IDS SUSSEX

The Institute of Development Studies
at the University of Sussex
Brighton BN1 9RE England

Telephone: Brighton (0273) 606261 Telex: 877997 IDSBTN G Fax: (0273) 621202
Direct Line (0273) 691647

Mr. A. van der Wiel/Mr J. Sterkenburg
Ministerie van Buitenlandse Zaken
Bezuidenhoutseweg 67
Postbus 20061
2500 EB 's-Gravenhage
NETHERLANDS

RHG/lab

14 October 1993

Dear colleagues or employers or whatever,

H/w:

A. General Comments on Draft Conclusions
B. Specific " " " "
C. Comments on "Small Embassy Projects" (SIC! In English grammar - maybe not in Dutch? - the small clearly relates to Embassy not to Projects as now titled!) - because I have a general point relating to overall strategy and because no chance to pre-read/think through.

Comments on main text will follows.

I would like to see the revised Conclusions. (On the rest I've had my say and if I've not convinced anybody now am quite willing to bow to you and consultants!)

As I said I'm willing to do it for love (of Tanzania and of better aid programmes) and as friend of your Ministry and Minister. But if your rules do allow I am now 2 days over what I estimated (these memos are 3 days plus work) and will be at least 5 to 6 over after reading/commenting revised conclusions. But if not practicable to allow it, don't not send revised conclusions for that reason, i.e. do send.

I hope you feel you've had your money's worth. As you have seen I do feel I owe my employer serious application of my mind and historic memory put frankly (if I hope inoffensively) but owe employer not to agree or stay silent when I disagree or think a crucial area or issue which is complementary or integral to task in hand has been overlooked. But that works two ways - as you heard and will now read I give a more positive overall reading of Netherlands aid to Tanzania than the draft conclusion even if I also raise additional specific weaknesses. Maybe much of success is a "West African Lashup Job" but - as is often forgotten - the original meaning of that term is something very theoretically imperfect and unpolished but works (e.g. using an old 1/10 or 1d coin - with hole in middle - instead of a washer in a faucet) until one has time to do it technically or (ex post) logically better way!

Cordially Yours

Reg Green

P.S. I also enclose expenses account for this trip.

Ministerie van Buitenlandse Zaken

Bezuidenhoutseweg 67
Postbus 20061
2500 EB 's-Gravenhage
Telefoon 070 - 3 48 64 86
Telex 31326

Prof. Dr. R.H. Green
Institute of Development Studies
University of Sussex
BRIGHTON BNI 9RE
United Kingdom

Directorate-General
International Cooperation

Date : 16 September 1993

Re : Country evaluation Tanzania
Ref : IOV-953/93

Enclosed you find the draft report on the country evaluation of the Netherlands bilateral cooperation with Tanzania. Not yet included is the first chapter on Tanzanian background and the concluding chapter.

We hope to finalize a first draft of the concluding chapter early next week. In that case we will sent you the chapter separately. Otherwise an outline of this chapter will be distributed at the meeting.

The time schedule for the meeting is as follows:
28th September 10.30 - 15.30 this meeting will take place in room 1C19

29th September 9.30 - 13.00 this meeting will take place in room 3E60.

We propose that the meeting on the 28th September will be used to discuss the main findings on the various aid, forms and programms including the general structure of the report. For the second day we suggest that the discussion will be focused on more general conclusions and recommendations.

We look forward to seeing you on 28 and 29 September.

Yours sincerely,

A. van der Wiel &
J. Sterkenburg

Ministerie van Buitenlandse Zaken

Bezuidenhoutseweg 67
Postbus 20061
2500 EB 's-Gravenhage
Telefoon 070 - 3 48 64 86
Telex 31326

The Institute of Development Studies
at the Unversity of Sussex
Brighton BN1 9RE
England

For the attention of Prof. R.H. Green

Datum	*Doorkiesnummer*	*Kenmerk*
October 11th, 1993	070-3485890	IOV-1100-93

Onderwerp	*Dienstonderdeel*
TZ/91/011 Tanzania Aid Review Meetings	Inspectie Ontwikkelingssamenwerking te Velde

Referring to my letter of August 14, 1991 I inform you that the activities of Prof. R. H. Green for the Tanzania Aid Review Meetings have come to an end and that the financial formalities for this part of the Tanzania aid review will be finalised on the 1st of december 1993.

Please send us your final statement of expenditure as soon as possible but before december the first as after that date no more expenses for the abovementioned meetings will be approved.

THE MINISTER FOR DEVELOPMENT COOPERATION.
for the Minister
Deputy Director Operations Review Unit

Drs. A.C.A. van der Wiel

Dear D.

I have sent all my out of pocket expense claims. I now claim 5 extra days reading/noting including 1½ I expect to spend when I receive second draft of conclusions. I underestimated how much commenting there would be. I did mention this at last meeting and hope it can be approved.

1314

(PTO)

RHG

Drs. A.C.A van der Wiel
for The Minister for Development Cooperation
Deputy Director Operations Review Unit
Ministerie van Buitenlandse Zaken
Bezuidenhoutseweg 67
Postbus 20061
2500 EB 's-Gravenhage
Netherlands

RHG/SH

October 20, 1993

Dear Drs. van der Wiel,

Your references: TZ/91/011 Tanzania Review Meetings; IOV-1100-93; Inspectie Ontwikkelings-samenwerking te Velde

Thank you for your letter of 11th October, 1993. I have sent all my out-of-pocket expenses claims.

I now claim 5 extra days reading/noting including 1½ I expect to spend when I receive second draft of conclusions. I underestimated how much commenting there would be. I did mention this at last meeting and hope it can be approved.

It has been a pleasure to serve on the Review Advisory Panel!

Sincerely yours,

Reginald Herbold Green

SMALL EMBASSY PROJECT PROGRAMME

1. Grammatically the English should be Embassy Small Project Programme - unless the meaning is a project programme for small embassies!

2. If Embassy feels need for projects to have external advisers would it not be better to build Tanzanian capacity? For example, grants (small) to

   - Tanzania Development Trust Fund
   - Christian Council of Tanzania's development unit

   to strengthen their staffs to include a (an additional in fact) small project adviser?

   - The present approach is slightly incestuous Dutch adviser to project for Dutch grant monitored by Dutch. In that context a very grave risk "advice" will be taken as "orders" necessary to get grant but - precisely for that reason - not necessarily internalised nor followed.

3. If the core is livelihood and core projects fail then this programme - like Rural Development - is failing to meet its central goal. 14 years on that is an urgent problem of design not merely teething problems.

4. If income generation means small business we must expect at least a 50% failure rate even if help TDTF and CCT to have a couple of ongoing assistance staff. In Europe-USA about two-thirds of small businesses fail within two years overall and half within three in monitored/advised grant aided schemes.

   - If these are businesses why speak of "project staff"? Surely most plausible form would be a de facto co-op or a shop linked to an NGO (like the garment shop in YWCA which I think is in fact a co-op of seamstresses plus a salesperson/bookkeeper whatever the formal legal position)? In SSA a lot of successful examples of these (not necessarily aided) albeit high early failure rate (in depth studies are of survivors so tend to underplay this aspect).

5. Conclusion appals me.

   - Poverty reduction must focus on enabling poor people/households to earn/produce more.

   - This poses problems - yes - but it is not a "contradiction". (If it is a contradiction then implicitly one believes poor are poor because stupid, lazy, shiftless/larcenous - past bad luck, gaps in education, etc. are curable as are unfavourable contexts. I very much doubt we believe that poor people innately can't produce/earn more.

6. Commercial projects must be assessed on commercial viability. This is no different if specify only poor people or (better) small/self formed poor people's partnerships/co-ops are eligible. The social criteria is that poor people (especially poor women) will benefit if project succeeds. Thus if "primarily assessed on social impact" is a substitute for commercial assessment there is a contradiction in our processing because the social gain sought is raising poor people's incomes!

7. Seven of twenty failing because funds stolen is unacceptably high. Needlessly too. If there were a link to TDTF, CCT or another Tanzanian NGO group in advice on design there could be:

   a. better sifting out of conpersons

   b. greater sense of social/moral duty to be honest (a bank or the Dutch - or the Tanzanian - government doesn't arouse a personal social feeling of obligation).

   Co-ops (de facto even if not de jure) might also help - 5 women are less likely all to be crooks and in a small group the social norm against dishonesty is at its highest.

8. What does "developmental motives" mean? If seven women including four seamstresses and one with rudimentary bookkeeping and sales skills making Gldr.35 a month average in putting out/micro enterprise sweat-shops have a commercially plausible scheme to form a co-op then:

   a. 2 sewing machines
   b. scissors, etc.
   c. initial cloth/buttons/etc.
   d. a relevant short course in bookkeeping/elements of finance management (co-op college used to have a 3 month one as I think did 'Pugu Road' Institute of Ministry of Labour)

   would 1 time in 2 enable them to raise income to - say - Gldr.100-175 a month. That is development of livelihood of poor persons (in this case women).

R. H. Green
Falmer
8-X-93

dutch3.doc/rhg/sh/oct93

CONCLUSIONS: SPECIFIC NOTES

1. Tanzania is slightly below SSA per capita average per World Bank - late 1980s period which is mildly surprising as one of two longest running SAPs viewed as moderately successful. Historically below Kenya and Malawi plus usually Zambia-Rwanda-Burundi; now below Mozambique and Uganda. (In part the divergence relates to Tanzania's low - 1% to 3% - share emergency aid vs SSA - 20% to 24% - but a very poor country which avoids needing that has something to be said for it.) Basically the idea Tanzania has had particularly high aid per capita is - in African terms - false. Here it may arise because it has been a Netherlands concentration country.

   At end of Para need late before 1980s. The 1977-1984 period is the downtrend/dip. In real per capita terms the peak was either 73/74 or 74/75 (relates to TAZARA plus drought/oil crisis related items).

2. "Farms" p.2 seems to underplay technical assistance especially if one includes project linked personnel/training.

3. Page 2 - end.

   - "Late 1970s" cannot be 25-30% utilisation. Believe Bank's '77 study had 55-60%. By 1980/81 quite possibly 25%-30% and by 1982/83 that would be a fairly charitable estimate.

   - "By then it became clear" if applied to donors in general is over 1982-1986. In 1982 the idea of maintenance/recurrent/capacity utilisation aid was still sharply rejected by most donors (I know because I began pushing it then at Nordic Workshop on Berg Report). I agree Netherlands was early - maybe 1980/81. But if change the capacity utilisation point to "early 1980s" the point takes care of itself.

4. Page 4 - Technical Cooperation fell. Main text doesn't seem to show that. Partly depends on handling expatriate salary component in projects (which seems to have risen?).

5. Composition. Well... agro processing may be in urban area but chief livelihood beneficiaries are farmers who produce inputs. Similarly General Tyre is in Arusha but it is rural residents who suffer when acute tyre shortages. I doubt that physical location of initial physical user of imports gives us any view on incidence. The foci on sugar and cotton and on fertiliser and tyres suggest far more rural production/production support emphasis than you are giving credit for.

6. Conclusion - how many actors on either side understood the overall programme at the time. If (as I suspect - pretty sure for Tanzania side) answer is "Nearly Nobody" this is a serious criticism.

7. Aid coordination

Try to sort out (a.) technical coordination of flows, (b.) recipient coordination of donor flows to recipient strategy (c.) donor coordination of flows and of recipient policies. (See my general notes.) Quite different things.

- In 1970s basically Tanzania coordinating flows by going from strategy to project to donor.

- "Number of projects" is pretty meaningless. 100 wells can be 1 or 100 projects - albeit strong case for 1. Does Tanzania really mean less ''topics' or less donors any one 'topic' or location or more packaging in "wholesale" projects plus general import support? These are rather different approaches.

8. Policy Dialogue. Until 1981 there was usually a "coherent plan" on Tanzania side:

   a. set strategy

   b. pick priority projects

   c. fill gaps in local finance/personnel from donors seeking to direct specific requests to donors believed likely to respond positively/effectively/cost efficiently (in descending order of priority I fear looking back!).

   True - not a "policy dialogue" and probably not at all clear to donors - not that T made any secret of it. Also true - frequent exceptions when donor cultivated a ministry, then used it to spring project (external donor or its enterprise priority) on unsuspecting Devplan/Treasury. The Cold Chain is an example.

9. Page 5 - end para 1. "Yet"? - Because of! Process quite inaccessible to recipient and no more a dialogue than 1967-81 (para 8) - it is a monologue or at best a Tanzania juggling of answers design to mollify and maintain some freedom of manoeuvre. That process leads to mutual suspicion - quite needlessly unless donors think they and Bank always know Tanzania better than Tanzanian Government does.

10. Middle second para 2 - page 5

   "Policy control" centralises if very macro. If intended to relate to micro operationality it either decentralises to district/project/enterprise levels or it does not work.

11. Last para 5 on unclear. Surely aid to U of D and ESAMI was in U of D and ESAMI/Donor dialogue frames and resources largely "implemented"/used by U of D/ESAMI? TA (expatriate personnel component) to Kilombero was nominally implemented by Netherlands and nominally directed by TSC but in practice free agent not very effectively accountable to either unless they chose to be. (Endemic problem of senior expatriate. To whom he/she is accountable often unclear and ability to slip between donor and recipient often high. No - I do choose to be accountable to whoever is using my services. In Mozambique to Minister of Planning - as proxy for people - via National Director; in this Aid Review to your Ministry as proxy for people of

Netherlands subject in both cases to telling truth as best I can see it and, doesn't arise in either case, walking out if I find basic conflict with goals of those I serve.)

12. Top Page 6. Note potential conflict of accountability - to Netherlands and (but may be or) Tanzania:

    a. technical - 2 systems harder to run at once than 1;

    b. normative - what Netherlands (Minister and/or electorate) wants done may not be same as Tanzanians (Minister and/or electorate) want;

    c. presentational - explaining how large, Asian enterprises have acquired $100 million odd interest free, no clear repayment date working capital primarily because accounting system on "OGL and relatives" didn't get set up, could fuel and anti-Asian xenophobia which is a real (and valid) government concern. For example, Rajpar may or may not be a crook. His enterprise, may or may not have 'cut corners'. But presentation suggesting strongly that "he is " and "they have" can today set off reactions favourable to those who want an Asianrein Tanzanian business sector. (At least one of MPs wanting an inquiry is an 'indigenisation not just citizenisation' champion....)

13. Second para. "Translation" has often been like computer which rendered "The spirit is willing but the flesh is weak" as "The alcohol is still potable but the meat has spoiled". The project that comes back may or may not be good in itself but is not relevant to what Tanzania sought. (The World Bank's translation of Village Development from a village based/run low capital intensity concept from Mwalimu to a manager run/high capital intensity scheme - which as it happens was an economic nonsense too! - is a good, if early, example.) This is a more basic problem than standards, etc. It is inverse of donor policy conditionality, i.e. it is gross donor failure to accept policy guideline conditionality from recipients in articulating projects (supposedly) responsive to requests.

14. Page 8 - "secondly". Frankly "too little flexibility" and "political control over day to day" are second order problems. Too much autarchic autonomy of managers and too little shareholder (via Treasury or Parent Ministry) control over strategy and ability to hold accountable for results are much more serious problems. And donor involvement (especially using or backing up "their people" in Tanzanian institutions) worsens these weaknesses more often than it helps. (For example, the Marketing Development Bureau which was de facto World Bank Uma Lele's fief blocked Marketing Board accountability to Agriculture and Treasury from 1976 through 1980. Over that period outturn turned from large surplus to 5% of GDP loss, corruption grew, physical performance worsened except for Coffee which regularly told MDB "go to hell" and - for its own reasons doubtless - maintained links to Treasury and Commerce as well as being under influence of growers - via Tanzania Farmers Association and some other grower board members.)

15. DRD (page 9-10) reads to me like RRDP come again. Once more supposed production raising core is a vacuum. Hard to define core programme so once again functional elements are physical and human (health/education/water) infrastructure. Surely we know the latter are not

sufficient (may well be necessary) and without production (and thereby revenue) boost are not sustainable. Ring alarm now not to terminate programme but to allow dialogue (beginning with people to be enabled to produce more!) to adjust structurally to get production enabling core in place. To be kind or to withhold criticism now is a mistake.

16. By "Programme" we mean import capacity and (via counterpart fund or - as with drugs/fertiliser - direct donation) budget support. Should state this because programme support can mean what we (Netherlands Ministry) call "sectoral".

17. Page 12 - Para 2. The "planning" of fertiliser tended to be made to get arbitrarily set amounts of fertiliser based on largely untested guesstimates of appropriateness (technical or economic) to somewhat randomly picked 'priority' areas. No serious technical basis for having a local production maximisation policy, e.g. both of present main types would have been banned long ago on long term soil fertility/structure damage. (Coffee, tobacco and, perhaps, cotton are partial exceptions to the above.)

18. Eh? (Page 13 - para 2). When was shift to programme aid? I thought it was in "early 1980s". I agree by 1983 grave doubts.

- need to define "sector" - cotton and sugar are not in normal terminology sectors (especially as in both cases agro and industrial components).

- "unfavourable pricing policy"? Define - it was above import parity for almost all the period. "liberalisation" meant cost plus protected by ban on imports which is not the usual definition of "liberalisation" nor what the Bank means by it! (Granted IFC was a great advocate for sugar when it was a Kilombero investor!!)

- There is a need to face up to:

    a. can Tanzania produce sugar at (taking one year with another) "import parity" (of "free" = residual global market)? (Just conceivably.)

    b. if not what is the case for new ventures or major (as opposed to repair/debottlenecking) new facilities at existing estates?

    c. and what the case for keeping existing sector going either because incremental plus operating cost below import parity and/or as a bridge trade balance equalizer until cost efficient import substitutes or exports are built up.

I have the distinct impression Netherlands has viewed CAP price as target for Tanzania sugar which is not self evidently the case. (Incidentally I will accept "c" and am not sure Tanzania might not want industry in being because EEC dumping and USA/EEC gross protectionism may be phased out and Tanzania is a moderately low cost producer in global terms. My point is that I am not sure these questions have even been posed squarely.)

19. Cotton output gyrations year to year are unlikely to be dominantly price related:

    a. weather (complex as good cotton and good grain weather not same)

    b. payment lag

    c. collection - ginning lag (which feed back into "b")

    ▪ Para 2 - page 14) - as I recall 91/92 and 92/93 crops up again (also world price collapsed so grower price far too high for marketing breakeven).

20. Conclusions - yes but see General Comments. Aid efficiency co-correlates with material economic success and/or efficiency (the last two are, I fear, only modestly correlated except that persistent unsuccess undermines efficiency even if original unsuccess causes were in large part external.)

    ▪ "during the 1980s" Eh? Decline dates to 1978-1983 (so I should suppose you mean) and recovery to 1984-90. As your reports show production aspects of District programmes, of SIDO and of Embassy small projects as very unsuccessful, how did "small scale production oriented" element raise actual (as opposed to potential) efficiency? In line 20 of last para 14 you mean - I think - unique (not typical).

21. Page 15. See general comment. Trend periods are 1960-1978/1979-83/1984-199?. 1967 is not a turning point. (Inconvenient for production socialists then and ideological marketeers now -) Nor is 1980 effective conditionality date - more like 1983.

22. Page 17. Farmers gained 84-88 (vs 79-83) because good vs bad average weather. As liberalised marketing meant making reality visible it is unclear whether real cash income rose from marketed food, because while volume rose, prices fell in real terms. 50% of marketed food (including fastest growing fruit/veg and meat/milk/eggs) was never under official controls and effectively grain price was a floor (far out regions and good weather years) with parallel local and poor year parallel marketing the rule in well located area in good years (e.g. Arusha/Moshi zone trade to Lake). In practice government knew this and made no serious attempt to block parallel trade but rather sought to build up secure/low drought vulnerability Southern zone where location implied floor piece would be at or above "free" market price. (This is implicit in actions rather than explicit in any analytical strategy paper.)

23. No evidence adjustment has significantly affected poverty to date (plus or minus). Has allowed halt in service decline and probably in rural real income decline. But has only slowed urban middle/low income decline. Only when both stable 5-7% annual growth plus rebuilt export base can it contribute to sustainable reduction of poverty. Stopping (or slowing in urban cash income case) declines is a basic condition as is GDP growth in excess of population growth (4% versus 2.75%) but not a sufficient one. Also no evidence ERP hindered social services - on budget data aid used to halt 1980-84 decline! (Problem in getting a deflator. But very large element is salaries/wages which grew much

more slowly than CPI more than offsetting faster rise of - smaller - import component.)

24. Poverty reduction via enabling poor households to produce/sell more may need infrastructure or (non-subsidised) loans to commercial/poor people's output buying (e.g. textile mills or cigarette factory) enterprises. No accessible market no way to poverty reduction is a fairly basic fact with few exceptions.

25. Page 18 - para 3. "All government health care..." has never been free. Upper service level room/board charges inherited and never abolished. Consultancy/prescription charges (as much to make users think as to raise money) date to 1970. The debate has been on rigid/centrally set charges with non-functional exemption systems reducing access as a pseudo user participation financing ploy. Bank has resiled from that 1983-1990 orthodoxy since 1991 but nobody has told its missions to East Africa!

26. Page 18/19. I don't doubt what is said. But nutrition (at National Institute-Ag-Health-village committees levels) has not been unable to become female led or even dominated and UNICEF has felt Tanzania one of places gender initiatives relatively easily sold to government institutions. Here why was Netherlands with a genuine commitment marginal? Was it related to European WID style which offputs many African women lenders (presumably style/cultural - UNICEF had greater problems with gender vector when Netherlands WID background country rep except for nutrition which she saw - unlike Prof. Marjorie Mbilinyi who is certainly an informed, militant feminist! - as irrelevant to WID almost a kuche-kirche-kinder ploy. Maybe it would be in Holland but producing different foodmix/providing child care to make proper feeding fit together with women working/sharing food via child care units/adding on related programmes under village chosen female leadership in SSA seems very major to me, and to Dr. Mbilinyi as well. (Dr. M. Mbilinyi, Dr. S. Mbilinyi despite being her resident husband is utterly gender insensitive!)

27 Page 19 - para 3. 4% is twice average SSA growth rate 84-90. How is this "low compared to..." (or compared to Netherlands??). Berg Report (Bank '81) projected 4% growth on basis:

a. full policy reform

b. some terms of trade gains

c. doubling aid overall and about 50% growth real per capita.

Excluding "c" it had 2.5% target. Adjusting for "b" only 1.5% was possible on Bank projection with full policy reform. Why is 4% in Tanzania poor on that (independent) benchmark test?

- I agree 25%-28% GFCF (14-16% net) should produce at least 6-7% especially with capacity utilisation increase gains to be made.

28. "Financial..." In early years of any SAP there should be finance for larger external and fiscal gaps (Bank, albeit only grudgingly Fund, agrees). Problem is closing them. Of SAPpers only Mauritius and Ghana have closed recurrent budget gap - and Ghana's reopened last year. Nobody except Mauritius has radically reduced external financing needed

(Ghana's is rising). Both gaps turn on SAP failures either to alter export structure or (not surprisingly) to achieve rapid earned import capacity growth by urging (with all too great success!) SAP countries to raise output of highly price inelastic/low trend growth/low income elasticity commodities (SSA has a 1980s export volume growth of over 4% and an import capacity growth from exports of under 2%!). Therefore to stress this point (rightly) is to argue aid should include enabling increases in earned import capacity (exports) of recipients as a strategic priority. (Given sensible domestic output and dutiable import growth, budget gaps can be reduced rapidly unless crushed by debt service payments.) Netherlands aid (very much typically) has had no such strategies focus even if both sector programmes were in part ad hoc trade balance bolstering initiatives.

