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October 31, 1994

To: Members of the Executive Board

From: The Acting Secretary

Subject: Tanzania - Enhanced Structural Adjustment Facility -  
Policy Framework Paper for 1994/95-1996/97

Attached for consideration by the Executive Directors is the policy framework paper for Tanzania for 1994/95-1996/97.

This subject, together with Tanzania's request for a two-year arrangement under the enhanced structural adjustment facility (EBS/94/210, 10/28/94), is tentatively scheduled for discussion on Friday, November 11, 1994.

Mr. Gondwe (ext. 36957) or Mr. R. Hicks (ext. 36520) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Preparation Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the African Development Bank (AfDB) and the European Communities (EC), following its consideration by the Executive Board.

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INTERNATIONAL MONETARY FUND

TANZANIA

Enhanced Structural Adjustment Facility -  
Policy Framework Paper for 1994/95-1996/97

Prepared by the Tanzanian authorities in collaboration  
with the staffs of the Fund and the World Bank 1/

October 27, 1994

I. Introduction

1. Tanzania has made major progress over recent years in restructuring the economy from its previous reliance on control mechanisms toward a predominantly market-oriented environment. This transformation has occurred across a wide front, including reforms in the fiscal, monetary, external, and parastatal sectors. Economic performance has responded favorably to this reform effort, and real GDP has risen on average by about 4 percent in recent years, implying a small rise in per capita incomes; this performance was a marked turnaround from the stagnation in GDP and the sharp decline in exports recorded in the early 1980s before introduction of the reform process. Against this background, this PFP reviews the more recent progress in the macroeconomic and structural adjustment elements of the program, and describes the objectives and policies envisaged during the period 1994/95-1996/97.

II. Recent Economic Performance

2. The adjustment program introduced from the mid-1980s, aimed at dismantling the system of economic controls and encouraging more active participation of the private sector in the economy, has made some significant progress. The budget deficit was reduced, the overvalued exchange rate was substantially depreciated, leading to an improvement in Tanzania's competitiveness, and the trade regime was liberalized. Furthermore, restrictions were eased on the marketing of food crops, restructuring of the financial sector was initiated, and programs were launched to rehabilitate key infrastructure, particularly roads, railroads, and ports.

3. This program was interrupted, however, by serious macroeconomic policy slippages in 1992/93 and the first half of 1993/94, caused largely by a sharp reduction in government revenues. As a result, the fiscal position

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1/ This paper updates and extends Tanzania's policy framework paper of 1992.

(checks-issued basis, after grants) deteriorated to a deficit of 8.4 percent of GDP in 1992/93--after broadly balanced positions in the previous years--and the situation did not improve in the first half of 1993/94, despite various revenue-enhancing measures incorporated in the 1993/94 budget. This weakened fiscal position during 1992/93 reflected widespread and increasing customs duty exemptions, despite the provision in the budget for a drastic curtailment of exemptions. The budget framework for that year was designed so that the revenue increase that would result from the measure would more than compensate for the expected decline in revenue following wide-ranging cuts of tax rates and customs tariffs. In the event, however, exemptions increased. Other factors contributing to the weak fiscal position were: an inefficient tax administration (despite measures in the 1992/93 budget aimed at rectifying the position), and the failure of the expenditure control system. The monetary expansion which resulted from this large fiscal deficit was further fueled by the failure of the National Bank of Commerce (NBC), the dominant commercial bank, to exercise adequate control of its credit policies. In the event, strong inflationary pressures continued, with monetary expansion remaining high at 34 percent for the year ending December 1993--compared with the peak of 44 percent for the year ending June 1993--despite a weakening external position with foreign reserves falling from the equivalent of about 16 weeks of imports at end-December 1992 to 8 weeks of imports by end-December 1993.

4. These destabilizing trends were reversed to a considerable extent, however, in the second half of 1993/94. A midyear budget was introduced in January 1994, which incorporated revenue-enhancing and expenditure control features, aimed at redressing much of the fiscal slippage. These measures included the reimposition of a 10 percent customs duty on raw materials and a requirement that government ministries issue checks only within their allocations and that banks reject checks when funding limits have been reached. Monetary policy was also tightened with increases in the minimum reserve requirement and in the discount rate. Furthermore, while progress was being made in the restructuring of the NBC, a freeze was placed in January 1994 on the NBC's aggregate credit levels. These measures led, in particular, to a significant decline in domestic credit in the opening months of 1994, reflecting a notable improvement in tax collections and a discernible impact of the new expenditure control mechanisms. However, a substantial improvement in the external position--with gross reserves rising to the equivalent of about 11 weeks of imports by end-June 1994--boosted the monetary aggregates. An upturn in commodity export earnings due largely to higher volumes of traditional exports, an upturn in service receipts, and a reversal of capital flight were important contributing elements. In these circumstances, the broad money stock expanded by 34 percent in the year ending June 1994 (21 percent if foreign exchange deposits are excluded). Real GDP growth of 4.5 percent was recorded in 1993/94; however, inflation remained high, at about 25 percent, reflecting strong monetary expansion, and widespread food shortages caused by unfavorable weather conditions.

5. Significant progress has also been made in recent periods in the various elements of structural reform. The Bank of Tanzania was restructured in December 1993 to facilitate the formulation and implementation of monetary policy in a liberalized financial environment. The introduction of treasury bill auctions in August 1993 has provided a needed anchor in the increasingly liberalized financial environment. Reforms of the NBC picked up momentum in the first half of 1994, with the reconstitution of the Board of Directors and the reduction of NBC staff from 7,300 to 6,500; the NBC Act was amended in August 1994, opening up the possibility of private ownership. Privatization of the bank would allow reconstitution of the NBC under the Companies Act. Two private sector banks began operations in Tanzania in late 1993, and have already strengthened competition in the financial system. Three additional banking licenses have been granted and further applications for licenses are currently under consideration.

6. As regards the exchange system, the exchange rate was virtually unified from August 3, 1993, with the official rate set on the basis of exchange rates prevailing in the foreign exchange auction, which was introduced in July 1993; foreign exchange bureaus, which have developed their activities significantly, have been major participants in the auctions. An interbank market for foreign exchange replaced the foreign exchange auctions on June 20, 1994, with the official exchange rate now based on the result of the trading session each morning. To broaden the availability of foreign exchange for the market, the surrender requirement on proceeds from traditional exports (except coffee) was abolished from June 1, 1994 (the surrender requirement on nontraditional exports had been abolished on July 1, 1993). The availability of foreign exchange for making payments and transfers for current international transactions has been progressively liberalized and no limits on current payments and transfers are now imposed. With respect to trade arrangements, administrative controls on imports have been removed, and the negative list for imports now comprises only goods that the Government restricts for health and security reasons; virtually all administrative restrictions on exports have been abolished.

7. The liberalization of the exchange and trade system in Tanzania has facilitated expansion of private sector activity. However, more has to be done to ease administrative constraints to the development of private sector business, for example, through simplifying business licensing procedures, including those administered by regional authorities. In agriculture, legislation has been enacted to introduce private sector competition into the marketing of traditional crops. However, the legislation provides for the licensing of private sector traders by the marketing boards, which may have the effect of limiting competition. So far 23 buyers have been registered, of whom 17 buyers are for coffee, 5 buyers for cotton, and 1 buyer for tobacco. In the case of cashew nuts, 52 buyers were registered in 1993/94 as compared with 12 buyers in 1992/93, while 3 licenses for coffee-curing factories, and 5 licenses for cotton ginneries have been issued. The authorities are aware that lack of clarity in the legal arrangements for the private ownership of land remains a serious impediment to private sector investment. Recognizing the need for the overhaul of the

legal framework governing land, the Government has initiated a review of the land tenure policy, including the recommendations of the Commission of Inquiry into Land Matters. A program to strengthen the court facilities, legal expertise, and accounting and auditing systems has also been initiated.

8. The Government has established the legal and institutional framework supporting the privatization program, developed procedures for liquidation, divestiture, and performance agreements and made progress in the divestiture and liquidation of parastatals. The parastatal sector reform program met its target for 1993 with the privatization of 20 parastatals and the closure or placing under receivership of 22 parastatals. The action plan for enforcing a hard budget constraint provides for the removal of preferences and elimination of subsidies for commercial parastatals, with the exception of limited transitional arrangements to support privatization.

9. The Government completed the initial retrenchments under the civil service reform program with retrenchments of 10,000 employees in 1992/93, 20,000 employees (including 14,000 "ghost" workers) in 1993/94, and 13,000 employees in July/August 1994; the civil service in Tanzania at June 1994 totalled 320,000 employees. Other steps already taken include a hiring freeze (except for the sectors of health and education, and police and prison officials). Although preparations for the reform of the compensation system have yet to start, the organizational and efficiency reviews to improve the functioning of the Government are under way for some selected ministries. The Government recently formulated an action plan for civil service reform which provides for an integrated approach covering personnel control, organizational and efficiency reviews, pay reform, retrenchment and redeployment, and strengthening local government. The action plan is to be implemented over the three years ending 1996/97.

10. Substantial progress has been achieved in improving the management, financing, rehabilitation and maintenance of infrastructure, particularly in the area of road transport under the first phase of the multidonor-financed Integrated Roads Project. In energy, average tariff rates are already in line with long-run marginal costs.

11. Progress in the social sectors remains slow. However, the Government is engaged in major exercises aimed at formulating national strategies for the sectors. The endeavors to formulate sector strategies are benefitting from several surveys and analyses undertaken recently, including the Human Resources Development Survey and preparation of a Poverty Profile. Along with steps aimed at greater private participation in the social sectors, measures to increase cost recovery for publicly provided services also continue to be instituted.

