PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE

August 10, 2017
Report No.: 120639

Operation Name	TZA First Growth and Service Delivery DPO (1st of 2 in series)
Region	AFRICA
Country	Tanzania
Sector	Private sector (34%); Public financial management (33%); Public administration – social service (33%)
Operation ID	P164655
Lending Instrument	Development Policy Financing
Borrower(s)	Ministry of Finance and Planning
Implementing Agency	Ministry of Finance and Planning
Date PID Prepared	August 10, 2017
Estimated Date of Appraisal	January 15, 2018
Estimated Date of Board Approval	March 6, 2018
Corporate Review Decision	Following corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

The proposed Growth and Service Delivery Development Policy Financing (DPF) in the amount of USD 150 million seeks to strengthen the foundations for inclusive growth and provision of quality public services in Tanzania.

Tanzania has experienced strong and stable economic growth for over two decades, which in recent years has started to translate into poverty reduction. The poverty rate declined to 28.2 percent in 2011/12 from 34.3 percent in 2007, while extreme poverty declined to 9.8 percent, two percentage points lower than in 2007. However, due to population growth, the absolute number of poor remains almost unchanged since 2007, keeping Tanzania amongst the top four Sub-Saharan African (SSA) countries in terms of size of its poor population. A significant share of the population also remains clustered above but close to the poverty line, where they are vulnerable to falling into poverty.

In line with the country's Second Five Year Development Plan, the current administration has outlined the top priorities as improvement of infrastructure investments (transport and energy) and social services delivery (education, health, and water) together with a strong business environment. To achieve these aims, the government is focused on strengthening fiscal management, by improving budget credibility, reducing expenditure arrears, increasing domestic revenue collection whilst tackling corruption and streamlining the number of fees and taxes faced by businesses. In addition, the government has re-prioritized public expenditures toward development spending, with 48 percent of the budget in 2016/17 being allocated to development projects compared to 30 percent during previous administration. Adequate funding of these projects, largely focused on addressing key infrastructure gaps, is an important component of the government's development efforts.

Private sector-led growth and improved service delivery are key to continued poverty reduction and reaching the country's aspirations of middle income status by 2025. Tanzania needs to eliminate or reduce barriers to growth for small/informal businesses and foster investments in labor-intensive sectors to support private sector employment creation. The cost of doing business remains high, with Tanzania ranking 139th out of 189 countries in the Doing Business (DB) 2016 report and towards the bottom of the Global Competitiveness ranking (125 out of 148 countries). Tanzania is also ranked 119 of 175 countries in the Transparency International Corruption Perceptions Index. Although the burdensome business environment is detrimental to all businesses, smaller firms, which represent approximately 90 percent of existing operators, tend to be more severely affected. Allowing household enterprises and small firms to move out of the informal sector into more structured forms of business is one route to creating jobs with higher productivity. It is estimated that if one out of five existing small, non-farm businesses can double its employment base, almost one million new jobs will be created every year. Agribusiness can offer the greatest potential for job creation, as labor-intensive industries in which Tanzania has a comparative advantage.

Fiscal management deficiencies, including issues related to budget credibility, cash management, public investment management, and procurement, continue to impede service delivery. The 2013 PEFA PFM Performance Report highlights several key problem areas, including poor predictability in the availability of funds for commitment of expenditure, which results from mainly from an unreliable revenue budget, under collection of domestic revenue and grants, ineffective commitment controls, growing expenditure arrears, and an ineffective Treasury Single Account, cash management and payment modality. The detrimental effect on service delivery is further compounded by challenges to procurement planning and processing.

II. Proposed Objectives

The Program Development Objective (PDO) of the series is twofold: (i) to build competitiveness of the economy to accelerate growth and enhance private investment; and (ii) to improve the quality of public sector service delivery by strengthening fiscal management and transparency.

III. Preliminary Description

The PDO of the series forms the two main pillars of the operation. The policy areas in Pillar 1 include reducing transactions costs for regulatory compliance, improving the business environment for agriculture and agro-business, and increasing efficiency in trade logistics. The policy areas for Pillar 2 include increased budget credibility through addressing expenditure arrears, improved execution of the development budget, improved efficiency and transparency of public procurement, supporting an effective national ID system to improve service delivery mechanisms, and improving accountability for public service delivery through increased access to information. The policy areas for both pillars were selected with the Government based on criticality for achieving the FYDP II objectives.

IV. Poverty and Social Impacts and Environment Aspects

The poverty and shared prosperity impacts of policy measures supported under this DPF are expected to be positive. There are no significant risks arising from the program support on Tanzania's environment, forests, water resources, habitats or other natural resources.

V. Tentative financing

Source:	($m.)
BORROWER/RECIPIENT	0
International Development Association (IDA)	150
Borrower/Recipient	
IBRD	
Others (specify)	
Total	150

VI. Contact point

World Bank
Contact: William Battaile
Title: Lead Economist
Tel: (202) 473-1000
Fax: (202) 473-8368
Email: bbattaile@worldbank.org

Borrower
Contact: John Mavura
Title: Senior Economist, Ministry of Finance
Tel: +255 22 2119190
Fax: +255 22 2124016
Email: selemani_john@yahoo.com

VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop