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**Report No. 17978**

**IMPLEMENTATION COMPLETION REPORT**

**TANZANIA**

**URBAN SECTOR ENGINEERING PROJECT**

**(Credit 2291-TA)**

June 9, 1998

**Urban and Water Unit  
Eastern and Southern Africa  
Africa Region**

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## CURRENCY EQUIVALENTS

In the Staff Appraisal Report (As of March 1991)

TSh 1.0 = US\$0.0052

US\$1.0 = TSh 194

At Project Closing (December 31, 1996)

Tsh 1.0 = US\$0.0018

US\$ 1.0 = Tsh 550

## WEIGHTS AND MEASURES

1 Meter	=	3.208 feet
1 kilometer	=	0.6214 miles
1 metric ton	=	1.023 short tons

## FISCAL YEAR

July 1- June 30

## ACRONYMS AND ABBREVIATIONS

CAS	=	Country Assistance Strategy
ESAP	=	Economic and Social Action Program
FPIP	=	Financial Performance Improvement Plan
FWG	=	Financial Working Group
GOT	=	Government of the Republic of Tanzania
IDA	=	International Development Association
IWG	=	Institutional Working Group
NORAD	=	Norwegian Agency for Development Cooperation
PMO	=	Prime Minister's Office
PMU	=	Project Management Unit
SAR	=	Staff Appraisal Report
SC	=	Steering Committee
SIIDP	=	Strategic Integrated Infrastructure Development Program
TWG	=	Technical Working Group
USEP	=	Urban Sector Engineering Project
USRP	=	Urban Sector Rehabilitation Project

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IMPLEMENTATION COMPLETION REPORT

TANZANIA

URBAN SECTOR ENGINEERING PROJECT

Credit 2291-TA

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**Map (IBRD No 22968)**

**IMPLEMENTATION COMPLETION REPORT****TANZANIA****URBAN SECTOR ENGINEERING PROJECT****Credit 2291-TA****PREFACE**

This is the Implementation Completion Report (ICR) for the Urban Sector Engineering Project in Tanzania, for which Credit 2291-TA in the amount of 8.6 million SDR (US\$ 11.2 million equivalent) was approved on July 30, 1991, and made effective on February 26, 1992.

The Credit for the project closed on December 31, 1996, compared to an original closing date of December 31, 1995. IDA disbursed a total of US\$ 10.95 million equivalent and canceled US\$ 1.33 million equivalent at the request of the Borrower. The disbursed and canceled amounts add to US\$ 12.28 million equivalent, which is higher than the original amount in US\$ 11.2 million equivalent due to a devaluation of the US\$ relative to the SDR during the project period. The final disbursement on the Credit took place on June 9, 1997. The Norwegian Agency for Development Cooperation (NORAD) provided co-financing for the project.

The ICR was prepared by Solomon Alemu (AFTU1) and Matthew Mitchel (Consultant), and reviewed by Jeffrey S. Racki (Sector Manager AFTU1) and James W. Adams (Country Director, Tanzania). The preparation of the ICR was based on material in the project file. There was no special completion mission for the ICR because the project performance was highly satisfactory, the implementing agency of the Borrower produced a substantive project evaluation, and IDA missions for the follow-up Urban Sector Rehabilitation Project (USRP) gathered the necessary information needed to prepare IDA's parts of the ICR. Even though an ICR mission did not take place, IDA discussed ICR preparation with the Borrower during one of USRP's supervision missions and provided guidelines for ICR preparation. The Borrower contributed to the preparation of the ICR through its independent evaluation attached as Annex 1 and the provision of data necessary to complete Part II.

## **IMPLEMENTATION COMPLETION REPORT**

### **TANZANIA**

#### **URBAN SECTOR ENGINEERING PROJECT**

##### **Credit 2291-TA**

##### **Evaluation Summary**

###### **Introduction**

i. The Urban Sector Engineering Project (USEP), was a response to Tanzania's problem of a rapidly growing urban population, increasing pressure on already deteriorating basic urban services. It supported the infrastructure rehabilitation component of the country's Economic and Social Action Program (ESAP). Previously, IDA had been involved with two urban projects covering national sites and services but these projects only had limited success due to local resource constraints (Part II, Table 2). USEP, the first engineering and technical assistance project in Tanzania's urban sector, was designed to address these constraints.

###### **Project Objectives and Components**

ii. The main project objective was to create an effective institutional and financial framework for the urban sector and prepare a sustainable urban infrastructure investment and maintenance program. The basis for this new framework was to be the establishment of efficient financial management systems along with the introduction of Financial Performance Improvement Plans (FPIPs) designed to help make local urban governments become self-sufficient in resource generation and management. The project was to cover the capital city of Dar es Salaam and nine urban towns (Part I, para. 2). The components of the project, detailed in Part I, para. 2, were diverse, covering: the evaluation of institutional, financial and physical condition of the urban sector; the preparation of financial performance improvement plans; and the design of investment components.

###### **Project Implementation Experience and Results**

iii. The project was approved by IDA's Board on July 30, 1991 and became effective on February 26, 1992. Total project costs amounted to about US\$ 17 million, in line with the appraisal estimate. Out of an original Development Credit amount of US\$ 11.2 million equivalent, IDA disbursed about US\$ 10.95 million and canceled the remaining US\$ 1.33 million equivalent at the request of the Borrower. NORAD co-financed the project, providing US\$ 5.9 million equivalent, which was higher than the appraisal estimate (US\$5.0 million) due to an extension of the technical assistance to cover both urban mapping and institutional strengthening (Part I, para. 18).

iv. The project substantially achieved its objectives by preparing the necessary engineering work for a follow-up rehabilitation project based on a realistic assessment of what could be achieved in policy and institutional development. Supervision reports rated the project as highly satisfactory in meeting its objectives noting that the project was well-managed by the Borrower. Part I, paras. 9-16, discuss the specific achievements based on the categories and ratings in Part II, Table 1, Summary of Assessments.

v. The major factor affecting the project was a clearer picture of the institutional and financial constraints that emerged during implementation, which required scaling down the investment program originally envisaged at the outset of the project (Part I, para. 21). Also, from the Borrower's perspective there was some discontinuity in the project due to IDA staff changes; however, these changes did not adversely affect the overall outcome of the project.