12. The Government has taken important moves toward integrating environmental concerns and conservation principles in the country's efforts to achieve environmentally sustainable development. It has finalized and

endorsed the NEAP document ("The National Environment Action Plan: A First Step"), which reflects the findings and recommendations of the National Conservation Strategy for Sustainable Development and the draft National Environmental Policy, and was the result of broad-based participation involving government agencies, the private sector, NGOs, local communities, and academia. A Mining Sector Environmental Policy and Action Plan has also been formulated. A National Water Resources Assessment has begun with the preparation of a report on a Rapid Water Resources Assessment as the first phase. In the next phase, detailed river basin studies will be carried out, followed by a synthesis of results and the preparation of a national water resources strategy, including support for smallholder irrigation.

13. In the past two years, there has been renewed interest in regional integration in Tanzania, in particular, in increasing cross-border activities in the broader Eastern and Southern African context. A Technical Working Group has been constituted to prepare proposals consistent with a common program of action. To facilitate border trade between Tanzania, Kenya, and Uganda, the central banks concerned have recently allowed the settlement of transactions in their respective currencies.

### III. Objectives and Policies for 1994/95-1996/97

14. The Government's economic objectives and policies in the medium term are stated in the Second Rolling Plan and Forward Budget (RPFBI), which was approved by Parliament during the 1994/95 budget session. In this context, the Government will continue with the agenda of structural reforms and macroeconomic stabilization with a view to generating strong economic growth in order to combat poverty and deprivation. In particular, the Government will seek to create an enabling environment for a strong private sector, reduce government involvement in directly productive activities, improve efficiency in the use of public resources, accelerate export diversification, enhance domestic competitiveness, and promote environmentally sustainable development. Efforts will be made to build on the incentives already provided by the recent liberalization in the external trade and payments system. The continued development of human resources and improvements in the social and physical infrastructure will also form critical components of the development strategy.

15. Against this background, the overall macroeconomic objectives for 1994/95-1996/97 are: (i) an annual real rate of economic growth, rising steadily from 4.5 percent in 1994/95 to 6 percent in 1996/97; (ii) a reduction in the average rate of inflation from about 25 percent in 1993/94 to 12.5 percent in 1994/95, declining further to 6.5 percent in 1995/96 and 5 percent in 1996/97; (iii) an increase in government current savings from 1.5 percent of GDP in 1994/95, to 2.5 percent in 1995/96, and to 3.5 percent by 1996/97; and (iv) a reduction in the current account deficit to 45 percent of exports of goods and services and private transfers by 1996/97, while maintaining foreign reserves at a level equivalent to at least three months of imports. The proportion of total investment financed from

domestic savings is planned to increase over the medium term responding to the financial sector reforms and the improved profitability of the enterprise sector.

16. The progress that has been made so far in restructuring the economy does not seem to have been adequately reflected in the official economic statistics, particularly the national accounts. This is partly due to the obsolescence of the sources of critical national accounts data as a result of extensive structural reforms (such as the elimination of the marketing functions of the National Milling Corporation, which was used as a source of data for agricultural production, and the elimination of import licenses, which were a source of trade statistics). In assessing recent economic performance and formulating macroeconomic projections for the period ahead, attention needs to be given to the substantial underestimation of economic activity that is believed to be reflected in the official national accounts statistics. In view of these deficiencies, the authorities are currently reviewing the official national accounts data, with technical assistance from the Fund and the World Bank. A medium-term project is being undertaken during 1994/95-1995/96 to revise and update various production and expenditure surveys and to improve data input sources generally. At the same time, the historical data series and current year base data are being reassessed in order to provide an enhanced foundation for the macroeconomic analysis and projections during the period immediately ahead.

17. Over the period 1994/95-1996/97, structural policies will be focussed on (i) consolidating and extending reforms in the financial sector, including the restructuring of the existing banking system and the establishment of new financial institutions; (ii) removing barriers to private sector investment; (iii) reform of public sector management, aimed at increasing efficiency and reducing the size of the civil service and the parastatal sector; (iv) completion of liberalization of the external payments system with full current account convertibility, and further progress with trade reform; (v) continuation of agricultural marketing reforms, including elimination of the participation of the crop boards in marketing and processing of traditional exports; and (vi) ensuring that an increased share of public expenditure is directed toward improvement in social and physical infrastructural services and protection of the environment.

18. Since the inception of economic and financial reforms in the mid-1980s, Tanzania has received technical assistance from the Fund, the World Bank, UN agencies, and other multilateral and bilateral donors. The assistance has covered several areas including economic, financial, and social activities. It has been aimed at facilitating the country's economic transformation toward a market economy. In the economic area, assistance has been mainly for restructuring of institutions to function in a market environment. Results in those areas have been encouraging; the Government is disengaging from commercial activities and focusing on delivery of improved social services including education, health, and water, with special emphasis on the rural areas. These are priority areas for the Government where it

wishes to utilize donor assistance. Another important objective for the Government is to strengthen macroeconomic management by implementing appropriate financial policies and improving revenue collection, government expenditure management, and use of indirect means of monetary control by the Bank of Tanzania. The Fund, in cooperation with UNDP and others, have assisted in these areas. However, further assistance is needed to consolidate earlier gains and to ensure a sounder basis for macroeconomic management. With respect to donor assistance, the Government is developing a framework to improve the efficiency of such assistance by facilitating its flow to priority areas, and monitoring expenditures more closely.

1. External sector policies

a. Exchange regime

19. External sector policies will be focussed on the maintenance of external competitiveness and the attainment of medium-term balance of payments viability. The newly established interbank market for foreign exchange will continue to be the basis for exchange rate determination. These arrangements should increase the efficiency with which Tanzania's foreign exchange resources are deployed. The Bank of Tanzania will focus on management of the official exchange reserves, development of an orderly foreign exchange market, and operations undertaken on behalf of the Government.

b. Liberalization of trade policies

20. The Government will remain fully committed to the newly liberalized exchange and trade regime. The exports of traditional commodities will be fully liberalized in early 1994/95 (with the exception of seed cotton, which is used locally) to benefit fully from the recent abolition of surrender requirements. Proceeds from the export of coffee, the only commodity for which the surrender requirement has not yet been abolished, will be allowed to be retained fully from December 1994. With the administrative controls on imports now removed, the negative list will remain at most on the few goods that the Government restricts for health and security reasons. Liberalization of the external payments system will be completed by end-December 1994. Limits on the availability of foreign exchange for travel, family maintenance, medical and education expenses, remittances of profits, dividends and interest, and transfers covering costs of subscriptions, advertisements, legal fees, and royalties on books, patents, and trademarks were recently removed. With the immediate removal of the multiple currency practice arising from a 2.4 percent spread between the Bank of Tanzania's buying and selling rates for foreign exchange transactions with commercial banks, and the removal by end-December 1994 of the exchange restrictions arising from the existing bilateral payments agreements (with Burundi, Mozambique, and Zimbabwe), Tanzania will be in a position to accept the obligations of Article VIII, Sections 2, 3, and 4, of the Fund's Articles of Agreement. The Government will keep current on its external payments obligations to Paris Club creditors, and will seek comparable rescheduling

and/or debt stock reduction from Paris Club, as well as from non-Paris Club, creditors. The Government will continue to avoid contracting or guaranteeing debt other than on highly concessional terms. The Government will, at the latest in the 1995/96 budget, roll back the maximum tariff rate, which was raised from 40 percent to 50 percent in the 1994/95 budget.

These further steps in consolidating the liberalization of the external trade and payments system are expected to contribute importantly toward strengthening business confidence and encouraging foreign investment.

## 2. Fiscal policies

21. The principal objectives of fiscal policy will be the re-establishment and maintenance of macroeconomic stability and growth in domestic savings. A budget surplus (checks-issued basis, after grants) of 0.2 percent of GDP is expected in 1994/95, rising to 0.5 percent in 1995/96, and 1 percent in 1996/97. In formulating and implementing budgetary policy over the medium term, particular attention will be given to reducing the dependence on foreign financing and increasing current savings and to ensuring the adequacy and efficiency of the effort to mobilize domestic resources to finance productive government expenditures. The ultimate target of these efforts is to generate sufficient current savings to fund fully the domestic components of the development budget. This policy is consistent with the need for an accelerated growth in public savings in the period ahead. As regards the adequacy of funding of expenditures, the level and composition of ministerial appropriations will be budgeted very carefully, particularly to ensure that priority areas (including education, health, water, and sanitation) receive the resources needed for the effective discharge of their functions without interruptions that have occurred periodically, and that the resource availability for lower priority areas is effectively constrained. Building on the provision in the 1994/95 budget for a partial clearance of the Government's domestic payments arrears, future budgets in the program period will provide for a full clearance of the remaining arrears, with tighter control on public expenditures to prevent new arrears. The Government will also institute procedures to ensure that its decisions on matters with fiscal ramifications are taken only after adequate technical analysis, and in accordance with powers vested in the Minister for Finance under the Exchequer and Audit Ordinance (CAP 439) and the Government Loans, Guarantees and Grants Act (No. 30) of 1974.

22. The 1994/95 budget is aimed at consolidating and extending the fiscal improvement emerging in the second half of 1993/94. Government current savings of 1.5 percent of GDP is targeted for 1994/95, contrasting with the sizeable current dissavings in the preceding years. Total revenue is targeted to rise to 24.5 percent of GDP for 1994/95, compared with an estimated outturn of 21 percent for 1993/94. A major measure is aimed at a sharp curtailment of tax exemptions, including withdrawal of the authority of the Investment Promotion Center (IPC) to grant exemptions. It further provides that exemptions will be restricted to capital goods only, and that the Minister of Finance will be the sole authority for granting such

exemptions. Tax and customs exemptions will not be operative unless and until a Government Notice to that effect has been issued and published in the Government Gazette. Exemptions related to IPC-approved projects would be subject to auditing, in consultation with the Customs Department, to ensure that imports conform with the applications, and to provide for the withdrawal or modification, based on performance, of all or any of the benefits. In this context, the Government intends to review the role and performance of the IPC (including an audit of applications already approved) with a view to focussing on promotional functions.

