

United Republic of Tanzania

European Union

Joint Annual Report on Tanzania – EU cooperation 2003

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1. Executive Summary

On 8 March 2002, the EDF 9 Country Strategy Paper (CSP) for the period 2001-2007 was signed by the Permanent Secretary of the Ministry of Finance and NAO for the EDF and the Head of Delegation of the European Commission. The CSP, of which the National Indicative Programme (NIP) forms an integral part, sets out the framework for cooperation between the Government of Tanzania and the European Community. The NIP defines the focal sectors for the allocation of funds (road transport, education, macroeconomic support) and other areas of intervention. It also sets out jointly agreed indicators and targets and sector policy undertakings as a basis for sector performance assessments.

In accordance with the provisions of the Cotonou Agreement, a mid-term review of the CSP will be carried out in 2004. In addition to the usual operational review, the mid-term review is an occasion to revise the CSP by changing the focal sectors, and by adjusting the financial envelope, if considered necessary and justified. In doing so, the review will take into account the country's financial, macroeconomic and sector policy performance.

Tanzania's financial performance improved considerably during 2003. New global commitments amounted to €182 (see cover note) million compared with an annual average of €78 million in the past five years (NIP only). New individual commitments amounted to €278 million, compared to the five year average of €75 million. Payments amounted to €110 million, compared to the five year average of €55 million. According to the latest forecasts, the level of payments will be maintained during the next two years, despite the fact that we will have only one disbursement from the general budget support programme per year compared to two in 2003. This shows that Tanzania has moved to a higher level in the financial implementation of the EDF.

Policy performance is analysed in detail in the report. Macroeconomic performance during 2003 was considered as "moderately positive" and allowed the release of the first tranche of PRBS 02. Performance in education and in the implementation of the Primary Education Development Programme in particular was mixed, with good progress in access to primary education, but less progress in quality and capacity strengthening. Dialogue between development partners and the Ministry of Education and Culture in particular on financial issues needs to be improved. In the roads sector, discussions on institutional issues continue. The absence of an agreed system of sector performance monitoring makes an assessment of policy performance difficult. The problem will be addressed as part of the technical support the EDF is providing to the sector.

On the basis of the assessment, the report proposes to maintain the focal sectors, to reallocate the B-envelope to the A-envelope, and to increase the A-envelope by €20 million. Additional funds would be used to cover the over-programming already implied in the pipeline, and to finance two budget support operations in 2006 and 2007. This proposal takes into account that so far, Tanzania has not had access to the B-envelope (which is supposed to cover financial needs caused by unforeseen events like natural disasters) and that an interruption of budget support after the ongoing PRBS 02 and before the start of EDF 10 should be avoided.

2. The Policy Agenda of Tanzania

The long-term policy objective of sustained economic growth, as outlined in Vision 2025 and the National Poverty Eradication Strategy (NPES), sets the Government's development agenda, with the elimination of poverty as the overriding goal. The priority sectors under PRSP are primary education, health, rural roads, water, legal and judiciary, and agriculture. Tanzania is pursuing an ambitious reform agenda, including, inter alia, the Local Government Reform Programme, the Legal Sector Reform, the Public Financial Management Programme, the Public Sector Reform, various sector reform programmes, and the privatisation of public enterprises. The Government is committed to improving the quality of public service delivery and measures taken to that end include a range of legal, regulatory and administrative reforms, with the view to strengthening the integrity of Government's public financial management. Following adoption of the National Debt Strategy in 2002, the Loans, Guarantees and Grants Act (1974), was amended during the reporting period to incorporate the objectives and targets of the National Debt Strategy. The amended act became operational on 1st July 2003.

It is noteworthy that following the adoption of the Agricultural Sector Development Strategy (ASDS) in 2001, the Agricultural Sector Development Programme (ASDP), which is the tool for implementation of the strategy, became operational during 2003. Under crosscutting issues (rural development, environment, HIV/AIDS, gender, governance, employment and human capital development), last year's annual report noted the adoption of the Rural Development Strategy (RDS). Within the broader framework of the PRS, the RDS aims to create an enabling environment for rural communities and households to achieve sustainable livelihoods.

During 2003 the review guide was prepared for the second Poverty Reduction Strategy Paper (PRSP), which is expected to be available by November 2004. The third PRS progress report (2002/03) became available in December 2003. The report, like the previous one, benefited substantially from the improved data set on income and non-income aspects of poverty from the updated Household Budget Survey (HBS). The revised targets, particularly those on income poverty, and the base-line values for many of the PRS and Millennium Development Goals (MDG) indicators, will continue to assist Poverty monitoring.

The first annual implementation report of the Tanzania Assistance Strategy (TAS) was produced in November 2003. The TAS, launched in 2002, provides a national framework for improved aid coordination and enhanced national ownership of the development process. TAS seeks to improve the predictability of aid flows, the integration of donor funds in the budget, the harmonisation and rationalisation of donor support, as well as capacity building to ensure the effective management of external resources. In addition to reporting on the progress achieved in implementing TAS priorities, the report also looked into the progress recorded in the application of the principles and objectives of 'best practices' in aid coordination as articulated in the TAS document. An implementation plan for 2004 is also included. The report identifies three major challenges: the (ex-post) integration of external resources in the Government exchequer system, the capacity for aid coordination and external resource management at sector level, and the adoption of a 'rationalisation cycle' for policy mechanisms and consultative processes.

Tanzania-EU cooperation took place in this context and supported the reform processes as described in the following chapters of this report.

3. Update on the political, economic and social situation

Tanzania's targets for the Millennium Development Goals include halving the proportion of people living below the national poverty line, achieving universal primary education and halve the proportion of people without access to safe drinking water, reducing under 5 mortality by two-thirds, reduce maternal mortality by three quarters, increasing births attended by skilled personnel and reverse the spread of HIV/AIDS.

One of the most substantial changes in the Tanzania Poverty Monitoring System (PMS) since 2002 is the revision of the list of poverty monitoring indicators, in conjunction with the requirements of the Poverty Reduction Budget Support (PRBS), the Poverty Reduction Support Credit (PRSC) and the Millennium Development Goals (MDGs).

The focus in the PRS/MDG indicators and in the Poverty and Human Development Report (P&HDR) has shifted from reporting on progress in implementing policy to assessment of improvements in welfare. As reported previously, the information from the Household Budget Survey of 2000/01 provides the most current information on poverty. The baseline was adjusted as a result of the survey. Results show very limited improvements in the poverty situation for Tanzania as a whole in the period 1991/2 to 2000/01. A number of data collection exercises and their analysis are ongoing or have recently been completed: The Population and Housing Census 2002, the Agricultural Sample Survey 2003 and the HIV/Aids Survey of 2003/4. This recent survey work will allow data to be disaggregated down to district level and below. Selected indicators are set out in Table 1 below:

Table 1: Selected Millennium Development Goals (MDG) related Indicators (2000 - 2010)

Type	Indicator	Baseline			Targets		
		Year	Source	Est.	2003	2010	
Impact	1a. % of population below basic needs poverty line	2000	1	36	30	18	
	1b. % of population below food poverty line	2000	1	19	16	9	
	2. Prevalence of underweight children (under five y.o)	1999	2	29			
	3. Under-five mortality rate	1997	2	147	127	79	
Outcome	4. Net enrolment ratio in primary education	2000	3	59	90	100	
	5. Ratio of girls to boys in:	- primary education	2000	3	.98	1.0	1.0
		- secondary education	2000	3	.85	.9	
		6. % of birth attended by skilled health personnel	1999	2	36		80
	7. % of one-y.o children immunised against measles	1999	2	78	85		
	8. HIV prevalence in age group 15-24 (%)	Male	2000	4	8		
		Female	2000	4	13		
	9. Proportion of population with sustainable access to an improved water source					55	

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- Sources:
1. *National Bureau of Statistics*
 2. *Tanzania Reproductive and Child Health Survey (1999)*
 3. *MoEC Basic Statistics Education (BSE)*
 4. *National Aids Control Programme (NACP) 2002 Household Budget Survey*

3.1 Political situation

The implementation of the Muafaka agreement between the ruling party CCM and the opposition party CUF, which aims to pursue a peaceful dialogue on Zanzibar, has contributed significantly to the maintenance of peace in the Isles and the country as a whole. By-elections for the parliamentary seats vacated by opposition members following the dispute in early 2001, were successfully held in May 2003. The EDF is providing financial support to the implementation of the Muafaka agreement together with other donors through a basket funding arrangement.

The resumption of long-term development cooperation between Zanzibar and development partners, including the EU, has materialized. The support for the rehabilitation Port of Zanzibar has progressed to the stage of completion and acceptance of the feasibility study.

Government's efforts to promote good governance in public service delivery focussed on improving financial management and accountability, strengthening the judiciary and the fight against corruption. The Bureau for Prevention of Corruption (PCB) continued rolling out its action plans, and during 2002/03 an additional 38 district offices were opened. Action plans for Ministries, Department and Agencies (MDA) have been revised and printed and a National Integrity Fund (NIF) was established to finance MDA Action Plans. Use of mass media programmes has been intensified, whilst the PCB in cooperation with the Tanzania chapter of Transparency International has been carrying out seminars on the importance of vibrant media in exposing corruption. The EDF has supported PCB through a project financed from EDF 7.

The reform of the legal sector remains a priority. During 2003 the medium term action plan was reviewed, but it is imperative that the legal sector policy be formulated soonest, not only in the fight against corruption, but also in the light of the challenges posed by the development of a more open, pluralistic society, where participatory management is being promoted. Likewise the move towards a private sector led market economy, with its institutional complexity, requires an appropriate and effective legal framework.

Along the borders, the refugee situation is starting to ease somewhat. During 2003 refugee numbers fell from 520,000 to 470,000. The continued conflict in Burundi and the refugee presence undoubtedly give rise to serious security and environmental challenges. In this context, the past EDF funding of environmental support activities appear to be paying dividend as reforestation is taking hold. Likewise the current development of social infrastructure, through implementation arrangements with partner NGO's is progressing well. During 2003 the EC contributions for refugee assistance through the Humanitarian Aid Office (ECHO) amounted to a total of EURO 24 million.

3.2 The economic situation

A number of trends in Selected Macroeconomic Indicators (1997-2003) are set out in Table 2. Further progress was made in macro-economic reforms. Preliminary figures for 2003 indicate a GDP growth of 5.7%, which is 0.6% lower than the target rate.

Table 2: Trends in Selected Macroeconomic Indicators (1997-2003)

	1997	1998	1999	2000	2001	2002	2003 **
Real GDP growth (%)	3.3	4.0	4.7	4.9	5.7	6.2	5.7
Per capita income – USD	240.2	256.9	259.7	262.6	265.2	265.4	266.3
Population estimate (million) *	29.1	30	30.9	31.9	32.8	33.6	34.4
Real growth of agriculture (%)	2.4	1.9	4.1	3.4	5.5	5.0	3.3
Inflation (%) – annual average	16.1	12.9	7.8	6	5.2	4.6	5.0
Inflation (%) – year on year	15.4	11.2	7.0	5.5	4.9	4.4	4.6
Merchandise exports – USD (million)	752.6	588.5	543.3	663.2	776.4	902	n.a.
Foreign reserves (months of imports)	4.1	3.3	4.2	5.7	5.3	6.0	6.7
Exchange rate (annual average) TZS/USD	612.1	664.7	744.8	808.4	876.4	966.6	1050
External debt service (% of exports)	36.9	36.4	27.2	28.6	21.6	n.a.	n.a.
	1997/8	1998/9	1999/2000	2000/1	2001/2	2002/3	2003/4
Domestic revenue (% of GDP)	12.6	12.5	11.3	12.2	12.2	12.6	13.1
Total government expenditure (% of GDP)	14.8	14.8	17.1	16.8	18.8	23.4	24.9
Fiscal deficit (before grants) – (% of GDP)	-2.4	-2.3	-5.8	-4.6	-6.6	11.1	11.6

* Based on 1988 population census

** Preliminary estimates only

Sources: National Bureau of Statistics; Ministry of Finance; Bank of Tanzania

On a year-to-year basis, headline inflation as measured by the Consumer Price Index (CPI) has slightly increased over the year, from around 4.2% in February to 4.6% by end of November. Rising food prices, caused by a shortfall in food production related to adverse weather and drought conditions have been a major contributor to this. Non-food inflation is reported to continue its downward trend.

Domestic revenue as a percentage of GDP in 2002/3 increased to 12.8% and is projected to move to 13.3% for 2003/4. Government measures to improve revenue mobilisation focus on improvements in tax administration, particularly income tax and improved compliance through the reduction of leakages and the removal of nuisance taxes. The drought conditions experienced during 2003 are expected to negatively impact revenue collections for the coming year. The EDF is supporting TRA through a project under EDF 8.

Debt relief under the enhanced HIPC initiative received a boost from the cancellation of debt from all Paris Club members except for Brazil and Japan, under Paris Club VII agreements. Government will continue to strive for further debt cancellation from these two members, as well as from non-Paris Club and commercial creditors. In October 2003 the European Commission informed the Government that Tanzania would benefit from debt relief under the Enhanced HIPC arrangements to the tune of € 28.3 million in NPV terms. This debt relief from the Commission would be applied to the repayment of a number of EIB funded loans: the Tanesco

Power project, the Kihansi Hydroelectric Power project (partial), the Morogoro Canvas Mill and the Kiltex Textile Mill. Amounts already paid by Government to EIB to the tune of €1.4 million would be reimbursed.

The performance in external trade indicates that during the year ending September 2003, exports increased by 26.5%, from USD 826.28 million in 2003 to USD 1,046 million, as result of improvements in both traditional and non-traditional exports. Non-traditional export performance (mainly due to gold and diamond exports) continued to improve (25.5% increase), while in the area of traditional exports performance was also better, as a result of moderately improving world market prices for coffee, sisal and tobacco, as well as increased export volumes for all commodities except tobacco. The level of traditional export income has direct bearing on the income and livelihood of the rural poor.

During 2003, the food situation in some regions became a matter of concern. Rainfall in the 2002/2003 cropping year was poor, resulting in crop production below normal in many parts of the country. In July 2003 the Government of Tanzania, together with other agencies, carried out a rapid vulnerability assessment in drought affected areas, covering 52 districts in 17 regions to define food shortages and to assess the type and duration of interventions needed. The main conclusion of the assessment was that approximately 2 million people are likely to become food insecure between October 03 and March 04. Following the recommendations of the Assessment report, in August 2003 the Government of Tanzania announced a release 32,000 MT of maize from its Strategic Grain Reserve for sale at reduced prices to food insecure households and requested donors to provide 45,000 MT of food aid and assistance for the procurement of seed and fertiliser.

To have a closer look at the situation, the Delegation, with the assistance of the Regional Food Security Expert, conducted assessments of the food security situation in 5 drought affected regions in September and November 03. The conclusion from this mission was that food supplies and stocks at household level have clearly declined as compared to last year, particularly within the poorer households. However, most of them have developed strategies to cope with the situation allowing them to overcome the difficult period between January and March, when the next harvest is expected. The provision of food aid is not the only adequate answer to the current situation. This requires a long term approach such as the finalisation of the 'National Food Security Policy' and the promotion of programmes to improve agricultural technologies, provision of credit, increased use of inputs and better use of potentials such as abundance of fertile land, availability of water for irrigation and improvements of infrastructure. These programmes should get sufficient attention during the development of the Agricultural Sector Development Programme.

3.3 The social situation

According to the latest Household and Population Census held in August 2003, Tanzania has a total of 34.6 million persons and population growth is 2.9%. Out of this total, females are 17,66 million, and men are 16,9 million.