### **Project Outcome, Sustainability and Future Operations**

vi. The ICR rates the project's outcome as highly satisfactory, based on the substantial achievement of objectives under capacity constraints and the favorable evaluations in supervision reports (Part II, Table 1). The sustainability of the project's achievements is likely (Part II, Table 1) given that the follow-up USRP, financed by IDA, is already underway and is progressing well. This project is implementing the investment components designed by USEP and is continuing to make further improvements in the policy and institutional framework. USRP reflects the key points of the operational plan for USEP (Attachment 2) which : (a) highlights parts of IDA's Country Assistance Strategy (CAS) for Tanzania, serving as the overall framework for future operations; and (b) outlines objectives and project components necessary to promote the CAS in the urban sector. The main themes of the CAS are: the upgrading and expansion of basic infrastructure and urban services; capacity building; improved public sector management; private sector development; and environmentally sustainable investments.

### **Key Lessons Learned**

vii. The principal lesson learned in project design is that the severe deterioration of urban infrastructure and the need for fundamental changes in institutional and policy mechanisms is likely to require a series of projects-- instead of a single technical assistance project and a follow-up investment vehicle-- to comprehensively address sector needs in light of local capacity constraints. This is especially true in a country, such as Tanzania, which historically has had a high degree of centralization. With hindsight, a more appropriate vehicle probably would have been an adaptable program lending operation, a recent funding mechanism that was not an option when IDA appraised USRP (Part I, para. 27). This type of operation could have resulted in a larger rehabilitation project but with disbursements in tranches, based on progress in policy and institutional measures, allowing a faster response to changing sector needs. Other lessons, noted in

Part I, paras. 28-29, are the important contribution non-governmental organizations can make in building local capacity and the need for IDA staff to be more attentive to the need of the Borrower's project management staff for coaching and encouragement in the project implementation process, especially in new types of operations.

# **IMPLEMENTATION COMPLETION REPORT**

## **TANZANIA**

### **URBAN SECTOR ENGINEERING PROJECT**

**Credit 2291-TA**

#### **PART I: PROJECT IMPLEMENTATION ASSESSMENT**

##### **A. INTRODUCTION**

1. When IDA appraised the Urban Sector Engineering Project (USEP), (1990) Tanzania's urban population was growing rapidly and basic services were deteriorating. The urban population, though only 15 percent of total population of 24.8 million, had been increasing at a rate of between 6 and 10 percent annually, more than double the overall population growth rate of 3 percent. This rapid population growth has put pressure on the supply of basic community services and infrastructure such as water, sanitation services, and roads. Investment resources, improved institutional structures, and detailed engineering plans were needed to support the Economic and Social Action Program (ESAP), established by the Government of the Republic of Tanzania (GOT). A key component of this program was the rehabilitation of the country's physical infrastructure. USEP was an important part of this program because it was to spearhead policy reform and identify urban infrastructure rehabilitation needs and assist in the preparation of a follow-up investment project. Previously, IDA had been involved with two urban projects covering national sites and services but these projects only had limited success due to local resource constraints (Part II, Table 2). USEP was the first engineering and technical assistance project in Tanzania's urban sector.

##### **B. STATEMENT OF PROJECT OBJECTIVES AND COMPONENTS**

2. The main project objective was to create an effective institutional and financial framework, along with engineering design, for a sustainable urban infrastructure investment and maintenance program. The basis for this new framework was to be the establishment of efficient financial management systems along with the introduction of Financial Performance Improvement Plans (FPIPs) designed to help make local urban governments self sufficient in resource generation and management. To assist in the achievement of the above the project was to initiate rationalization of responsibilities between central and urban local governments and utilities; and modification of internal administrative structures, staffing patterns, and payment policies of each local authority. The project was to cover the capital city of Dar es Salaam and the following towns --

Arusha, Iringa, Mbeya, Morogoro, Moshi, Mwanza, Tabora, and Tanga. In each of these areas, the project consisted of the following components, for key urban infrastructure<sup>1</sup> :

- (a) detailed assessment of needs and the design of manpower development and training programs;
- (b) the preparation of financial performance improvement plans (FPIPs) to increase the capability of local government in financial management and revenue generation;
- (c) preparation of a property valuation and rating exercise for Dar es Salaam and the completion of valuation rolls and rating structures for the other towns;
- (d) development of basic maps to assist in planning, management and maintenance; and
- (e) preparation of feasibility studies followed by preliminary and detailed engineering designs.

### **C. EVALUATION OF PROJECT OBJECTIVES AND DESIGN**

3. The need to put in place a viable instrument to make efficient use of investment funds for the rehabilitation of urban areas was an important objective recognized by IDA and the Borrower. The Staff Appraisal Report (SAR) outlined the major policy and institutional issues that had to be resolved to firmly establish local capacity. However, the project did not foresee the magnitude of the investment required and the time it would take to install an adequate local capacity. The main institutional problems were the lack of clarity in the delegation of responsibility between central and local government; the high dependence of the local urban councils on the central government for resources (because of policies limiting their ability to raise and effectively manage their own funds); inadequate skill levels of personnel to manage and maintain infrastructure; and that reforms were slow to be accepted and implemented.

4. The project supported IDA's Country Assistance Strategy (CAS) to: create the capacity to manage urban sector assets; establish effective local revenue centers; promote an investment program targeted at the urban poor; and improve the urban sector's overall financial and operational viability of the sector. IDA involvement was important to help ensure: sufficient complementarity between the urban sector investments and the ESAP, the efficient implementation of investments; confidence in sector performance to attract the necessary co-financing from the international community for the subsequent rehabilitation and investment program; and sufficient consideration of environmental and social aspects. Also, the project was to contribute to the reduction of the government's

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<sup>1</sup> Water supply and sewerage, road and drainage works, and solid waste management.

budget deficit by improving financial management for local revenue generation, and decentralization to municipalities.