29. Page 20. Top. Indeed, with government pay scale (including allowances which are disguised wages/salaries of $20 to $75 a month (maybe £#$50 to $325 counting housing at more rational prices than 10% of actual salary - the % is OK, the salary is not!) no likelihood of efficiency or motivation being good. Indeed their survival at all is the surprising point in contrast to 1980-85 Ghana. (Tanzanian morale is in fact not bad in SSA terms though - logically as they pay - Botswana and Zimbabwe are better. As Zambia is worse but has usually paid 3 to 4 times Tanzania in real terms, something else is wrong in Za or right in Ta.) Public service growth (central and local together) post 1980s under 1% a year so not rapid growth of numbers. Absolute level below normal for low income/25 million on basis IMF cross country survey. Also below levels Bank's LTPS implicitly requires for 2000! (Not to say no need restructuring, retraining, partial restaffing.) "Efforts by donors..." is putting result (not "risk") far too mildly. It is radically, ruthlessly decapacitating exactly like British enforcing free trade in opium on China in 19th Century. Cure is to allow rational (in economic terms) allocation of budget support aid to interim finance of "necessary efficiency" level wage/salary scales for technical/professional cadres by Ministry of Finance not "topping up" which creates hopeless inequalities, fragments, is divisive. Any country where expatriate salaries paid by donors exceed non-uniformed citizen civil service wage/salary bill is a clear candidate for such allocation. (Tanzania 1.1 to 1.33 to 1 and Mozambique at least 3 to 1.) Bank agrees as of 1993, with this logic for Mozambique. To centre civil service reform on saving salaries is to doom it. Tanzania could reduce 5% for now without endangering modest service recovery - if to meet LTPS goals by 2000 will need to be up 10% (non-uniformed plus police). Mozambique at about ½ minimum needed level (even if 60% of those in post need retraining or more training and 20% probably unretrainable or in dispensable posts). By the by the Bank is a very unconvincing advocate of cutting fat in staffing. Even if its 10% cuts were real they were from a very "easy" base and arguably structured in a way reducing efficiency unnecessarily.

30. Last para. Basically my reaction is rubbish. The problem is earned import capacity to sustain lowest plausible import level. Anyhow size by size/product by product private sector is much more import intensive, e.g. textiles/garments where public sector is integrated back to cotton and private buys in cloth to finish/garmentise. "Efficiency" in Skarestein means what? At 25% of capacity (common for import intensive)? (At 75% of capacity ALAF is a competitive exporter from Harare to Lumumbashi to Kampala to Nairobi to Port Louis to Maputo. Not at 40% because fixed cost base high.) What one needs is

efficiency of rehabilitated/modernised plant at 75% of capacity including exports priced at any level above incremental cost.

This is not in business practice dumping - at least 75% of world manufactured exports priced at or below that level! It is total profit maximising and it is successful exporters' price practice as they'll tell you in private if confident you aren't a dumping spy or a blabbermouth who will tell one! Failure of most SSA manufacturers to price like that is a major constraint on both regional and global exports. A higher price local market to cover fixed costs so exports at incremental plus were profitable was vital to Korea - Taiwan - Brazil breakthrough to buoyant/manufacture driven export earnings in 1970s. (Yes - Brazil - rate of manufactured export growth 1970-83 above Korea's and export subsidies were less than extra costs of unwise protection (e.g. of coal.) Metal sector results I doubt unless full actual cost at 25% capacity on run down plant. Also at what exchange rate - overvalued or present (Sh450 = $ is in range of error as 'right')? Both sugar and cotton could be imported more cheaply than produced and in some years at less foreign exchange cost in case of sugar!

In cotton incidentally the ginnery project substituted hi tech (dependent on imported spares) for very lo tech (largely suppliable with spares from local foundries even if that was not done as much as desirable). Was this right? Technically new ginneries are lower full cost per tonne ginned and - I believe - raise quality of lint and quantity of cotton seed. Low tech tear fibres and loose or break seed. But on your low import content technology test they are dead wrong! I don't think they are - upgrade foundries (and scrap collection to feed) to produce appropriate range of spares; that type of light engineering is quite efficient in Zimbabwe and (surprisingly) Zambia despite no support by donors (e.g. to help with design/jigs etc to produce spares for new aid supplied machinery).

31. I agree with SIDA. Negotiate with country areas (gender aspects of water or adult education or export oriented light engineering facilitation or of participatory decentralised DRD or whatever) of mutual interest. Agree on broad policies and overall (not just Netherlands financed) programme size. Provide untied grant. Have ongoing monitoring of policies/results in area (topical or geographic) as a whole not specifically "Dutch" bits and pieces. Much more policy and goal oriented and much more subject to dialogue and to effective reporting without creating an unmanageable 25 to 50 separate reporting systems for different donors!

32. Nothing is less flexible than an IMF agreement and few things than a SAP (tightly interpreted - Bank is becoming more flexible). In an uncertain world (and weather) one does not enable the sector by imposing rigidity on the government. Last lines Para 1 page 22 is valid if stating pure neo-liberal case. Does the Ministry agree? Is "getting prices right" a sufficient condition? (Bank's East Asian study takes a rather agnostic/contextual view on all these issues. Japan does too - indeed forced this Bank review and Japan is not a notable economic failure!)

33. Sector support (as term used in Netherlands) is inherently donor driven/donor designed/largely tied (certainly personnel and studies and through them physical goods). If negotiated on Tanzania proposed

package (policies - people - total resources - external contribution - Dutch part of EC) and Dutch funding was untied (including hiring people/studies from appropriate source, not necessarily Netherlands as Sweden does often allow) then I agree on "sector" - see Para 30 above. But as sector aid now operates it is in practice decapacitating and highly addictive.

RHG
Falmer
7-X-93

Dutch2.doc/rhg/sh/oct93

GENERAL COMMENTS ON CONCLUSION

Aid Quality

1. 1970s fairly good. Coord largely T side. Weaknesses on commercial oversell (Natl.Cold Store) and lack o'all Hague perspective. (T did not offer any specific to one donor's funding nor, as I recall, did N press. Overall aims and N relevance to them was then your focus with Dutch firm interests a secondary theme.)

2. 1979-83 pretty bad. Parallel general economic unsuccess and policy deadlock.

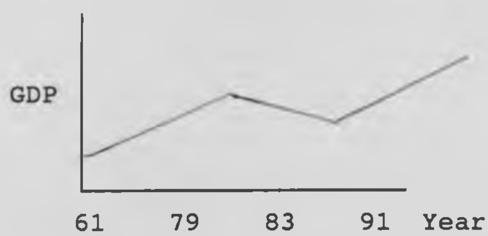
3. 1983-93 recovery. Parallel again to national side. OGL and prior forms badly handled both sides - present of Import Support form much better.

Aid quality likely to rise if agreed areas of Dutch comparative advantage - areas/issues/instruments. For example, on the record water (in T - as opposed to Mozambique) not Dutch ca. Two very long running districts, one still below national average on access and both (on data in report) above national out of service rate. (Latter appears to be at some time during year so probably exaggerates average outage which is still high and for non-diesel pump wells relates to shortage funds for simple spares/mobility of repair persons plus lack of organised user committees to maintain and to collect funds for - e.g. - parts/overhauls. While it needs discussing, if 20 years forward Dutch project areas below national average maybe water not logically any longer on T short list for N or vice versa. And if untied support to agreed programmes with evaluation of programme not Dutch component would improve monitoring as well as simplify. Suggests less project aid unless in areas clear Dutch ca as contractor/supplier/trainer, (Sugar may be one) or Dutch untied support in knowledge heavy construction contracts likely to go to Korea-Japan-Italy.

Overstating How Favourable A Context/How Bad Result

1. Tanzania slightly below Avg. Per Capita Aid to SSA overall - about at it excluding emergency. Historically below Kenya/Malawi and now below Mozambique/Uganda.

2. Tanzania GDP growth to 78 on 4/4½% trend which was above SSA - 1984-1991 also 4% trend again above SSA average - Where is massive failure? (Especially as late colonial 1955-61 rate seems to have been 1½% to 2% a year). NB growth trend decline does not begin until 1979. Until then 4% to 4½% trend. (1975-1978 at or above trend.) 1979-1983 (or 1984) well below trend - average O or slightly negative. 1983 (or 1984) - 1991 back to 4% trend. Not accurate to see break as '67 and data suggest a fairly stable 4% to 4½% trend with a 5 year gap.



(Trend Graph)

3. <u>As a property development</u> Tanzania is sub-marginal. Perhaps 20% moderate to high grade land. Most of that scattered on arc along three borders (other than Indian Ocean one) plus two strips from Morogoro to Mbeya via Highlands and via Kilombero Valley. That pattern vastly raises average transport costs. (Even Kenya less scattered with an enclave at Mombasa plus a bloc Nairobi to Lake.)

4. <u>Domestic food production</u> trend (based on physical GDP series from District level agricultural officer estimates) is 3% to 3½% 1960/62 - 1990/92 (both bases include two poor weather years). Trend <u>probably</u> stable; <u>if</u> break it is 60/62 - 65/67 at 3% and 65/67 - 90/92 3½%.

5. Record on basic services 84-91 mixed:

   - Education - decline in numbers at primary, Ministry of Education secondary (but not total public sector nor private sector which grew fast) slow growth, tertiary moderate growth. Real expenditure probably rose post 1984 but not back to 80/81.

   - Health - recovery in real expenditure post 1984. Volume per capita about back to 1980/81 peak. Exceptions <u>drugs</u> (down), immunization and mother/child programmes (both up).

   - Water - recovery from 1984/85 trough in real expenditure but very low and not adequate in focus on spares/mobility for maintenance (nor user committee preventative maintenance). Actual outage % unclear - above 25% (but 20-25% at one date with individual outage periods of 1 to 13 months probable mid 1970s situation i.e. base).

   - Nutrition - explosive improvement facilitated by food position, largely district/central ministry/national institute supported technically/financially and operated by village committees (hi % women) with substantial time/food/money inputs. Now covers half country.

   The immunization is a not too uncommon African late 1980s success story; the nutrition is a very unusual success.

6. Tanzania - pretty clearly by policy - has achieved:

   - <u>low level local ethnic</u> ("tribal") <u>tension</u> [except for Barbaig who are seen (by other groups first/govt. as a result) as "outlaw klan".]

   - <u>high level tolerance</u> global ethnic minority (i.e. Asians).

   - in combination about as <u>non-racial</u> and <u>anti racist</u> a country as one can find.

   - fairly high level of self perceived <u>national solidarity</u>.

- a rural bias because elected post holders felt dependent on/accountable to peasant electorate (which could and did put lots out of office). Unfortunately colossally inefficient use of resultant agricultural marketing physical capital and access to finance. But that doesn't alter central political concern with small farming family majority.

- low level of social/political tensions at or near level of violence. Some neo-traditional cattle theft, one instance of employer calling in police to fire on strikers (and having them agree) - Kilombero Sugar, not much else. Miles from civil war or the Kenya populist response to Air Force coup attempt.