23. Further measures in the 1994/95 budget include imposition of a tax on crude oil imports; increase in the maximum limit on the customs tariff from 40 percent to 50 percent; increase in the road toll; abolition of the income tax exemption on treasury bills; and broadening of the sales tax base by levying the tax on a range of services. Steps to close loopholes in the administration of import duties are also expected to generate additional revenues, including reduction of the period in which goods can be stored in bonded warehouses from 12 months to 6 months, and to 3 months for perishable goods; certain specified goods will not henceforth be permitted storage in the warehouses. Control of recurrent expenditures, which are to be limited to 23 percent of GDP, is to be facilitated by the introduction of a sub-Treasury system in four regions in 1994/95, the grounding of a large number of government vehicles, and a significant reduction in the numbers of embassies and diplomatic staff. Expenditure policies will also place increased emphasis on the development of cost recovery and control systems. The wage bill is to remain constant relative to GDP; the Government has announced an increase in the minimum pay for civil servants from T Sh 5,000 to T Sh 10,000 per month. Against this background, and taking into account projected foreign inflows, the Government is expected to make net repayments to the banking system equivalent to 1.5 percent of GDP in 1994/95.

24. The Government intends to establish by end-October 1994 a Revenue Board, which will be charged with formulating revenue policy and procedures, and advising the Government on revenue issues. The Board will scrutinize all tax exemptions, including decisions on discretionary exemptions, and will make appropriate recommendations to the Minister of Finance for his final ruling. It will also have broad responsibilities for the review and audit of these exemptions. In formulating its assessments, the Board will take into consideration technical analysis to be provided by the pre-shipment inspection companies. A taxpayer identification number system being introduced in 1994/95 is aimed at controlling tax evasion by requiring taxpayers to maintain proper business and bank records for purposes of tax audit, and ensuring that taxpayers do not fail to file returns.

a. Revenue

25. Intensive efforts will be made to broaden the tax base and achieve fully the revenue potential of the present tax system. In this context, the Government will prepare for the introduction of a value-added tax (VAT) by January 1996, and will address in the course of 1994/95 the issues

pertaining to the transition from a sales tax to a VAT system to ensure that the objectives of revenue enhancement and tax efficiency are realized. Measures aimed at boosting revenues further will also include (i) a sharp curtailment of exemptions ensuring the enforcement of the new arrangements announced in the 1994/95 budget; (ii) strengthened tax administration, including closure of all bonded warehouses not complying with Customs Department regulations, a further shortening of the time that goods (restricted only to industrial raw materials) can be held in the warehouses to three months, and substantially tightened procedures relating to tax collections on transit trade and duty-free shops; (iii) a strengthening of the Customs Department; (iv) extension of the responsibilities of the pre-shipment inspection companies to include the monitoring of customs duty receipts through the banking system; and (v) development of the functions of the newly established Revenue Board. Improvements will also be made in auditing and management systems, and in the collection of tax arrears.

b. Public expenditures

26. The principal objectives of expenditure policies over the medium term are to reflect (i) a reduced role of the Government in direct productive activities; (ii) increased expenditures on basic education, health, and other essential social services that have been underfunded; and (iii) improved expenditure recoveries and control systems. The Presidential Commission on Public Expenditure has recently submitted its recommendations to the Government. The main thrust of the recommendations is aimed at overall expenditure reduction and closer control and monitoring. Commencing with the 1995/96 budget, the Government will take concrete steps toward reducing unproductive expenditure, and will provide adequate funding of social services. The Government will aim to increase allocation of expenditures to basic education and basic health by 1 percent of GDP for each of these sectors in the budget years 1995/96 and 1996/97. The Government will also aim to increase allocation of expenditures to water and sanitation by 1 percent of GDP for the budget years 1995/96 and 1996/97. Expenditures on agricultural research and extension will be increased to 1.5 percent of agricultural GDP in the 1995/96 and 1996/97 budgets.

27. To improve the efficiency of public investment, the Government has identified for the first time a core investment program as part of the second Rolling Plan and Forward Budget (RPFb) with the goal of focusing the Government's expenditures in the development budget on high priority projects. The core investment program has been allocated about 80 percent of local funds in the 1994/95 Development Budget. The aim is to raise this share to about 90 percent in the 1995/96 budget, with the major focus being on identifying a "Super Core" set of priority projects in each sector, which will receive 100 percent of their realistic funding requirements. The remaining projects in the core set will be funded at varying levels depending on resource availability, while an agenda will be developed for phasing out the noncore projects over the second RPFb period. Budgeting and

accounting for donor-financed expenditures will be improved, with the aim of achieving full coverage in the 1995/96-1996/97 budgets of donor funds for realistically expected disbursements.

28. Technical cooperation is one of the major cost items in public expenditure. It comprises about one third of total external assistance and is almost equal to the total annual wage bill of the entire civil service. The Government is therefore developing a framework paper, to be completed by December 1994, to improve the efficiency of such expenditures, which will seek to:

(i) facilitate the flow of technical assistance resources to priority sectors and areas;

(ii) enhance the sustainable capacity to manage the resources for development;

(iii) facilitate collaboration between providers and users of technical assistance in the identification, development, implementation, and monitoring of these assistance programs;

(iv) provide information on technical assistance; and

(v) maximize the utilization of such resources in general, and technical assistance personnel in particular, for the benefit of the economy.

### 3. Financial sector reform and monetary policy

29. Financial reforms will focus on securing major improvements in competition in the sector to facilitate the needed mobilization of domestic savings and efficient allocation of available resources. The potential for improved monetary policy planning and implementation opened up by the recent restructuring of the Bank of Tanzania will be realized to the greatest extent possible, including improved integration of fiscal and monetary management facilitated by enhanced cash-flow analysis at the Ministry of Finance, and development and utilization of the strengthened technical expertise in the Bank of Tanzania's supervisory and market-related activities (including the treasury bill auctions, payments and clearance systems, operation of the interbank market for foreign exchange, and external reserve management).

#### a. Public sector banks

30. The Government is committed to improving the efficiency of financial intermediation. Restructuring and privatization of the two public sector banks will be accorded key priority. Major areas of the short-term restructuring program include strengthening the management team of the NBC, use of adequate loan classification criteria, and establishment of appropriate incentives for efficient management. Based on the results of the

ongoing loan portfolio review, and on the outcome of a diagnostic evaluation, which is due to begin in November 1994, the Government will finalize a medium-term program for restructuring of the NBC. By December 1994, the Government will begin implementation of this program which will include strengthening the management team and continued downsizing of the NBC, and the sale of part of the Government's share to the private sector. The CRDB, which is being restructured to become a private bank, will be required to meet minimum capital adequacy standards by June 1995, or have its banking license withdrawn. A restructuring plan for the People's Bank of Zanzibar (PBZ) will be finalized and its implementation, as well as implementation of the restructuring plan of the Tanzania Investment Bank (TIB), will be effected during 1994/95-1995/96. In the restructuring process, no further government-funded recapitalization will take place, except in the context of finalization of a privatization transaction. As a further step to facilitate increased competition in the financial system, the Government will continue to encourage the entry of new banking institutions into Tanzania. The Government is also developing a program that could facilitate the development of rural financial markets that could encourage the establishment of community-based intermediaries with savings mobilization and allocation and payments functions, while at the same time creating opportunities for banks and other financial institutions to extend their services to the rural sector. The new Bank of Tanzania Act will be in force by March 1995, with legislative provisions more appropriate for a market--rather than control--oriented environment.

b. Monetary policy

31. Monetary policy will be aimed at achieving and sustaining a low rate of inflation consistent with the overall growth and balance of payments objectives. To this end, the Bank of Tanzania will pursue a restrictive monetary policy stance by ensuring a tight liquidity position of the commercial banks, maintenance of positive rates of interest in real terms, and greater use of market-based intervention policies. These objectives--facilitated by the expected improvement in the fiscal position--are to be achieved by appropriately limited access to the Bank of Tanzania's rediscount and repurchase facilities, and continuation and expansion of the treasury bill auctions. If the recent surge in coffee export prices generates substantial increases in net foreign assets of the banking system and thereby possibly jeopardizes realization of the monetary targets, appropriate sterilization and other measures will be taken to secure the macroeconomic objectives. The prudential guidelines will be strictly implemented. The enforcement of the liquid asset requirement will be relaxed by March 1995. With the treasury bill rates established in the auctions evolving as benchmark market-determined rates, the development of a more integrated interest rate structure in the financial system is becoming an important priority for the Bank of Tanzania. In line with this objective, the Bank of Tanzania's discount rate will become more closely linked to the movements in the treasury bill auction rate. The Bank of Tanzania will also ensure that through the operation of its various monetary instruments and its bank supervisory functions, maximum encouragement is

given to the development of a competitive and efficient financial environment, including secondary securities markets. The authorities will also offer a wider array of financial instruments--including medium and longer term government securities with market-related yields--that will permit greater scope for diversification in financial portfolios. Reserve money programming will be developed further to help coordinate the formulation and implementation of monetary and fiscal policies. During 1994/95, the Bank of Tanzania will also take steps to improve the domestic payments and settlement arrangements in the banking system.