In primary education substantial achievement has been recorded over the past three years, which saw enrolment growing from 4.9 million in 2001 to 6.6 million in 2003. As a result the PRS

targets for both net and gross enrolment ratios have already been surpassed. However, whereas near gender equality is achieved upon entry at seven years of age, it is observed that for 'over-age' entry, girls face more difficulty than boys, thus adversely affecting the PRS/MDG targets. Quality in primary education continues to be a concern: improving infrastructure and teacher quality, pedagogical support and curriculum review are key elements in bringing improvements in this regard. Primary pass rate peaked in 2001 at 29%, but the 50% target for 2003 is far from likely to be achieved. Transition to secondary school is now around 20%, but the gender gap is still large, partly due to girls' poor performance in primary leaving examinations.

The absence of reliable data in the health sector is of major concern. The 1999 Reproductive and Child Health Survey showed that there had been no significant changes in infant mortality and prevalence of fever. Sentinel site surveillance shows little change in the importance of malaria as a cause of child deaths. Whereas health facility outpatient attendance has apparently increased by some 47% between 2000 and 2002, the proportion of institutional deliveries and births attended by skilled health workers has declined over the past decade. Rural-urban disparity in health service delivery also increased during the 1990's.

The prevalence of HIV, as obtained from blood donors show a steady increase since 1996. Despite widespread awareness efforts and some apparently successful local initiatives, infection and prevalence trend show no sign of slowing or reversal. The prevalence in blood donor indicator replaced the one from antenatal clinic attendance, because of weaknesses in the latter methodology. A national HIV/AIDS survey conducted in 2003 will provide a new baseline. Life expectancy at birth, which based on 1988 census data stood at 52, will no doubt be affected by HIV; the analysis of the 2002 census will provide a new picture on trends and differentials.

Nutrition, as measured by the nutrition status of the under-fives, is considerably worse in rural areas, particularly in the poorest quintile. The current food insecurity and HIV/AIDS are also certain to have a negative effect.

3.4 The international and regional dimension

Tanzania continues to pursue policy objectives in support of peace and stability in the region. The Government plays a leading role in mediation between conflicting parties in neighbouring countries, in an endeavour to promote the creation of conditions under which the large numbers of refugees may return voluntarily to their countries of origin. Tanzania, whilst pursuing its own policy of gradual integration in the regional and world-wide economy, also continues to present in international forums the interests of least developed countries, in an effort to establish and strengthen safeguards against the social implications of globalisation.

Initiatives on the harmonisation of trade and tax regimes and the formation of a customs union are ongoing between the members East African Community (EAC). Progress has been achieved as regards fiscal and monetary policies. Negotiations on the formation of the Customs Union are ongoing and it is expected that the Customs Union Protocol will be signed in 2004.

3.5 Cross-cutting issues

The Government has initiated a process to integrate crosscutting issues into the Poverty Reduction Strategy and budget. The areas include HIV/AIDS, gender, institutional development capacity building, and the environment.

3.5.1 HIV/AIDS

Government launched the Multi-sectoral Strategic Framework on HIV/AIDS in May 2003. The framework provides for strategic leadership, guidance and multi-sectoral co-ordination, advocacy, planning, resource mobilisation, monitoring and evaluation of the national response, including interventions by development partners and civil society. Government and the development partners have also signed a Memorandum of Understanding (MoU) to reaffirm their joint commitment and support to the framework.

Efforts to mainstream HIV/AIDS in the public sector planning and budgeting process have been initiated. All Ministries, Departments and Agencies (MDAs) are developing plans for mainstreaming HIV/AIDS interventions through the Medium Term Expenditure Framework (MTEF). Local government authorities and civil society organisations have received support in the development of comprehensive HIV/AIDS programmes to ensure sustainable interventions at the grassroots level.

International support for the fight against HIV/AIDS includes the Clinton Foundation's five-year USD 535 million programme to provide care and treatment to about 400,000 people living with HIV/AIDS, the World Bank funded five-year, USD 70 million agreement on HIV/AIDS. Short term quick HIV/AIDS intervention projects totalling USD 2.5 million funded by development partners and administered by civil society organisations and institutions were funded from the Rapid Funding Envelope. Similarly, the one-year Global Fund Grant Agreement for scaling up effective district response focusing on communities, primary schools and the informal sector was signed in July 2003 (USD 5.4 million). The thrust is to increase awareness and interventions to slow down the rate of new infections while taking care of the already affected and orphans.

3.5.2 Gender

In 2003 Government, continued to mainstream gender within the Poverty Reduction Strategy (PRS). It continues to address gender disparities in employment and income, Government also remains committed to reduce child labour (1026 child labourers sent back to primary education and vocational training). With the overall objective of formulating a Gender Policy, a three-year Master Plan was developed. A detailed computerised gender-disaggregated monitoring system to supplement the National Bureau of Statistics (NBS) database has been set up. This will assist to fully report the Beijing Platform of Action and the MDGs. Government has continued to reform the laws that are discriminatory towards women, whilst a National Plan of Action for Combating Violence against Women is being prepared. Notable achievements in gender mainstreaming in the public service are reflected by a sizeable increase in the number of women at senior levels, 24% for Permanent Secretaries, 26% for Directors and 24% for Assistant Directors.

3.5.3 Institutional development and capacity building

The Government continued to promote good governance in the public service delivery by implementing a number of macro-economic reform programmes aiming at improving financial management and accountability, strengthening of the judicial system and reduction of corruption. Efforts have focussed on strengthening the leadership and management qualities, promoting meritocracy, and restoration of ethical conduct, gender equality and pay reform. The Public Service Reform Programme (PSRP) and Local Government Reform Programme (LGRP), implemented through a consultative process, are gathering momentum. Inconsistencies between these programmes are being addressed.

The modernisation of the public service is ongoing. Performance management systems have been established in 16 MDAs. The system will be rolled-out to other MDAs to ensure that they set service delivery targets against which their performance will be measured. Other ongoing initiatives focus on the enhancement of public servants salaries, the implementation of job evaluation capacity building to enhance leadership and modern.

The reform of local government system involves changing the way central and local governments carry out their business, is the cornerstone of improvement of service delivery to the public. Thirty-eight LGAs are at an advanced stage in the process of restructuring their organisations. Work on improving financial management in LGAs and on fiscal decentralisation is underway.

The National Anti-Corruption Strategy and Action Plans of MDAs have been revised and printed. The Government has established the National Integrity Fund (NIF) to support the implementation of Anti-Corruption activities and plans developed by MDAs and TZS 800 million was budgeted for this purpose in the financial year 2002/2003. The Mass Media have been given a crucial role in Anti-Corruption Strategy. The Prevention of Corruption Bureau (PCB) in conjunction with Transparency International, Tanzania chapter and Development Partners carried out seminars on the role of vibrant media in exposing corruption. Courses of an investigative journalism were provided to improve the performance of journalists. The PCB has been strengthened by increasing its budget and by decentralising from zones to regional and district offices. In the financial year 2002/2003, the Bureau opened 38 new offices in districts.

3.5.4. Environment

Tanzania's natural resources and environment are the main source of peoples' livelihoods and the backbone of the country's main productive sectors: agriculture, tourism and mining. Recent research by the Participatory Poverty Assessment has confirmed that most people in the country directly depend on a robust, healthy environment to support their income-generating activities and provide them with building and cooking materials, food and medicine. Environment is thus critically linked to poverty at the levels of livelihood, health and vulnerability. The Government in collaboration with UNDP has taken steps to mainstream environment into the PRS process. The Cabinet approved a new institutional framework and legal framework for environmental management. (see also annex F).

4. Overview of past and ongoing cooperation

4.1 Focal sectors

4.1.1 Road transport

a) Results

In 2002, the 9th EDF support to the Road Sector, which will amount to 105 million € was refocused on five main components as described in our 2002 Joint Annual Report:

- Rehabilitation ('backlog maintenance') of selected trunk or regional roads: 30 M€
- Regional roads maintenance nationwide: 30 M€
- Regional roads maintenance in coffee and tea producing areas ('Stabex'): 10 M€
- Direct funding to the Road Fund: 30 M€
- Institutional support to the Road Sector: 5 M€

However, it took much longer than foreseen for the Ministry of Works, the NAO and the EC to agree on the Terms of Reference for the preparatory study expected to identify and appraise the programmes or projects to be funded under those five components. It explains why the restricted tender for this preparatory consultancy, following a pre-qualification exercise, was not launched before September 2003. The tenders received in November 2003 were still being evaluated at the beginning of 2004; the study will commence in April 2004.

This delay will result in a slippage in the implementation of the 9th EDF itself, as the first Financing Agreements are not expected to be signed before mid-2005. It is therefore difficult to assess the achievements in or propose a revision of the sectoral policy commitments taken under the 9th EDF, the latter having not started as yet. However, two major developments took place in 2003 in the road sector, which will have an influence on the shape eventually taken by the 9th EDF support to this sector.

Firstly, the Government embarked on a major campaign to curb tax evasion, which is particularly rife in the fuel industry, many individuals or organisations abusing the existing exemptions. A more efficient tax collection is expected to raise the revenues generated by the fuel levy, which is the main source of income for the Road Fund, and thereby increase the funds available for routine and periodic maintenance all over Tanzania. First figures released at the beginning of 2004 tend to show that this policy has indeed started to bear fruits.

Secondly, in May 2003, the Government submitted to the donors through the newly-established Joint GoT-Donor Road Sector Technical Consultative Committee a first draft of a 'Roads Act', aimed at shaping the future roles of the sector's key players: Ministry of Works, TanRoads, Road Fund, PORALG, etc. As the lead donor in the sector, the EC commented in June on this first draft, after consulting with other development partners.

The donors, whilst welcoming this attempt to rationalise in a single piece of legislation various past acts or ordinance, highlighted that the objective of a Roads Act should be to set the scene for the second stage of the road reform agreed in 2000. This was to continue the development of TanRoads and the Road Fund Board in line with the SADC Protocol on Transport,

Communications and Meteorology, towards autonomous accountable national roads authorities, which are representative of the public and private sector and report to a Ministers' Committee.

Instead, the draft Act provided for the creation of a 'National Roads Board', made up of the same members as the Road Fund Board. Its functions seemed either to overlap those of the RFB or of the Ministry of Works in charge of policy making, creating a supplementary body duplicating the existing entities, instead of strengthening them in their respective roles, for instance by providing for the establishment of a TanRoads board of directors.

Another concern shared by the donors was the role and responsibilities of the Local Government Authorities. The existing draft opened the door to districts or cities acting as 'road agencies'. However, the donors contended that the Act should be the opportunity to reflect on the options towards achieving for local roads what had been done for trunk and regional roads. It could imply the entrustment of local roads to a single implementing agency (TanRoads or a separate Agency), or to private consultants managing roads for a few districts, but at least moving away from the current situation where districts and cities act as contracting authorities and often contractors.

A revised draft of the Roads Act was circulated in November 2003. Whilst it brought interesting new elements, such as the introduction of the notion of Road Asset Management and the reference to the perspective of public-private partnerships, it still fell short of addressing the aforementioned concerns. Following a Joint GoT-Donor Road Sector Technical Consultative Committee on 1 December 2003, a joint Task Force, comprising of Government and donor representatives (among whom the EC) was formed early 2004 in order to revise the draft Act.

b) Progress in activities (of previous EDFs)

(i) high priority corridor

2003 has seen the start of the *Mwanza border-Tinde and Nzega-Isaka road project* (€ 85 million). Following successful direct negotiations with the same contractor, works contracts were signed for lot 1 in August and lot 2 in November, as well as the corresponding supervision contracts.

As for the *Backlog Maintenance Project* (€42 million), the redesign of the first component, the Port Access Road in Dar es Salaam, was almost completed, as well as the evaluation of the works tender received for the second component, the Morogoro-Dodoma road rehabilitation.

The delay in the award of the Nzega-Isaka road contract, mainly due to issues arising from the reform of the tax exemption regime in Tanzania, and the complex Morogoro-Dodoma tender evaluation, resulted in a lower-than-expected level of secondary commitments (-33%) and payments (-50%). However, commitments and payments should remain significant in 2004, with the signing of the two works contracts for the Backlog Maintenance Project and the payments triggered by the ongoing projects.

(ii) support to road maintenance and road sector management

While works on the *Wazo Hill-Bagamoyo road* were substantially completed, there was still slower-than-expected progress on the *Mwanza Region Transport Project* (€ 35 million). However, the main roads around Mwanza are now nearing completion, and the impact on the local economy is widely acknowledged.

The *Ruvuma and Southern Iringa Road Maintenance project* (RUSIRM - €22 million) saw the continuing reinforcement of TanRoads' regional offices and of local contractors' capacities, especially through the delivery of construction equipment. However, the constraints of the work programme methodology and the delays on site did not allow to meet the disbursement targets.

In addition to the continuation of the first component of the *Institutional Support to the Road Sector* (€ 2 million), with the Technical Assistance to TanRoads, the second component, consisting of a Technical Assistance to the Road Fund Board, was launched in August 2003.

c) Degree of integration of cross-cutting issues

As described in the 2002 Joint Annual Report, prevention against HIV/Aids and environment protection remained requirements of our road contracts. Institutional development and capacity building was the main objective of the aforementioned Institutional Support to the Road Sector.

The gender aspects received specific attention under the *RUSIRM project*: women and men were equally employed on site, and village women associations were entrusted with and trained for the daily routine maintenance of some of the rehabilitated roads (bushing, drainage cleaning, etc.).

4.1.2 Basic education

a) Results

The PRSP emphasizes that education is at the heart of development and has prioritized education sector development in the effort to alleviate poverty. With the aim of ensuring that all children have equitable access to a good quality primary education, the Education Sector Development Programme (ESDP) was appraised in 1999. The *Primary Education Development Plan (PEDP)*, approved in June 2001 by the Minister of Education and Culture, is the first sub-sector strategy to have become operational. Its main objectives cover enrolment expansion; improving the quality of teaching and learning processes; capacity building and strengthening the institutional arrangements that support the planning and delivery of education services.

After two years of implementation, the first joint annual sub-sector review was undertaken at the end of 2003 and field findings were discussed with the various stakeholders during a national workshop. At the end of 2003, there were 6.5 million pupils enrolled in the primary schools, whose total was 12649 in the public sector and 166 in the private sector. The total teaching staff was made of about 115000 teachers. As noticed the year before, in order to achieve the objective of enrolling all children 7-10 years old by 2005, and further to the Government decision to abolish primary school fees nation-wide, activities focused on enrolment and access. Taking the 2002 and 2003 enrolment figures, the total admitted to Standard 1 since the start of the programme is close to the PEDP target of 3.1 million pupils, despite the drop of 9.2% in Standard 1 in 2003. This considerable achievement in terms of enrolment was made possible

through the allocation of development grants to schools for the construction of classrooms (10700 were built against the target of 13,396) and the instauration of the double shifts system. As a result, pupil teacher ratio has been increasing from 1.46 to 1.57.

The review has however stressed on some areas, where progress has been slow thus undermining the objective of quality improvement. For instance, the number of teachers recruited (9000 against 11651) has been inadequate to meet the shortages in all districts, and the lack of housing for teachers is affecting their re-deployment to remote areas. Efforts towards better quality education were not supported to the extent expected: capitation grant was partially disbursed to schools, preventing the provision of books in sufficient numbers and of other teaching and learning materials. Administrative and financial arrangements for pre-service and in-service training for teachers have also proven to be inadequate. In examinations at both Standard IV and Standard VII girls perform significantly worse than boys and failures rates remain high (at Standard VII, 72,8% of all candidates – 79,9% of girls- failed in 2003) and only 12.2% of candidates could be selected for entry to Form 1 of public secondary school.