- basically non-repressive - constant qualms of conscience about Preventative Detention (rather more than in UK - author of the Act!). Rare cases when large numbers were held under PD: accused cattle thieves (quietly released beyond 200 hard core tried because courts couldn't handle 10,000; Treasury suggested prison costs would be disaster for water/health budgets; President was appalled at 5 years PD before ultimate trial); Exchange Control (1,500 at peak based on fury Magistrates either didn't convict on apparently iron-clad cases or ignored high maximum and status as felony and gave trivial sentences. Backlog 1/3 tried, 2/3 released. Less cases brought with tighter scrutiny of magistracy as well as better prosecution); Economic Sabotage (4,000 peak - down to below 100 in 3 months and de facto phased out as PD target). Similarly, when 2 witchcraft murder suspects (virtually universally believed guilty) died under torture 2 senior police and 1 senior prison officer were prosecuted, convicted for manslaughter (Tanzanian equivalent) and Minister (who didn't know) resigned as responsible for seeing such horrors did not happen. (NB Mwanza public all on side of torture of witchcraft murder suspects if strong prima facie case). Senior Police Officer who accepted pleas of Kilombero Sugar senior expatriate management and fired on boisterous but not dangerous strikers (probably lawfully) was reprimanded for horrible judgement and found his promising career was behind him. (NB - Kilombero case is sensitive for you; the at best very foolish manager was presumably Dutch on Netherlands aid... so don't cite which enterprise if, e.g. used)

- Considerable respect for due procedure - as evidenced in provisions in Acts and broad attempts to follow, repeated attempts to correct procedures or update Acts when sloppiness (or worse) builds up. Several Regional Commissioners - including Mwalimu's brother - sacked for procedural misconduct. When Economic Sabotage Act showed itself as a due process horror, Attorney General (backed by Chief Justice) moved rapidly to institute safeguards and to get Act amended (against public hysteria/with backing of Mwalimu). Real threats to procedure/independence of judiciary are: a) rather inept and corrupt (in image and to a degree in practice) magistracy; b) undertrained and understaffed forensic levels of police and also of prosecution cadres; c) some judges (not all) who refused to deal with cases where proper public policy clashed with old unamended law (instead of either giving government deadline to amend law or entering judgement forcing to address problem) or (worse) asked government advice on sensitive cases (in worst case Chief Justice asked VP Kawawa should be convict against evidence and assessors. Kawawa - to his credit - exploded telling him it was a disgrace he would think of doing such a thing, unconstitutional he asked government to tell him what his judgement should be and - sigh, very much Kawawa! - if he ever did it again he'd be sacked on the spot.)

- Accountability was seriously attempted. For example, in worst parastatal cases - e.g. STC, NMC, Cotton Authority - thorough government investigatory studies (usually using some outsiders) leading to sackings at top as well as policy changes. Ombudsperson moderately effective for educated, middle class (coverage problem is not unique to Tanzania, poor-uneducated-manual workers rarely use anywhere). 1992 demotion of Minister of Finance and his chief economic adviser basically for 12 year bungle resulting in nobody keeping records on OGL and related funds. (Basic problem was no recording/monitoring process much more than corruption.) Perhaps poor case as he had been in office under 3 years and had done basic unearthing of nature of the mess (and chief economist, who was policy not accounts focused in duties, only told to look into it by that relatively new MF) but is holding Minister accountable for what shouldn't have happened on his watch even if he neither caused nor knew. When clear broad opposition, policies are reversed (e.g. 1991-1993 Zanzibar violations of constitution, repeated reversals of credit crunches on crop buyers when small farming families protested resultant lack of buyers - not, perhaps, a case of entirely sensible responses but of accountability, yes). 30% typical turnover of MPs in two-stage (Party primary and general) elections, i.e. accountability by threat of removeability. Similar process (but lower %) within CCM.

- On pluralism Tanzania has been erratic in practice/positive in principle. The largest membership groups - churches and mosques - have not been either repressed or teleguided. Often moderately critical and quite free to have social services, production/livelihood schemes, publications. (Registration rules for religious groups basically used to check if overtly subversive, e.g. Watch-tower which does say duty to reject all governmental authority albeit the safeguard is occasionally misread as 'bloody nuisance', e.g. some messianic/apocalyptic local sects.) Early creation of Tanzania Development Trust (oddly on Treasury initiative) to give an autonomous forum for NGOs/peoples groups/local government at village-district levels to discuss/deal with foreign donors - NGOs or small project governmental. Hosting ECA's Arusha NGO conference and cross-country Masai Cultural/Livelihood Rehabilitation Conference (in face of Kenya 'diplomatic' pressure to ban). Certainly not universally practised tolerance especially Provincial/District levels. (Ruvuma Development Association illustrates the complexity. Originally welcome. Later when realised 35% annual member turnover destabilised other villages/RDA tightly run by German expatriates - in fact idealist, romantic New Left but the ideology wasn't the issue/contemptuous of state and party [especially of anybody below a Senior Minister!] then TANU did have it closed down. In 1962/64 dialogue on One Party State repeatedly stated to be contextual not immutable/requiring review in 25-30 years. Over 1988/89 was reviewed (not least by Mwalimu Nyerere who was among those believing useful period of One Partyism was over). After broad outreach suggesting 10-20% pro multi party, 15-30% pro single party, 50-75% not much concerned (or concerned only that they still have a choice in nomination/election however achieved) CCM adopted multipartyism on basis substantial minority did want and majority not strongly opposed. And government promptly ended CCM funding as part of government budget.

7. How does all this relate to aid?

   a. aid given because of support for Tanzania approach to development including non-economic side;

   b. above elements are among those which led to support;

   c. they have endured;

   d. probability is that collapse of State or overthrow of TANU/CCM would have wiped them out;

   e. therefore aid support to state survival relevant to development aims of Tanzania and of Netherlands.

   We do need to say this somehow.

8. Drop references to especially favourable treatment. Not all clearly factual:

   a. to 1990 Kenya, Malawi more aid per capita (and some years Zambia, Rwanda, Burundi);

   b. from 1986 on Mozambique and Uganda moved to higher aid per capita;

   c. Malawi dictatorship (inverse of Tanzania on repression, accountability, etc) treated with kid gloves even after not performing economically and promoting RSA destabilisation. Pressure after 1990;

   d. Kenya massive systemic corruption, manipulated tribalism, increasingly repressive dictatorship (at least from early Moi onwards) treated very tolerantly until about 1991;

   e. Uganda has twice invaded Ruanda, spends hi % budget on "air", has horrible human rights record, refuses to accept even concept of multipartyism (OK - Musuveni refuses. but he has total power and pretty uncritical external backing as "thinking man's Amin" or, to be more polite, "last Bismarckian development leader").

   f. Zambia post 1975 economic policy was much less plausible than Tanzania and veered back and forth wildly. Also much later in reversion to multipartyism.

I'm not interested in making case Tanzania was held to higher standards. I do suggest very little basis saying treated 'leniently' compared to neighbours.

9. Per contra I have some broader criticisms of aid programme:

a. failed to provide a single Tanzania body with regular disbursement report on OGL/relatives and on direct to project aid. Contributed to Tanzania's failure to have internal accounting or complete budget;

b. failed to take strategic view of export diversification and expansion (cotton is relevant to preventing further collapse) despite regular citing of lack of earned import capacity as undermining state capability and leading to excessive aid dependence;

c. failed to take a coherent view of capability expansion, e.g. promoted tight conditions and (multiple external formats) reportings which fragmented and undermined state capacity to have a strategic focus or to strengthen own accounting/reporting procedures (key personnel redirected - inefficiently reallocated! - to attempt to work 30 or 40 different donor accounting reporting formats) and also did not treat educational-training institution support in terms of building domestic capacity and sustainability (e.g. ESAMI now on brink and doubts at level of technical institutions supported. U of Dar may be an exception but there specific Dutch inputs to pieces of U of D strategic frame which - from report - it seems was not examined by Netherlands).

d. failure to carry logic of falling salary levels on efficiency/dedication/honesty through to logic of fungibility of aid to recurrent to include a (evidently multi donor) package project in support of agreed middle/high level public sector salary scale (paid by Treasury from counterpart funds) instead putting in more expatriates (probable average cost $150,000 a year versus - say - average cost $2,500-3,000 a year to keep Tanzanians in post, committed, honest) and/or topping up Tanzanian officials working with it (buying loyalty to Netherlands projects at expense of rest of job area and of accountability internally). OK Magid Osman/RHG made major issue of this in 1988 and were among first and initial World Bank approval is 1993 in re Mozambique. But Netherlands realisation neither extant salary scales nor topping up 'remedy' were viable should by 1990 have led to strategic rethinking in Hague (especially as issue raised in initial Global Coalition for Africa meeting in Netherlands in 1989).

10. Failure (in report but basically in policy) to explore two conundrums:

a. accountability to Tanzanians by Tanzania Government and to Netherlands electorate by Netherlands Aid organs are administratively hard to reconcile. Issue seems not to get discussed openly with Tanzanians to see what synthesis possible;

b. "aid coordination" used in three senses:

i. technical - coordination flows/projects/reporting formats - may be joint donor/recipient interest;

ii. recipient coordination of approaches, flows to fit its strategic approach (Tanzania through 1978) which may or may not include recipient explaining its overall approach to individual donors;

iii. donor coordination to impose effective/joint conditionality on donor.

Of these "i" is unexceptionable but doesn't get done. (I.e. why not agree on a Tanzanian internal reporting/accounting system which aid agencies' own professionals "translate" into their format? Everybody would gain!) "ii" is arguably not partnership and donors fear "mushroom treatment" ("keep in dark and pour on manure"). "iii" is often inverse of "ii" and fragments national capacity, induces abandoning of medium term strategic planning and management on basis ad hoc (as seen by recipient) donor approval/disapproval dominates budget - especially investment budget.

- RHG
Falmer
4-X-93

dutch1.doc/rhg/sh/oct93

COMMENTS ON REPORT

1. This is to be read in conjunction with my General Comments on the Recommendations. It is there I draw somewhat broader conclusions and suggest strategic questions and gaps. This set of comments relates to the programme/approaches as carried out and to the observations on the Tanzanian context.

2. Table 2.1

   A GDP/capita and a GDP column in 1970 (or 1991) prices would be useful. Real aid per capita peaked in 1974 which is not evident from Table.

   - As noted elsewhere, aid to Tanzania at turn of decade was slightly below SSA average. Below Kenya and Malawi (usually Rwanda and Burundi) traditionally (until political conflict of donors with K and M) and now below Mozambique and Uganda. No need to perpetuate myths. (It is also below most of Francophone Africa and through 1987 below Somalia.) 18 of 36 is in the middle and not all of 17 are small (nor are 18 below all large).

3. Need an added Table showing Aid per balance of payments accounts. Foreign payments to foreign personnel and educational institutions (larger than TA because partly in projects) rarely enter country budget or B of P. Similarly direct to project aid not reported to Tanzania figures in imports very erratically. As not dutiable Customs not very concerned about figure recorded - it once put a VC-10 down at £10.00! To compare aid per OECD directly with B of P (and especially with imports) is very misleading because not on same basis.

4. What is failure?

   a. World Bank rates Tanzania in Top 4 on adjustment of policies. Ghana and T are - in practice - its current (Mauritius is concluded) SAP success stories. (I assume Mauritius and Ghana are 1 and 2 but can't guess the third.)

   b. 1984-1991 return to 4% growth trend versus 2% for SSA.

   What is our test of success/failure?

   c. Berg Report suggested 2.5% GDP growth on policy changes, no aid increases and 4% with aid doubling (real). As that assumed improved terms of trade 1.5% and 3% are maxima expectable on Bank 'model'. SSA had 2% with no real per capita aid growth, Tanzania 4% with a 1981-1990 change that is at most -15% real per capita (+ 15% nominal per capita). Why describe performance markedly better than Bank perceived as possible as a failure?

5. Page 8 - Was it commitments or disbursements that peaked in 1981?

6. Page 8 - TA may be 22% but if add salaries, etc. in projects total payments to expatriates plus overseas training seems to be 35% to 37%.

7. Table 2.3 Very misleading.

   - 1975-1980 low over-valuation of T.Sh. (per Bank) so OK.

- 1985 gross over-valuation so overstates GDP.

- 1990 low over-valuation of T.Sh.; but also

- 1990 domestic GDP grossly underestimated because implausibly low GDP price adjustments (less than ½ COL in most years which is nonsense).

  I would guess: 12.1-12.5-22.5 to 30-30 (1985-1990 GDP per capita in constant prices rose; aid per capita in constant prices fell. Very odd if Aid/GDP went up 5 fold!)

8. Page 11 - Problem of Tanzania not getting data from donors to incorporate all aid is an old one - in 1972/74 it was Tanzania Treasury complaining on direct to project disbursements data not being provided even on request. (This non flow of data on disbursements compounded the non-recovery of import support credit disbursements to enterprises.) Recording TA and other expatriate salaries may pose problems for both sides. In central budget will show as very near citizen pay-roll causing an outcry. If charged in full to enterprises (as opposed to what a Tanzanian would cost) will make viability testing projections even harder.