5. The SAR concluded the project could be implemented by the Borrower, given the fulfillment of three conditions of effectiveness: the establishment of a Steering Committee<sup>2</sup> for overall project guidance; the assignment of qualified full-time local staff to provide coordination support for the SC; and the recruitment of qualified consultants for the institutional and financial working groups to be established under the project. The GOT also had made progress in the development of supportive policies to strengthen the financial independence and viability of the urban councils, in decentralizing responsibility to local authorities for the supply operation and maintenance of infrastructure and services, in determining the appropriate structures for enhancing efficiency; in substituting local for central government funding by introducing local property tax bases, and in creating effective capabilities for cost recovery.

6. The main project risk which the SAR identified was that GOT would not implement all of the recommendations of the engineering credit, especially the actions necessary to restructure the institutional framework and generate tax revenues for the local government. However, GOT's strong commitment to strengthening urban municipalities seemed sufficient to mitigate this risk.

7. There were some project changes in response to the limited capability of local urban authorities to manage large rehabilitation program identified. IDA and the Borrower worked together to prepare a priority investment program consistent with local capacity, including an affordability study.

## **ACHIEVEMENT OF PROJECT OBJECTIVES**

### **Overall Assessment**

8. The project substantially achieved its objectives -- preparing the necessary engineering work for the follow-up rehabilitation project given what was possible to achieve in policy and institutional development under USEP and the Urban Sector Rehabilitation Project (USRP). Supervision reports rated the project as highly satisfactory in meeting its objectives noting that the project was well-managed by the Borrower. The following sections discuss the specific achievements according to the categories in Part II, Table 1, Summary of Assessments.

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<sup>2</sup>

The committee was to be chaired by the Ministry of Regional Administration and Local Government and consist of representative from the Office of the Prime Minister and the ministries covering land, water, public works, education, health and planning.

## **Macroeconomic and Sector Policy**

9. The project led to the development of the “General Policy Framework for Urban Management Service Delivery and Infrastructure Investment” along with an implementation strategy. It also paved the way for the GOT to prepare a Letter of Sector Policy by conducting an urban policy workshop which resulted in a draft policy framework for urban services and was the culmination of the activities financed under USEP. In addition the work under the project to increase the revenue generation of local authorities should eventually reduce the burden on the central government budget.

## **Institutional and Public Sector Development**

10. During implementation the project found that the constraints on institutional development were greater than originally envisaged. In particular, the relationship between the central and local government needed more attention, mainly improved laws and practices to facilitate the ability of authorities to recover the costs. Deficiencies in these areas had led to shortfalls in both the supply and quality of infrastructure. Despite some progress in administrative decentralization, fiscal decentralization remains weak and the findings of the project indicated that improvements will take time. To enhance progress in capacity building, the project resulted in a detailed set of actions to: rationalize central and local government responsibilities; restructure the organization of the urban councils; strengthen financial planning and control; and more closely integrate the coordination of the institutional and financial working groups. Perhaps the most important contribution of the project was the establishment of the principle that investments in infrastructure should be made only when the users and municipalities can afford to pay the operation and maintenance costs of the investments. This is the basic premise of the follow-up USRP.

## **Physical Objectives**

11. The project produced maps for each of the towns included in the project to be used for planning, infrastructure investment programming, maintenance management, and the property valuation. The mapping work, financed by NORAD, covered 1000 square kilometers, producing 832 aerial photos.<sup>3</sup> During the course of the project, NORAD extended its assistance to cover the strengthening of the Survey and Mapping Division of the Ministry of Lands and Human Settlements Development.

## **Financial Objectives**

12. The project prepared FPIPs for the eight project towns and Dar es Salaam. The preparation of these plans, which the PMU initiated, took place with the assistance of consultants working in close collaboration with municipal officials. Although a

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<sup>3</sup> Brief on the Urban Structure Rehabilitation Project, Office of the Prime Minister and First Vice President (undated).

decentralized system is now in place, the central government is still contributing a substantial amount to local authorities -- about two thirds of the resources and almost 100 percent of capital expenditures. This financial protection provided by the central government has reduced incentives for improved efficiency. In particular, because funds available for staff remuneration are more forthcoming than those for goods and services, municipalities tend to rely on the use of force account for construction and operations instead of contracting work to the private sector. Nevertheless, through the preparation of FPIPs and property tax assessment, the project has helped to establish a base for local revenue generation to reduce the drain on central government resources, thus contributing toward the reduction of the budget deficit.

13. The GOT has developed a strategy of raising additional revenue through improvements in tax system efficiency and administrative capacity, including better expenditure planning and control, based on standardized budgeting and accounting systems. USEP helped GOT implement this policy through: a property valuation and tax update and the establishment of an improved standardized accounting system in the Local Authorities Accounting Manual (LAAM). GOT tested the LAAM, financed by USEP, in two of the eight towns covered by the project and in Dar es Salaam. Encouraged by the successful results, GOT decided to install it in the six remaining towns. As a result of financial improvement actions during the project's implementation period, property tax collection increased progressively on average from 14 percent in 1992 to 48 percent in 1995. In Dar es Salaam the rate has increased overall but has fluctuated on an annual basis. Data indicate a large increase of 124 percent in 1993, a decline by 14 percent in 1994, and an increase of 64 percent in 1995<sup>4</sup>. Computerized accounting systems are operating in most of the towns and there is evidence that self-generated income is increasing.

### **Private Sector Development**

14. The SAR for USEP did not specify any private sector objectives. However, as a result of limited local government capacity identified under USEP, the follow up USRP includes provisions for private sector participation in rehabilitation and maintenance work.

### **Environmental Improvement**

15. The project's SAR did not set specific environmental objectives, although concern for the environment was taken into account in the design and evaluation work for USRP, which includes an environmental impact assessment. For example, during the course of USEP, it became apparent that five of the eastern towns required the identification of new sites for waste disposal. As a result, a team of consultants from various agencies of GOT

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<sup>4</sup> Staff Appraisal Report, Tanzania: Urban Sector Rehabilitation Project, April 12, 1996, Report No. 1525-TA.

conducted an environmental assessment of the identified sites. The final designs of the technical working group for the towns identified and incorporated most of the recommended mitigation measures.