Despite the approval by the Basic Education Development Committee of the quality and non-formal education strategies in the first semester of 2003, little had been undertaken by the end of the year to proceed with their implementation. As for developments relating to Non Formal Education (NFE), they have taken place more slowly than those relating to primary schools, due to inadequate budget provision (less than 0.2% of the total PEDP budget).

The first draft of the Education Sector HIV/AIDS strategic Plan 2003-2007 has been developed within the context of the National Multisectoral Strategic framework and has been shared with the development partners. It will help estimating the cost implications of reaching full coverage of preventive actions for youth in school. The education sector still has a major funding shortfall. Actual expenditure in 2002/3 was less than TSh600mn. The budget is dominated by the cost of books and teaching materials and the training of teachers, but the budget allocated in the current MTEF will meet only a fraction of the demand.

The Government and Development Partners are now working together to give a proper follow-up to the review recommendations and ensure that they are taken into account into the PEDP planning process. The elaboration of operational plans for the implementation of the quality strategy, the organization of an institutional audit, capacity building in management, supervision, monitoring and reporting at decentralized level, the rationale distribution of teachers and strengthening of EMIS should be some of the areas of focus for the year 2004.

A secondary Education Development Programme (SEDP) has been developed throughout 2003. The process has been led by the World Bank, which has facilitated various studies and a national workshop at the end of 2003. However the process has not been participatory enough to ensure a full partnership of all stakeholders. The secondary education sub-sector is one of the smallest in Sub-Saharan Africa and constitutes only about 6% of the secondary school going age group. In 2003, there were about 1086 secondary schools altogether for 345,441 pupils and 16,399 teachers. According to PEDP, primary enrolment is expected to rise by over 30% by the year 2008, thus resulting in a larger number of pupils seeking secondary education. The final

appraisal of the secondary education strategy is expected early 2004 and the programme should be submitted to the Board of Directors of the World Bank in March.

b) Activities

The European Commission has agreed, within the sectoral policy set out in the ESDP, to support the reform of the primary education system. Under the 8th and 9th EDF, education is a focal sector. EC support aims at enhancing the human resource base of Tanzania, through increasing both gender-balanced equitable access to higher quality basic education and the capacity of the system to absorb an increased number of pupils. The Financing Proposal amounting €25 million from EDF 8 was signed in March 2003. The release of the first tranche of 12.25 million euros was executed in June 2003. The release of the second tranche has been delayed due to the difficulties encountered by the Ministry of Education and Culture in organizing the annual review in time, whose results are a condition for disbursement.

The EC has been involved throughout the year with the other donors in the sector policy dialogue and has taken the lead of the pooled fund partners. A great attention has been given to donor coordination with regard to the implementation of the Memorandum of Understanding, signed in April 2002 between the Government of Tanzania and Pooled Fund Partners, concerning the funding of the PEDP. This has implied an intensive participation in development partners' meetings and technical meetings with the Government, especially regarding the planning, budgeting, reporting and monitoring mechanisms. The close partnership between donors and the ministries has allowed for some improvements to be made in terms of reporting and budgeting. Discussions on the budget guidelines have this year been possible within the PER process. The outcome of the collaboration has however not been up to the expectations.

The challenge remains for 2004 to ensure a greater impact of our support through the better institutionalization of the programme within the ministries involved and through a more efficient correlation between the budgeting, planning and reporting processes. The evaluation of the 8th EDF programme, which the Delegation has started to prepare, will help to address the current weaknesses and to improve the sector policy dialogue with the review of the funding modalities used in the MoU. The financing proposal under the 9th EDF, under which an indicative allocation of €43,5 million is foreseen for sector-specific budget aid, will be prepared on the basis of the recommendations of the evaluation and of a feasibility study. The focus will be on institutional and capacity issues, performance monitoring and client consultation systems and accountability and public expenditure management (PEM) systems. The possibility of supporting secondary education will have also to be looked into.

c) Degree of integration of cross cutting issues

Cross-cutting issues still need to be mainstreamed in primary education and better addressed in terms of financing.

According to the PEDP review, attempts to create a girl friendly school environment within PEDP are evident, but it remains a major challenge. The construction of latrines and water tanks was under funded and therefore the adequate availability of latrines for boys and girls still could

not be addressed seriously. There have been attempts to enroll more female teachers in the teacher training system to address the teacher imbalance among the teachers in place. Regarding leadership at school, ward and district level, there are fewer women holding senior position. No specific arrangements were made for disabled children, who are denied enrolment in some schools.

Except for peer HIV/AIDS counseling, few organized counseling services are available in schools. At school level, there is no arrangement yet in place to monitor attendance, completion and performance of children affected by HIV/AIDS. However, there are some strategies in place to address the impact of the scourge, which are in the process of being mainstreamed with the Education Sector HIV/AIDS strategic Plan 2003-2007, which will be officially approved early 2004.

4.1.3. Macro-economic support

a) Results

Macro-economic stability has been maintained, with an annual rate inflation of 4.6% in October 2003. A steady depreciation of the exchange rate was experienced between 2000 and March 2003. However, for the remainder of 2003 the rate has remained relatively constant, as the US \$ weakened. Revenue in 2002/03 amounted to 12.3 percent of GDP, below the target of 12.6 percent. In recent years gains have been forthcoming due to reductions in evasion from large taxpayers and reductions in exemptions. This trend needs to continue, with further efforts being directed towards reviewing and streamlining the system of exemptions and improving the tax administration capacity. The activities undertaken in the EDF supported Tax Administration Project have played an important role in contributing to the reforms of TRA.

Priority sectors have continued to be protected and there have been absolute increases in the outturn of priority sector expenditure since 1999/2000. In the budget for 2003/04 and, taking into account reallocations, the share of expenditure directed towards priority sectors has remained constant over the last two years. Critical issues to be addressed include poor implementation of foreign development expenditure, which affected the execution on priority sectors in 2002/03; this is following difficulties capturing flows and a heavy reliance on development partner funds for the majority of the development budget. It is expected that in 2004 more detailed budget coding will be used to report upon execution of the priority sector budgets. This will present a significant improvement in the transparency of the budget.

Public Financial Management is an important area where results need to be achieved to reduce the fiduciary risk associated with budget support. The Public Financial Management Reform Programme (PFMRP) has not yet commenced implementation, however it is expected that it will start during 2004.

The overall assessment of the development partners from the PRBS 2003 Annual Review was that *overall progress has been moderately positive*. The problematic areas were the delayed PRS progress report and the report on poverty monitoring indicators and targets, and the slow progress with the implementation of the PFMRP.

As far as the poverty objectives are concerned, the 2003 3rd PRS Progress Report (see also Section 3 above) does not provide new information on income poverty. The (periodic) Household Budget Survey 2000/2001 is the last survey available on the topic. It showed very limited declines in income poverty levels over the 1990s. In 2000/2001, 36% of Tanzanians fell below the basic needs poverty line and 19 % below the food poverty line. According to current trends, it is unlikely that Government targets for 2010 will be met, except in Dar es Salaam.

Progress has been made in education poverty especially as regards net enrolment rates, which presents a positive outlook for the achievement of the PRS medium term targets, even though several targets will not be met.

As far as health is concerned, little progress has been reported and there are significant weaknesses in the information system. There have been no significant changes in infant mortality and prevalence of fever in children under five during the 90s. Sentinel site surveillance shows little net change in the national incidence of malaria as a cause of child deaths. Regarding HIV-Aids, data from blood donors (age group 15 to 24) show steady increases in HIV prevalence since 1996 to 8 and 13% respectively for males and females in 2001. Births attended by trained personnel were sustained at 80% according to the PRS Progress Report. Vaccination coverage increased to 89% for DPT3 (EPI 2002) from 76% in 1999. The level of public funding in health is 6.6 USD per capita (in 2003/04), which is significantly lower than the 12 USD considered as an absolute minimum according to the World Development Report (1993).

Overall the picture as regards poverty outcomes is mixed, with some good results but also shortfalls. Severe deficiencies persist in measuring core PRS indicators.

b) Activities

The joint group of PRBS donors¹ and the World Bank carried out three reviews with Government, according to the harmonised review process. During the second Annual Review of the PRBS/PRSC, carried out during November and December 2003, the Performance Assessment Framework was reviewed. The joint budget review of October 2003 reached an agreed analysis of the budget execution for 2002/03, as well as the budget for 2003/04. The European Commission moved to a position of Co-Chair of the PRBS/PRSC group during 2003.

The appraisal of the PFMRP was conducted jointly by Government and interested development partners² in November 2003, however it remains open pending completion of key actions. Of particular importance is the establishment of the management structure and an agreed phase one for the programme. Once the review is concluded an envelope of €3m included in PRBS 02 (see below) can be released in tranches.

During 2003 two joint development partner missions for the Tax Administration Project were carried out with Tanzania Revenue Authority. These followed the development and implementation of TRA's Corporate Plan and the progress made with other key TRA reforms.

¹ UK, DK, SW, NL, IRL, FL, EC, J, CDN, NW, CH

² UK, DK, SW, NW, IRL, EC, J, CDN, WB, UN

The payment of the second tranche of PRBS 01 (€37.5m) was processed in May 2003. It was made possible by an agreement on a firmed-up list of poverty indicators to be monitored in the PRS context. A second payment (€31m) was made from the PRBS 02 programme in December 2003. This is the first tranche of the new macroeconomic support programme which was signed in November 2003. Support was also provided to Ministry of Finance to enhance the capacities of its Technical Audit Unit and to finalise the new legislation on debt.

The total amount of budget support is €14m, covering financial years 03/04 to 05/06. It marks a new development in the EU approach to budget support, as a proportion of the annual transfers to the budget is triggered directly by the joint PRBS/PRSC reviews of Government policies and reforms. These transfers are supplemented by variable amounts of up to 30%, calculated according to progress made in public financial management and poverty reduction. Progress in these two areas is measured objectively against the Government's set of core indicators. Examples of indicators used in education are :

- Net primary school enrolment rate,
- Girl/ boy ratio in primary education,
- Drop-out rate in primary school.

As far as health is concerned:

- DTP 3 vaccination coverage of children under 2 years,
- Number of outpatient visits per capita p.a.,
- TB treatment completion rate.

c) Degree of integration of cross-cutting issues

See comments on integration of cross-cutting issues in PRS in paragraph 3.5.

4.2 Projects and programmes outside focal sectors

7th EDF

In December 2003 the *Institutional Strengthening of the Tourism Sector* Project was successfully concluded. The project facilitated discussions at the highest levels of the economy regarding the increasing significance of the tourism sector to the Tanzanian economy; it produced various strategy reports of good standard; began the process of public private partnership; assisted basic market analysis and identified a range of information gathering deficiencies; supported the modernisation of the Tanzania Tourism Board through restructuring and the establishment of the Tanzania Confederation of Tourism; recognised and profiled the importance of market research; and supported product development, resource and visitor management, pricing and marketing. The legal regulatory framework has also been revised taking into account international best practice in this area.

The €2m *Special Programme for Refugee Affected Areas (SPRAA)* which began in September 1997 was completed in August 2003. The aim of SPRAA was to increase Tanzania's capacity to accommodate refugees from the Great Lakes region and to improve readiness for future refugee

influxes. The environment components of SPRAA – the Kagera Kigoma Game Reserve Rehabilitation Project and the Lake Tanganyika Catchment Reforestation and Education Project - were the last parts of the programme and ended in August 2003. Key achievements of the programme included the introduction of environmental and sustainable farming techniques, informal environmental education, the protection of wildlife from poaching, road construction and socio-economic improvements to villages surrounding refugee areas. The evaluation of SPRAA will take place in 2004.

Farming in Tsetse Controlled Areas (FITCA) is a three year regional project which aims at assisting livestock holders to continue farming in Tsetse areas by controlling tsetse fly numbers and protecting cattle against Trypanosomiasis (sleeping sickness). In 2003, activities concentrated on training farmers to dip correctly and to develop a system of tsetse traps in badly affected areas. The project was extended in 2003 to continue to December 2004 in order to consolidate activities into sustainability mechanisms. The project is implemented in the Tanga and Kagera regions and the value of the Tanzania component is €1 million.

8th EDF

The focus for cooperation between Tanzania and the EU in the water and sanitation sector is on poor populations in urban and peri-urban regional centres. The water sector will be continuously supported through the 8th EDF *Water Supply Programme to Regional Centres*.

The *Water Supply Programme to Regional Centers* (€ 44.76 million, 2003-2007) is jointly financed (24%) by the Federal Republic of Germany. The main objective is to improve access to sustainable quality water supply and wastewater management services in the three regional centres of Mwanza, Iringa and Mbeya. Phase I of the programme started in 2003. It covers the improvement and extension of the Mwanza and Mbeya water supply systems, the rehabilitation and extension of the Mbeya waste water system and supplementary studies on the water supply of Iringa. It is expected that Phase I of the programme will be followed by a second phase starting in 2005. Phase II would provide funding for the implementation of the Iringa water supply and improved wastewater management systems in Mwanza and Mbeya.

The rehabilitated sewerage system funded under the *Mwanza Sewerage Rehabilitation Project* (€ 6.6 million, 2000-2003) came into operation on 20 June 2003 when the provisional acceptance of works was issued. The works are now under a one-year liability period. It consisted of the rehabilitation of the existing sewerage pumping station, including the installation of three new wastewater pumps, supply and laying of a four-kilometre new rising main. Three existing treatment ponds were rehabilitated and another seven supplementary wastewater stabilization ponds were constructed.

EU has supported nation-wide STD/AIDS control since 1995. STD control constituted an integral part of the third medium term plan for AIDS Control (MTP-III, 1998-2002), where it was the number one priority area. The first EDF funded project was implemented on a regional basis. At the end of the first phase (1995-2000), it covered 12 out of 20 regions. In order to consolidate previous achievements the EU decided, on the request of government, to extend the support for a phasing out period of 2 years under EDF 8 until September 2003. The overall

objective of the project was to reduce STDs and their complications in order to reduce the transmission of HIV. The aim was also to hand over responsibility for STD control activities to the district authorities in an orderly manner in order to improve the project's sustainability. The second phase came to an end in September 2003.

The €4 million Self-reliance Programme for Refugees, implemented by six NGOs started in the first quarter of 2003. It aims at minimising the adverse effects that refugee camps have on the local environment, and at improving opportunities for refugees in their home countries upon their return. Field activities have included provision of clean water, and improvement of quality of sanitary hygiene and health, as well as targeted STDs treatment schemes, HIV/AIDS and malaria prevention activities. Improved provision of primary and secondary education, as well as vocational training for refugees have also been a substantial part of the programme. CORD was the only NGO of the programme that had to reduce its scope of activities to one area (education) due to a rationalisation initiative of the UNHCR which reduced the number of their NGO implementing partners in the camps. Because increased voluntary repatriation of Burundian refugees, particularly from Kibondo, is expected to continue well in to 2004, it remains to be seen how this will effect the implementation and outcome of the programme, which is scheduled to end in December 2004.

The 3rd *Micro-Projects Programme (3rd MPP)* provided funds for self-help projects in Kigoma, Sigida, Dodoma and Tabora regions. It had to be closed prematurely in February 2003 due to procedural difficulties. In order not to discourage local communities that had engaged in the planning and implementation of the programme, an interim solution was discussed and agreed on between the NAO, NGOs and the Delegation. This entailed funding field activities using Counterpart Funds, until a new framework contract was approved in Brussels. A financing agreement for a 4th micro-projects programme was submitted to Brussels in June. This was designed to allow for all initial plans/projects of the 3rd MPP to be implemented and finalised.