9. Page 11 - Para 2. CIS cover may be the means. Reasons for use of aid to cover recurrent items are:

   a. erosion of revenue base.

   b. undercapacity use/maintenance of government facilities.

   c. increased donor perception that the de facto aid allocation to capital budget only implied bricks and mortar - good; using them - bad which was a very odd economic axiom and not one used other than in aid.

10. Page 12. Perception - OK. How plausible given Bank evaluation? And growth rate? Also how real since the sort out of arrears in import support had begun (subject to problem that literally collecting at current exchange rate would result in Treasury receivers and managers taking over 80% to 90% of medium and large private and private run joint venture enterprises!) and foundations of massive 1992/3 move to privatisation/joint venturisation as well as of de facto full current account convertibility had been laid in 1991/92.

11. Page 12. Coordination from outside is only one of 3 types: technical coordination of aid and recipient coordination of donors are other two. (Tanzania practised last late 1960s to early 1980s.) Half of so-called 'Tanzanian capacity' problem is that 50 donors have at least 15 to 20 very different reporting and accounting requirements. Trying to cope (usually none too well) with these is seriously damaging Tanzania's own accounting and reporting system. Whether intended or not, divergent donor requirements are decapacitating. (I doubt the Netherlands Ministry could cope with 15 significantly varied systems for presenting its records and accounts!).

12. Page 13 - Cashew is not best case to cite:

    a. Tanzania had doubts - this is very much the Bank's own project;

b. output fell over 65% because of disease not reasonably projectable in the mid-1970s. (Continued fall, or at best trend stagnation, after 1980 when real grower prices were sharply raised several time tends to confirm disease interpretation.)

- One of textiles (multi-fibre in Morogoro complex) has same problem of being a Bank project rather grudgingly accepted by T against own best judgement.

- Paper (failure to get competent export oriented manager or to bang paper/railway heads together) and leather (poor choice partner plus 'odd' exchange rate which lost hides/skins supply) much firmer ground of Tanzanian failings versus Act of Devil (cashew disease) or Act of Bank (Morogoro multi-fibre).

16. Page 19. How can one combine general Foreign Affairs Cadres apparently largely excluding economists and Development Cooperation macro and sectoral economic policy dialogue and programme design? Still more difficult if wish to decentralise to Embassies to allow ongoing dialogue not patterned minuet of formal plaint and response which now passes (is passed off?) as policy dialogue. (See your page 39 - Para 1.)

13. Page 24 - Para 2. Tanzania not unusual in "longer than planned". Ghana programme 2 or 3 (depends how view 1973 phase) years older and no closing of external gap plus 1993 collapse of recurrent budgetary stability (as in Tanzania).

14. Para 3 - p.24. The DRDP seems to me to be on the highroad to replicating all the 1970s RDP failures. More when come to that chapter.

15. Pages 30/31. Would be useful to have division:

a. Expatriate Salaries
b. External Contracts Done Abroad (e.g. Scholarships)
c. Imported Service (Excluding ES) in T
d. Tanzanian Services
e. Imported Goods
f. Tanzanian Goods

and also how these evolved - as %'s - over time. I fear "a + b" rose and "d + f" fell which is a model of decapacitating aid.

16. Page 35. Very confusing!

a. Treasury - Policy Section + Planning - PS are the strategy/programme/project priority coordinators on T side;

b. External Finance are a liaison and soft diplomacy unit not an analytical, policy or negotiating (nor for that matter monitoring) one.

17. Page 40. Does policy mean T policy or T and N? Why should policy (and future trajectory) behind decline in Dutch aid to Tanzania not be raised? And if T ag. price policy is to be discussed why not

Netherlands (or on coordinated basis - EEC)? Yes I know the answer but "policy consultations" which amount to only one party able to raise issues are inevitably seen as unfair and lead to resentment.

18. Page 44. "Modality 5" whatever its early quick result gains is decapacitating and fragmenting. Choosing to use it widely is choosing to reduce Tanzania's capacity to plan-propose-implement-monitor and to be forced to use it more and more -

19. Page 47 - Para 4.

Well - the relevant qualified macro staff are in Hazina-BOT-Maendeleo policy units. Micro/Sectoral are Regional-District-Ministry. Not all that few - too many and too scattered for Netherlands Missions to meet coherently. If ongoing dialogue/discussion with them is desired then needs to be decentralised to Embassy.

20. Page 52 - The problem is partly circular. Donors rarely accept studies done by recipient before going to donor (even if done by external consultant). Indeed these often slow up negotiation. The result is T gradually giving up doing (and especially hiring) such studies. If donors want Tanzania to do more detailed pre-planning, they need to take what is done more seriously and not automatically start again from scratch.

21. Page 58. Table 6.5. In normal terminology 50% of Netherlands Project aid is TA (expatriate salaries plus training)!!! Was it that high in 1980? 1975? 1970? This is a horrifying development as unless aid intended to increase dependence on external personnel the % should fall over time.

22. Page 59. Topping up by individual donor de facto buying individual T staff person's time so fine not a good route. But why not cut number of expatriates 10% to 20% (together with other donors) and pay into an approved Treasury run technical-professional-managerial 'minimum efficiency salary' pay scale 'project'? 10% to 20% of TA (defined as including all expatriate salaries) would allow very substantial boost to these T cadres real salaries and restore incentives/morale/efficiency as well as reducing departures abroad of T cadres.

23. Page 62. It would seem prudent to build in monitoring so annual review in time to limit/correct damage and re-orient programme on positive lines. Very crucial now for DRD and for successors to OGL.

24. Page 67 - Para 1. Well... in 1978 on World Bank advice Treasury overrode Bank of Tanzania and turned phased reduction of import controls from late 1975 to end of 1977 into near total ending after coffee price broke and export projections showed decline in earnings. Yes, bottom line is E. I. Mtei's folly and thus Tanzania's but Bank didn't support Tanzania; it shoved.

25. Page 68

- Trend GDP growth decline begins 1978 and ends 1984. Before 1978 and since 1984 4% trend.

- Export volume depends whether you use Paasch or Laspeyre. Standard way uses 1961 base dominated by sisal. Using 1981 as base (volumes/prices) 1981 is about same as 1965-7 average. (1981 well above immediate prior and subsequent years in volume.) 1970s domestic prices were roughly export or import parity. Should government have subsidised exports and paid well over import parity as a general policy? It didn't do the former and regularly subsidised only sugar (and until mid-1970s only Kilombero by artificial prices!) among main food crops? If so why should it have ignored global market prices?

- Until 1980 budget regularly projected recurrent cost of capital works to be completed on current and next two years projected recurrent budgets as did 69-74 and 74-79 5 Year Plans. Maybe not well done but it was done. Maintenance collapse largely post-1976/77. 1974/75 did cut back in crisis management mode. Attempt to restore normal in 75/76 and catch up 76/77. After that one or two year deferrals went on and on and on - until reconstruction was needed not maintenance!

26. Page 69 - Para 2

    Well 1980/81 had best designed of any of T's adjustment programmes. As only IMF would buy it - not Bank and not bilaterals - it was unworkable. As T and IMF expected Bank/bilateral quick approval, utter chaos ensued when projection falsified.

    1981 was interim of sorts but basically 1982-85 was an internal political deadlock with alternative programmes from Planning (Mwalima-Singh) and Hazina (Jamal-Msuya-Green). Only in 1984 did latter have a political base/mandate to act. Before each got some policies - largely incompatible with each other! - agreed which was possibly worst of all worlds, e.g. the nonsense report of the Three (Very Un)Wise Men as bowdlerised and released by Maendeleo (and damned by Hazina as total fiscal and macro irresponsibility in both versions).

27. Page 69-70. You miss 1980 Agreement which failed largely because T/IMF wrongly supposed Bank/bilaterals were on board. Are you sure your JKN quote is not December '80 and 1981 New Year's Speech? Not sure. The 1979 talks breakdown had nothing to do with principles - the then MF (Mtei) tried to use IMF Delegation leader to bully President by his presenting Mtei's ideas (harder line than the IMF Swede's!) to Mwalimu as "take it or leave it". This led to a diplomatic debacle - IMF sent packing (until April 1980 only) and E. I. Mtei fired (never again to hold government post other than as 'outside' chairman/advisor).

28. Page 70 - bottom. No. 1984/85 Budget had positive response by Netherlands, negative by IMF (advised by then Executive Director Mtei), wait and see by most, no Bank response until 1985 (6 months on) when suddenly Jaycox realised it had basic elements he had been wanting for 3 years.

    - "1986 Agreement" actually 1985 Agreement with Bank and some bilaterals contingent for activation on Fund agreement. In end Bank leaned very hard on Fund.

29. Table 7.2. Mildly amusing how precisely illegal rates are known! Seriously, there is usually a very large spread and scatter (Maputo is an exception as a 6-7 firm oligopoly/oligopsony but also one tolerated throughout, while Tanzania less concentrated and less tolerated.) The

1980 World Bank view (in much later WDR) was that Tanzania was mildly (5% to 20%) over-valued in 1980 which squares very oddly with your 60% over-valuation! (Illegal note rate is a very approximate index of over-valuation, e.g. for special reasons Kenya even while seriously and increasingly over-valued had nil or low premium on foreign notes.)

30. Table 7.3

- Which licenses were not used? Could be 50% plus of "own exchange"?

- How much of "own exchange" is Kenya and landlocked state goods brought in legally to T and then land smuggled? Very substantial amount was transit to Kenya. (B of K thought up to $100-$150 million though how the figure was arrived at was unclear to me.)

31. Page 73 - Para 3

Did anybody assume that? Import and Recurrent Budget decompression always likely to outrun exports and taxes. In any case IMF would accept aid financed Recurrent Budget deficit but not domestic bank borrowing financed one. What was not expected was how long IS - Counterpart Funds would need to stay how high, i.e. much longer transition than anybody supposed likely.

32. Well no CIS is not like OGL (thank God!). In OGL (and other donors' analogues) Tanzania had no single point able to tell it when recipient drew credit and/or received goods. Thus neither BOT nor Treasury nor NBC knew what was outstanding to whom for how long, why! T certainly slow to wake up to debacle and to demand data so it could police, but donors did not provide smooth data flow to one place (may themselves not have had it on enterprise drawings!) nor wake up to incredible build-up of overdue (5% plus Government departments which is probably faulty perception, i.e. odd to have expected repayment; 55% to 60% parastatal including JVs and up to 40% private).

33. Page 82-3. Wherever "cash" appears you mean export. The largest "cash" crop in Tanzania by farm households selling, tonnage or cash value is maize.

34. Page 85 - Para 2. Late ordering was key bottle-neck. If orders had been placed to have fertiliser on hand in June-July could have been sent up country on empty backhaul of vehicles bringing crops in. Tanga-Dar-Morogoro-Mbeya-Mwanza-Kigoma-Bukoba-Arusha (or Moshi)-Dodoma-Mtwara as hubs (ports or reachable by rail). This point was repeatedly made by Treasury over 1972-1980. Given the known lorry and bogey shortage this was obvious solution. TFC never tried to implement it, therefore its cries of "transport bottle-neck" are a lame excuse for lazy incompetence.

35. Table 7.9 - Properly labelled but needs note that official purchases neither total nor a stable % of total:

   a. local always "unofficial";

   b. Lake Zone almost all "unofficial" after 1980 except in bad drought years ('importing' zone);

c. Arusha-Moshi sold "unofficial" except in bumper crop years and in some years probably sold more than whole official purchases!

Roughly during 1980-90 cash consumption of maize about 600,000 tonnes. Implies:

	Official	Imports	Stocks*	Total	Unofficial
1981-85	85,000	200,000	(-25,000)	310,000	290,000
1986-90	175,000	10,000	(25,000)	165,000	435,000

* - reduces purchases/imports 'needed' while + increases.