### **Poverty Reduction, and other Social Objectives**

16. USEP did not specify direct poverty reduction and social objectives. However, improvement in the condition of the urban poor was implicit in project design and USRP specifies sustainable economic development and urban poverty alleviation as key objectives.

### **D. IMPLEMENTATION RECORD AND MAJOR FACTORS AFFECTING THE PROJECT**

17. The project was approved by the Board on July 30, 1991 and the Development Credit Agreement was signed on October 31, 1991. The Credit became effective on February 26, 1992. According to the original implementation plan, the project was to be completed by December 31, 1995. However, IDA granted a one-year extension to complete the remaining financial studies necessary to define the follow-up investment program and install the necessary accounting and revenue systems in the project towns.

18. Total project costs amounted to about US\$ 17 million, in line with the appraisal estimate. Out of an original Credit amount of US\$ 11.2 million equivalent, IDA disbursed about US\$ 10.95 million and canceled the remaining US\$ 1.33 million equivalent.<sup>5</sup> NORAD co-financed the project, providing US\$ 5.9 million equivalent, which was higher than the appraisal estimate (US\$ 5.0 million) due to an extension of the technical assistance to cover both mapping and institutional strengthening.

19. The project's implementation took place mainly through three working groups reporting to a Project Management Unit (PMU) in the Office of the Prime Minister (PMO). These groups consisted of: an Institutional Working Group (IWG); a Financial Working Group (FWG); and a Technical Working Group (TWG). The IWG focused on institutional strengthening through restructuring, manpower development and training. It prepared a thorough assessment of institutional problems and recommended actions which GOT began to implement under USEP and will continue to implement under USRP. The FWG focused on evaluating the need to improve the financial management, planning and control in the local governments. Based on available and potential

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<sup>5</sup>

The disbursed and canceled amounts add to US\$12.3 million equivalent. This amount is higher than the US\$ equivalent of the original Credit, which amounted to 8.6 million SDR due to the devaluation of the US dollar relative to the SDR during the project implementation period.

resources, the group prepared FPIPs for each project town under the project , to define the follow-up program of urban infrastructure investments.

20. The TWG produced two studies: (a) a survey and diagnostic analysis (SDA) of existing infrastructure and a strategic integrated infrastructure development program (SIIDP) for Dar es Salaam and eight towns. Originally, the studies indicated that over a ten year period, the country would need a rehabilitation program of US\$ 650 million and proposed an initial five-year investment program amounting to US\$ 250 million to be financed under USRP. However, due to the limited institutional capacity determined by the IWG, and the financial constraints reported by the FWG, the Borrower and IDA scaled down the amount of the initial rehabilitation project to about US\$ 140 million equivalent .

21. The major factors affecting the project's implementation were the institutional and financial constraints that emerged during the project. These constraints required a reassessment of the rehabilitation needs and the size of the follow-up investment project, according to a set of investment priorities which included: the expected economic rate of return, the capacity of the town for effective operation and maintenance of assets, and poverty alleviation issues. The Borrower, in its evaluation also indicates that the change in the composition of IDA staff responsible for the project, caused some discontinuity in the project. The responsibility for the project changed in the middle of the supervision period due to internal administrative changes in IDA.

#### **E. IDA PERFORMANCE**

22. IDA performance in identifying the project was satisfactory given the conditions prevailing in the urban sector and past experience with investment projects that were not fully satisfactory because of inability to manage the investment effectively. The appraisal of the project overall was satisfactory, though in hindsight, it might have been useful to explore ways to supplement limited local government capacity through ventures with non-governmental organizations. Also, given that the project was a new type of operation for GOT and had diverse components, IDA originally may have underestimated the complexity of the project for the Borrower. However, it appears that once the extent of these problems was known, IDA responded by allocating significant resources to supervision in support of the technical assistance working groups, especially in prioritizing investments.

23. The Borrower, in its assessment of the project (Annex 1), noted that overall IDA made a valuable contribution to the project in terms of advice and guidance. At the same time, the Borrower also suggested that IDA supervision missions were perhaps not long enough given the project's complexity. However, by IDA standards, the missions were fairly long and substantially staffed. Most of the major supervision missions consisted of five to seven members, including institutional, technical and financial specialists, for periods of 18 to 30 days, as project supervision was combined with the preparation of the follow-up project. Also, as stated earlier, the Borrower noted that changes in mission

composition disturbed the continuity of supervision. Finally, the Borrower made comments which indicated that there were some significant misunderstandings at times between the Borrower's staff and mission members. During ICR preparation, IDA sought an explanation from the Borrower of the circumstances that led to these comments but IDA did not receive a reply.

#### **F. BORROWER PERFORMANCE**

24. The Borrower for the project was GOT, and the PMO, through the PMU, was the project's implementing agency. The Borrower, with IDA assistance, prepared the project over a period of five months and the preparation of the project was satisfactory, given the urgency of the rehabilitation needs in the urban sector. Project implementation overall was satisfactory. IDA project supervision reports indicated that the PMU managed the project well displaying a good grasp of IDA procedures and guidelines for putting resources into place. The Borrower showed considerable interest in the project; provided a substantial independent evaluation of it; and readily supplied data necessary to complete IDA's contributions to the ICR. Generally, compliance with project covenants was satisfactory, although there was delayed compliance with covenants for the transmittal of project audit reports and the completion of infrastructure investment plans, and the property valuation work.

#### **G. PROJECT OUTCOME, SUSTAINABILITY AND FUTURE OPERATIONS**

25. The overall outcome of the project was satisfactory (Part II, Table 1) based on the ratings of the project's supervision reports which recognize that the project was the first of its kind in Tanzania's urban sector and it substantially achieved its objectives despite capacity constraints. The sustainability of the project's achievements is likely ( Part II, Table 1) given that the follow-up USRP is underway. That project is implementing the investment components designed by USEP and is continuing to make further improvements in the policy and institutional framework. Future urban sector operations related to developments under USEP are based on an operational plan (Annex 2) which: (a) notes the highlights of IDA's CAS, serving as the overall framework for the project; and (b) outlines USRP's objectives and components which will promote the CAS in the urban sector during its implementation. The main themes of the CAS , which are reflected in the project are: the upgrading and expansion of basic infrastructure and urban services; capacity building; improved public sector management; private sector development; and environmentally sustainable investments.