The Tanzania component of the *SADC Fisheries Monitoring Control and Surveillance Project (MCS)* focuses on policy development, the implementation of a vessel monitoring system and the establishment of a professional inspectorate to carry out air and sea surveillance of the EEZ. In 2003, through the project, Tanzania made its first arrests for fisheries infringements and the illegal movement of goods. However, there is an institutional concern which impacts on the sustainability of the project because of a duplication of EEZ responsibilities between mainland Tanzania and Zanzibar. Moves are being made by the Government to establish a suitable authority upon which *inter alia* the mid term review of the project will examine and provide recommendations. The project is expected to finish in December 2006.

Implementation of the *Fisheries Management Plan for Lake Victoria* began in April 2003. It aims to address the issue of the sustainability of the Lake's fisheries resources through assisting the Lake Victoria Fisheries Organisation (LVFO) implement an effective fisheries management plan. Trawl and hydroacoustic surveys were carried out in 2003 and technical assistance is due to be recruited in early 2004 in order to manage the project. It is the aim at the end of the project, for the LVFO to effectively manage the Lake's fishery resources.

In 2003 Tanzania has applied to the ACP-wide *Sanitary Controls on Health Conditions for Fish Products* for specific assistance on health controls and improving production conditions to improve the access of fish and fishery products to the EU. The Tanzania component began with a fact-finding mission to establish key opportunities and constraints. Subsequently in 2004, the project will begin a regional intervention including Uganda, Kenya and Tanzania to address the issues identified in the fact finding mission.

The Tanzanian component of the *Pan-African Control of Epizootics (PACE)* continued combating Rinderpest Virus (RPV) which can devastate cattle (60-100% mortality). Activities in 2003 concentrated on surveillance and emergency response preparedness which was facilitated by the supply of 13 Land Rovers. In the final stages of the initiative, project managers will aim to address sustainability issues, especially concerning the private delivery of animal healthcare services. The project is expected to finish in August 2004.

The objective of the *Small Arms management and reduction* project is to combat the problem of the proliferation and illicit trafficking of small arms and light weapons (SALW) in Tanzania in order to enhance security and improve the prospects for sustainable development. Good governance, transparency, capacity building, democratisation and human rights awareness and decentralisation policy will be enhanced. The fight against trafficking and accumulation of SALW is included as a priority in article 11 of the Cotonou Agreement and is in line with overall objectives of development cooperation.

The project purpose is to support the implementation of the Tanzanian National Action Plan for arms and management and disarmament by building the capacity of state institutions and civil society groups working to address the SALW problem. The plan is endorsed by the Prime Minister and the Inspector General of Police. Project implementation started in July 2003.

The Financing Agreement for the support to the *Implementation of the Muafaka Agreement* was signed by the NAO in May 2003. The purpose of the project is to support the process of political reconciliation in Zanzibar. Project activities cover a wide variety of civic education and political reform measures including the establishment of a Permanent Voters' Register. The project is supported by altogether nine donors through a basket funding arrangement, which the EC joined in June 2003. The EC is also a member of the lead donor group. Disbursements under this project can only start once the Steering Committee has presented a new budget for 2004/05, as the previous budget was fully funded by contributions from other donors, who had actually started supporting the project in December 2002. The new budget is now expected to be approved in March 2004.

9th EDF

The financing agreement for the *4th Microprojects Programme* was approved with a commitment of just under €1.5 million, and new contracts between the NAO and NGOs were prepared in December 2003 for a new 18 month programme. There was a change in the composition of NGO partners from the 3rd MPP. SNV had to withdraw from the programme because of a worldwide reorientation of their organisation. In the interest of honouring the commitments made to local government and the communities, Africare-Tanzania has agreed to be the new partner for the activities in Dodoma Region. The 4th MPP will start in February 2004.

Following the Special Programme for Refugee Affected Areas (SPRAA) it was decided to continue support for the Kagera Kigoma Game Reserve Rehabilitation Project. The €2m 'Support to Tanzanian Game Reserves' (STGR) project will be established as a follow-up project to an environmental component of SPRAA where enhanced capacity for game reserve management and intensified anti-poaching operations have had a positive impact on wildlife populations. The Financing Decision for the STGR was taken in December 2003 and the project is expected to commence in the first quarter of 2004 and last for 30 months. The geographical area of STGR will include the Selous game reserve.

In the first semester of 2003 a consultancy was undertaken to prepare a draft financing proposal for a programme for *Capacity Building for Participatory Development* to be funded under the governance envelope in 7 districts in Dodoma and Coastal Regions. The programme's components will include support for the local government reform and the local government restructuring process, civic education, training and other capacity building initiatives to facilitate planning and implementation of development activities at village level and the funding of the development plans through a development grant. At the same time the government started designing a development grants system to local authorities, for WB funding. Also a number of bi-lateral donors have been reviewing area based programmes in 2003 and a number of lessons learned were concluded. In the light of these developments, it was decided to postpone the finalization of the draft financing proposal until early 2004 with the view to harmonize the draft financing proposal with the latest developments in the sector.

Under EDF 9, €2.5 million has been set aside for a follow up to *Institutional Strengthening of the Tourism Sector* project. Since poor service standards and inadequate management are major constraints for further development of the tourism industry, a draft financing proposal was prepared in 2003 to assist in the development of a national training curriculum for introduction across all hotel and hospitality sector training institutes across Tanzania and the establishment of an appropriate institutional framework, consisting of the public and private sector that will provide strategic input to tourism training policy. This programme will be supplementary to a project funded by the French Overseas Development Department, which will provide and equip a new building for the National College of Tourism and the finalization of the draft financing proposal is foreseen for the first semester of 2004.

4.3 Utilisation of resources for Non-state actors (NSA)

Non state actors are playing an important role in the monitoring of the PRSP and have also participated in the 2003 annual review of the Country Strategy Paper.

In addition, the Friedrich Ebert Stiftung has organised a number of workshops for NSAs on the content and significance of Cotonou and Economic Partnership Agreements since February 2001. These have led to the establishment of an Interim Cotonou NSA Steering Committee composed of members from academia, trade unions, NGOs and the media (launched 09/2003). It is not representative of all Tanzania NSAs, but is an important effort towards this end. Its mandate is to disseminate relevant information and enhance NSA's involvement in the implementation of the Agreement in Tanzania.

The government convened a consultative meeting with NSAs on 18th February 2004 (?) to discuss among others strategies to ensure their broader participation. The consultative meeting drew its participants from the existing umbrella organizations namely NGO Forum, Tanzania Non Governmental Organizations (TANGO) and the Private Sector Foundations with a total participation of fifty representatives. As a way forward the meeting requested the government to facilitate a general meeting (to be gazetted) that will bring a large number of representative from the civil society and the private sector to deliberate on the issue of representation. Currently a committee selected during the consultative meeting is preparing Terms of Reference and the general approach for the meeting. It has been suggested that assistance be sought from a consultant to design a programme of €2.9 million to facilitate NSA involvement in the Cotonou process. Areas to be analysed by the consultant are a NSA programme on stakeholder consultation (could include capacity building and facilitation) looking at a) the Mid-Term Review Process of the Country Strategy Paper; b) focal sector dialogue between Government and EC; c) Economic Partnership Agreements; and c) the question of how NSAs can be involved in project implementation.

4.4 Utilisation of the B-envelope

In the CSP an allocation of originally € 65 million was included to cover unforeseen needs including emergency assistance, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. € 5.3 million have been shaved off for the Peace Facility.

Statistics for the FLEX arrangements (successor to the Stabex scheme) under the B-envelope were submitted for the first time in 2001, for the application years 2000 and 2001. However, following analysis of the data by the EU, Tanzania was among the countries that did not qualify for compensation. Statistics were again submitted in 2003 for the application year 2002, again resulting in Tanzania not qualifying for support. The Commission is currently undertaking a review of the FLEX approach.

During the past three years Tanzania did not experience major events that required emergency assistance from the EU. However, due to unfavourable weather conditions during the 2002/03 crop season, severe drops in crop production were recorded, resulting in food shortages. Tanzania may need emergency food aid during the first half of 2004.

4.5 Other instruments

4.5.1 EIB

During the year 2002, the EIB has disbursed some €23.6 million, a large part of which went to the Songo Songo Gas Development project (€19.3 m), as well as to the Tanzania Air Traffic Services and the Kihansi Hydro-power plant.

In co-operation with other DFIs, the Bank is still negotiating the possibility of financing TTCL's rolling out commitments, in the context of its privatisation. EIB's due diligence process had been suspended in 2001 pending an agreement between the Government of Tanzania and the Consortium of private investors on the second tranche payment. Very recently an agreement was

reached on this issue through expert determination so that the discussions with the EIB and the other DFIs about the financing of TTCL's investment plan are supposed to resume in short.

The Bank has continued to work extensively on the Dar-es-Salaam water sewerage project, which came to successful conclusion with the signature of a 35 M EUR loan agreement in October 2003.

Projects which are currently being considered include the rehabilitation of 8 regional airports, as well as a possible second global loan for private sector development which will be slightly different with an opening of EIB's funding in favour of SMEs to a larger number of local financial institutions.

The Bank has also decided to dispose of its participation in Tanzania Development Finance Company following a take-over offer from African Bank Holdings. The sale is scheduled to be finalized in the first quarter of this year.

4.5.2 Regional cooperation

The implementation of the 9th EDF Eastern African Regional Indicative Programme (RIP) has started. COMESA, COI, EAC and IGAD have set up the Interregional Co-ordination Committee (IRCC) in order to oversee the design, preparation, implementation, monitoring and evaluation of all individual programmes financed under the RIP as well as the overall management of EDF 9 funds. The IRCC also includes the European Commission (EC) and the Southern African Development Community (SADC) (to ensure adequate co-ordination with the SADC Regional Indicative Programme) as members. The IRCC Secretariat benefits from a support programme under the 9th EDF which was signed on 6 October 2003. Projects currently in the approval phase deal with trade negotiations support facility (€1.95m), ICT (€21m) and economic integration (€30m).

The 8th EDF East Africa RIP is fully committed and is under full implementation. Regarding the 7th EDF, the activities of the support project to the EAC Secretariat (€2m over 1999-2003) came to an end in June 2003. According to the external evaluation, the project has been key to the smooth running of the negotiation of the EAC Customs Union and allowed for capacity-building in the Member states departments involved in these negotiations. The follow up to the project under the 9th EDF would consist in reinforcing the capacity of the Secretariat in view of ensuring a better use of EC regional and trade related financial instruments.

The signature of the EAC Customs Union Protocol was expected at the end of 2003 but had to be delayed. Considerable progress has been made during 2003, despite fear from the industry of unsustainable competition. Agreement has been found on a 3-band Common External Tariff (0-10-25%) in June 2003. The future role of the Secretariat of the EAC was clarified in November 2003, with the expected creation of a Trade Directorate. Issues still pending deal with the national lists of products which would temporarily remain protected. The entry into force of the Protocol is due in June 2004.

Finally, active preparations for EPA negotiations at regional level took place in 2003. Due to the multiple overlap of regional organisations in Eastern and Southern Africa, the region needed

some time to define the geographic configuration for EPA negotiations. Tanzania has opted for a configuration including 8 of the SADC members and the launch of the negotiations is foreseen for 2004.

4.5.3 STABEX

EDF support through STABEX is mainly directed at agriculture. The agricultural sector accounts for about 50% of Gross Domestic Product (GDP), provides 85% of rural employment, and generates 30 % of all export earnings. The sector represents one of the priority areas of the PRSP. The development of performance indicators in this area is still in its early stages and does not yet allow any sector performance assessment based on such indicators. However, in 2003 the National Bureau of Statistic started implementing the Agricultural Sample Survey, which will provide the relevant baseline data to develop the indicators.

In order to improve the performance of the agricultural sector, a long-term strategy for agricultural growth (Agricultural Sector Development Strategy), aiming at increasing real annual agricultural GDP growth from about 3.6 % per cent p.a. to 5 % per cent p.a. by 2005/07, was developed in 2001. The Agricultural Sector Development Programme (ASDP) is the vehicle to implement the ASDS. The ASDP is the main tool of central government for coordinating and monitoring agricultural development and for incorporating nationwide reforms.

In February 2003 the Government of Tanzania signed a Framework of Mutual Obligation (FMO) for an amount of € 38 million, representing the transfers of resources for the losses incurred on earnings from exports of coffee in 1994 and 1999 and balances of previous FMO's. It targets three programmes. Support is given to the Tanzania Coffee Research Institute (TaCRI) at Lyamungu, the above mentioned Agricultural Sector Development Programme (ASDP), and a programme for the rehabilitation of priority regional roads in coffee growing areas.

The incorporation of the Tanzania Coffee Research Institute (TaCRI) in 2000 (legally constituted and operational in 2001) represents a clear break from the past government-led coffee research and places new emphasis on the role of stakeholder-led and client demand-driven research funded from a research cess on coffee sales. The TaCRI strategic action plan was drawn up by stakeholders with EU technical assistance during 2002/03. The STABEX FMO 94/99 provides € 9 million to support the implementation of the TACRI strategic action plan. This support became operational on 1 July 2003 and covers 50% of total expenditure for the first three years of implementation of the strategic action plan and a longer-term investment in endowment fund (€ 4.6 million) to mitigate fluctuations in TaCRI's income over the next 15 years. The programme will rehabilitate and re-equip the research facilities, assist the reorganisation of research, improve scientific standards and reinforce the linkages between TaCRI, the farmers and industry stakeholders and EU and ACP research.

Detailed formulation of the Agricultural Sector Development Programme started in 2003 with the establishment of a secretariat, whose initial role was to coordinate the formulation of future interventions under ASDP through task forces, stakeholder working groups and the communities themselves. In part due to the participatory and sector wide approach inherent to the ASDP process, stakeholders in ASDP took more time than anticipated to formulate the interventions

Therefore only part of the earmarked contribution from STABEX to the ASDP (€18 million) could be programmed, which includes so far district based programmes (investment and capacity building), smallholder focused research and provision of planting materials (e.g. tea, cotton), strengthen the capacities at district and central levels to monitor and evaluate the ASDP, including support for the implementation of the National Agricultural Sample Survey, conduct studies and assist in implementation for the restructuring of the Commodity (Crop Boards) and the design of the Strategic Plan and Implementation of the Land Act and Village Land act; and, other actions to benefit sector reform and support to the ASDP Secretariat's (operational costs and TA).

Backlog maintenance of regional roads will be supported with €10 million in order to reduce the high transport costs for marketing, distribution of inputs and access to services for farmers in coffee growing areas. A mission is scheduled in the first quarter of 2004 to define the component.

Tanzania started spending the funds made available under the above mentioned FMO in February 2003. Funds were used for the Coffee Research Technology Programme (€0.75 million), technical assistance/studies (€0.2 million) and the agricultural sample survey (€1.0 million).

During 2003 Tanzania was in the process of spending the last part of funds made available for the loss incurred of tea export earnings during 1996 totalling €3.0 million. Good progress was made in tea research, farmer training and distribution of planting material (funds disbursed €0.4 million).

Cotton research and cotton seed multiplication schemes are the two activities supported by the allocation of STABEX 1991-1992 Cotton (€2.2 million). During 2003 supplies for cotton research were delivered, and the seed multiplication scheme in the Eastern Zone continued (disbursements €0.2 million). Weaknesses in the performance of cotton research forced a considerable delay in the programming of the support to the research component. Now GoT that has decided to launch a study (to be funded by STABEX) which will prepare the policy shift towards involving the private sector in the funding and control of cotton research within a Government controlled regulatory framework, it is expected that this component can be further developed in 2004.