#### 4. Public sector management

##### a. Civil service reform

32. The Government will continue the implementation of a program of civil service reform covering four major elements: personnel control; reducing the size of the civil service; pay reform; and a comprehensive rationalization process on the basis of organizational reviews of each ministry. Efforts to improve personnel control will include the imposition of a ceiling on the total number of all civil servants (including health, education, and security workers) at the level that existed at the end of June 1994, and implementation by June 1997 of the long-term personnel control system. In the interim, a time-bound action plan for implementation with benchmark targets for further control will be introduced. The Government is also reviewing its size, function, and structure, given its role in a market-oriented economy. Organizational and efficiency (O&E) reviews--which will recommend changes in organization, staffing and procedures to ensure that ministerial operations and responsibilities are consistent with the Government's priorities--are being undertaken. Reviews for the first six ministries, consisting of the three central ministries in charge of economic management--Ministry of Finance, Planning Commission, and Civil Service Department--and three sector ministries that perform key government functions--Ministry of Education (including all school teachers), Ministry of Health (including all health workers) and Ministry of Works--are expected to be completed by December 1994. O&E reviews for six more ministries are to be completed by December 1995 and for the remaining ministries, by the end of 1996. To increase the transparency of civil service remuneration and broaden the income tax base, the Government will design (by June 1995) and implement (by June 1996) a new salary structure in which in-kind benefits (with the possible exception of housing) will be monetized and all monetary allowances will be included in the basic wage. To reduce the long-term fiscal burden, the Government will complete the retrenchment of 20,000 redundant employees (on a net basis) in 1994/95. Retrenchments of additional civil servants will continue in 1995/96 and 1996/97 based on the O&E reviews. In addition to Central Government employees, the exercise will cover local government employees, including education and health workers. Adequate resources for payment of severance packages will be provided in the budgets. A review of the staffing and organization of local government will be completed by June 1995. A program to assist in the redeployment and retraining of retrenched civil servants will be in place shortly.

b. Parastatal reform

33. Reform of the parastatal sector is a key element of the Government's Economic Reform Program, whose objective is to improve the operational efficiency of the enterprises, to reduce fiscal and monetary pressures, and to promote wide participation by nationals in the ownership and management of business and economic activities. By promoting the role of the private sector in the economy, the Government will be relieved from direct participation in the productive sectors and can concentrate resources in the provision of basic public services, including health, education, water, infrastructure, agricultural research and extension, law and order, and security. The Government has developed a program under which all commercial enterprises will be divested. In order to encourage wide participation in the privatization program, the Government intends to develop the capital market, and to introduce a bill for the enactment of a Privatization Trust by January 1995. The Trust would act as a vehicle through which some shares of enterprises being privatized would be held for future sale to the general public.

34. While action is being taken to address these constraints, the Government will, by December 1994, liquidate a minimum of 20, and divest at least 15, enterprises (these will not include parastatals that were divested or placed under receivership prior to January 1994); Performance Agreements will be executed for at least five enterprises. By December 1995, an additional 55 enterprises will be prepared for sale, lease, or liquidation, and an additional 30 enterprises will be divested or liquidated. The Government will implement a hard budget constraint under which commercial parastatals will receive no direct or indirect financial support from other public sector entities, including (among other sources) from the budget, from the Presidential Parastatal Sector Reform Commission (PSRC) special account holding the proceeds of privatization transactions, from Commodity Import Support (CIS) allocations to parastatals in arrears to the Treasury or the public sector banks, from tax exemptions (except those provided for under agreements with bilateral donors), or from the utilities by incurring arrears on bills. However, this policy would not exclude one-time funding injections from the budget or conversion of CIS arrears or outstanding loans that are necessary to finalize a privatization transaction, loans on commercial terms from public sector banks to creditworthy parastatals, or CIS allocation to parastatals that are current on their debts to the public sector.

c. Planning and budgetary reforms

35. A recent review of government expenditures emphasized the need to increase their effectiveness. The Government will continue to redefine its role and functions through the Rolling Plan and Forward Budget (RPF) process, with a view to withdrawing from the commercial sectors and focusing scarce resources on the core functions of law and order, basic health and education, water and sanitation, economic infrastructure, and protection of the environment. The RPF has been introduced to establish a link between

the Government's stated priorities and the actual resource allocation process. It is also the tool through which the Government will introduce much-needed reforms in expenditure management, such as improving the links between planning and budgeting; strengthening the links between the recurrent and development budgets; rationalizing the public investment program; and improving the transparency and efficiency of aid-funded expenditures.

36. The first RPFb was introduced in 1993/94 and covered the three-year period 1993/94-1995/96. While it clearly articulated the Government's newly-defined intersectoral priorities, it had a number of shortcomings that will be improved upon during the second and successive RPFbs. For example, since the Forward Budget was prepared only at a fairly aggregate (or vote) level, it failed to define priorities within each sector. To help channel resources to the Government's priorities within each sector, such as to basic health and basic education within the social sectors, it is intended that the third RPFb will contain the Forward Budget for the years 1996/97 and 1997/98 disaggregated to subvote levels for both the Recurrent and Development Budgets. Furthermore, in order to facilitate the flow of government and donor resources into priority areas, Volume II of the RPFb will provide a summary and description of the public investment program and will indicate the core and noncore areas of investment. To guide resource allocation in the 1995/96 budget, it is intended that the Forward Budget for 1995/96 be finalized by March 1995, in advance of the preparation for the annual budget. Finally, to facilitate improvements in the monitoring of government expenditures and in the transparency and efficiency of aid-funded expenditures, starting from the 1995/96 budget, the Development Budget will publish actual expenditure figures for the two previous years as is done in the Recurrent Budget.

## 5. Private sector development

### a. Investment environment

37. Improvement of the environment for private sector activities and promotion of private investment (local and foreign) remains a key focus of the Government's development program. To facilitate the achievement of these objectives, the Government will develop macroeconomic and sectoral policies providing an environment conducive to investment. Furthermore, the Government will, by December 1994: (i) amend the relevant legislation to provide for automatic approvals for all investments projects outside a negative list and opening up all sectors (outside the negative list) to private investment; and (ii) streamline approval procedures to simplify registration and reduce the number of steps necessary to start a business. The Government will also review the system of investment incentives, and consider alternative means of providing incentives that would be more transparent and automatic, and more appealing to investors. The further liberalization of the trade and payments system allowing acceptance of the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement will strengthen business confidence and attract investors.

b. Land and housing

38. The Government recognizes the need to have a uniform and consistent land policy that would guide and regulate the allocation, ownership or leasehold, use, management and administration of land. To that effect, the Report of the Land Commission (the Shivji Report) is presently being discussed at various government levels before a national debate in workshops. Based on this work, the Government will adopt a comprehensive land tenure strategy to ensure equitable (including gender-based equity) and efficient land use by June 1995. New land administration procedures will be developed, consistent with this strategy, by December 1995, including the streamlining of land registration and titling procedures and the upgrading of record-keeping in the Lands Registry. The Government's surveying capability will be focused on policy and regulatory issues, with commercial activities left to the private sector. In line with its divestiture program, the Government will prepare, by June 1995, a revised housing policy and housing development strategy, particularly as regards the assets of the National Housing Corporation. The Government will also review the general policy regarding construction of staff housing by the ministries.

c. Tourism

39. With the aim of substantially increasing revenues from tourism, the Government intends to facilitate the development of tourist attractions and to target key markets for promotion efforts. To this end, the Government will ensure the rehabilitation and construction of infrastructure such as access roads, water supply, electricity, airstrips, and telecommunications, relying, when appropriate, on private sector initiative. The Government will improve the enabling legal and administrative environment for private operators to invest in new facilities and to undertake rehabilitation of existing tourism infrastructure through privatization and lease arrangements as part of the parastatal sector reforms and through the rationalization of, and greater transparency in, the management of the hunting concessions. The Government will prepare, by June 1995, a tourism master plan consistent with efficient exploitation of tourism resources and taking into account concerns arising out of the National Environmental Policy and National Conservation Strategy, particularly with respect to wildlife and land management policies.

d. Mining

40. The Government will continue to adopt policies aimed at providing an attractive enabling environment for investors in the mining sector. Specifically, by June 1995, the Government will revise the legal framework relating to mining to increase consistency and transparency (including the Mineral Act of 1979, the Income Tax Law of 1973, the Investment Promotion Act of 1991 and Mineral Model Agreement) and streamline licensing procedures. The divestiture of public mining companies and reorganization of STAMICO now underway will be completed by December 1995. The Government will address the environmental aspects of mining through implementation of

the Mining Sector Environmental Action Plan, which includes health, safety and environmental regulations to protect miners, minimize land degradation, deforestation and pollution of water sources and the environment generally. This Plan will be fully implemented by June 1996.

6. Agricultural policies

41. Tanzania's objectives in agricultural development are to efficiently produce food and cash crops, generate foreign exchange, supply domestic industries with raw materials, and raise rural income levels to alleviate poverty. In the short term, policies to induce growth in the agricultural sector will continue to be focussed on reversing price distortions and removing losses due to the inefficiencies of the processing and marketing industries by: (i) using the market rate of exchange for agricultural exports; (ii) revitalizing the export processing industries; (iii) continuing to reduce the Government's participation and control in the mechanisms for the marketing of products and the supply of inputs for the sector; and (iv) emphasizing research and extension.

a. Marketing

42. The strengthening of competition in the marketing and processing of export crops is an important goal of the Government's policy. The amendment in August 1993 of the Act relating to the crop marketing boards (Crop Boards Miscellaneous Amendments Act 1993) virtually completed the actions for creating a free, fair, and competitive agricultural marketing and processing system. The Government has finalized the guidelines for implementing the amended Act, and conducted seminars for traders and farmers on the new marketing policy and guidelines on coffee, cotton, cashew nuts, and tobacco. Marketing Board regulations will be in place by September 30, 1994. Registration of buyers for the 1994/95 marketing season is progressing well. In order to find the least-cost way of executing the strategic purchases and sales necessary to meet food security objectives and to minimize procurement and selling costs, the operations of the Strategic Grain Reserve (SGR)--which accounts for only about 4 percent of marketed grain--will be limited to the zonal centers. Beginning with the 1994/95 marketing season, the Government introduced tendering procedures to replace the agency arrangement. The tender documents specify the quantity and quality requirements of the grain to be supplied during the marketing season. During 1994/95, the Government will undertake a study on the SGR maize trigger mechanism, with a view to enhancing management efficiency and contributing to price stabilization. As legally stipulated, the SGR maximum stocks will not exceed three months' national requirements.