#### **H. KEY LESSONS LEARNED**

26. The main lesson learned in project design is that the severe deterioration of infrastructure combined with a need for fundamental changes in institutional and policy changes to support required investments, are likely to require a series of projects rather than a single technical assistance project, in order to firmly establish the local government

capacity to handle a large investment program. This is especially true in Tanzania which began a process of centralization of authority in the 1970s. Local governments were restored in 1982 but, in practice, representatives of central government at regional level have the lead decision-making role, rendering the local authorities institutionally weak. Although the SAR for USEP identified the main policy and institutional constraints, it was only during the implementation of the project that IDA and the Borrower realized the full scope of the constraints. To maintain the concept of supporting only sustainable investment, the project had to down-scale the originally proposed investment based on a set of agreed priorities.

27. With hindsight, a more appropriate vehicle for large sector investments probably would have been an Adaptable Program Lending (APL) operation, a recent funding mechanism that was not an option when IDA appraised USRP. This type of operation could have resulted in a larger project covering the total investment program identified, with disbursements in tranches based on progress made in related policy and institutional development measures. The advantage of this type of operation is that it allows a faster response to pressing sector needs and saving the additional time required to process a number of small projects instead.

28. The second lesson in design is the importance of considering ways that non-governmental entities can contribute to the operation and maintenance of urban infrastructure, especially in cases of extreme need for infrastructure improvement and severe limitations to government capacity. One of USRP's key objectives is to encourage private sector and community participation in urban service delivery and maintenance. Specifically, under USRP, the private sector is supposed to be involved initially in project implementation and later through maintenance contracts for roads and drainage as well as the delivery of services in sanitation and waste management. In addition, the project includes a "demand driven" community infrastructure upgrading program for selected infrastructure-deficient settlements in Dar es Salaam. The criterion proposed for the selection of the sub-components for financing is the existence of a community based organization willing to make a capital contribution of about 20 percent, with the capability for sustaining full operation and maintenance costs.

29. There are also two main lessons learned in project implementation and supervision. First, despite the successful completion of USEP and the satisfactory performance of the Borrower noted by the Bank, it is evident from the Borrower's contribution that: the Borrower at some point felt that the project was complex both in the number of urban sub sectors covered and geographical content; coordination between the central and local governments was difficult; and that substantial effort was required by the Borrower to cope with the project. Ultimately the Borrower performed well and the project achieved its objectives. However, in the future it is important to make sure that supervision missions provide some coaching of the Borrower and show more appreciation for the Borrower's constraints. This is especially important when there is a turnover in IDA project staff handling the project. Concerning the central/local government coordination, the central government still has primary responsibility for the

project, but the inclusion of project support units in each of the eight project towns should improve the coordination with the PMU in the central government. The second lesson is the importance of a reliable auditing capacity and timely submission of audits for project accounts, since there were some significant delays in the submission of audit reports. To ensure improved performance of account management, USRP provides for accounting consultants in the Project Support Units (PSUs) and the appointment of a full-time project accountant was a condition of that project's effectiveness.

30. Additional lessons learned in the preparation of the follow-up project include: (i) needs assessment approach creates expectations that may conflict with conditionalities of prioritizing or tranching; (ii) it takes time for institutional reforms to take place; and (iii) the predetermination of all scope of work delayed USRP and constrained it too much.

**Part II**  
**Statistical Annexes**

<b>Table 1:</b>	<b>Summary of Assessments</b>
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<b>Table 12:</b>	<b>Bank Resources: Staff Inputs</b>
<b>Table 13:</b>	<b>Bank Resources: Missions</b>

**Table 1: Summary of Assessments**

**A. Achievement of Project Objectives**

Assessment Categories	Substantial	Partial	Negligible	Not Applicable
Macroeconomic Policies				X
Sector Policies	X			
Financial Objectives	X			
Institutional development	X			
Physical objectives	X			
Gender concerns				X
Other social objectives				X
Environmental objectives				X
Public sector management	X			
Private sector development				X
Other				X

**B. Project Sustainability**

Likely	Uncertain	Unlikely
X		

**C. Bank Performance**

Stage of Project Cycle	Highly Satisfactory	Satisfactory	Deficient
Identification		X	
Preparation		X	
Appraisal		X	
Supervision		X	

**D. Borrower Performance**

Stage of Project Cycle	Highly satisfactory	Satisfactory	Deficient
Preparation		X	
Implementation		X	
Covenant Compliance		X	

**E. Assessment of Outcome**

Highly Satisfactory	Satisfactory	Marginally Satisfactory	Unsatisfactory	Highly Unsatisfactory
	X			

**Table 2: Related Credits**

**Preceding Credits**

<b>Title</b>	Tanzania: National Sites and Services Project
<b>Credit number</b>	0495-TA
<b>Year of Approval</b>	1974
<b>Amount</b>	US\$ 8.5 million equivalent
<b>Status</b>	Closed.

<b>Title</b>	Tanzania: National Sits and Services Project
<b>Credit number</b>	0732-TA
<b>Year of Approval</b>	1977
<b>Amount</b>	US\$ 12.0 million equivalent
<b>Status</b>	Closed

**Following Credits**

<b>Title</b>	Tanzania: Urban Sector Rehabilitation Project
<b>Credit number</b>	2867-TA
<b>Year of Approval</b>	1996
<b>Amount</b>	US\$ 105 million equivalent
<b>Status</b>	under implementation.