With no warning of size of unofficial transactions, Table 7.9 rather misleads as to total volume and especially, share of Big 4. The official price was de facto a floor price. In good years it did bring in maize (76-80, 86-90) but very little in bad years (81-85). Further, the floor was more attractive in far away "Big 4" than in the North (nearer Lake Zone market). There was a "shift" (in proportion - North rose absolutely) but not as large as Table 7.9 suggests.

36. Page 89. To assume proper technical 'packages' known is very optimistic. Where more than 1 study exists there is usually great conflict of findings and many 'prescriptions' not based on local (district) tests.

37. Page 93. Equal division of allocations to public (including joint venture) and private when public 2/3 plus of capacity shows major bias. (Also true of BOT allocations. Reason less than clear.)

38. Page 97 - Table 7.12 Are these outturns typical? Kioo and General Tyre highly profitable (and exporting) in a number of years. Do 1990 results include heavy devaluation losses? Simba Plastics profit amazes me - did it have the protection of an import ban?

39. Table 7.13. With very low import content and (when able to meet domestic market) past export history how is Kioo 2.7? Is there a confusion between f.o.b in harbour plus import duty and c.i.f. to wholesaler? Transport is a very high proportion of bottle costs. Or is it 30% utilisation and crushing fixed costs for a capital intensive process plant? (As sand is cheap I wouldn't be surprised if 75% of cost are fixed or - labour - semi fixed.

- Surely product more important than labour intensity? Fish nets, tyres, farm implements and vehicle repairs are key inputs into rural production/transport. Aluminium is basic construction and household (utensils) product. Packaging, oxygen and bottles key inputs to most of manufacturing. Plastics are basic household goods. Vegetable oil is agro-processing and (scarce) basic food. Rajani was a fraud - he re-bottled and sold raw oil as imported instead of processing (thus the high import intensity and DEC in contrast to VOIL!). On priority product test (which is what Tanzanians were using) comes off well. For most of these products no small, labour intensive alternatives existed.

40. Page 101. "Sectoral" here is not same as "Sectoral" in Netherlands usage. In Bank terminology (as here) the policy conditions are sectoral but the import support is not allocated by sector (and, as list shows - e.g. Civil Service, Financial Reform - may well have

little use by the policy sector). Thus Table 7.14 tells us nothing of sectoral use of OGL. 7.16 however does do that.

41. Para 1 - Page 106. Crowd out factor is credit to buy crops. True whether buyer Crop Authority or Co-op or Private. Buyer mobilises peasants to cry out if lack of credit means he can't buy. Both political and economic (unbought crops would be a disaster for exports, food security in that year and - via disincentive to plant - subsequent years) logic of Tanzania government/policy analysts means this pressure is irresistible. Pre-1975 Treasury did lean on M Boards to some effect - Uma Lele's Marketing Development Bureau did not over 1975-1980 and rot has never been repaired. Threats to stop credit without alternative buyers will not stick (if Banks won't lend, Government will have to) and changing who buys merely rearranges deck chairs on the Titanic.

- Para 2. "Avoid high import levels"? What does this mean? Duties? But "own funds" and OGL duties are identical - tariff is by product not by source of funds. Did study check at all to see how much false declaration? That is a habit - lower duties on intermediates and in past much easier to get both licence and forex. Declarations cannot safely be taken at face value. The transport was dominated by saloon cars (and long cab pick-ups imported as close substitute) plus spares so not as intermediate/capital as it may seem.

42. Page 107. What is curious is that over 1960-66 BOT ran a basically identical system for TAZARA local costs (import credit in China/allocated on basis 'bids' by importers/users) with great efficiency. In 1980 Treasury at top official level had called for re-institution for Import Support. (It is unclear whether Minister ever acted; clear issue became "lost" -.)

43. Page 110 - Para 1.

- Parastatal sell-off was in train for massive offers for full or partial sale of August '93.

- What does reforming traditional export crops mean? De facto much more leeway private buyer/processors than they use. And in oligopsony world small local firms likely to get poorer prices than - e.g. Coffee Authority auction or Cashew Board bargaining with STC of India probably get at least 20% more than small individual exporter would.

- On basis Bank's LTPS Tanzania has too few employees. Lay offs are precisely wrong place to start reform. Define what needs to be done - what numbers of personnel with what skills/training and go on from there. Clearly need redundancies and retraining but no assumption that total personnel are above requirements has any particular empirical or logical basis.

44. Page 111 - Para 2. 1992/93 revenue shortfall:

   a. low import support leading low import duty and low sales tax on imports (plus low sales tax on domestic goods needing intermediate imports) and low counterpart funds

   b. power cuts debacle

c. fake revenue estimates (first time in independent history). Minister threw out reasoned set by Advisers and concocted 'easier' set (as when at Planning he did for 1982 and 1983 export projections).

NB "c" has been repeated in 1993/94 Budget.

45. Page 111 - Para 3. Official exports - yes. Official plus own funds (largely open return of proceeds of smuggled exports) less clear.

46. Page 112 - end. Degree of resentment of Asians who did well under allocation, own funds, liberalisation with (as seen and to a degree true) liberal use of corruption is very high. Tanzanian's anti-racist political and economic official culture is at risk. Several parties are - almost - openly racist. To date response limited and the (unregistered) Anti Asian/Arab Scapegoat Party has not had much response. But government is very worried and concerned World Bank/donors (who would be first to denounce right populist racist violence and, much more, racist legislation) do not see the problem.

47. Page 115.

a. Traditional exports no way forward so far as closing trade gap goes. 1984-90 seems to be 5% volume and 2% value growth a year.

b. No coherent collection data to identify new exports (structural adjustment of export base) to inform enterprises prepare policy and infrastructure package.

c. No donor support for those export restructuring projects proposed nor for serious study to inform strategic formulation.

No 1960s/70s export breakthrough came solely by "getting prices right" nor based on old export base. Why should SSA be different?

48. Page 115/116. Not enough data to judge. Real wage decline slowed. Apparent rise in domestic consumption of food and broad market consumer goods. Probable small gain. Health - water decline halted (albeit may not be per capita). Education still declining. Nutrition and immunization sharply improved. Probably gains over 1984-1990 and not necessarily excluding poor but very uneven and slow. Certainly perception of youth, women, family small farming households is not that they are better off.

- If "access to goods" key to gains (as stated in report), then urban (manufactured) goods production support logically does provide gains to rural poor.

49. Page 129 - last para. No SSA airline without intercontinental service can hope to break even. No case for operating domestic service at all on profit making basis (for that market let them use air charters). About only apparently breakeven plus airline beyond Ethiopian (Africa's Air Singapore) is LAM where Lisbon/Paris run profits equal domestic route losses and RSA services chip in a small surplus. Only evident way for AT to break even is joint venture with LAM (using LAM's - dubiously wise - 2nd 767 and AT's London landing rights so AT gets a payment per passenger from Dar and LAM serves London) to get a "profit line". There may be a case for abandoning public carrier airline, but

unless that is accepted domestic ticket price is an external economy pricing conundrum and AT cannot realistically be expected to be commercially viable and also relevant in service provided.

50. Page 135 - 2nd Para. SIDO isn't precisely a producer of goods so much as services. It is a continued initial design failure (warned of then and since at Ministerial as well as official, academic level). The Indian model does not (even in India) serve the enterprises Tanzania thought of as small but 50-250 employee class. The SIDA model (Arusha) up to a point works but not for truly small or labour intensive enterprises.

51. Page 138ff.

a. there is no evidence mechanised/large scale maize production in T is cost efficient (except perhaps for controlled seed multiplication).

b. there is evidence that it would destroy livelihoods and raise input import requirements for any volume produced.

c. Tanzania has no secular maize production problem - severe cyclical one hardly helped by adding cyclical mechanised.

d. Never government policy to substitute mechanised for family sector maize nor even (as in rice) to build up both.

e. Looks as if a minority fraction in Kilimo developed liaison with Netherlands experts and slipped Mbuzi by Devplan/Treasury as a non-fungible extra.

(1986/90 weather, not incentives key influence on maize volume. Not surprising as in bad crop years actual grower price, well above official so 'liberalisation' made reality transparent more than it altered it. That is a gain but not primarily an output gain.)

52. Page 140ff. (Grain Terminal)

How did this ever happen? Early 1970s SIDA project, e.g. Arusha silo was a clear/recent parallel and showed idea totally unsound. (When at beginning of 1980s SIDA wanted advice on 2nd - or was it third? - refit of Arusha silo I was not only one to suggest "12 sticks of dynamite"!)

The data showed:

a. very little capacity to handle bulk grain except for silo (nor lorries nor rail bogies nor coastal shipping to handle in bulk existed)

b. therefore brought bagged/unbagged to store/rebagged to distribute

c. no savings - quite the reverse

d. also severe difficulties in damp/hot weather with keeping silos dry (and when didn't grain rotted) - godowns much less ventilation problems.

Who advised Netherlands? Who within Ministry of Ag. backed? (Think another case of secondary Tanzania fraction in one Ministry getting foreign backed and misleading Planning/Treasury it was a Dutch demand and no silo/no storage!) No use was made of readily available historic data.

53. Starch (Page 143ff).

a. this is bad luck plus failure to realize that (probably except in Lindi or Mtwara) cassava is available readily about 50% of time, reasonably 25%, not at all 25%. (As 5 year drought cycle over 1979'80-1980/84 unlikely to have been more than 3 years of reasonable supply and at least 2 of none);

b. as original TISCO study showed plantation not cost efficient. (HVA naturally biased toward plantations.) Also no security - if there is acute food shortage in Lake Zone a starch factory plantation will be under great pressure to sell output for food;

c. I have no idea of how viable 3 to 4 years out of 5 production can be. Nor am I sure about reserve stock - dried cassava does not readily spoil in store but if severe hunger would be pressure to sell to famine relief programme;

d. transfer to Coast won't help (same glut or shortage swings). To Mtwara or Lindi might. Private sector may be able to secure supplies in marginal years more easily;

e. Tanzania was correct not to back plantation. Lake Zone doesn't have spare land. Plantation production costs more. In serious food shortage context plantation cassava would be diverted to "famine relief" and in good or ordinary weather years plenty of surplus family small farming sector cassava needing a buyer.

54. 8.10 (Conclusion)

Yes. The record is appalling.

a. Air Tanzania - did keep a basic domestic service in the air. Inherent financial viability snag for domestic only airline.

b. Tanga Cement - success (if with a lag). Tanzania needed second plant; greenfield site near port could export. Now doing rather well.

c. SIDO - basic strategic design failure neither caused by nor alleviated by Netherlands funding.

d. Mbuzi - a folly in economic or food security terms.

e. Grain Terminal - a folly as even minimal look at prior silo experience should have shown.

f. Starch - unlucky and failed to grasp basic volatility of supply problem.

Intriguingly a/b/c were fully backed Planning/Finance while d/c accepted only because believed they were a Dutch priority with no alternatives acceptable. "f" between (govt. didn't see nature of supply catch - did see plantation unsound).

55. On this record:

a/b - not so bad and OK.

c - Tanzania strategy/design error which Netherlands (like govt.) took a long time to see despite early warnings.

d/e - How did Netherlands get 'captured' by fringe factions to be used as their tool to outwit Planning/Finance.

f - Everybody seems to have overlooked nature of food supply cycle and resultant volatility of supply and Netherlands to have failed to see plantation route wouldn't solve it.

56. "9" - Rural Development

Baffling case of repeated efforts in good faith with some expertise and in accord with government priorities but poor objective results:

a. water - poorer than other agencies it seems

b. DRD - repeating RIRDP mistakes - almost on a carbon copy basis.

57. Page 150 - Para 3

Somewhat overtranslates Tanzanian paper rhetoric into applied operational practice:

a. specific hectarages never seriously enforced and household food plus industrial or food for sale crop mix was standard farmer choice anyhow;.

b. in practice labour hiring limit never really applied on seasonal and inter family cash exchange labour (most households both buy and sell labour) within district and only for 1 to 2 years across district or regional lines;

c. intercropping ban (a long afterlife piece of European agriculturalist stupidity which was factually exploded by 1960/65) never seriously enforced on any scale;

d. weeding was encouraged but not actually enforced.