b. Cooperatives

43. The export crop processing industries continue to be dominated by cooperative unions or parastatals, many of whom operate inefficiently. To encourage the restructuring of their operations, the Government will, by December 1994, ensure that the primary cooperative societies and unions are

constituted under the provisions of the Cooperative Societies Act of 1991. Under this Act, only primary societies and unions which are independent, voluntary, economically viable, with democratically elected leadership, will be registered. To date, about 4,700 (out of the projected 5,000) of the primary Cooperative Societies, five cooperative unions, and five apex organizations (coffee, cotton, cashew nuts, tobacco, cereals) have been registered under the 1991 Act. To facilitate private sector participation, the Government will, by June 1995, amend the Cooperative Societies Act of 1991 to permit the formation of joint ventures between cooperatives and other private and public sector establishments.

c. Inputs

44. The Government will continue to take steps to liberalize the market in agricultural inputs (fertilizer, pesticides, veterinary drugs, chemicals, tools and implements) with the exception of those vaccines that are restricted by law and/or are required to deal with devastating diseases like rinderpest, which will be used to control national outbreaks or for vaccination campaigns. The targeted studies programmed during 1994/95 under the Agricultural Sector Management Project (ASMP) will provide the guidance for further action in this respect. The Government will continue with auctioning all donated inputs at the port of entry so as not to undercut the domestic trade in agricultural inputs. The effectiveness of drugs and pesticide regulation at all stages will be strengthened by June 30, 1995.

7. Human resource development

45. Poverty and social dimensions of the program. Since Independence, the Government has been committed to reducing poverty and improving equity. The basic goal of the Economic Recovery Program has been to reduce poverty through encouraging more rapid growth. However, given the extent of poverty, more needs to be done to translate growth into sustainable poverty reduction. The Government will therefore continue to implement growth-oriented policies, and facilitate poverty reduction through strengthened provision of basic social services and social safety nets. The Government will institutionalize a poverty monitoring system in order to ensure that macroeconomic and sectoral policies, which are specifically intended to alleviate poverty, are effective. Efforts to improve the incomes of the rural poor will include improvements in the rural terms of trade (through further measures to liberalize the marketing and processing of export crops and the restructuring of the cooperative system) and improved provision of infrastructure and agricultural services--in particular, expanded access to economic opportunities for women. To alleviate poverty in the urban areas, efforts will be made to support and promote the informal sector. Initial steps in this direction are being provided by the National Income Generation Program.

46 The Government's program will increasingly focus on policy reforms and increased allocation of resources to the social sectors. In particular, emphasis will be placed on the basic social services, such as primary

education, primary health care, nutrition, and rural water supply. The reform program for the civil service and parastatals will include adequate safety net features for low-income workers adversely affected by these reforms. In addition, broader social safety nets will be instituted to assist those citizens unable for reasons of poverty to utilize the social services subjected to cost sharing.

47. Building on current initiatives, including the Health Sector Strategy, the Education Sector Policy to the Year 2000, the 1991 Water Policy, the National Nutrition Program, the National Program of Action for the Goals of Children in the 1990s, as well as the Social Sector Review, the Government will prepare a comprehensive strategy for the social sectors by December 1994. The key elements of this strategy will include: (i) strengthened intersectoral collaboration and coordination in the design, implementation, and evaluation of social sector programs; (ii) greater use of intersectoral linkages between investments in education, health, nutrition, family planning, and water and sanitation; and (iii) a more central role for communities in the process of social development through strategies aimed at empowerment.

a. Employment

48. The Government recognizes the problem of rising unemployment and underemployment occasioned, in large measure, by (i) the structural constraints confronting the economy, including the narrow resource base, which precludes short-term possibilities for adequate human resource development financing; (ii) sluggish growth in formal sector employment, exacerbated by massive retrenchments; (iii) a relatively undeveloped informal sector; and (iv) a general lack of employment expansion opportunities in the economy. The Government is taking measures to address the employment problem. These measures center on creating opportunities for employment creation to absorb the ever-rising pool of the unemployed and the underemployed and for income generation on a sustainable basis; creating the necessary enabling environment for informal sector activities to flourish; and increasing resource allocations for human resource development. During 1994/95, the Government will finalize an Employment Policy, which will provide a systematic and coherent employment strategy in Tanzania to the turn of the century.

b. Health

49. The Government had developed a large and well-distributed health system during the 1970s that delivered basic clinical services. However, the system has deteriorated over the years, and the health status of the Tanzanian population remains poor, owing in part to poor economic performance, rapid population growth, and a shift of emphasis from social sectors to productive sectors. More than 10 percent of children die before they reach their first birthday; high mortality, and morbidity rates from infectious and parasitic diseases, have persisted for decades. Malaria has so far been difficult to control. Tanzania's HIV seroprevalence rate has

increased rapidly over the last ten years. The general population seroprevalence rate is estimated to be 4-5 percent. Among its neighbors, Kenya and Uganda, Tanzania has the lowest rate of survival of children to age five. The mortality (per 1,000) rates are 176 for Tanzania, 169 for Uganda, and 113 for Kenya.

50. Funding in the health system is inadequate and allocation could be more effective. Annual public health spending is approximately US\$3.50 per capita. About US\$2.17 (62 percent) of that goes toward "essential health spending," or public health and basic clinical services; the remainder is devoted to administration and training. Compared with the estimated US\$12-15 per capita that would be required in low-income African countries for the *Better Health in Africa* package of basic public health, water, and clinical services delivered through a district-based health care system, it is clear that there is underfunding. The Government will put greater effort into the mobilization and allocation of additional resources to the health sector. Nevertheless, the Ministry of Health plans to pilot the package to establish the optimal level of funding for the basic health package. Poor health outcomes are correlated with low educational levels. Mother's education, in particular, is a strong determinant of children's health. For example, according to a recent survey, under-5 mortality is 162 per 1,000 children among mothers with no education, and 101 per 1,000 among mothers with some secondary schooling.

51. The Government will finalize a health sector strategy by June 1995, which will lead to detailed forward planning in various areas, including (i) improving the quality and utilization of personnel; (ii) developing financing mechanisms (such as insurance schemes) appropriate to liberalized service delivery; (iii) significantly increasing the share and effectiveness of government expenditures for public goods in the sector; and (iv) decentralizing decisions on staffing, purchasing of inputs, user fees, and other management decisions to the district health and hospital boards.

### c. Education

52. Tanzania faces severe problems in the education sector. Gross primary school enrollment rates fell from about 93 percent in 1980 to 74 percent in 1990. Completion rates are also very low. For example, according to a recent household sample survey, only 6.3 percent of females aged 15 to 19 had completed primary school in 1991/92. The secondary school gross enrollment rate has stagnated at about 4 percent since the early 1980s, one of the lowest enrollment rates for secondary education in the world. Demand for secondary schooling exceeds the supply throughout the country. Girls are particularly unlikely to enter and complete secondary school, and only about 25 percent of upper secondary school students (Form V-VI) are female.

53. As with the health sector, the Government expects to finalize an education sector strategy by June 1995. The strategy will form the basis for comprehensive planning in areas such as (i) improved quality and utilization of personnel; (ii) development of financing mechanisms (such as

scholarship schemes) appropriate to liberalized service delivery; (iii) increasing significantly the share and effectiveness of government expenditures on education; and (iv) decentralization of decisions on staffing, purchasing of inputs, user fees, and other management decisions to the facility level. The Government will evaluate postsecondary school training programs in ministries and parastatals with a view to privatizing and liberalizing the training subsector. Efforts will be made to increase efficiency of labor markets and to improve the knowledge of employers and potential recruits of available options for training and employment.

d. Population policy

54. The Government recognizes in its National Population Policy adopted in 1992 the mutual interaction between population growth and socioeconomic development. With a high population growth rate of about 2.8 percent and an average total fertility rate (TFR) of 6.3 children per woman, the current population of 27 million will increase annually by 700,000 and double every 25 years. The young age structure of the population resulting from the high rate of growth--with 46 percent of the population under 15 years of age and 19 percent between 15 and 24 years of age--has an obvious impact on the provision of social services such as education and health. This situation makes it difficult to attain the various social goals, including provision of universal primary education, primary health care, and universal child immunization. The creation of employment for entrants to the labor force also becomes difficult.

55. A program for implementing the National Population Policy has already been prepared which, among other objectives, is aimed at increasing further the life expectancy of Tanzanians and reducing the rate of population growth. The main strategy for achieving these objectives will involve expanded programs for immunization; strengthening the provision of family planning education and services with universal coverage; reaching the youth through the provision of family life education in schools and other youth programs; promoting better education for, and the development of women, especially empowering them to be directly involved in decision-making; and involving communities in population programs, including those directed at tackling environmental problems. Preparations are underway to formulate sectoral programs to operationalize these guidelines.

56. By October 1995, the Government will develop a ten-year plan of action that will contain long-term targets in all areas addressed by the population policy, and recognizing resource constraints. These targets include the continued reduction of fertility and mortality in order to promote the health of the mother and child and also contribute to the lowering of the high rate of population growth. A key element of this program is to increase access by girls to primary and secondary schools.

e. Water

57. The Government has accorded high priority to the provision of water supply and sanitation services to both the rural and urban populations. Currently, 46 percent of the rural and 68 percent of the urban population (or an average of 50 percent of the total population) have access to clean and safe water. However, the supply of water has not been satisfactory and has disrupted both domestic and industrial activities. This situation has been due to an aging distribution system (causing massive leakage of water) and lack of spare parts and equipment for maintenance and rehabilitation, and to inadequate funding of projects because of budgetary constraints resulting in delayed implementation. With the introduction of the Water Policy in 1991, the Government has implemented, and will continue to implement, high priority projects in accordance with the objectives of this sector. The emphasis will therefore be on rehabilitation of the old and deteriorated schemes and full maintenance of existing facilities; supplies to drought-stricken areas; projects using effective technologies that attract community participation; and projects aimed at improving the environmental sustainability of water supplies. Efforts will also be made to promote community participation in the financing and management of water supplies and decision-making, as well as to encourage the private sector by involving individuals and companies to import water chemicals and equipment.