Source: Project Files

**Table 3: Project Timetable**

Steps in project cycle	Date planned	Date actual/estimate
Identification	--	September 1989
Preparation	--	September 1989-February 1990
Appraisal	--	February 1990
Negotiations	--	April 1990
Letter of development policy	--	--
Board presentation	--	July 30, 1991
Signing	--	October 31, 1991
Effectiveness	--	February 26, 1992
Project completion	--	
Credit closing	December 30, 1995	December 31, 1996 <sup>6</sup>

Source: Project Files and Bank Staff Estimates

**Table 4: Credit Disbursements: Cumulative Estimated and Actual**  
(in US\$ million equivalent)

Key Indicators	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Appraisal estimate	0.2	3.0	6.4	9.4	11.2	11.2	11.2
Actual	0.0	1.2	2.8	5.4	8.3	10.7	10.9
Actual as % of estimate	--	40	44	57	74	96	97

Date of last disbursement:

Amount canceled : US\$ 1.33 million

Note: The disbursed and canceled amounts add to US\$ 12.28 million equivalent. This is higher than the original loan amount of US\$ 11.2 million because of changes in the exchange rate between the SDR, the original currency of the loan and the US\$.

Source: IDA Credit Database and Bank Staff Estimates.

<sup>6</sup>

The closing date was extend because of the need to complete the activities for improved financial management at the municipal level and the engineering designed for the rehabilitation work; satisfactory progress in overall project administration, and the fact that there were no outstanding audit reports.

**Table 5: Key Indicators for Project Implementation**

<b>Key implementation indicators in the Memorandum of the President</b>	<b>Estimated Completion Dates</b>	<b>Actual Completion Dates</b>
<b>A. Institutional Strengthening</b>		
1. Rationalization of centralized framework	July 1991 through May 1992	August 1992
2. Restructuring of Urban councils	July 1991 through November 1992	IWG (group of individual consultants ) in May of 1992 and IWG (DEVCO) in April 1994
3. Mobilization of local resources	June 1991 through April 1992	September 1992
4. Manpower development and training	May 1992 through June 1993	April 1994
<b>B. Financial Management Strengthening</b>		
1. Financial Planning and Control	June 1991 through May 1994	July 1992
2. Preparation of Financial Performance Improvement Plans (FPIPs)	January 1992 through December 1992	June 1993
<b>C. Infrastructure Rehabilitation and Extension</b>		
1. Preparation of Survey and Diagnostic Analysis of Existing Infrastructure	November 1991 through October 1992	September 1992
2. Preparation of Strategic Infrastructure Investment Program	June through December 1992	December 1992
3. Detailed Feasibility and Design	February 1993 (to begin on completion of approval of 5-year infrastructure investment program)	February 1995 for Package One towns and September 1995 for Package Two Towns <sup>10</sup>

Source: Project Files and Bank Staff Estimates

<sup>7</sup> Preparation of statement of problems and reports consisting of detailed analysis and recommendations.

<sup>8</sup> Preparation of (a) generic scheme for municipalities; and (b) alternative scenarios for municipal government. Restructuring of the DSM City Council and the municipalities.

<sup>9</sup> Preparation of the New Local Authorities Accounting Manual (LAAM) and revision of the Urban Councils' Financial Memorandum (UCFM)

<sup>10</sup> Package One towns included Arusha Iringa, Morogoro, Moshi and Tanga. The detailed design studies have been revised by the consultants including the preparation of additional detailed design studies for the selected infrastructure at the request of the client. Package Two towns included Mbeya, Mwanza, and Tabora.

**Table 5: Key Indicators for Project Implementation (Continued)**

<b>Key implementation indicators in the Memorandum of the President</b>	<b>Estimated Completion Dates</b>	<b>Actual Completion Dates</b>
<b>D. Property Valuation Exercise</b>		
1. For Towns other than Dar es Salaam	June 1991 through December 1992	Technical assistance has been provided since the beginning of the valuation exercise and is continuing under USRP.
2. For Dar es Salaam	June 1991 through May 1993	Phase I of the valuation was completed in 1994. A special valuation office was established and operated until June 1997.
3. Institutional Framework for Valuation System	Preparation to begin and 1991 and implementation of recommendations to be ongoing throughout the project.	See above.
<b>E. Mapping Exercise</b>		
1. Preparation of Topographic Mapping	June 1991 through September 1992	June 1994
2. Extended Program for the Strengthening of the Survey and Mapping Division of the Ministry of Lands and Settlement		October 1994 through September 1998
<b>F. Implementation Consultancy</b>		
1. Installation of Accounting and Revenue System in the project towns based on the LAAM.		Completed for Group One Towns in 1994. The system for Group Two Towns was completed in December 1997.

Source: Project Files and Bank Staff Estimates.

**Table 6: Key Indicators for Project Operation**

Not applicable to this project.
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**Table 7: Studies Included in the Project**

Study	Purpose	Status and Impact
<b>A. Infrastructure Inventory and Development Studies</b>		
1. Survey and Diagnostic Analysis	Survey and diagnostic analysis of eight project towns and Dar es Salaam, covering roads, storm water drainage, water supply, sewage and sanitation and solid waste, land use and environmental considerations.	The survey and diagnostic studies were completed and the impact was the preparation of a Strategic Integrated Infrastructure Development Program (SIIDP). This program estimated, for each of the project towns, investments required to restore existing infrastructure to its installed capacity over a ten year period.
2. Preliminary and Detailed Engineering Studies	These studies were required to further refine the infrastructure needs for SIIDP.	Preliminary engineering studies were carried out to prepare an initial five year investment program and a two-year project for priority investments. The two year project is part of the overall assistance package for USRP for eight towns.
<b>B. Other Studies</b>		
1. Urban Housing Survey		The study was completed in September 1991.
2. Analysis of Affordability and Willingness to Pay		The study was completed in March 1993.
3. Government Policy Framework for Urban Development, Service Delivery		The study was completed in June 1994.

Source: Project Files and Bank Staff Estimates.