4.5.4 Community budget lines

In 2003 the EC supported 25 NGO projects with budget line funding. The main areas of assistance were HIV/AIDS; rural micro-finance and small-scale business development with a focus on women and youth; water, sanitation and hygiene; strengthening local CSOs; gender advocacy; support to agro-production; environment, wildlife and protected areas management; as well as civic education. Individual projects also covered the areas of disability, capacity building for medical laboratories, integrated renewable energy and conservation; and an internationally oriented project to improve technology for the detection of anti-personnel landmines using rodents. Support to individual projects has ranged from €0.45 to 1 million for project life spans

between 2 and 5 years. 10 of the above mentioned projects ended in 2003, 3 new ones have been approved to start in the first quarter of 2004.

In the EC's support to NGO projects through budget lines there has not been a comprehensive effort of mainstreaming gender, environment and HIV/AIDS as cross-cutting issues. However, particularly in the last two to three years most proposals for projects have been very sensitive to these issues, as they are very relevant in the Tanzanian context. Thus a large part of the projects, especially in the areas of business support, income generating activities, sanitation and health focus on women's needs and on youth. Moreover, they have become sensitive to traditional behavioral patterns, the different roles and responsibilities that women and men have in their communities. In many projects, and this applies to the growing number of HIV/AIDS projects in particular, there is a component that aims at changing behavioral patterns in order to decrease risky behavior and improve community health in the long-term. Environment features in natural resource projects and is also addressed through water, sanitation and hygiene projects. Two projects finally focus on gender advocacy. One of them has been stimulating open public debate in rural communities on the practice of FGM, with the aim of finding alternative initiation ceremonies which do not pose a health risk.

4.5.5 ECHO

The EC contribution for refugee assistance through the humanitarian Aid Office (ECHO) in 2003 amounted a total of €24 million.

These funds are being channelled through UNHCR (€10.8 million), the WFP (€10 million), the IFRC (€1.9 million) and Unicef (€1.1 million). All these partners work in close coordination with governmental services and implement the projects with international and national NGO.

The refugee care and maintenance programme aimed to alleviate the burden on Tanzania by supporting the provision of food aid, health care and nutrition, water and sanitation, protection, shelter provision, education, transport and logistics. More than half a million refugees were assisted in 2003. The refugee hosting area population also benefited from some aspects of the programmes.

5. Programming perspectives for the following years

5.1 Integration of new EC/EU policy initiatives and commitments

Many of the areas relevant in this context are already covered by ongoing programmes and projects.

The current CSP places a heavy emphasis on the social sectors. The 9th EDF contribution to the Poverty Reduction Budget Support Phase 2 (PRBS-2), a programme with parallel funding from World Bank and other bilateral donors, has been allocated €114 million, accounting for 39.3% of the A-envelope. PRBS-2 allows the channelling of funds to the priority sectors of the Poverty Reduction Strategy (PRS), with an emphasis on the social sectors. The education sector specifically is benefiting from an EDF 8 programme of €25 million, which will be followed by an EDF 9 programme of €43.5 million, which is currently under preparation.

Apart from general budget support, no specific support has been earmarked in the NIP for the health sector, but through EC Budget lines a number of initiatives in the sector are supported, notably in HIV/AIDS.

Water supply, although not a priority sector under the 9th EDF NIP, receives substantial support using balances from previous conventions, through a co-funding arrangement with KfW, where focus is placed on investments in the water supply for three major regional centres. Support to Civil Society has been given a specific allocation, whilst it is anticipated that under the Governance component of the CSP additional support will be provided.

In the energy sector the EIB funding for the Kihansi hydroelectric power plant and the Songas gas turbine plant form the major part of EU support.

Despite the emphasis in the Cotonou Agreement, trade and development aspects did not receive much attention in the original CSP. No specific provisions were made in the NIP for trade related interventions. Nevertheless, making use of resources available from existing projects and programmes, development of a trade database and provision of technical support for establishing capacity in the national administration is proceeding. The involvement and participation of civil society and the private sector will be pursued in this regard.

Tanzania is gearing up for the Economic Partnership Agreements (EPAs) negotiations, particularly focusing on capacity building. Tanzania is one of the seven countries from Southern Africa that have decided to approach the EPA negotiations with the EU as the SADC group. In addition to Tanzania, the group consists of Angola, Botswana, Lesotho, Mozambique, Namibia and Swaziland.

The NAO and the Delegation have agreed to give greater emphasis to trade issues in EU cooperation with Tanzania. This could involve additional measures to directly support trade development, to strengthen the analytical and negotiating capacity of the Tanzanian authorities, and to improve the dialogue on trade issues with the Tanzanian Government and public. Improved dialogue is needed in particular with regard to the impact of the reform of the Common Agricultural Policy. A short term expert is being recruited to help developing a cooperation strategy for these areas.

Negotiations between the EU and Tanzania on a bi-lateral Fisheries Agreement began in 2003. The aim is to allow EU vessels to fish in the Tanzania Exclusive Economic Zone (EEZ) for Tuna and Tuna-like species. Tanzania will receive fees from the EU for the fishing opportunities and from European ship-owners for each tonne caught as well as advance payments for access. EU fishing effort will be limited by tonnage, vessel numbers and one-year licenses. The agreement will last for an initial period of three years from date of signature and final amounts of fees and tonnage have yet to be agreed. However, the Agreement does allow for Tanzania to receive fees in the form of Technical Assistance (TA) and it is hoped that this TA will build upon the achievements of other fisheries interventions the EC is funding in Tanzania. Negotiations are ongoing and if successful an agreement to that effect could be concluded during the first half of 2004.

The initiative for small arms control, which is being implemented by a South African NGO together with Tanzanian partners, is supported from NIP resources. The Government is making a concerted effort to deal with the refugee situation in areas bordering Rwanda, Burundi and Democratic Republic of Congo (DRC). Further support by international agencies, including ECHO, will be required in the medium term. Other initiatives in conflict resolution include support for the Muafaka agreement in Zanzibar.

In Agriculture and Food security, the Agricultural Sector Development Strategy (ASDS) 2001) and the Agricultural Sector Development Programme (ASDP) provide a good vehicle for policy dialogue and sector policy reform. No funds are allocated under the CSP/NIP. However, significant balances from previous STABEX transfers are available to provide critical support in this sector. The support for implementation of the Lands Acts, the work on the crop boards, support for privatised commodity research, the support for the agricultural sample survey at district level, and the support for development of district based agricultural development plans, are all examples of how critical investments can contribute to meaningful reforms in the sector, whilst laying the foundation for effective future investments.

5.2 Proposal on the review and adaptation of the CSP

The 2003 operational review involved a revision of the project pipeline, which is described in detail in the Annual Report 2002. The revision included in particular an increase in the allocation for general budget support, a restructuring of the road transport component, the inclusion of the Zanzibar port project, and the addition of various smaller projects (Support to NSA, Support to the NAO's Office II, Technical Cooperation Facility, other projects to be funded from balances of previous EDF's).

The Delegation and the NAO have reviewed the planning for the governance component of the programme. The CSP originally identified three activities under governance: Capacity Building for Participatory Development, Support for Local Government Reform Programme, and Support for the Anti-Corruption Strategy. The first activity is under preparation (see above). Progress with the second component was slower than expected. There were also concerns about the programme's impact on service delivery. The NAO has therefore proposed to replace support for the LGRP by support for the Public Service Reform Programme. Together with the NAO, the Delegation will now review the situation in order to come up with a final proposal on how to proceed in this area.

Support to the Anti-Corruption Strategy was supposed to be a follow-up to the support provided to the Prevention of Corruption Bureau. Good governance has meanwhile been integrated in various other activities supported under EDF 9. Improved public financial management and institutional reform are integral parts of the general budget support programme, the education sector support, the capacity building project, and the road projects. Moreover, an internal project review has highlighted concerns about the effectiveness of previous support to the PCB and the impact of direct support to public institutions in the area of anti-corruption. Future EDF support in this area will be identified once an evaluation of the PCB project has been carried out.

At the same time, various other projects, including in particular the Small Arms Control Project and the support to the implementation of the Muafaka Agreement, have been added to the governance component. These projects have already been approved and are therefore not included in the pipeline, which only includes projects for which a financing decision has not yet been taken.

Except for the proposed amendments within the governance component, the pipeline agreed in 2003 remains valid, and it is in particular not proposed to change the focal sectors.

The existing pipeline implies an over-programming of about € 22.5 million (disregarding planned de-commitments and other savings). Moreover, the present budget operation (PRBS 02) support will come to an end in fiscal year 2005/06. This would leave a gap of one and a half fiscal year without budget support until the end of 9th EDF. New support under EDF 10 will probably only come on board in fiscal year 2008/09. This would not be in line with the EU's objective of providing predictable support to macroeconomic reform. Present macroeconomic support amounts to an annual average of €36 million.

At the same time, Tanzania has much improved its financial performance. Global and individual commitments and payments are all much higher than the average of the past five years. Payments in particular have more than doubled compared to the average of €55 million, and according to our latest forecasts will stay above €100 million for 2004 and 2005.

Moreover, as is analysed in detail above, Tanzania has made reasonable progress in the implementation of macroeconomic and sector policy reform.

Finally, as also mentioned above, Tanzania has not yet had access to the B-envelope, and under present arrangements risks losing these funds altogether.

It is therefore proposed to finance the over-programming implied in the pipeline as well as the additional needs for general budget support until the end of 2007 by transferring €55.15 million from the B-envelope to the A-envelope.

6. Conclusions

The MTR process started with the draft Joint Annual Report which was discussed during the Country Team Meeting of 19 April 2004. With regard to the generally good performance of the country, the Country Team expressed its overall favourable opinion on the draft MTR conclusions. On the 27 May 2004, the iQSG commended the draft MTR conclusions as “an excellent document, complete, comprehensive and well structured”. In the Interservice Consultation in July 2004, 16 DGs were consulted and gave favourable opinions. Pertinent comments were taken into account. In parallel the NAO was consulted and agreed with “the Commission's position on a revision of financial allocation”.

On 22 September 2004, the EDF Committee gave a favourable opinion on the MTR conclusions.

NSAs participated in the process actively, starting with a workshop on the Cotonou Agreement and the role of NSAs in February 2004. NSAs took part to the in country review of 26 and 27

January 2005, and together with other participants formulated resolutions with regard to policy issues relevant to the EU Tanzania Cooperation Strategy.

The MTR conclusions reveal that the choice of focal sectors remains valid and, consequently, no change of strategy is proposed.

Many of the areas relating to **new EC/EU policy initiatives and commitments** are already addressed in ongoing programmes and projects, with funding from previous EDFs (e.g. in the water sector), budget lines (HIV/Aids) and the EIB (energy sector). Trade issues will be given greater emphasis in future EU-Tanzania cooperation and have therefore been included in a new project of Technical Assistance to the NAO. Funding out of the Regional Indicative Programme will become available to support capacity building for EPA negotiations.

The financial performance assessment conducted as part of the Mid-Term Review reveals that Tanzania has made very good progress with regard to assignments of funds, whereas commitments and payments are progressing more or less as scheduled.

With regard to the sectoral and macroeconomic performance, the assessment carried out in the Mid-Term Review process reflects overall sufficient progress in the road sector and good progress in education and macroeconomic stability.

Based on the satisfactory performance of Tanzania in the relevant areas, most donors have shifted their support towards general budget or sectoral support. Tanzania's absorption capacity is high, in particular for budget support. The generally stable political situation of the country and a reform process "on track" provide a favourable context for aid delivery.

As a result of the review the European Community decided to increase the funds available under Envelope A by transferring €5.15 million from Envelope B. This reallocation will leave a residual of €4.55 million in the B envelope. An addendum to the Country Strategy Paper will be signed to this effect.

The programming perspectives until the end of the 9th EDF have been discussed during the in country review of 26 and 27 January 2005, with particular attention paid to the reallocation of available funds following the MTR. The outcomes of the in country review with regard to policies in the areas of EU Tanzania cooperation can be found in annex.

LIST OF ANNEXES

- A. Revised Intervention Frameworks**
- B. Results and targets for focal sectors**
- C. Revised activity chronogramme**
- D. Revised Pipeline of projects**
- E. Disbursement Forecasts**
- F. Gender Profile**
- G. Environmental Profile**
- H. Counterpart Funds**
- I. Budget Lines**

ANNEX A – Revised Intervention Frameworks

ANNEX A.1 - ROADS

NARRATIVE	PERFORMANCE INDICATOR	SOURCES OF VERIFICATION	ASSUMPTIONS
PRSP Objectives			
i. Income poverty reduced through increased economic growth	* Population below PL halved from current level by 2010 * Rural Poor population halved from current level by 2010 * Food Poor population halved from current level by 2010	Household Budget Survey	
EC Intervention Objectives			
1. Access to local, regional and international markets and services improved	* Road user costs * Travel time * Freight and passenger rates * Volume of trade	Road User Magazine Freight Forwarders, Bus companies Trade statistics	Macro-economic stability maintained Investment climate improved Income distribution does not worsen
Expected Results			
1.1 Increased use of Central Corridor (CC)	* Road conditions on Central Corridor * Traffic flows on Central Corridor	TanRoads quarterly report	RIP funds available for 65 out of 245 km of CC upgrade
1.2 Increased periodic and routine maintenance	* Network traffic flows * Road network condition	RALG reports PER, RFB disbursement and collection reports Road Fund Technical & Audit reports	Continued Government support for sector reform Continued donor support for sector reform
1.3 Road sector management enhanced	* Road Fund audit	Audit report	

ANNEX A.2 - BASIC EDUCATION

NARRATIVE	PERFORMANCE INDICATOR	VERIFICATION SOURCES	ASSUMPTIONS
PRSP Objectives			
By 2004:			
i. Achieved gender equality in Primary & Secondary Education. (2005)	* Increased girl/boy ratio in primary education to 1 * Increased girl/boy ratio in secondary education to 0.9		
ii. Increased proportion of school age children (girls and boys) successfully completing primary education	* Increased GER to 110% (female GER to 105%) * Increased transition rate from primary to secondary from 19% to 25% (private and public) * Ave. annual drop out reduced from 6.6 % to 3% * Increased NPER from 57 % to 90 % (to be disaggregated by gender) * Increased secondary enrolment (GER) from 15% to 21%	Annual Basic Statistics in Education (MoE) NBS Household Budget Survey	
iii. Increased % of students passing Std 7 examination at specified score (girls & boys)	* Number of students passing at 61/150 in Std 7 exam increased from 20% to 50 %	CWIQ Surveys	
iv. Increased % of youths and adults w/o formal schooling (both male and female) accessing alternative education.	* % of out of school youth in NFE increased from <1% to 4% * Adult literacy increased from 68 % to 82%		
EC Intervention Objectives			
1. Increased gender balanced equitable access to higher quality basic education	ESDP performance indicators will be the same as the PRSP indicators		ESDP approved, funded and implemented HIPC completion achieved and approved by end 200 Decentralisation process progresses as planned Public Service Reform Programme progresses as planned. Donors ready to channel funds through basket/budg
Expected Results			
1.1 Expanded equitable enrolment achieved	* Std 1 enrolment 715,000 (1999); 1.6 million (2003); 1.04 million (2005) * GER at 105 % 2004 and 119 % (2005) * Additional Teachers 11,651 (2003); 10,563 (2004); 7,286 (2005) * Additional classrooms 13,396 (2003); 14,203 (2004); 6,000 (2005)	Annual Basic Statistics in Education (MoE)	Schools and local authorities implement abolition of school fees Cost constraint removal generates anticipated enrolment increase Existence of variable incentive package is sufficient condition for equitable teacher distribution
1.2 Quality of education improved for all	* All schools inspected every 2 yrs (2003) * Book/pupil ratio maintained at 1:3 (2003) * 10 INSET days for all teachers (2003)		
1.3 Appropriate institutional arrangements (including stakeholder participation) established at all levels	* All schools have annual development plan & functioning School Committee (2003)	Zonal Education reports	
1.4 Institutional capacity strengthened			
1.5 Adequate funds provided to appropriate education service delivery level	* Capitation grant to schools 10 US\$	Regional Education reports	
1.6 Improved Financial Management System (IFMS) in place at all levels	* FM manual in all schools by 2002 * All school accounts audited annually 2003	Annual Expenditure Tracking Survey and Controller & Auditor General's Report	
1.7 IFMS capacity strengthened at all levels	* Clean audit reports (2003)		