8. Environmental policy

58. In recognition of the need for direct actions to help conserve Tanzania's natural resources and environment for sustainable growth, the Government will implement an action plan based on the recently adopted NEAP. It will include the continuation of the NEAP consultation process; finalization and adoption of the draft National Environment Policy (by June 1995); establishment of a legislative framework pertaining to the environment including implementation of new land, forest, and wildlife protection acts; integration of environmental policy and conservation strategy as well as an environmental assessment approach into development planning; strengthening of environmental education and public awareness programs; the preparation of a priority long-term investment program; and changes in policies to ensure that prices for nonrenewable resources reflect their true cost. Moreover, over the period the Government will strengthen the institutional capacity to implement environmental programs, particularly improvements in the royalty collection system, production of a national land use and natural resource map, and development of a natural resource information center. In addition, short- and medium-term measures will be taken in a few selected areas to address the immediate problems stemming from the discharge of untreated industrial pollutants and waste water into various bodies of water, and to combat soil degradation and erosion due to uncontrolled deforestation and unsustainable cultivation practices which affect the management of hydropower reservoirs. Both the water act and the accompanying regulations need to be revised to provide a better basis for national water resource management and for environmental protection. A

number of ministries and parastatal bodies will have to cooperate in this effort to reconcile the requirements in such diverse fields as forestry, fisheries, hydropower, water supply, and industry.

9. Infrastructure and energy

a. Transport

59. The Government continues to emphasize the maintenance and rehabilitation of infrastructure, while undertaking selected new investments. Following upon the first phase of the Integrated Roads Program, the second phase (beginning 1994/95) will focus on the strengthening of transport sector administration, particularly through the separation of policy making and regulatory functions from management of operations; improving commercial operations of road transport parastatals; strengthening of organizational, management and financing arrangements for the road network, including increasing road charges to levels necessary to fully fund all maintenance costs by 1995/96; and the rehabilitation and upgrading of the trunk, regional, and rural road networks. The Government will, by April 1995, prepare a divestiture plan for the Regional Trucking Corporation, and, by June 1996, offer the Plant and Equipment Hire Company for divestiture. Following the recent liberalization of air transport services to allow for more competition, efforts will be concentrated on introducing private sector participation in the ownership and/or management of Air Tanzania by December 1995, and on commercializing management of at least the major international airports and establishing an independent regulatory body for air systems, to commence by December 1995. The Government will enter into a new Memorandum of Understanding (performance contract) for the Tanzania Railways Corporation by January 1996. In the ports subsector, programs to be implemented by June 1996, include restructuring the management of the Tanzania Harbors Authority (THA) to decentralize operating functions away from the Headquarters to the ports; implementation of productivity schemes to be retained under THA; and introducing competition in the shipping agency and freight booking businesses.

b. Urban services

60. The Government recognizes the poor state of urban service delivery, including rapid deterioration of the existing urban infrastructure and extensive erosion of the level of services available to the rapidly expanding urban population. In this context, the Government will prepare by December 1994 an Urban Management, Service Delivery, and Infrastructure Investment Policy, which is aimed at creating an effective institutional and financial framework for operating a sustainable service delivery system in urban centers. To this end, by December 1994, municipalities will be given a greater voice in the management of urban water supply through the operationalization of the Special Funds that have already been established, and through the creation of Water Advisory Boards in at least three pilot towns.

c. Energy

61. To establish an efficient energy production, procurement, transportation, distribution and end-use system in an environmentally sound manner, the Government strategy aims at exploitation of abundant hydro-electric sources and development of other indigenous energy resources such as natural gas, coal and petroleum in collaboration with the private sector. The Government is performing a comprehensive review of the power sector to determine if all or parts of it should be and can be privatized. It will also continue the process of streamlining TANESCO (Tanzania Electric Supply Company Ltd.) and putting it on a viable commercial footing. The Government has already brought average tariff rates in line with the long-run marginal cost. TANESCO is reviewing the results of a tariff study that recommends a simplification of tariff groups, reduction of cross subsidies, and the introduction of a variable charge to cover fuel cost, the cost of purchased energy, and foreign exchange variations. The recommendations of the new tariff structure will be implemented by December 1994. Further measures include the continuation of the practice of keeping all government agencies current in settling their obligations to TANESCO for electricity use. The Government will carry out a study of TANESCO privatization options and define a plan of action for its implementation by December 1994. The Government will, by June 1995, implement measures to stem the losses from operating the refinery (TIPER). The Government is also preparing to invite private investors to participate in a gas-fired thermal plant at Mnazi Bay, and is negotiating with private investors to develop the Songo Songo gas-to-electricity project.

10. Statistics

62. There is considerable concern regarding the reliability and comprehensiveness of economic statistics on Tanzania. In particular, national income is generally thought to be severely underestimated, as suggested by several recent household and other surveys. Steps will be taken by December 1994 to improve the compilation of monthly consumer price indices based on the Household Expenditure Surveys. A medium-term program will be formulated, aimed at strengthening the sources, coverage, and methodologies for national income accounting--particularly for sectors such as agriculture, construction, manufacturing, transport, and internal trade--and for data on wages and employment, monetary accounts, and balance of payments. Additional efforts will be made to enhance the overall national institutional capacity for the compilation, publication, and analysis of statistics.

IV. External Financing Requirements

63. Tanzania's balance of payments will continue to face large external imbalances over the medium term, and exceptional financing will therefore be required. Taking account of the policies described above, as well as of the reforms of the exchange and trade system, export volume, after declining by

4.3 percent in 1994/95 reflecting the impact of the drought on traditional exports, is projected to grow at an annual average of 7.3 percent in 1995/96-1996/97. Nonoil import volume growth is projected to be contained at an annual average of 4.2 percent over the period, responding to the tight financial policies and maintenance of external competitiveness. The services account is projected to show an improvement, reflecting an increase in receipts from tourism and a gradual decline in interest payments. Finally, private transfers, which largely reflect unrecorded exports, are expected to stabilize in real terms with the further liberalization of the exchange and trade regime.

64. Based on the above projections, the current account deficit (excluding official transfers) is projected to decline from about US\$950 million in 1992/93 to US\$770 million in 1996/97. Taking into account scheduled amortization, Fund repayments, and the need to build up gross reserves to the equivalent of 13 weeks of imports, the financing requirement for 1994/95-1996/97 is projected to total US\$3,393 million (for 1994/95, the requirement amounts to US\$1,139 million). The requirement for 1994/95-1996/97 is expected to be financed by grants (US\$1,397 million); loans, including those from the World Bank, (US\$900 million); Fund ESAF disbursements (US\$137 million); and direct investment (US\$224 million); leaving a residual financing gap of US\$734 million for the period. The residual financing gaps are expected to be covered through debt relief from Paris Club and non-Paris Club creditors. The financing requirement of US\$1,139 million for 1994/95 is expected to be financed by grants (US\$463 million), loans (US\$286 million, of which the World Bank's contribution is US\$168 million), Fund ESAF disbursements of US\$68 million, and direct investment (US\$68 million), leaving a residual financing gap of US\$254 million. This gap is expected to be financed by debt relief that the Tanzanian authorities will request from Paris Club members, as well as from non-Paris Club creditors.