58. Village managers - is a more complex problem:

a. Tanzanian concept:

i. village chose from members

ii. complete primary education (more only if village chose)

iii. to be employees of village council who would be reimbursed by government

ie. manage for villagers.

b. World Bank (Uma Lele) "articulation":

i. government chosen

ii. Form 4 leavers (i.e. failed entry either form 5 or parallel upper secondary/lower tertiary institutes)

iii. Min. Agriculture (or Regional Agriculture) employees to implement policy

iv. to manage the villagers.

"a" may or may not have been viable. (It was as much my proposal as anybody's - political drive was J. Malecela's from his RC experience which also led to his backing the "Iringa" nutrition scheme which was in some ways analogous and does work.) "b" was not as Tanzania should have seen and rejected it. (Donors with money and project in hand.)

- In practice 50-75% of managers opted for safety and said "yes" to Min. Agriculture while doing nothing to irritate villages. 10% infuriated villages by trying to act as plantation bosses and were transferred. 15%-40% were mildly useful. (Uma Lele now views scheme as a mistake because wrong recruit base and village 'inability' to use 'technical' 'advice' which seems partly true (first half) and partly a gross misreading of the situation.)

59. <u>Page 150 - last Para</u>

- Nonsense.

- 1976-93 <u>real food output per rural household rose</u>. (3 to 3½% trend growth. Overall population growth 2.75% odd - supposed 66-'77 rate of 3.25% is a statistical botch, reversion to 2.75% and 77-90 (? when was last Census) is probably a <u>continuation</u> not a shift. Rural about 2.25%).

- No evidence rural housing worsened.

- Therefore about 60-65% of household income (self provisioning food and housing) rose by - say - 15% to 20%.

- <u>Food</u> prices rose more rapidly than COL. (Food sales (recorded and unrecorded) about 50% rural cash income (35%-40% of whole). Rose say 15% to 25% in price terms and 25-35% volume per capita.

- <u>Other</u> cash crops prices rose less than COL (parallelling world prices if erratically) - 25% rural cash income. The last 25% - largely wages from other farmers probably fared even worse on volume and real wage.

- Summary:

Household Self Provisioning	.65 x 115 =	.75
Food Sales	(1.15)(1.25)(.17) =	.24
Other Crop Sales	(.8)(.5)(.09 =	.04
Other Cash Income	(.8)(.5)(.08) =	.04
Total		1.07 (7% rise)
Cash	32/35	.91 (9% fall)

- This slightly overstates:

- Rural availability/price urban goods worsened sharply to 1985 and probably has not fully recovered

- Per capita availability/quality health-education-water fell.

- But small fall real cash income and worse erosion of services correspond to:

  a. main discontent urban but some rural centring on availability of goods and "other cash crop" prices as well as services

  b. apparent improvement (except in drought years) in nutrition.

- To use constant $ prices from badly priced Gross National Product as guide to rural household real crises is unlikely to work well.

60. "Subsistence replaced cash" only in sense:

  a. food is over half household self provisioning

  b. "other cash crops" and wage income declined and are 100% cash

  c. so even with higher (quantity and real price) food sales, balance shifted toward self provisioning.

  Not - as Bevan et al., etc - argue a retreat from market so much as a term of trade (and lack of rural construction work) problem.

61. Collier (whose work on East Africa is in my view based on no real knowledge, and substantial misreading of weak data) conflicts with both Wagao thesis and ILO evaluation which shows (1965-1985 as I recall):

  a. fall urban/rural inequality (both)

  b. fall intra rural inequality (ILO, not Wagao).

- What "obstructing commercialisation" means is unclear:

  a. 3% of output and 5% of hectarage maximum estimate of "village"/"communal" share;

  b. both villages and households certainly urged to grow for sale (of food and of "other cash crops").

- That the communal approach - as demonstrated by "a" - was irrelevant outside a handful of cases and that for "other cash crops" marketing system was very poor (food was ½ outside official systems nominal coverage and perhaps 4/5 outside in practice) is true but better described as "ill designed promotion of commercialisation".

62. Last para.

- We have no evidence that - beyond weather - new system raised marketing since 'parallel' had been pervasive and tolerated;

- Nor do we know whether ratio of farmgate to retail price shifted in favour of farmer - perhaps;

- We do know some gains on "other cash crops" - especially cotton;

  Thus on balance agree but not for Booth's reasons;

- On inequality impact no evidence either way so far as farming households go. Probably margins on urban goods to rural areas have gone down with greater physical availability. For rural overall (including commerce) probable slight improvement.

63. The misconception is on what "single channel" meant in practice:

  a. covered only grain - oilseeds beyond district boundary. Probably under 50% of total food sales.

  b. never enforced by government, i.e. if farmer was paid more/more promptly by 'illegal' buyer no actual risk in selling to him.

  c. so Board prices were in effect "floor prices"

  d. normality of parallel system and acceptance shown:

    i. near nil prosecutions (especially of huge Arusha/Moshi to Lake Zone maize trade)

    ii. under 1/10% of cases brought under "Economic Sabotage Act" related to domestic food trade.

  e. In drought years Districts did try to ban shipments of food. Had done so far at least 70 years (British DC's in 1920s). Nothing to do with "single channel". On the whole government opposed such bans.

- In respect to food, "single channel" quite bad on costs, fair on defending floor price and irrelevant to food quantity produced or marketed except by providing residual market in surplus years probably reducing cuts in next season's plantings (i.e. mildly stabilising). For "other cash crops" rather worse results as no parallel market.

64. Page 162 - Para 2

  Evidently - to finance dairy development by counterpart funds from dumped milk powder is a very odd approach. Logically if it has to be a food aid commodity - wheat. (Seems to be a common mistake - not unique to T.) Cure fairly evident - either shift to cash aid or wheat.

65. Water (pp.164-176)

   a. why such a long period of poor results? One region way below and one at national average despite concentration.

   b. why incoherent strategy on pump standardisation/localisation which are sound in principle? (Premature privatisation, e.g. of this as are conflicting 1991 and 1992 reports.)

   c. why does Netherlands get much better results in Mozambique (and apparently other programmes work better than Netherlands in Tanzania)?

   d. how far does problem relate to Water Ministry (or Department - status varied) which had two basic problems:

      i. top down/technocentric. Preferred boreholes and mechanical pumps. Did not organise user committees nor 'delegate' preventative maintenance to villages (much less provide training for women to do it);

      ii. for long period had a very conservative/idiosynratic PS (Rwegalawira) who so strongly opposed any change he ran some Ministers and caused Al Noor Kassum to concentrate entirely on energy and minerals (the joke was a Minister of Energy and Minerals and a PS of water).

   e. The bottom line may have been "d" - in Mozambique Water is an "up and at it" outfit which assumes users must be substantially involved.

   f. Shift to Community Development likely to be avoiding, not solving, problems. Their technical and training capacity has usually been woeful and their commitment to enabling community members to develop communities (vs themselves developing what they believe communities should want) is uneven. Per contra Agriculture, Health, District Admin. in nutrition programmes work rather well with 'user committees' in most cases.

66. DRDP (p. 177 ff)

   a. Faces RIDEP problems - again seems to be lack of historic memory.

   b. Institutionally same - Tanzania RIDEPs were nominally within Regl. govt. with enhanced planning unit with expatriate "advisors".

   c. Design same - Production Core + Secondary Production + Basic Services + Physical infrastructure (and on the whole design fine in principle with articulation strongest on last declining to weak to nil on first).

   d. Key weaknesses same:

      a. production core not there (or so vague as to be non-operational)

      b. Tanzania side cannot sustain cost structure built up under aid phase.

67. This is <u>not</u> advice to drop DRDP since design looks good and elements other than production core seem to be progressing. But:

    a. Urgent rethink/redesign and action on <u>enabling families to raise incomes</u>;

    b. Evaluation how well District govt. would be able to cope in terms of <u>personnel</u> if no more aid after five years (and train Tanzanians to replace expats);

    c. Evaluation of <u>lower cost "delivery" system</u> to be phased in to increase handover with (fiscal) continuity basis;

    d. Build in regular quarterly <u>monitoring</u> on basis written reports so degree progress and "left to be done" can be identified fast.

68. <u>Page 183</u>. Should be <u>labour intensive</u> - as feedback into family small farming household incomes. Historically off farm income key to them. <u>Also</u> the works should be quasi-seasonal so cash work on large farms (especially in Mbulu) can be fitted in by poor household members along with road programme work.

- (<u>184</u>) - the division on paid/community (i.e. not paid by project) labour logically would be:

    a. <u>establishment</u> (or reconstruction) - paid (minimum wage or <u>actual</u> agricultural worker rate whichever is higher)

    b. <u>maintenance</u> - user community provided (but with project training scheme for para-artisans, foremen)

69. <u>Page 185</u> - Districts <u>can</u> charge land rent and site rates (on improvements). More equitable, easier to collect, in time less resented than poll tax. (Poll tax is Tanzanian lack of historic memory - there were very good reasons for 1970 abolition of old one.) <u>Note</u> PM Malacela <u>favours</u> this shift so Netherlands could usefully push for it and offer funds for designing quick/easy/rough land categorisation (for rent setting) and building valuation system and training District personnel "how to". Tanzania will need people, but <u>not</u> a Netherlands style valuation system, so people might perhaps come from, say, India, Sri Lanka, Malaysia. (This is not criticism of Netherlands valuation system in Netherlands <u>but</u> too high tech, precise, professional intensive, costly for - say - 1 to 3 guilder per hectare rural land rent/tax or 5% site rate on 1,000 guilder house!)

70. <u>Page 187</u>. Need to cross-check whether seasonal use of warehouses for crops being sold is crucial. If lag between crop harvest and collection by buyer and/or buyer wishes to buy at village not on each farm then there <u>is</u> a need for off farm storage for that purpose for 3 to 6 months. (That was prime motivation when 1 village in 5 built village stores/"godowns" in 1970s.)

71. <u>Page 188</u>. Silly approach. Female headed households (1 in 4?) have agriculture as key livelihood activity and workload plus lack of access to timely ploughing as key problems. Focusing women's vector on that - including access to nearby water and trees on farm or small woodlots to save "wooding" time would seem self evident priority.

72. Page 191. Well if literacy 79% in 1981 given reduction in follow-on adult education and lack of reading material 70% 1991 seems very likely. Still unusually high for SSA.

73. Page 192 - Para 2. Why distaste for user orientation and competitive market in specialised secondary/lower tertiary education? They constitute a clear policy (not absence of one) set in 1970s by users backed by Treasury. Education totally opposes (then and now) but users like and much greater flexibility. Some, e.g. Institute Finance Management and Ardhi (Lands) are quite good; some (like most mainline secondary schools and virtually all Min Ed secondary technical) are quite bad. But it is a liberal, pluralistic, market oriented policy adopted 20 years ago which results in higher non-Min Ed secondary enrollment than Min Ed secondary! (Min Ed would say it wasn't a policy - elsewhere may have forgotten it was a strategic policy decision not just a practice. Tanzania has poor institutional memory. But A. H. Jamal, R. H. Green and Amon Nsekela were consciously designing policy for future of sector taking into account existing non-Min Ed secondary - e.g. Civil Service Training College - at time IFS was created with autonomous, user majority board.)

74. 194 ff/Ag Training - Research

Min Ag needs to be pushed/helped to adopt a strategic plan (and articulation)

a. research priorities/targets

b. relating "a" and extension

c. training for "a/b"

d. farmer participation

- Agriculture has not done this (ever). As a result no clear pattern on which to base donor requests so total cannot be expected to be coherent and each donor necessarily sets up (modifies) what its design (review) experts know/think best. At best this results in gaps and a whole less than sum of parts.

- Projects seem to suffer from this confusion which creates at least a distracting and at worst a disabling climate/environment. (For example, training technicians for non-existent state or large scale village farms!)

75. Soil Service - again confusion on aims. Also - surprisingly in capacity building sector - damning report on failure to train Tanzanian staff.