**Table 8A: Project Costs**  
(in US\$ million equivalent)

Item	Appraisal Estimate			Actual/latest estimate		
	Local costs	Foreign costs	Total costs	Local costs	Foreign costs	Total Costs
<b>Technical Assistance and Training</b>						
-Institutional Strengthening	0.2	1.2	1.4	0.1	1.8	1.9
-Financial Management	0.1	1.2	1.3	0.3	1.3	1.6
-Property Tax Assessment	1.7	2.1	3.8	0.5	0.7	1.2
-Mapping	0.2	4.2	4.4	0.0	5.9	5.9
Infrastructure Feasibility and Design	0.4	3.4	3.8	0.7	3.9	4.6
Project Management	0.3	0.0	0.3	0.9	0.1	1.0
Vehicles and Equipment	0.0	0.3	0.3	0.04	0.5	0.5
Base Cost	2.9	12.4	15.3	2.54	14.2	16.7
Physical Contingencies	0.1	0.6	0.7	--	--	--
Price Contingencies	0.2	0.8	1.0	--	--	--
<b>TOTAL COSTS</b>	<b>3.2</b>	<b>13.8</b>	<b>17.0</b>	<b>2.54</b>	<b>14.2</b>	<b>16.7</b>

Source: Project Files and Bank Staff Estimates.

**Table 8B: Project Financing**  
(in US\$ million equivalent)

Source	Appraisal estimate			Actual/latest estimate		
	Local costs	Foreign costs	Total Costs	Local costs	Foreign costs	Total costs
IDA	2.2	9.0	11.2	2.55	8.4	10.95
NORAD	0.2	4.8	5.0	0.0	5.9	5.9
Government	0.8	0.0	0.8	0.6	0.0	0.6
<b>TOTAL</b>	<b>3.2</b>	<b>13.8</b>	<b>17.0</b>	<b>3.15</b>	<b>14.3</b>	<b>17.45</b>

Source: Project Files and Bank Staff Estimates.

**Table 9: Economic Costs and Benefits**

Not applicable to this project.
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**Table 10: Status of Project Covenants**

Development Credit Agreement	Covenant Type	Status	Original Fulfillment Date	Revised Fulfillment Date	Covenant Description and Comments
Section 2.02	ADM	C	--	--	Withdrawal procedures for the Credit account ( according to Schedule 1) and the establishment and maintenance of a special account for channeling project funds (according to Schedule 5).
Section 4.01 (a); and (b)	FIN	DC	--	--	Maintenance of financial records and accounts, including the provision of audit reports to IDA for each fiscal year of the project within nine months after the end of the fiscal year. Some audit reports furnished with delay.
Section 4.01 (c)	FIN	C	--	--	Borrower to include, audit report, a separate opinion on reliability of statements of expenditure in support of withdrawals.
Schedule 4, para 1	IMP	C	--	--	Borrower to establish and maintain a Project Steering Committee.
Schedule 4, para 2	IMP	C	--	--	Borrower to recruit and retain a Project Manager to assist the Steering Committee in executing its functions and facilitating coordination and functioning of working groups.
Schedule 4, para 3	IMP	C	--	--	Borrower to establish and maintain an Institutional Working Group responsible for analysis of institutional framework of urban councils and development of systems and procedures to implementing recommendations that result from the analysis.
Schedule 4, para 4 (a)(i)	IMP/FPIP	DC	12/31/91	11/30/95	Finalize systems and procedures for strengthening of financial control and more effective financial management.
Schedule 4, para (a)(ii)	IMP/FPIP	C	--	--	Mobilize local resources for the implementation of FPIP
Schedule 4, para (a) (iii)	IMP/FPIP	DC	03/31/92	10/01/93	Complete detailed Five Year Investment Plan for each town
Schedule 4, para (b)	IMP/FPIP	C	--	--	Establish and maintain a Financial Working Group (FWG) for implementing the FPIP. The FWG shall report to the Steering Committee
Schedule 4, para 5 (a)	IMP/FPIP	DC	9/30/91	9/30/94	Begin the valuation of towns
Schedule 4, para 5 (b)	IMP/FPIP	DC	3/30/92	9/30/94	Complete valuation of towns other than Dar es Salaam
Schedule 4, para 5 (b)	IMP/FPIP	DC	9/30/93	9/30/94	Complete valuation of Dar es Salaam.
Schedule 4, para 5 (c)	IMP/FPIP	DC	6/30/92	12/31/94	Complete plan of action for introduction of property rates in Dar es Salaam.
Schedule 4, para 5 (c)	IMP/FPIP	C	12/15/92	12/15/94	Complete plan of action for introduction of property rates in Dar es Salaam

*Abbreviations:* DCA = Development Credit Agreement. For covenant type, ADM= administrative; FIN= financial; IMP=Implementation; IMP/FPIP= implementation of the financial performance improvement program. For covenant status, C = complied with; DC = delayed compliance..

Sources: Project Files and Bank Staff Estimates

**Table 11: Compliance with Operational Manual Statements**

Not applicable to this project.
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**Table 12: Bank Resources: Staff Inputs**

Stage of project cycle	Planned		Actual	
	Weeks	US\$	Weeks	US\$
Through appraisal	--	--	8.9	21.1
Negotiations through Board approval	--	--	13.3	38.2
Supervision	-	--	102.5	317.4
Completion	--	--	6.0	

Source: Bank MIS Data

**Table 13: Bank Resources: Missions**

Stage of Project Cycle	Month and Year	Days in Field	Number of persons	Skills Represented	Rating	Types of Problems
Identification	February 1989					
Appraisal	February 1990		3	UP, EE, EC	NR	NR
Supervision 1	March 1992	8	3	FA, UP, ME	2	C, S
Supervision 2	October 1992	12	3	UP, ME, FA,	2	C, S
Supervision 3	March 1993	12	3	FA, IS, ME	NR	NR
Supervision 4	July 1993	5	1	UP	NR	NR
Supervision 5	October 1993	19	4	FA, UP, IS, WE, ME	2	S
Supervision 6	March 1994	5	1	UF		
Supervision 7	May/June 1994	18	7	2ME, FA, WE, SE, WI, PS	S	C, F, M
Supervision 8	May 1995	20	7	ME, FA, EC, OA, PS, SE, WE	HS	C, F, M, S
Supervision 9	February 1996	30	7	ME, LC, FA, SE, CE, WE, RS	HS	S
Supervision 10	July/August 1996		4	FA, ME, WE, EE	HS	F, T

Notes:

**Skill codes:** EC = Economist; EE=Environmental Engineer; FA=Financial Analyst; IS = Institutional Specialist for the Water Sector; LC=Legal Counsel; ME=Municipal Engineer; OA = Operations Analyst; PS = Procurement Specialist; UF=Urban Finance Specialist; UP=Urban Planner; WE=Water Engineer; SE=Sanitary Engineer and WI=Water Engineer Intern.