ANNEX A.3 - MACRO-SUPPORT

NARRATIVE	PERFORMANCE INDICATOR	SOURCES OF VERIFICATION	ASSUMPTIONS
PRSP Objectives			
i. Income poverty reduced	% of population below poverty line (annual data not available)	Household Budget Survey (next survey planned for 2006)	
ii. Quality of life and social well-being improved	* Improvement in key social indicators as included in the PRBS 02 Financing Agreement	Poverty Monitoring Master Plan, Census and Surveys	
iii. Macro-economic stability maintained	* Single digit inflation * Stable effective "market determined" exchange rate	NBS CPI, Monetary Surveys BoT monthly bulletins and annual report	
EC Intervention Objectives			
1. PRSP fully funded through Government Budget	* Priority items within priority sectors funded in line with PRSP expenditure targets	PER	Budget deficit (net of grants and concessional loans) will be kept below 1% of GDP
2. Public Finance is sustainably managed, with effectiveness and transparency	* Variance between Out-turns and Budget * LGA's publish quarterly allocations on notice boards	News media/field research	Performance-based management of public service Foreign reserves >4 months imports
Expected Results			
1.1 EDF budget support sustained and predictable	*disbursement according to projections	MoF EDF/PSU	Sufficient budget support from other donors
1.2 Aid transaction costs reduced	* Joint reviews successfully completed	Joint Review report	
2.1 Effectiveness of Integrated Financial Management System (IFMS) enhanced	* % of LGA's with IFMS rolled out to them	IFMS Reports	Audits by Controller and Auditor General effective and acted upon
2.2 Accounting, procurement & internal audit cadres restructured and upgraded	* Number of personnel trained	Progress reports	Pay reform brings Civil Service pay to "near market" level
2.3 Production of macro-economic and financial statistics improved	* Timely availability of improved statistical reports and information	Reports NBS, POPP, MoF	

female) accessing alternative education.			(Deducted from illiteracy rate in the HBS survey)					
NARRATIVE	PERFORMANCE INDICATOR	Results 2000	Results 2001	Targets 2002	Results 2002	Targets 2003	Results 2003	Targets 2004/2005
EC Intervention Objectives								
1. Increased gender balanced equitable access to higher quality basic education	ESDP performance indicators will be the same as the PRSP indicators							
Expected Results								
1.1 Expanded equitable enrolment achieved	* Std 1 enrolment (7 y.o.) 715,000 (1999); 1.6 million (2003); 1.04 million (2005) These targets were for all ages together 7-13 : * GER at 93 % 2003 and 119 % (2005) (STD 1 to STD 7) Can be disaggregated by gender * Additional Teachers 11,639 (2003); 10,552 (2004); 7,208 (2005) * Additional classrooms 13,396 (2003); 14,203 (2004); 6,000 (2005)	181 783 889 505 77.6 % 11 608	316 852 1.127.312 84 % 11 799	973 175 (set in PEDP) 1.500.000 (set in PEDP) 9047 13 868	966 954 1.626.667 6202 (May 02) 12 868 (May 02)	1.6 million 93 % 11,639 13,396	939 064 1.475.611 105.3 % 9,711 2900 (rest under construction)	1.640 million (2004); To be revised 10,552 (2004) 14,203 (2004)
1.2 Quality of education improved for all	* All schools inspected every 2 yrs (03) * Book/pupil ratio maintained at 1:3 (03) * 10 INSET days for all teachers (2003)				Comprehensive Data not available	1:3 (2003)	To be reported in the next annual progress report	1:1 (2006)
1.3 Appropriate institution. arrangements (including stakeholder participation) established at all levels	* All schools have annual development plan & functioning School Committee (2003)						To be reported in the next annual progress report	
1.4 Institutional capacity strengthened								
1.5 Adequate funds provided to appropriate educat. service delivery	* 2003 Capitation grant to schools 6US\$				2 \$	6 \$	4.9 \$	10 \$

level								
1.6 Improved Financial Management System (IFMS) in place at all levels	* FM manual in all schools by 2002 * All school accounts audited annually 2003	Information	not given in the	progress report	of the	ministries		
1.7 IFMS capacity strengthened at all levels	* Clean audit reports (2003)	Audit report	for FY 01/02	to be approved	in 2003			

Annex B.2: MACROECONOMIC SUPPORT

NARRATIVE	PERFORMANCE INDICATOR	RESULTS FOR 2000	RESULTS FOR 2001	RESULTS FOR 2002	TARGETS FOR 2003	RESULTS FOR 2003	TARGETS FOR 2004	TARGETS FOR 2005	TARGETS FOR 2006
PRSP Objectives									
i. Income poverty reduced	* Population below PL reduced from current level by 6% 2003 * Rural Poor population reduced from current level by 7.5% 2003 * Food Poor population reduced from current level by 3.5% 2003	2000/01 * Pop below basic needs line = 35.7% * Rural poor = 38.7% * Food poor = 18.7%	See 2000	* Next HBS due in 2006, therefore data available in 2008	N/A	N/A	N/A	N/A	N/A
ii. Quality of life and social well-being improved	* Improvement in key social indicators: * DTP3 coverage of children under 2 years * Mortality attributable to malaria among children under 5 See education intervention framework	* DTP3 coverage of children under 2 years, 79% * Mortality attributable to malaria among children under 5, 12.8%	86%	89%	* DTP3 coverage of children under 2 years increased to 85% * Mortality attributable to malaria among children under 5 reduced to 10%	N/A	N/A	N/A	N/A
iii. Macroeconomic stability maintained	* Single digit inflation * Stable effective "market determined" exchange rate	* Inflation rate of 5.9% * Steady depreciation of floating exchange rate without signs for black market	* 5.1 % * Steady depreciation of floating exchange rate without signs for black market	* 4.4% * Steady depreciation of floating exchange rate without signs for black market	* Maintain inflation of less than 5% * maintain market determined exchange rate	* 4.6% * Steady depreciation of floating exchange rate without signs for black market	* Maintain inflation of less than 5% * maintain market determined exchange rate	* Maintain inflation of less than 5% * maintain market determined exchange rate	* Maintain inflation of less than 5% * maintain market determined exchange rate
EC Intervention Objectives									
1. PRSP fully funded through Government Budget	* Priority items within priority sectors funded in line with PRSP expenditure targets	* Priority sector expenditure was in line with revised costing as presented in the	* During 2001/02 total priority sector expenditure 103% of	* See 2001/02.	* see 2002	* During 2002/03 total priority sector expenditure 101% of	* see 2002	* see 2002	* see 2002

		budget.	estimates. Total priority sector OC expenditure was 73% of estimates.			estimates.			
2. Public Finance is sustainably managed, with effectiveness and transparency	* Retention levels of qualified personnel * Variance between Out-turns and Budget * Disbursements are published quarterly	* No info * 2000/01 Rev 169 % of estimate * Exp 164% of estimate * Quarterly budget reports produced	* No info * 2000/01 Rev 169 % of estimate * Exp 164% of estimate * Quarterly budget reports produced	* No info * 2001/02 Rev 102 % of estimate * Exp 91% of estimate * Quarterly MoF budget reports produced. Some LAs producing notices of releases	* No info * Minimal variance between Out-turns and Budget * LAs to produce notices of allocations and budget execution reports	* No info * 2002/03 Rev 104 % of estimate * Exp 94% of estimate * LAs visited seen to be displaying allocations.	* Minimal variance between Out-turns and Budget * LAs to produce notices of allocations and budget execution reports	* Minimal variance between Out-turns and Budget * LAs to produce notices of allocations and budget execution reports	* Minimal variance between Out-turns and Budget * LAs to produce notices of allocations and budget execution reports
Expected Results									
1.1 EDF budget support sustained and predictable	* Objectively verifiable release criteria * Continuous annual level of support	N/A	* Release of PRBS tranche as specified in revised projections	*PRBS02 developed with scoring system for release * Release of PRBS tranche as specified in revised projections	* Release of PRBS tranche as specified in projections	PRBS tranche released 2 nd quarter FY 03/04	* Release of PRBS tranche as specified in projections	* Release of PRBS tranche as specified in projections	* Release of PRBS tranche as specified in projections
1.2 Aid transaction costs reduced	* Joint donor support functional	* Joint donor PRBS quarterly meetings undertaken	* Joint donor PRBS quarterly meetings undertaken	* Joint PRBS reviews successfully undertaken in April and Nov 2002	* Joint PRBS/PRSC reviews successfully undertaken in April and Nov 2003	*Joint reviews undertaken. Nov 2003 overall assessment was moderately positive.	* Joint PRBS/PRSC reviews successfully undertaken in April and Nov 2004	* PRBS/PRSC reviews aligned with PRS. * PAF matrix increasingly aligned with PRS matrix	* PRBS/PRSC reviews aligned with PRS. * PAF matrix increasingly aligned with PRS matrix
2.1 Effectiveness of Integrated Financial Management System (IFMS)	* Reports produced within stipulated time * Increased % of Government financial operations covered			*Complete * IFMS is now used by all ministries and sub-treasures, and all	* Mechanism established to support LGAs using EPICOR	* Mechanism being established alongside roll out of LGAs.	*Extension of IMFS to local government as outlined in LGRP revised plan	*Roll out successful.	*Roll out successful.

enhanced				government resources are flowing through the exchequer.					
2.2 Accounting, procurement & internal audit cadres restructured and upgraded	Number of personnel trained								
2.3 Production of macro-economic and financial statistics improved	* Timely availability of improved statistical reports and information	* Timely reports produced by MoF and PoPP	* Timely reports produced by MoF and PoPP	* Timely reports produced by PoPP The MoF Q4 Budget Execution Report was delayed by approx 1 month, and was published in early March 2003.	* Timely reports published by BoT, TRA, MoF and PoPP	* Timely reports produced by BoT and TRA. The MoF Q1 Budget Execution Report has not yet been received.	* Timely reports published by BoT, TRA, MoF and PoPP	* Timely reports published by BoT, TRA, and MoF	* Timely reports published by BoT, TRA, and MoF

Annex C: Revised Activity Chronogramme

**Update
February
2004**

(€million)

Project Title	Amount	Identification	End of Appraisal	Financing Decision
Education				
Education Sector Development Programme	43,5	Jan 04	June 04	Dec 04
Macroeconomic Support				
PRBS 03	76,0	May 05	Sept 05	April 06
Transport Infrastructure				
Zanzibar Port	30,0	Dec 03	Mar 04	July 04
Backlog Maintenance	30,0	Sept 04	Dec 04	July 05/06
Direct funding road fund	30,0	Sept 04	Dec 04	June 05
Regional road maintenance	30,0	Sept 04	Dec 04	July 05/07
Institutional support to Tanroads	5,0	Sept 04	Dec 04	June 05
Governance				
Capacity building for participatory development	17,4	Dec 03	May 04	Nov 04
Support for LGRP/PSR	5,3	Mar 04	Oct 04	May 05
Support for Non-State Actors	2,9	Apr 04	July 04	Feb 05
Support for Anti-Corruption	3,5	Jun 04	Oct 04	May 05
Other				
Water Supply Phase II/III	38,3	Mar 04	Aug 04	Jan 05
Support to NAO, Phase II	3,8	Sept 03	Oct 03	Mar 04
Institutional Strengthening Tourism Sector, Phase II	2,5	July 03	June 04	Jan 05
Technical Cooperation Facility	3,8	Aug 03	Aug 03	Mar 04
Total	322,0			

Annex D: Revised Pipeline

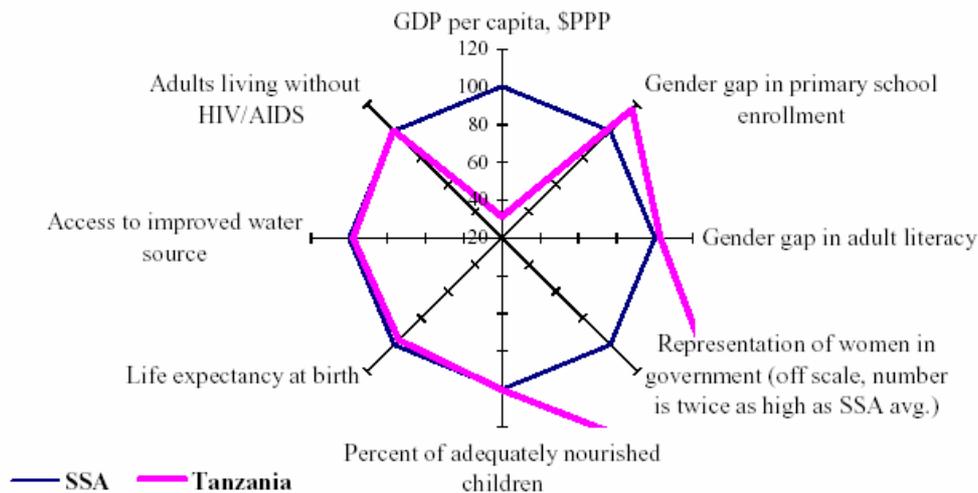
Project Title	January 2005		February 2004			Project Title	2004	2005	2006	2007	Total
	2004	2005	2006	2007	Total						
Education						Education					
Education Sector Development Programme	43,5				43,5	Education Sector Development Programme	43,5				43,5
Macroeconomic Support						Macroeconomic Support					
PRBS 03			57,0		57,0	PRBS 03			57,0		57,0
Transport Infrastructure						Transport Infrastructure					
Zanzibar Port	30,0				30,0	Zanzibar Port	30,0				30,0
Backlog Maintenance		2,0	28,0		30,0	Backlog Maintenance		30,0	10,0		40,0
Direct funding road fund		30,0			30,0	Direct funding road fund			30,0		30,0
Regional road maintenance		15,0		15,0	30,0	Regional road maintenance			15,0		15,0
Institutional support to Tanroads		5,0			5,0	Institutional support to Tanroads			10,0		10,0
Governance						Governance					
Capacity building for participatory development	17,4				17,4	Local Gvt Capacity building		22,7			22,7
Support for LGRP/PSR		5,3			5,3	Support for LGRP/PSR		0,0			0,0
Support for Non-State Actors		2,9			2,9	Support for Non-State Actors		2,9			2,9
Support for Anti-Corruption		3,5			3,5	Support for Anti-Corruption		3,5			3,5
Other						Other					
Water Supply Phase II/III		38,3			38,3	Water Supply Phase II/III		38,3			38,3
Support to NAO, Phase II	3,8				3,8	Support to NAO, Phase II	3,8				3,8
Institutional Strengthening Tourism Sector, Phase II		2,5			2,5	Institutional Strengthening Tourism Sector, Phase II		2,5			2,5
Technical Cooperation Facility	3,8				3,8	Technical Cooperation Facility	3,8				3,8
Total	98,5	104,5	85,0	15,0	303,0	Total	37,6	143,4	122,0	0,0	303,0

Annex E: Disbursement Forecasts

	2004	2005	2006	2007	Total
EDF 6	0	0	0	0	0
EDF 7	4.242.251	1.715.165			5.957.416
EDF 8	66.840.576	41.255.047			108.095.623
EDF 9	37.035.301	89.098.973			126.134.274
Total	108.118.128	132.069.185	0	0	240.187.313

Annex F: Gender Profile

Tanzania Summary Gender Profile



Note: This figure indicates that Tanzania has a GDP of less than 40 percent the average of SSA. Despite this low economic development, the country maintains average levels of development in its health related indicators. The gender disaggregated data for education, literacy and especially the high representation of women in parliament show a gender gap that is smaller than the SSA averages.