Table 1. Tanzania: Key Macroeconomic Indicators, 1986/87-1996/97

	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94 Prov.	1994/95	1995/96	1996/97
									Projections		
GDP growth rate	4.2	4.6	4.1	4.4	4.3	3.7	3.7	4.5	4.5	5.0	6.0
GDY growth rate	4.1	5.3	6.5	3.5	0.5	-3.6	3.3	3.6	5.1	5.1	6.4
GDY per capita growth	1.1	2.3	3.5	0.6	-2.4	-6.4	0.2	0.7	2.1	2.2	3.4
Consumption per capita growth rate	-0.1	16.7	2.2	-9.6	5.5	4.1	10.4	-0.7	-2.2	-0.1	0.9
Gross domestic investment/GDP	25.9	30.5	32.7	41.2	41.9	40.3	40.0	40.0	41.0	41.0	41.0
Domestic savings/GDP	9.0	1.8	-0.7	7.6	7.4	4.5	-4.8	-2.4	1.4	3.5	5.5
Domestic savings/GDP, adjusted <u>1/</u>	15.6	18.4	8.0	5.4	5.5	0.2	-6.4	-7.1	-5.7	-5.0	-4.2
National savings/GDP	14.6	9.2	6.2	17.4	14.1	13.2	5.6	9.5	13.4	15.4	16.3
Government revenue/GDP	16.1	16.7	19.5	21.0	22.1	23.3	17.5	21.0	24.5	25.5	26.5
Government revenue including grants/GDP <u>2/</u>	22.0	22.4	25.2	27.1	25.9	27.7	23.7	31.3	33.3	32.5	32.5
Government expenditure/GDP <u>3/</u>	24.3	24.4	25.5	28.0	25.2	26.2	32.1	32.2	33.1	32.0	31.5
Overall deficit (-)/GDP											
(checks issued, before grants)	-8.2	-7.7	-6.0	-7.0	-3.1	-2.9	-14.6	-11.1	-8.6	-6.5	-5.0
(checks issued, after grants)	-2.3	-2.0	-0.3	-0.9	0.7	1.5	-8.4	-0.9	0.2	0.5	1.0
Exports (goods and nonfactor services) real growth rate	7.8	2.7	8.7	3.0	-1.6	9.9	9.8	46.9	-0.2	8.6	8.3
Exports (goods and nonfactor services)/GDP	10.6	12.9	16.7	19.9	16.0	16.7	23.1	34.3	39.9	42.3	42.8
Imports (goods and nonfactor services) real growth rate	-1.4	1.3	5.7	-4.5	-6.2	8.0	8.1	6.7	4.2	4.7	3.4
Imports (goods and nonfactor services)/GDP	27.5	41.6	50.1	53.4	52.5	54.5	69.4	76.8	81.8	82.5	80.8
Debt service (US\$ million)	129.0	125.0	119.0	148.0	132.0	361.5	538.3	525.6	481.1	478.6	488.8
Debt service ratio <u>4/</u>	14.5	12.9	12.4	15.0	16.0	37.8	50.9	40.3	32.8	29.9	28.5
Current account (US\$ million) <u>5/</u>	-611.8	-678.0	-800.1	-763.9	-817.6	-866.1	-948.1	-762.2	-735.4	-738.8	-768.5
Current account/GDP <u>5/</u>	-16.2	-20.0	-25.9	-29.4	-27.4	-31.7	-35.5	-30.6	-29.2	-27.6	-26.5
Current account (US\$ million) <u>6/</u>	-176.1	-189.0	-283.2	-233.9	-269.0	-297.1	-366.0	-303.2	-272.9	-271.4	-297.0
<b>Memorandum items:</b>											
GDP (US\$ million)	3,773.9	3,388.6	3,088.9	2,598.1	2,981.9	2,728.4	2,667.3	2,491.7	2,516.9	2,675.1	2,886.6
Exports (goods and nonfactor services) (US\$ million) <u>7/</u>	442.4	446.4	544.6	523.2	534.8	575.8	617.2	854.7	1,005.1	1,131.7	1,234.7
Private transfers (US\$ million)	371.3	432.5	406.3	460.6	407.7	456.4	463.2	450.0	460.6	471.4	482.2
Inflation (CPI)	32.7	29.9	29.4	22.2	21.7	21.1	23.2	24.0	12.5	6.5	5.0
Gross reserves (weeks of imports)	1.3	3.2	2.0	4.8	7.5	16.2	10.4	11.1	12.5	13.7	13.2
Population	22.5	23.1	23.8	24.5	25.2	25.9	26.7	27.5	28.3	29.1	30.0
Population growth rate	3.0	2.9	2.9	2.9	2.9	3.0	3.1	2.9	2.9	2.9	2.9

Source: Data provided by the Tanzanian authorities; and staff estimates.

1/ According to best estimates, unofficial exports, receipts for which are classified as "private transfers," finance the funding of "own funds imports." If correctly reclassified as exports, these should be included in gross domestic savings and are therefore included in the "adjusted" figures.

2/ Historical data for this series are inaccurate as the fiscal accounts did not include a large proportion of aid.

3/ The sharp increase in government expenditures in 1992/93 as compared with the previous years is due to an expanded coverage of the Budget to include a much greater proportion of aid-funded expenditures. In 1993/94, the coverage will be expanded further to include all aid-funded expenditures.

4/ Through 1990/91, the numbers are for actual payments made, while, from 1991/92, the data are based on scheduled payments. The debt service ratio shows debt service as a percent of exports of goods and services and net private transfers.

5/ Excluding grants.

6/ Including grants.

7/ According to best estimates, these are mostly unofficial exports.

Table 2. Tanzania: External Financing Requirement, 1992/93-1996/97

(In millions of U.S. dollars)

	1992/93 Act. Prel.	1993/94 Prov.	1994/95	1995/96 Projections	1996/97	1994/95- 1996/97 Total
Financing requirements	1,201.7	1,150.8	1,139.1	1,144.5	1,108.9	3,392.6
Current account deficit (excluding grants)	948.1	762.2	735.9	737.0	765.2	2,238.1
Amortization	356.4	337.2	322.3	321.6	310.6	954.5
Fund repayments	4.0	10.2	15.2	21.4	24.5	61.1
Gross reserve accumulation	-76.6	11.1	65.8	64.5	8.7	138.9
Reduction in arrears	-30.1	30.1	--	--	--	--
Available financing	1,201.8	1,150.8	885.2	904.9	867.8	2,657.9
Grants	582.1	459.0	463.0	465.6	468.2	1,396.8
Loans	189.4	206.6	285.6	299.9	314.9	900.4
Of which: World Bank	(...)	(164.2)	(167.6)	(...)	(...)	(...)
Fund disbursements	44.9	--	68.3	68.8	--	137.1
Direct investment	61.7	63.0	68.3	70.7	84.8	223.8
Debt rescheduling <u>1/</u>	338.5	322.8	--	--	--	--
Other <u>2/</u>	-14.9	99.4	--	--	--	--
Financing gap <u>3/</u>	--	--	253.9	239.6	241.1	734.6

Sources: Data provided by the Tanzanian authorities; and IMF staff estimates and projections.

1/ The debt relief for 1993/94 assumes that the third tranche of the 1992 Paris Club Agreement was effective.

2/ Short-term capital, including errors and omissions and including US\$5.5 million counterpart to monetization in 1992/93. For 1993/94, it also includes changes in net foreign assets of the commercial banks as well as other changes in net foreign assets of the Bank of Tanzania.

3/ Financing gaps are expected to be covered through debt relief.

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97

Objectives and Targets	Strategies and Measures	Timing
<b>1. <u>External Sector Policies</u></b>		
Liberalization of trade policies.	Allow exporters of coffee to retain fully (100 percent) their receipts.	October 1994
	Fully liberalize exports of traditional commodities.	Early 1994/95
	Eliminate exchange restrictions arising from existing bilateral payments agreements.	December 1994
	Rollback the recent increase in the maximum tariff rate.	June 1995
<b>2. <u>Fiscal Policies</u></b>		
Overall: To maintain fiscal restraint.	Achieve improvements in government current savings rate to:	
	1.5 percent of GDP	1994/95
	2.5 percent of GDP	1995/96
	3.5 percent of GDP	1996/97
	Achieve budget surpluses (checks issued after grants) of:	
	0.2 percent of GDP	1994/95
	0.5 percent of GDP	1995/96
	1.0 percent of GDP	1996/97
	No recourse to domestic bank financing of budget deficit.	Continuous
	Fully clear the Government's domestic payments arrears.	1994/95-1996/97
<b>a. <u>Revenue</u></b>		
To broaden the revenue base, improve efficiency, and strengthen cost recovery.	Establish Revenue Board.	October 1994
	Introduce taxpayer identification number system.	1994/95
	Close down all bonded warehouses not complying with Customs Department regulations; allow remaining warehouses to be used only for industrial raw materials and limit time period to 3 months.	June 1995
	Introduce Value Added Tax (VAT) system.	January 1996

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
<b>b. <u>Public expenditures</u></b>		
To reflect changing role of the Government in economic management in public expenditure and to improve monitoring and control of expenditures.	Improve expenditure recovery and control systems, including introduction of Sub-Treasury system.	1994/95
	Improve budgeting and accounting for donor-financed expenditures.	Continuous
	Aim to increase allocation of expenditures to basic education and basic health by 1 percent of GDP to each in 1995/96 and 1996/97 budgets.	June 1995, June 1996
	Aim to increase allocation of expenditures to water and sanitation by 1 percent of GDP in 1995/96 and 1996/97 budgets.	June 1995, June 1996
	Allocate 90 percent of the Government's budgeted counterpart funds to core program in the 1995/96 and 1996/97 budgets and reduce the size of noncore program.	June 1995, June 1996
	Increase expenditure on agricultural research and extension to 1.5 percent of agricultural GDP in 1995/96 and 1996/97 budgets.	June 1995, June 1996
<b>c. <u>Technical assistance</u></b>		
Enhance the utilization of technical assistance.	Develop a framework paper whose key elements would be:	December 1994
	(a) direction of resources to priority sectors;	
	(b) enhancement of sustainable capacity to manage the resources for development;	
	(c) enhanced collaboration between providers and users of technical cooperation in identification, development, implementation and monitoring of technical cooperation programs;	
	(d) provision of information on technical cooperation; and	
	(e) rationalization and maximum utilization of technical cooperation in general and technical personnel in particular.	

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
3. <u>Financial Sector Reform and Monetary Policy</u>		
a. <u>Public sector banks</u>		
Improve efficiency of credit allocation and stem losses channeled through financial system.	Restructuring of National Bank of Commerce, including: adequate loan classification; an improved system for clearance of inter-branch transactions; and cessation of NBC lending to non-performing borrowers.	1994/95
	Initiate process of privatization of NBC, including:	1994/95
	(a) continue downsizing of NBC;	Continuous
	(b) begin diagnostic study;	November 1994
	(c) begin implementation of medium-term program for NBC;	December 1994
	(d) strengthen NBC's management.	December 1994
	Ensure that there is no Government funding for further recapitalization of CRDB, except in context of finalization of a privatization transaction.	Continuous
	Withdraw CRDB license if not meeting capital adequacy requirement of the Banking and Financial Institutions Act.	June 1995
	Finalize and implement restructuring plan for Peoples' Bank of Zanzibar (PBZ).	1994/95-1995/96
	Continue implementation of restructuring plan for the Tanzania Investment Bank (TIB).	1994/95-1995/96
	New BOT Act to be in force.	March 1995
b. <u>Monetary policy</u>		
To reduce inflationary pressures, increase reliance on domestic resource mobilization, and improve allocation of financial resources.	Strictly limit refinancing from the Bank of Tanzania.	Continuous
	Develop monetary programming and further develop the functioning of the treasury bill auctions.	Continuous
	Relax liquid asset requirement.	March 1995
	Improve domestic payments and settlement arrangements in banking system.	1994/95

