support growth strategy under MKUKUTA through participation in the GBS which is the most preferred modality of Tanzanian Government. In addition, the project is highly relevant and necessary from the perspective of increasing aid effectiveness for JBIC's</p>

future assistance by participating in political dialogue for infrastructure development and public financial management as a member of the Japanese ODA Taskforce in Tanzania.

3. Project Objectives

The program aims to enhance policy and institutional reform in Tanzania based on the three clusters that in MKUKUTA ((1) Growth and Reduction of Income Poverty, (2) Improvement of Quality of Life and Social Well-being, and (3) Governance and Accountability) through direct financial support to national budget, thereby contributing to poverty reduction with economic growth in Tanzania.

4. Project Description

(1) Project Outline

The program is to provide financial support to general budget of the Tanzanian Government within the framework of the General Budget Support with other donors in order to support implementation of activities towards three clusters of MKUKUTA ((1) Growth and Reduction of Income Poverty, (2) Improvement of Quality of Life and Social Well-being, and (3) Governance and Accountability), and strengthen adequacy of national fiscal expenditures ((4) Consistency of Fiscal Allocation and the Budget, (5) Public Finance Management, and (6) Macro-Economic Stability).

(2) Total Project Cost/Loan Amount

GBS total: US\$650 million (Yen Loan Amount: 2 billion yen)

(3) Implementation Structure

(a) Borrower: The Government of the United Republic of Tanzania

(b) Executing Agency: Ministry of Finance (MOF)

(c) Operation and Maintenance System: The program is evaluated by the performance criteria set in the Performance Assessment Framework (PAF) in the GBS Annual Review (each year in October or November)

(4) Environmental and Social Consideration

(a) Environmental Effects/Land Acquisition and Resident Relocation

(i) Category: C

(ii) Reason for Categorization: This project is likely to have minimal adverse impact on the environment due to the fact that the project sector and project characteristics are not likely to exert impact and the project is not located in a sensitive area under the “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Consideration” (established in April 2002). Thus this project is classified as Category C.

(b) Promotion of Poverty Reduction

This project is to support implementation of MKUKUTA as national strategy for poverty reduction and growth. Therefore, it will contribute to reduce distortion in socioeconomic structure and remove restriction of the poor.

(c) Promotion of Social Development (e.g. Gender Perspective)

The Cluster 2 of MKUKUTA, “Improvement of Quality of Life and Social Well-being” focuses reduction of disparities arising from religion, region, income, age, and gender and discrimination against the most socially vulnerable groups such as the handicapped. In particular, health and education sectors emphasize the importance of gender considerations. This program is consequently

expected to promote equal access to health and educational opportunities between women and men.

5. Outcome Targets

(1) Evaluation Indicators (Operation and Effect Indicator)

The program will be evaluated by the following socioeconomic indicator values in MKUKUTA, which are described in the Performance Evaluation Framework (PAF).

Indicator Values	Baseline (2005)	Target (2010)
(1) Growth and Reduction of Income Poverty		
Increase in credit extended to private sector as % of GDP	7.9 % of the GDP in 2004	Volume of credit to the private sector to increase by 1% of GDP per annum
Enabling environment for private sector lead growth improved ("Doing Business ranking")	140 th	Steadily moves up
Reduction of income poverty in rural population (annual agriculture GDP growth)	5.4%	10.0%
Improve rural market access (Km of rural road rehabilitated)	4,500 km (2004)	15,000 km
(2) Improvement of Quality of Life and Social Well-being		
Population of children that receive three doses of vaccine against diphtheria, pertussis (whooping cough), tetanus, and Hepatitis B under two (2) years	71%	90%
National HIV prevalence in the 15 to 24 years age group	7.5%	6.0%
Net primary school enrolment	94.8%	99.0%
Transition rate from standard VII to Form I	36.1%	50.0%
Gross higher education enrollment (college/vocational)	0.5%	10%
(college/grad school)	0.27%	6%
Percentage of the population that has access to clean (rural) and safe water from a piped or protected water source (urban)	53.5%	65%
	73%	90%
(3) Governance and Accountability		
Quarterly NACSAP (National Anti Corruption Strategy and Action Plan) Implementation Report published and discussed	4 times	4 times
Current pay as a proportion of government's pay target (Public Service Reform Program)	86.0%	100%
Percentage of Court cases outstanding for two years or more	70.0%	40.0%
Number of strategic plans of central and sector ministries containing a strategic objective to implement decentralization by devolution	1	To be composed by all ministries
(4) Resource Allocation and Budget Consistency		
Approved budget broadly in line with policy objectives (MKUKUTA and sector policies)	-	Recurrent budget deviation reduced
Expenditure outturn consistent with approved budget	18%	10%
(5) Public Financial Management		
NAO (National Audit Office) Audit Reports is of international standard by 2010 and released within 9 months as required by Public Finance Act 2001	NAO starting to introduce international standards regarding formats, procedures and reports	NAO fully compliant with international standards

Number of procuring entities complying with the Public Procurement Act 2004	10% of total	80% of total
(6) Macroeconomic Stability		
Fiscal deficit (after grants) as % of GDP consistent with PRGF (IMF's Poverty Reduction and Growth Facility) targets	6%	PRGF target level
Inflation rate consistent with PRGF targets.	4.5%	PRGF target level

(2) Internal Rate of Return: Not applicable

(3) Qualitative Effects

The PAF stipulates conducting specific sector and thematic reviews as “Underline Process” to link the performance indicators and individual development activities. By cooperating with Japanese ODA Taskforce, the World Bank and the African Development Bank, JBIC will actively engage in formulation of “Infrastructure Review”, which is Underline Process of the cluster 1 “Growth and Reduction of Income Poverty”, for formulation of comprehensive infrastructure development policies including transport, energy, and telecommunications. Clear prioritization of infrastructure development and policy and institutional reform for infrastructure development will be discussed through the review. The review will consequently contribute to efficient and effective infrastructure development in Tanzania, promote industrial activation, and increase of access of basic infrastructure for the poor.

6. External Risk Factors

Progress in economic growth and poverty reduction in Tanzania may be affected by agricultural productivity which heavily depends on whether, or global economic conditions such as oil trade.

7. Lessons Learned from Findings of Similar Projects Undertaken in the Past

The Structural Adjustment Loans have been criticized as a factor that caused economic instability such as unemployment, low wages, and currency and financial crisis in developing countries, because policy framework under the Loans such as promotion of capitalism and privatization was uniformized without taking into account of individual social and political background in each country. As the GBS emphasizes on ownership of the Government of Tanzania in the process of formulating development policy framework based on MKUKUTA, donors maintain close dialogue with the government and stakeholders in Tanzania. Moreover, it has been learned that, in co-financed projects, particularly when there are numerous co-financing institutions involved, it is necessary to give adequate consideration so as to maintain thorough contact among all the co-financing institutions and to ensure that they agree on the various understandings concerning the project at all times. In the process of the program formation, JBIC needs to endeavor to share information, coordinate program content, and build consensus through participation in discussion in GBS annual review and sectoral and thematic working groups since cooperative monitoring framework has been established for this program such as the Partnership Framework Memorandum and PAF among stakeholders.

8. Plans for Future Evaluation

(1) Indicators for Future Evaluation

Same as in 5 (Outcome Targets) above.

(2) Timing of Next Evaluation

After project completion