Technical notes: this spider web is constructed to show where the country is in relation to the Sub-Saharan Africa (SSA) average in the aspects of economic development, health and education. The SSA average was normalized to 100. The indicators were constructed in a way that a higher magnitude of an indicator indicates a higher level of development. To achieve this consistency, we inverted the percent of malnourished children and the HIV/AIDS prevalence to percent of children being adequately nourished and adult living without HIV/AIDS, respectively. If a country line is inside the SSA line, the country's development level is below the SSA average, and vice versa.

Definition of indicators:

- GDP per capita, \$PPP = GDP per capita converted to international dollars using purchasing power parity rates;
- Primary school enrollment gap = the ratio of female to male gross primary school enrollment rate;
- Literacy gap = the ratio of female to male literacy rate for people aged 15+;
- Life expectancy = life expectancy at birth in years;
- Representation of women in parliament = percent of women in parliament;
- Adult living without HIV/AIDS = percent of adults living without HIV/AIDS;
- Access to improved water source = percentage of the total population with reasonable access to an adequate amount of water from an improved source;
- Percent of adequately nourished children = 100 minus the percent of under-five children suffering from moderate & severe underweight, below minus two standard deviations from median weight for age of reference population.

Sources: *Africa Country Gender Database (ACGD)*

Indicator	Data (early period)				Data (most recent period)				Source ¹
	Female	year	Male	year	Female	year	Male	year	
HUMAN ASSETS: CAPABILITY									
Health									
Life Expectancy at Birth	47	1970	44	1970	46	1999	44	1999	1
Crude Birth Rate (per 1,000 people)	50 (1970)				40 (1999)				1
Infant Mortality Rate (per 1,000 live births)	129 (1970)				95 (1999)				1
Infant Mortality Rate (per 1,000 live births) richest quintile					65 (1997)				2
Infant Mortality Rate (per 1,000 live births) poorest quintile					87 (1997)				2
Under 5 mortality rate (%)	218 (1997)				152 (1999)				1
Total Fertility Rate (births per woman)	7	1970			5	1999			1
Total Fertility Rate (births per woman) richest quintile	NA								2
Total Fertility Rate (births per woman) poorest quintile	NA								2
Adolescent Fertility Rate (births per 1,000 women aged 15-19)	126	1996			130	1999			1
Maternal Mortality Ratio (per 100,000 live births)	1,100	1995			530	1996			2
Risk of unintended pregnancy (% of married women aged 15-19)					24	1999			2
Contraceptive Prevalence (% women aged 15-49)	1	1977			25	1999			1
Births Attended by Skilled Health Staff (% of Total)	50	1977			35	1999			1
Education									
Adult Illiteracy Rate (15+)	80	1970	45	1970	33	2000	15	2000	1
Young adult illiteracy rate (15-25 years old)	64	1970	27	1970	11	2000	6	2000	1
Net Primary Enrollment Rate Rural (% of age group)	NA								3
Net Primary Enrollment Rate Urban (% of age group)	NA								3
Net Primary Enrollment Rate (% of age group)	65	1981	68	1981	49	1997	48	1997	1
Gross primary enrollment rate (% of age group)	26	1970	41	1970	66	1997	67	1997	1
Gross secondary enrollment rate (% of age group)	2	1970	4	1970	5	1997	6	1997	1
Share of Secondary Enrollments net (%)	NA								1
Share of Tertiary Enrollments gross (%)	0	1970	0	1970	0	1997	1	1997	1
Progression to Grade 5 (% of cohort)	82	1975	88	1975	84	1996	78	1996	1
HIV/AIDS									
Adult HIV Prevalence (% of age group 15-49)					8 (1999)				4
Females % of infected adults population					56	1999			4
HIV Prevalence Rate in Young People (15-24)					8	1999	4	1999	4
Adults (15-49) Living with HIV/AIDS					1,200,000 (1999)				4
Percent infected in age group 15-19					28	1999	2	1999	4
Percent infected in age group 20-29					46	1999	28	1999	4
Percent infected in age group 30-39					31	1999	39	1999	4
Total Number of People Currently Infected					1,300,000 (1999)				4
AIDS Orphans (Cumulative)					1,100,000 (1999)				4
Women Attending Antenatal Clinics in major urban areas (% infected)					14	1996			4
Women Attending Antenatal Clinics outside major urban areas (% infected)					19	1998			4

Indicator	Data (early period)				Data (most recent period)				Source ¹
	Female	year	Male	year	Female	year	Male	year	
HUMAN ASSETS: CAPABILITY									
Female Sex Workers / Male STD patients in major urban areas (% infected)					50	1993	13	1997	4
ECONOMIC ASSETS: OPPORTUNITY									
Labor Force Participation									
Adult economic activity rate					82	1998	NA		5
Agricultural Labor Force % of total female/male labor force	92	1980	80	1980	91	1990	78	1990	9
Industry Labor Force % of total female/male labor force	2	1980	7	1980	2	1990	8	1990	9
Services Labor Force % of total female/male labor force	7	1980	13	1980	7	1990	14	1990	9
Gender Intensity of Production									
Agriculture labor force (% female-male)	NA								6
Industry labor force (% female-male)	NA								6
Services labor force (% female-male)	NA								6
Informal Sector employment (% female-male)					55	1993	45	1993	6
Contribution to GDP (%)									
PHYSICAL ASSETS: SECURITY									
Access to improved drinking water source (%)		50 (1990)				54 (2000)			1
Access to improved drinking water source (%) Rural		42 (1990)				42 (2000)			1
Access to improved drinking water source (%) Urban		80 (1990)				80 (2000)			1
Access to improved sanitation (%)		88 (1990)				90 (2000)			1
Access to improved sanitation (%) Rural		40 (1990)				86 (2000)			1
Access to improved sanitation (%) Urban		93 (1990)				98 (2000)			1
Traditional energy use (%)		81 (1971)				91 (1997)			1
Total Time Allocation (hours/week)	NA								-
Time Allocated to Water/Energy Provision (hrs/day)	NA								-
Transport Tasks (hours/week)	NA								-
Share of earned income (% of total)	NA								-
Land Ownership (%)	NA								-
Access to Financial Services (%)	NA								-
SOCIAL ASSETS: EMPOWERMENT									
Representation in Parliament, 1999 (%)					22	1998			7
Representation in Cabinet, 1999 (%)	NA								7
Representation at Ministerial Level					13	1998			2
Country Policy on Gender Equality ²					1	2000			8
Household Headship (%)					12	1993	88	1993	3
Household Headship, Rural (%)					10	1993	90	1993	3
Household Headship, Urban (%)					18	1993	82	1993	3

¹ Sources: 1 GDF/WDI, 2 WDI 2001, 3 Human Welfare Indicators, 4 UNAIDS, 5 ILO/UNSD, 6 Standardized Data Files, 7 IPU, 8 UNDP-HDR, 9 genderstats

² Convention on the Elimination of all forms of discrimination against women (1979): 1=ratified, 2=signed 3=not signed

Annex G: Environmental Profile Tanzania

1. BACKGROUND

Tanzania is the largest country in East Africa with 881,300km² of land, 61,500km² inland water and a shoreline of 1424km. The country is highly endowed with natural resources and has been classified as one of the twelve mega-diversity countries with high richness of biodiversity. 40% of Tanzania's land is under some form of protection.

The country's natural resources provide a principle source of peoples' livelihoods and play an important role in the economy with the sectors of mining, tourism, fisheries and agriculture forming major sources of Tanzania's income. Therefore the country directly depends on a robust, healthy environment to support income-generating activities and also to provide Tanzanians with materials for food, medicines and infrastructure. The environment is critically linked to poverty at the levels of livelihood, health and vulnerability.

2. ISSUES

Environmental concerns are exacerbated by Tanzania's high dependency on natural resources highlighted by close linkages between poverty and the environment. The Government of Tanzania (GoT) has begun to try and address such issues by developing a modern institutional framework that promotes environmental improvement and better livelihoods, especially among the most vulnerable populations.

The National Environmental Policy (URT, 1997c) identified some of the main problems of environmental degradation as:

- Land degradation
- Lack of accessible water.
- Environmental pollution, which is affecting the health of rural and urban communities.
- Pollution and poor management of lakes, rivers, coastal and marine waters.
- Loss of wildlife habitats and biodiversity.
- Clearance of forest and woodlands.

From these, key environment issues include:

2.1 Water

Eastern Africa has experienced at least one major drought each decade for the past 30 years. Water shortages have wide and varied impacts including a reduction in water quality, soil degradation, failures of crops and livestock, biodiversity changes and increased conflicts. Furthermore, above average rainfall can devastate crops, infrastructure and spread disease. In Tanzania, the demand for water is growing rapidly while rainfall is becoming increasingly unreliable.

2.2 Land Degradation

Land degradation in Tanzania can be found in most forest, arid and coastal zones throughout the country where human activity is often the cause. The Land Policy, although revised in 1997

aims to respond to increasing pressures such as human and livestock population growth and increasing urbanization. However the causes of land degradation and their solutions are often complex and involve awareness raising as well as valuing land, land tenure and land rights, while respecting historical and customary practices of local communities.

2.3 Urbanisation

There has been a rapid deterioration in urban services in Tanzania while urban populations have increased rapidly. Most urban settlements in Tanzania are unplanned resulting in poor water supply, sanitation and waste management. Outbreaks of cholera and typhoid are widely reported. It is expected that the pressures on urban services will grow concurrently with increased numbers living in urban areas.

2.4 Coastal Zone

The coastline and islands of Tanzania are affected by both human and environmental change. The expanding tourism industry is reducing the quantity and quality of coastal and marine habitats which also receive pollution and untreated waste. They are also subject to illegal activities, for example, dynamite fishing and mangrove harvesting. In addition to these pressures, rising sea levels and temperatures could seriously affect the quantity and species distributions of these habitats as well as the livelihoods of those who depend upon them.

3. POLICY & INSTITUTIONAL SETTING

3.1 Environment Policy

The National Environmental Policy (URT, 1997c) states, “there is a clear cause-and-effect relationship between poverty and environmental degradation. Environmental degradation leads to widespread poverty; equally, poverty is a habitual cause of environmental degradation as it undermines people’s capacity to manage resources wisely. Problems of underdevelopment such as poverty, ill health and others that plague the majority of Tanzanians are as much environmental as they are developmental. Environmental protection is therefore a social and economic necessity. It is an integral component of sustainable development.”

The National Environmental Policy is currently the strongest national policy in recognising the linkages between poverty and environment. However, since it was drafted in 1997, there have been considerable changes in the structure of the public sector, in local government reform, in land laws and in support for community participation in development, all of which add weight for a review and update of the NEP.

While there is general agreement that the way to reduce poverty and sustain growth must be in part through sound and equitable environmental management, there is less clarity on how this can be achieved in both policy and practical terms, and on a wide scale and at an affordable cost. This is a major challenge now facing the Government.

3.2 Environment Institutions

In Tanzania there are two main government departments responsible for the environment. The National Environmental Management Council (NEMC) is responsible for environmental

management in Tanzania and the Office of the Vice President acts as an environment co-ordinating body and assists in policy development. However, there remains no clear institutional mechanism for regular data collection and reporting on the state of the environment and Tanzania still has outdated environmental legislation with responsibilities distributed between many ministries. Furthermore, mainstreaming environment issues in to the poverty reduction strategy is in its initial stages.

4. CURRENT ACTIONS

There are a number of activities currently on-going and being developed in the environment sector in Tanzania. The main drivers of these initiatives include Government and within it the Vice President's Office as well as development partners and NGOs.

4.1 Government

The Government has recognised the need to address environmental issues and the integration of the environment into the PRS process was formally launched in September 2003. Environment will also be a feature of the PRS review later in 2004. Other major actions include the first draft of the Environmental Management Act which was released in November 2003 which will be submitted to the National Assembly for approval in early 2004. Also in 2004, poverty-environment indicators will be developed and the public expenditure review for the environment is also tabled.

The Government is committed to finalise the regulations on environmental assessments as well as guidelines for (a) integrating environmental assessments into sectoral and district planning processes, (b) economic instruments, and (c) environmental standards for monitoring and compliance. The implementation of priority activities in the new institutional framework for environmental management will start during 2004/05. Government will arrange for training on environmental assessment within sectors and districts and carry out pilot strategic environmental assessments in priority areas and start the implementation of the action plan for building capacity within the VPO for poverty-environment monitoring, which will involve mainstreaming poverty-environment indicators within the National Poverty Monitoring System.

Preceding the above actions, the Tanzania Government has reviewed a number of key sector policies areas to ensure that they reflect an increasing focus on environmental quality objectives. These include the Mineral Sector Policy, the Wildlife Policy, the Fisheries Policy, the Forestry Policy, the Tourism Policy and the Land Policy. Several sectors are currently undertaking formulation or review of their policies and laws, to take account of, among others concerns, environmental quality.

The Government Agenda for reform has redefined the role of Central and Sectoral Ministries, restricting their scope of activities while adopting the principle of subsidiarity, which has resulted in an increased role for Local Authorities. Most services, including environmental management, will now be delivered at the level of the districts and below.

4.2 Development Partners and NGOs

While development partners continue to fund environment projects in Tanzania, there is increasing co-operation and co-ordination among them. Initiatives include:

- Establishment of an Environment Working Group with membership from GoT, NGOs, development partners and the private sector. The objective is to promote the integration of the environment into development policies and also to help ensure the sustainable use of environment and natural resources for poverty reduction.
- Strengthening development partner cooperation with establishment of Donor Partner Group on the environment.
- Actions on environmental sustainability which form part of the performance assessment framework (PAF) for World Bank's Poverty Reduction Strategy Credit (PRSC).
- Progress has been made on Strategic Environment Assessment (SEA) & the PRS. Results of this have been presented to the OECD Development Partner Group (formerly the Development Assistance Committee or DAC) taskforce on SEA.
- The Environment Working Group and VPO are leading on developing plans to address environment as one of the priority cross-cutting issues in the forthcoming PRS review.

5. FUTURE NEEDS

The linkages between poverty and environment work in both directions and poverty can be both a cause and effect of environmental degradation. There are also other factors which contribute to environmental degradation in Tanzania. These include both anthropogenic factors such as population growth, poverty, greed, migration and poor controls, as well as non-anthropogenic factors such as drought, floods, pests and disease. The effects of many of these causes can be seen across habitats in Tanzania: coasts, forests, arable land and protected areas³. There are a number of areas where actions are being initiated in order to improve environmental management in Tanzania. These include:

5.1 Environment and Natural Resources Policy Framework

Three key documents (the Environmental Management Bill, A National Natural Resource Management Strategy and a revised National Environmental Policy) make up this policy framework, a key element being how they connect and compliment each other while avoiding overlaps and areas of uncertainty.

5.2 Monitoring and Reporting

The draft Environmental Management Bill contains aspects of monitoring and reporting, where there is currently little capacity. However once this is developed, Tanzania will be better equipped to be able to measure the successes or failures of environmental initiatives.

5.3 Local Government Environment and Poverty Strategies

³ A comparative analysis of coastal, wetlands and terrestrial problems reveals a striking similarity between the underlying problems in the different ecosystems (Moffat *et al*, 1998; TCMP, 2001; SIMMORS, 2002; IRA, 2002; Danida, 2002; URT, 2002).

The process of decentralisation and strengthened local government in Tanzania is underway. One of the areas reforms are looking at is mainstreaming environment and poverty within District Development Plans.