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
4. <u>Public Sector Management</u>		
a. <u>Civil service reform</u>		
Personnel control.	Impose a ceiling on the total number of all civil servants (including health, education, and security workers) at the level at the end of June 1994.	Continuous
	Begin implementation of long-term personnel control system.	1994/95
	Complete implementation of long-term personnel control system.	June 1997
Organizational and Efficiency (O&E) reviews	Complete O&E reviews that would recommend appropriate staffing levels for the first 6 ministries. These would consist of the 3 central ministries in charge of economic management-- Ministry of Finance, Planning Commission, and Civil Service Department--and 3 sector ministries that perform key government functions--Ministry of Education (including all school teachers), Ministry of Health (including all health workers) and Ministry of Works.	December 1994
	Complete O&E reviews of next 6 ministries.	December 1995
	Complete O&E reviews of all remaining ministries.	December 1996
Pay reform	Design a revised and integrated salary structure (that eliminates most monetary allowances and monetizes all in-kind benefits).	June 1995
	Implement the revised and integrated salary structure.	June 1996
Retrenchment and redeployment	Complete the retrenchment of 20,000 redundant civil servants on a net basis.	1994/95
	Continue retrenchment of additional civil servants based on O&E reviews.	1995/96, 1996/97
Strengthening local government	Complete review of staffing and organization of local government.	June 1995

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
<b>b. <u>Parastatal reform</u></b>		
To cut fiscal losses, improve economic efficiency, and enhance performance of parastatals remaining within the public sector.	Introduce Bill for enactment of Privatization Trust.	January 1995
	During 1994, liquidate at least 20 enterprises and divest at least 15 enterprises.	December 1994
	Divest or liquidate an additional 30 enterprises.	December 1995
	Execute performance agreements for at least five major public enterprises and prepare draft agreements for an additional five.	December 1994
	Maintain hard budget constraint on parastatals, including ending of direct and indirect subsidies (including through discretionary tax exemptions and import support without counterpart payments).	Continuous
<b>c. <u>Planning and budgetary reforms</u></b>		
To improve the planning and budgeting systems and to facilitate the reallocation of public expenditures towards priority areas.	In Volume I of the Rolling Plan and Forward Budget (RPFB), produce the Forward Budget for 1995/96-1997/98 disaggregated to sub-vote levels for both the Recurrent and Development Budgets.	June 1995
	In advance of the annual budget process, finalize the Forward Budget for 1995/96 disaggregated to sub-vote level for both the Recurrent and Development Budgets.	March 1995
	In the Development Budget, publish actual expenditure figures for the previous two years as is done in the Recurrent Budget.	June 1995
<b>5. <u>Private Sector Development</u></b>		
<b>a. <u>Investment environment</u></b>		
To encourage greater role for private sector involvement in the economy.	Amend the relevant legislation to provide for automatic approvals for all investment projects outside a negative list and opening up all sectors (outside the negative list) to private investment.	December 1994
	Streamline approval procedures to simplify registration and reduce the number of steps necessary to start a business.	December 1994

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
<b>b. <u>Land and housing</u></b>		
To improve security of tenure and allocation of land.	Adopt comprehensive land tenure strategy to ensure equitable and efficient land use.	June 1995
	Develop land administration procedures including streamlined land registration and titling procedures, the upgrading of record keeping in the Lands Registry, and focusing Government's surveying capability on policy and regulation, leaving commercial activities to the private sector.	December 1995
	Prepare revised housing policy and housing development strategy, particularly as regards the assets of National Housing Corporation.	June 1995
<b>c. <u>Tourism</u></b>		
To facilitate private sector tourism development.	Prepare tourism master plan consistent with efficient utilization of tourism resources and environmental concerns.	June 1995
	Introduce greater transparency in the allocation and administration of hunting blocks.	December 1994
<b>d. <u>Mining</u></b>		
To establish framework conducive to development of sector by private companies.	Revise laws relating to mining to increase consistency and transparency and streamline licensing procedures.	June 1995
	Complete divestiture (or closure) of public mining companies and reorganization of STAMICO.	December 1995
	Complete implementation of Mining Sector Environmental Policy and Action Plan.	June 1996
<b>6. <u>Agriculture</u></b>		
<b>a. <u>Marketing</u></b>		
To improve production incentives and rural incomes.	Eliminate commercial functions of the crop boards.	June 1995
	Approve and publish regulations providing for unrestricted entry into domestic marketing, processing and export of traditional export crops.	September 1994
	Undertake study of Strategic Grain Reserve maize trigger mechanism.	1994/95

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
<b>b. <u>Cooperatives</u></b>		
To facilitate restructuring of unions, and ensure cooperatives are independent.	Ensure reconstitution of remaining primary cooperative societies and unions under democratically elected management within the provisions of the 1991 Cooperative Societies Act.	December 1994
	Amend the Cooperative Societies Act of 1991 to permit the formation of joint ventures between cooperatives and private sector companies.	June 1995
<b>c. <u>Inputs</u></b>		
To facilitate liberalization of inputs supply market.	Auction all donated agricultural inputs.	Continuous
	Strengthen the effectiveness of drugs and pesticide regulations.	June 1995
<b>7. <u>Human Resource Development</u></b>		
Overall: To reduce poverty and improve the quality, quantity and equity of human resource development.	<p>Prepare a comprehensive strategy for the social sectors taking into account:</p> <ul style="list-style-type: none"> <li>i) strengthened intersectoral collaboration and coordination in the design, implementation and evaluation of social sector programmes;</li> <li>ii) intersectoral linkages between investments in education, health, nutrition, family planning, and water and sanitation;</li> <li>iii) a more central role for communities in the process of social development through strategies aimed at empowerment.</li> </ul>	December 1994
<b>a. <u>Employment</u></b>		
Expansion of opportunities for sustainable employment creation and income generation.	Finalize an Employment Policy which will provide a systematic and coherent employment strategy in Tanzania to the turn of the century.	June 1995
<b>b. <u>Health</u></b>		
To improve health outcomes by increasing the level and improving the allocation of resources devoted to basic health care.	<p>Finalize health sector strategy, which will lead to forward planning in the following areas:</p> <ul style="list-style-type: none"> <li>(a) increasing significantly the share and effectiveness of Government expenditures for public health;</li> </ul>	June 1995

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
	(b) decentralization of decisions on staffing, purchasing of inputs, user fees, and other management decisions to facility level;	
	(c) development of financing mechanisms (such as insurance schemes and cash subsidies) appropriate to liberalized service delivery.	
<b>c. <u>Education</u></b>		
To improve access to, and quality of, education.	Finalize education sector strategy, which will lead to forward planning in the following areas:	June 1995
	(a) increasing significantly the share and effectiveness of Government expenditures for public goods;	
	(b) decentralization of decisions on staffing, purchasing of inputs, user fees, and other management decisions to facility level;	
	(c) development of financing mechanisms (such as scholarship and loan schemes) appropriate to liberalized service delivery.	
<b>d. <u>Population</u></b>		
	Government will develop a ten-year plan of action to implement the population policy.	October 1995
<b>e. <u>Water</u></b>		
	Ensure adequate water supply to rural and urban areas.	Continuous
<b>8. <u>Environmental Policy</u></b>		
To conserve natural resources for sustainable growth.	Define institutional arrangements and develop legal framework for implementing the NEAP.	Ongoing
	Finalize and adopt the National Environmental Policy.	June 1995
	Complete water resources assessment.	June 1995
<b>9. <u>Infrastructure and Energy</u></b>		
<b>a. <u>Transport</u></b>		
To improve transportation facilities and strengthen capacity of relevant public institutions.	Increase road user charges to level necessary to fully fund all maintenance costs.	June 1995
	Prepare a divestiture plan for the Regional Trucking Corporation.	April 1995

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (continued)

Objectives and Targets	Strategies and Measures	Timing
	Commence commercialization of the management of major airports and establish independent regulatory body for air system.	December 1995
	Offer Air Tanzania for private sector participation.	December 1995
	Offer Plant and Equipment Hire Company for divestiture.	June 1996
	Decentralize operating functions of Tanzania Harbors Authority away from headquarters to ports and restructure the management of THA.	June 1995
	Complete the commercialization study of THA	March 1995
	Eliminate monopoly of shipping agency and freight booking procedures.	June 1996
	Enter into new Memorandum of Understanding (performance contract) for Tanzania Railways Corporation.	January 1996
b. <u>Urban services</u>		
Improve basic urban infrastructure and strengthen institutional capacity for local government.	Prepare an Urban Management, Service Delivery, and Infrastructure Investment Policy aimed at creating an effective institutional and financial framework for operating a sustainable service delivery system in urban centers.	December 1994
	Grant limited autonomy to municipalities to manage urban water supply through the creation of Special Funds in consultation with Water Advisory Boards in at least three pilot towns.	December 1994
c. <u>Energy</u>		
Increase supply of energy and ensure efficient pricing.	Complete study of privatization options for TANESCO.	December 1994
	Implement results of energy tariff study.	December 1994
	Maintain electricity tariffs at least at long run marginal cost.	Continuous
	Maintain Government current in obligations to power company.	Continuous
	Implement measures to stem losses from operating refinery (TIPER).	June 1995

Tanzania: Summary of Objectives and Timetable of Policy Adjustment,  
1994/95-1996/97 (concluded)

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Objectives and Targets	Strategies and Measures	Timing
10. <u>Statistics</u>		
Improve economic statistics for better monitoring and analysis of developments.	Compile monthly consumer price index series based on the Household Expenditure Survey.	December 1994
	Strengthen macroeconomic data base, particularly as regards national accounts (to rectify weaknesses in methodologies and coverage for sectors such as agriculture, construction, manufacturing, transport, and internal trade), wages and employment, monetary accounts, and balance of payments.	1994/95-1995/96
	Make additional efforts to enhance the overall national institutional capacity for the compilation, publication, and analysis of statistics.	Continuous

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