76. University. (p.204) May be relatively high (by SSA standards) unit cost. Also one of two (other U. Zimbabwe) reasonably good undergraduate universities between Cairo and South Africa! 1 to 7 academic staff too low (vs say 1 to 10 or 1 to 12 probably optimal) but 1 to 2.5 in mid-1980s so trend right direction.

- Stagnation in enrollment at USD has two causes:

  a. most facilities are above rated capacity use (dormitories at 150% to 250% of design)

  b. new (second) University - Sokoine in Morogoro set up and has - about 2500 students - so overall university growth continues.

- Hierarchical it is (veddy, veddy British old chap!) but certainly Institutes and - in my experience - faculties have a great deal of autonomy and strong departments some. But agree Chairmen-Deans-Directors are autocrats accountable only in the fact that they are elected by academic staff for three year terms (very un-British).

- On "high" "subsidies" - they do not cover actual living-book-home and back travel costs. Unless tertiary education is to be open only to rich family children three real options:

  a. tax on graduate incomes (most are in formal sector so traceable) above average government wage for - say - 10 years;

  b. loans - 5% interest (30% commercial rate won't do - salaries unlikely to be perceived as rising 20%-30% a year!), grace until on income tax register (would catch self employed professionals) 10 years to repay once on register;

  c. full tuition normally paid by employer, i.e. normal route - secondary school - trainee employee - employer sponsored student.

- Experience USA/UK against "b". "c" very unpredictable - do employers value university education accurately (in terms of value to them let alone externalities)?

- Thus I would advise "a".

77. Page 205 - Para 3. A "classic" case of how not to do it if believe in recipient "ownership" and genuine two-way "policy dialogue"!

78. Page 208 - top. Eh? Private practice is not banned (for some years). But given salaries that goes to Doctors! If Muhumbili is to charge high rates for its tertiary/reference function and 75% of patients are assessed as unable to pay over 1/10 (say) of bill, either net revenue increase low or de facto falls back on government (or employer) budget.

79. Page 211 - top. Umm... Centralisation in President's office was to reduce nepotism/corruption. Now (under 2nd President's benevolent blindness or worse) that office is a sinkhole of nepotism and corruption - my Tanzanian friends in private would say latrine thereof). How Netherlands can help correct is unclear.

    But - logic was a single focal point in a limited "own demand for places" agency. Why not move to Ministry responsible for Manpower Development (Planning Commission?) which logically has better technical expertise and especially as PC is nominally in President's office, could be put to T on technical grounds which are not unreal.

80. Page 210-211 - top 211

Surely "not all the major problems". Some (on evidence cited) are solved. I don't quite see how scholarships could solve others.

81. Sectoral p. 211 ff

ESAMI is near collapse (no salaries since March ones paid in April).

a. government training budget down (and ESAMI fees up);

b. parastatals pressed to achieve cash flow breakeven or better so cut (surprise, surprise) training;

82. If (I would say yes) ESAMI is worth saving urgent need

- ESAMI/Donors Strategy Meeting

  i. perhaps more bloc grants to ESAMI for overheads (allowing lower course fees)

  ii. grants to ESAMI to allow - say - 15 to 20 'free' or low ($200 or less) tuition/room and board places per course

  iii. review of overall course programme to make value (pay off) to enterprises (public or private) more evident to them).

- Netherlands could take lead. It is in ESAMI support core group so plausible to other donors for it to take a lead and to ESAMI any credible "friend in need" would be welcome.

83. (P.214 - Para 3). Min Ag is traditionally male chauvinist. But it has gone up to 15-20% women diploma/degree students (2% 1967 all home economics). And nutrition - despite Ag's input being on production side - is seen as an area for women (who are most of user group). Real pressure should raise rate especially if selective targets for women:

  i. 25% of farmers for training (parallel to female headed households)

  ii. 25% of general extension (again related to % fhh. But not suggesting separate extension crops for women farmers only!)

  iii. research para-professionals trained - try for 40%. (Ardhi Institute overall 25% plus women early 1990s but 10% to 70% by sub-unit for no very discernible reasons.)

84. Sector Aid notes briefer because commented ad longum (and perhaps to readers ad nauseum!) before. Note - Netherlands use of word sector is non-standard (e.g. World Bank-ODA mean either policy conditionality backed by import support unlinked to sector or an economic sector rather more broadly defined than one crop). It may be "correct" but need clear indication it is not what others mean by sector.

85. Page 222. Sugar price has been government set 1960 on, i.e. from before independence. Shift is: 1960/70 largely cost plus to support producer. 1970/1987 on estimate efficient producer cost-"free market" import parity-consumer budget basis - 1988 on back to cost plus desired

profit basis. (Last is not liberalisation but monopoly backed by import ban.)

86. Page 234 - Unless specifically in contracts management assistance not very training oriented:

  a. pressure of running enterprise

  b. no reason to suppose a good manager/professional is also a good trainer

  c. If counts on contract renewal not in his interest to train (his - don't think there has ever been a woman technical assistance person to Kilombero).

87. Page 236 - para. Well... Cotton is probably the most corrupt crop in Tanzania (co-op, Cotton Board, Cotton Authority, 'new' co-ops) possibly because Mwanza is historically the most corrupt region (and the most corrupting of outsiders posted there).

88. Page 237 ff.

- Francophone scheme cotton (regimented smallholder on irrigation scheme) is high cost. Either the irrigation authority is heavily subsidised or its charges pauperise smallholders or - usually - both. 60 years of this back to 1930s mise en valeur at Richard Toll and Bend of the Niger in Senegal and Mali.

- Peasant rainfed cotton is (of necessity) less regimented and may well be lower cost. Unclear as it is an insurance crop (sure market and in poor - not total rain failure - year good yield providing money to buy grain).

- Yes - CFDT had profit on export volume - an export subsidy originally part of French colonial mercantile system (say 20% extra on raw materials from and 50% extra on French exports to colonies; latter continues to a large extent).

  Pretty clearly Francophone high input pattern is not viable at current cotton prices.

89. Page 239 line 9. No. They are manager controlled with very little state (as well as very little grower) power. Whether Party power depends on whether Co-op managers control District party. If so appearance of Party power over Co-op but actual power nexus the other way. (I think latter true as of now at Regional level as the Co-ops were the old Bomani machine which is just in power in Mwanza but unstable 1975 onward so constant tensions in cotton bodies linked to those in CCM.)

90. Page 240 - Para 2 - lines 2/3. As put false. Marketing Board at best broke even one year with another. Cotton export tax at 10% was pre Sales Tax (to 1970) not totally illogical in absence of general indirect tax. (It was one of first export taxes to be abolished.) Real "creamers" were CMB and Co-ops in that their margins were not effectively policeable. Min Ag never tried and Treasury (which did try) was hampered by lack of data on cost structures (which Min Ag never collected - indeed still didn't as of 1990).

91. Page 240 - last Para. Yes - but might be worth noting MDB was in fact an agency of World Bank (or at least of Uma Lele) only nominally accountable to Minister (nor ry) of Ag until about 1982, who in fact (most unwisely) rubber stamped. Part of problem of 40% to 165% is extreme volatility of world price (usually after pre-planting price announcement). Over time % tended to rise - perhaps political but also attempt to boost exports after "takeover" of MDB. Failure to note about 60% real global price fall 1980s. This constrained increases. Free market price all but one year from 1984 on would have been below price set!

92. Page 240. No price set for 1993/4 season. Presumably Treasury insistence on basis tentative announcement by President was 200% of export proceeds. Incidentally all of the %s are too high because they do not include cottonseed (unless your team did own calculations). I believe last time price setting did take account was 1974/75 (pre MDB). Then Treasury's desperate rule of thumb was that cottonseed should cover all ginning-transport-admin costs and 100% of lint price (domestic or export) go to farmer. On that basis 40% of lint (at end MDB's Uma Lele era) was remarkable fall apparently related to MDB's utter failure even to try to control TCA costs (and to growing corruption in TCA).

93. Page 242 - Para 3. State wishes it did control co-op unions. It most certainly does not. Managers do. (And mobilise peasants who seem unaware one basic problem is Mangers 'cut' including sweetheart transport contracts with related lorry firms and very high apparent 'leakage' of cottonseed). This is related to unstable CCM factional conflict in Mwanza, "House of Bomani" heritage (both political and 26 senior co-op managers sides). It means any control has to be from Dar and long distance day to day control from there (especially since Treasury is basic advocate) is impracticable.

94. 242 - Para 3. Quite premature to privatise until growers control co-ops. Managers/Private Ginners can cut deals to detriment of peasants perfectly easily if all that happens is selling ginneries/dissolving TMB. Further snag is who would finance? Private sector has not the working capital. In principle can't get it within IMF ceilings. In fact politically impossible (and economically none too bright) to leave unbought. But who then pushes down costs? Given Manager run RCU plus one ginnery per growing area not competition! Politically 'useful' - state is clear of responsibility as RCU-Ginners-Buyers-Transporters all outside its control. But why corrupt privatised oligopsony will help growers is not clear. Nor (given "no buyer, no go" constraint) can commercial bank decline credit to non-performing private seed cotton buyers any more then it could to co-ops/TCA/Co-ops -

- One further problem. An auction for all cotton run by a unit with a staff able to keep up with world market and set a reserve price is needed. (No need it own cotton - can be an agent.)

    a. buyers are oligopsony/well informed

    b. small/ill-informed sellers will get bad prices (when Nigeria privatised cocoa exporting the f.o.b. prices fell relative to London price - as I'd expect with smaller, weaker, less informed sellers!)

This doesn't prevent a Tanzanian firm f[illegible] contract buyers and bidding at auction on basis what i[illegible] time 3 or 4 substantial domestic exporters on tha[illegible] times handling 30% to 40% of crop - largest p[illegible] profitable.)

- Domestic sales need not necessarily be v[illegible] - presumably - auction would set the price for them since ex[illegible] larger than domestic mills' purchases by (I think) about [illegible]

95. Page 256 - Top. Well, well PEL board was han[illegible]h RCUs. By the by if RCUs did not pay and paid no intere[illegible]y be correct that purchase of spares from PEL wouldn't hav[illegible]antageous'.

96. Query. Did Board of PEL change in 1991? Did [illegible]ry take a tighter grip? Why better results? No point in liquidating if now well run and viable. Write off "sunk losses" - when/if viable except for back debt overhang.

97. Page 257 - Para 2. For the life of me I cannot see how privatising seed cotton buying and ginning would help cause competition in actual context. (see note 94.) Last sentence fine - should be done first or rather give growers control over RCU's and once they are in charge value assets and set debt to be paid at 50% thereof over 10 yearly instalments at 10% interest (and new commercial credit at commercial rates for operations of new set-up). Netherlands could usefully make that a condition of continued support.

98. But at current world price unsubsidised cotton is not viable in Lake Zone on land suitable for any food crop other than cassava. Is it worth subsidising a pretty certain loser? Why? (I don't know what medium term price projection is but believe not very rosy.) Yes - exports but that answer underlines urgency of structurally adjusting export base.

99. NGOs. A "modest proposal".

    a. all grants to Tanzanian NGOs (genuine not subsidiaries of external) or "people's groups" and perhaps local governments up to District level;

    b. but before spending agree a programme/budget with an external NGO (preferably not tied to Netherlands ones for standard competitive reasons).

    c. Both report to donor.

- In present format of grant to donor's NGO, that NGO dominates so-called "partner" even more than govt. donor dominates GOT!

R. H. Green
Falmer
15-X-93

dutch4.doc/rhg/sh/oct93

Mr. A. van der Wiel/Mr. J. Sterkenburg
Ministerie van Buitenlandse Zaken
Bezuidenhoutseweg 67
Postbus 20061
2500 EB 's-Gravenhage
Netherlands

RHG/SH

October 20, 1993

Re: TZ/91/011 Tanzania Aid Review Meeting

Further to my letter with enclosures to you dated 14 October, 1993, herewith the comments on the main text as promised.

Reg Green