5.4 Land Tenure

Land tenure is under review in Tanzania which should enable poor farmers to raise capital against their greatest physical asset.

5.5 Private Sector

There is potential for the development of private sector service providers in a range of different activities. In some areas (for example solid waste management) there is an acceptance of this role. Elsewhere (for example the use of veterinary paramedics to provide frontline animal health services) there are still reservations about the value and appropriateness of private sector involvement.

5.6 Environmental Accounting

Natural resource accounting has just begun in Tanzania. This should assist the country being able to analyse major areas of costs and benefits from environmental management which will provide GoT with an initial estimates of the financial implications of environmental factors.

5.7 Minerals and Energy

The mineral and energy sectors are rapidly becoming key pillars in the national economy, however they are also two sectors where there are substantial environmental issues.

6. EC ACTIVITY IN ENVIRONMENT MAINSTREAMING

The EC Delegation is funding environment projects in Tanzania such as Support to Tanzania Game Reserves and the Mahale National Park project implemented by Frankfurt Zoological Society. Environment is also an area being addressed through many other interventions through EC-Tanzania co-operation.

Trade and Aid is also linked to the environment. Tanzanian exports of Nile Perch from Lake Victoria to the EU are valued at €120m a year. Exports were halted in 1999 due to pesticide residues found in fish fillets costing Tanzania and the industry close to one year's income from this trade. The EU is supporting the industry in meeting EU sanitary health requirements which also aims at supporting small-scale fishermen. On the resource side, the EU is helping to implement a fisheries management plan for the Lake which aims to allocate quotas as well as police the fishery. By addressing environmental, resource and trade issues, the EU supports an industry which provides an income for an estimated 1.3 million people around Lake Victoria.

Environment as a cross cutting issue also features in the infrastructure sector. The EU is funding the Mwanza Sewerage Rehabilitation project which aims at improving water supply and waste water treatment for those living in this expanding town on the shores of Lake Victoria. Raw sewage no longer flows directly into Lake Victoria and which links to the EU fisheries interventions, in creating a cleaner environment where fish can thrive.

The EC in Tanzania is also working in the governance sector, helping to devolve decision making to local and district levels. As over 80% of Tanzanians draw their livelihood from natural resources, there is a need for effective environment committees at the village, district and

regional levels. The EU is supporting the Local Government Reform Project which helps build capacity at the local level and is also in the process of developing other interventions in support of these activities.

Environment is not an issue that can only be addressed through projects or programmes but also in the process of being mainstreamed through Poverty Reduction Strategy (PRS) priority areas. The revised PRS (due 2004) should mainstream environment concerns and will be supported by PRBS/PRSC funding to the priority sectors. Environment indicators have already been developed for the PRS and are monitored by the PRBS/PRSC group, through which the EC funded €30m in 2003. Through progress according to these indicators, performance can have an impact on future budget support commitments.

5. IN CONCLUSION

Strengthened understanding on poverty-environment linkages can help demonstrate why environment is an important and essential element to be addressed through the development spectrum and can assist in achieving poverty reduction targets.

A priority for Tanzania is that Environment should be mainstreamed in central and local level planning which could help mitigate environmental risks as well as help determine the impacts of policies and actions affecting poverty and the environment. EC support in the governance sector should help support this initiative.

There are satisfactory environmental reports on Tanzania available on the net. The most recent and comprehensive is the 'Country Profile on Environment Tanzania' of the Japan International Cooperation Agency (JICA) of the year 1999. This report covers all topics required in the 'Standard Report Format' of the Commission. Therefore Tanzania falls under category I and there is no need to establish an environmental profile for Tanzania. The link below leads to the report of JICA:

<http://www.jica.go.jp/english/global/env/profiles/e99tan.pdf>

A further environmental report on Tanzania is the African Development Bank from the year 1995. Although this report needs updating it is a comprehensive and useful study. It can be found on:

http://www.afdb.org/african_countries/pdf/cep-tz.pdf

Additional information on various environmental topics of Tanzania can be found at the UNEP:

<http://www.unep.net/profile/index.cfm>

On a general note, a very useful report on the state of the environment in all of Africa was published by the United Nations Economic and Social Council in November 2001. The link below leads to the report:

http://www.uneca.org/panafcon/State_Environ_Afri.pdf

ANNEX H.1: STABEX OVERVIEW

Situation at 31 December 2003

			EUR					
Programme	Transfer	Net Interest	Total Funds	Commitments	Payments^{3/}	Uncommitted	Committed not paid	Total ^{4/}
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Stabex 1990	19.178.231	2.835.155	22.013.386	20.339.614	19.800.716	1.673.772	538.898	2.212.670
Stabex 1991	12.528.859	3.105.912	15.634.771	13.015.128	12.613.395	2.619.643	401.733	3.021.376
Stabex 1992	13.594.322	1.359.558	14.953.880	14.101.261	13.887.835	852.619	213.426	1.066.045
Stabex 1993	9.638.373	2.005.924	11.644.297	10.021.164	9.078.130	1.623.133	943.034	2.566.167
Stabex 1996	3.051.024	278.747	3.329.771	2.918.763	2.887.123	411.008	31.640	442.648
Stabex 1994	2.801.861	395.773	3.197.634	84.932	24.235	3.112.702	60.697	3.173.399
Stabex 1999	26.179.971	3.398.281	29.578.252	0	0	29.578.252	0	29.578.252
TOTAL	86.972.641	13.379.350	100.351.991	60.480.862	58.291.434	39.871.129	2.189.428	42.060.557

ANNEX H.2: COUNTERPART FUNDS SITUATION								TZS'Millio n	
Programme	CPF Generated		Commit ted		Paid		BALANCES		
	2003	Position 31/12/03	2003	Positio n 31/12/0 3	2003	Positio n 31/12/0 3	Uncomitted Position 31/12/03	Committed not paid Position 31/12/03	Total Position 31/12/03
Structural Adjustment									
SASP I	0,0	13.349,7	0	13.349,7	0,0	13.349,7	0,0	0,0	0,0
SASP II	0,0	34.704,8	0,0	34.704,8	0,0	34.704,8	0,0	0,0	0,0
SASP III	0,0	24.596,9	690,1	24.478,2	568,0	23.908,1	118,7	570,1	688,7
SAF IV	0,0	37.502,2	0,0	36.927,8	0,0	36.927,8	574,4	0,0	574,4
Sub-total	0,0	110.153,6	690,1	109.460,4	568,0	108.890,3	693,2	570,1	1.263,1
Import Programmes									
IGP	0,0	1.391,6	0,0	1.399,7	0,0	1.399,7	-8,1	0,0	-8,1
ASSP	0,0	4.657,7	0,0	4.657,7	0,0	4.657,7	0,0	0,0	0,0
SIP	0,0	3.197,4	207,9	3.081,3	193,4	2.982,1	116,1	99,2	215,3
FOOD AID 1992	0,0	1.326,7	0,0	1.326,7	0,0	1.326,7	0,0	0,0	0,0
FOOD AID 1994	0,0	1.319,0	0,0	1.391,1	0,0	1.319,0	-72,1	72,1	0,0
Sub-total	0,0	11.892,4	207,9	11.856,	193,4	11.685,	36,0	171,3	207,3

				4		1			
GRAND TOTAL	0,0	122.046,0	898,0	121.316,8	761,4	120.575,5	729,1	741,4	1.470,4

Project Title	Implementing Partner	Project cost in €	EC contribution	Start of project	End of project	Location in Tanzania
• HIV/AIDS and DISABILITY						
Long-term support for people living with HIV/AIDS and their families	AMREF - African Medical and Research Foundation	1,471,309	1,324,178	01/2002	12/2005	Iringa rural and Iringa municipality district
Development and Evaluation of a Programming Tool for STD Control	AMREF	1,288,402	1,159,562	07/2002	06/2006	Piloting in Morogoro urban, Kilombero, Gaeta, Mwanza City
HIV Transmission Prevention Programme for Zanzibar	Médicos Del Mundo	1,165,592	1,049,032	04/2002	04/2005	Unguja and Pemba
Integrated Programme to Combat HIV/AIDS Amongst Youth in Tanzania	World Vision Tanzania	2,783,662	2,513,662	09/2003	04/2005	Arusha, Manyara, Kilimanjaro, DSM, Tanga, Singida, Dodoma, Kagera Regions
Extension of CBR Services Dar es Salaam - Tanzania	Christoffel Blindenmission	3,221,6002	1,997,393	01/2002	12/2003	urban Dar and adjacent rural districts
Improving the Quality of Life of Disabled People in Tanzania	Christoffel Blindenmission	2,918,257	1,459,129	01/2004	12/2007	urban Dar and adjacent rural districts
• RURAL MICRO-FINANCE and SMALL-SCALE BUSINESS DEVELOPMENT						
The Tanzania 4H Expansion Programme	The Finnish 4H Federation	952,276	461,421	01/1999	12/2003	Kilimanjaro, Arusha, Morogoro Regions, + office in Tanga
Support to MVIWATA, a Tanzanian farmers organisations' network, in the development of income-generating activities	FERT and LVIA	2,070,920	1,468,213	03/2003	02/2006	Kilimanjaro region, Morogoro and Kongwa districts.
AHEAD – Arumeru Holistic Empowerment and Development	TRIAS/ACT	892,328	669,246	05/2003	04/2007	Arumeru
TDCU, Dairy Farming for Youngsters	HIVOS (NL)	501,654	321,058	01/2001	12/2003	Former sisal estate located near Pongwe, about 20 km south-east of Tanga.

WAWATA Small and Micro-enterprise Programme – Phase II – Tanzania	HORIZONT 3000	833,477	416,738	01/2002	07/2005	The project is operated in 18 dioceses: Zanzibar, Mtwara, Tunduru, Masasi, Songea, Mbinga, Moshi, Mbulu, Dodoma, Tabora, Sumbawanga, Kigoma, Kahama, Rulenge, Bukoba, Mwanza, Musoma, Geita and Shinyanga.
• WATER, HYGIENE and SANITATION						
The Kilolo Sustainable Development Programme	CED –Christian Engineers in Development (UK)	600,475	450,356	01/2004	12/2006	Kilolo Division of Iringa District: Villages targeted are Lusinga, Kilolo, Luganga, and Utengule
MEMA Project: Sustainable Development of Rural Water Supply and Sanitation - Tanzania	Centro Mondialita Sviluppo Reciproco	1,331,823	998,867	01/2002	12/2005	17 villages in the rural areas of Dodoma
Singida Urban and Regional Safe Water Project	Sister Cities Salzburg	1,099,562	500,000	07/1999	07/2003	Singida
• STRENGTHENING LOCAL CSOs						
Civil Society Support Project	CONCERN	1,849,157	750,000	01/2003	12/2007	Dar es Salaam, Mtwara and Kigoma regions
• GENDER ADVOCACY						
TGNP – Tanzania Gender Networking Programme – ‘Programming Framework 2001 – 2005’	HIVOS (NL)	2,166,756	1,914,815	01/2001	12/2005	Dar es Salaam region
Stop FGM! An International Campaign to Eradicate Female Genital Mutilation	AIDOS	1,156,980	925,584	01/2002	12/2003	Media TZ, mainly DSM, Kilimanjaro, Arusha, Mara, Singida, Dodoma, Morogoro.
• SUPPORT TO AGRO-PRODUCTION						
Babati Rural Development Project	FARM Africa	1,444,073	1,083,055	05/2000	04/2005	Babati District, Arusha Region
• ENVIRONMENT, WILDLIFE and PROTECTED AREAS MANAGEMENT						
Mahale Ecosystem	Frankfurt	2,271,877	1,749,345	06/2003	06/2008	Mahale National Park, Kigoma region

Management Project	Zoological Society					
Participatory Sustainable Forest Management	FarmAfrica	3,098,452	2,361,452	09/2002	09/2004	Babati, Arusha district
Integrated Renewable Energy Development and Environment Conservation in Tanzania	HIVOS (NL)	697,941	431,500	07/1999	07/2003	both rural and urban areas: Training centre in Goba (15 km N of DSM); rural surroundings DSM; Kilimanjaro, Mwanza, Coastal Regions
• CIVIC EDUCATION						
Promotion and Sustenance of Human rights within the context of processes of democratisation and good governance in mainland Tanzania	Southern Africa Extension Unit - SAEU	493,668	444,640	05/2000	05/2003	eight target regions (Kigoma, Coast, Rukwa, Mbeya, Kilimanjaro, Tanga, Morogoro and Iringa)
• OTHERS						
KCMC Laboratory Outreach Programme for Medical Laboratories in Northern Tanzania	CORDAID	431,011	326,450	12/2000	11/2004	Northern Zone of Tanzania: Moshi, Kilimanjaro, Tanga, Arusha, Singida, Dodoma Regions
Detection of Antipersonnel Landmines using rodents	APOPO	1,788,652	1,190,000	11/2002	04/2005	Morogoro.
• REGIONAL PROJECTS						
Five Year Programme of Mwelekeo Wa NGO (MWENGO) – Southern African NGO network	HIVOS		500,000	01/2000	07/2005	MWENGO building capacity of, amongst others, Tanzanian NGO networks
Drought Cycle Management in the Greater Horn of Africa – Learning, Documenting and Capacity Building	Stichting CORDAID		384,398	2/2003	05/2006	Regional

Annex I: Budget Lines

Project Title	Implementing Partner	Project cost in €	EC contribution	Start of project	End of project	Location in Tanzania
<ul style="list-style-type: none"> <i>HIV/AIDS and DISABILITY</i> 						
<i>Long-term support for people living with HIV/AIDS and their families</i>	AMREF - African Medical and Research Foundation	1,471,309	1,324,178	01/2002	12/2005	Iringa rural and Iringa municipality district
<i>Development and Evaluation of a Programming Tool for STD Control</i>	AMREF	1,288,402	1,159,562	07/2002	06/2006	Piloting in Morogoro urban, Kilombero, Gaeta, Mwanza City
<i>HIV Transmission Prevention Programme for Zanzibar</i>	Médicos Del Mundo	1,165,592	1,049,032	04/2002	04/2005	Unguja and Pemba
<i>Integrated Programme to Combat HIV/AIDS Amongst Youth in Tanzania</i>	World Vision Tanzania	2,783,662	2,513,662	09/2003	04/2005	Arusha, Manyara, Kilimanjaro, DSM, Tanga, Singida, Dodoma, Kagera Regions
<i>Extension of CBR Services Dar es Salaam - Tanzania</i>	Christoffel Blindenmission	3,221,6002	1,997,393	01/2002	12/2003	urban Dar and adjacent rural districts
<i>Improving the Quality of Life of Disabled People in Tanzania</i>	Christoffel Blindenmission	2,918,257	1,459,129	01/2004	12/2007	urban Dar and adjacent rural districts
<ul style="list-style-type: none"> <i>RURAL MICRO-FINANCE and SMALL-SCALE BUSINESS DEVELOPMENT</i> 						
<i>The Tanzania 4H Expansion Programme</i>	The Finnish 4H Federation	952,276	461,421	01/1999	12/2003	Kilimanjaro, Arusha, Morogoro Regions, + office in Tanga
<i>Support to MVIWATA, a Tanzanian farmers organisations' network, in the development of income-generating activities</i>	FERT and LVIA	2,070,920	1,468,213	03/2003	02/2006	Kilimanjaro region, Morogoro and Kongwa districts.
<i>AHEAD – Arumeru Holistic Empowerment and Development</i>	TRIAS/ACT	892,328	669,246	05/2003	04/2007	Arumeru
<i>TDCU, Dairy Farming for Youngsters</i>	HIVOS (NL)	501,654	321,058	01/2001	12/2003	Former sisal estate located near Pongwe, about 20 km south-east of Tanga.

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