**Rating Codes:** 2=minor problems; S=Satisfactory; HS=Highly Satisfactory

**Problem Codes:** C=Covenant compliance; F = Financial Performance; M=Managerial Performance; S=Studies progress ; T = Technical Assistance Progress

Source: Project Files and Bank Staff Estimates

**URBAN SECTOR ENGINEERING PROJECT: CR NO. 2291 - TA**  
**IMPLEMENTATION COMPLETION REPORT (ICR)**

**1.0 INTRODUCTION**

This report outlines achievements made and problems encountered in the implementation of activities financed from the engineering credit. The performance, in particular of the government, and key lessons learnt have also been highlighted.

**2.0 PROJECT OBJECTIVES**

The objectives of the project were:

- (i) establish through a consultative process, overall Government Policy Positions on Urban Management, Service Delivery and Infrastructure Investment;
- (ii) establish appropriate institutional arrangement for the efficient and affordable delivery of urban services;
- (iii) establishment of financial framework for operating a sustainable urban structure investment and maintenance program;
- (iv) identification and design of candidate projects for IDA support.

**3.0 STRATEGIES FOR ACHIEVING OBJECTIVES**

Strategies employed included:

- 3.1 holding of a multi-sectoral workshop during which officials from the Central Government, Urban Local Councils, representatives from Private Sector and selected residents from the municipalities and the City of Dar es Salaam were invited to contribute. The output of this workshop formed the basis for the Government's Letter of Sector Policy communicated to the IDA, in partial fulfillment of conditions for negotiations for the Urban Sector Rehabilitation Project.
- 3.2 establishing of three working groups made up of expert consultants, which addressed specific areas. These working groups were:
  - Financial Working Group (FWG)
  - Institutional Working Group (IWG)
  - Technical Working Group (TWG)

While the workshop addressed the first objective, the three working groups dealt with the other objectives. The output from the activities of these groups are discussed below.

## **4.0 PROJECT ACHIEVEMENTS**

### **4.1 General**

The project has generally achieved its main objectives. A sound platform has been prepared for the project towns for creating an effective institutional and financial environment for the sustainability of the proposed infrastructure investment program. The project towns revenue base have been expanded through property valuation and rating initiatives. The project has also established a national mapping capacity, through the strengthening of the Survey and Mapping Division of the Ministry of Lands and Human Settlements Development. The infrastructure rehabilitation program has been carefully prepared taking into account the following important factors; demand, affordability, level of deprivation and sustainability requirements, both nationally and at the project level, in terms of operation and maintenance.

### **4.2 Sectoral Policy Reform (SPR)**

The SPR addressed six major areas covering; Institutional Relationship between Central Government and Local Authorities, Institutional Capacity Building; Local Government Finance; Improvement of Urban Authorities revenue Base, Land Management and Human Resettlement Issues and the role of Private Sector in Service Delivery. A major shortcoming of the SPR was lack of attention to infrastructure management. However, during the course of the project, key policy guidelines were defined for the road sub-sector. It is the intention of Government, to further develop this into a comprehensive infrastructure management policy.

### **4.3 Institutional Working Group (IWG)**

The IWG studies focused on the following: institutional strengthening, restructuring organization of urban councils and manpower development and training needs assessments.

Institutional shortcomings have been identified and a statement of problems and analysis prepared in which alternative options for resolving same were recommended to the government for decision. The government has already taken certain decision to that effect, while others require further analysis before appropriate decisions are taken.

The restructuring of urban authorities has been addressed. A generic scheme for municipal organization has been prepared for government consideration. A detailed examination of the administrative set up of the Dar es Salaam City Council was carried out resulting in specific recommendations for its restructuring. The various recommendations made by the IWG are selectively being actioned by the government either directly or through nationally initiated local government reforms.

#### **4.4 Financial Working Group (FWG)**

The FWG studies centered on the improvement of urban local government financial management, planning and control. Under financial management strengthening, the group examined and assessed the existing revenue base, explored available untapped resource potential in each of the project towns. On the basis of the available and potential resources the group prepared Financial Performance Improvement Plans (FPIPs) for the project towns. The respective FPIPs formed the basis upon which the individual town investment size was made.

A significant element of the FPIP was the Valuation and Rating Component. During the course of the project, significant advances were made. Revenue from property rate in Dar es Salaam increased from Tshs 60 million in 1995 to Tsh 559 million in 1996. In the remaining eight project towns, assessed properties increased from 53,000 to 73,000 with corresponding increase in annual revenue from Tshs 145 million to Tsh 427 million in 1996.

In terms of Financial Planning and Control, the group prepared a Local Authorities Accounting Manual (LAAM) which formed the basis for the installation of new Accounting and Revenue Systems in the towns. They also reviewed and updated the existing Urban Councils Financial Memorandum which is to be used along with the new Local Authorities Accounting Manual.

##### **4.4.1 Management Improvement Plans (MIPs)**

At the town level, each authority has prepared a Management Improvement Plan. The MIPs have been prepared with the aim of bringing systematic improvement of the councils performance in terms of general management, financial management and technical areas. Through the MIPS, the respective project towns performance improvements will be annually monitored and assessed, the results of which will determine the council's ability to sustain the investments.

#### **4.5 Technical Working Group (TWG)**

##### **4.5.1 General**

Two main studies were undertaken commencing February 1992. The first is TWG 1 comprising (i) survey and diagnostic analysis (SDA) of the existing physical infrastructure; (ii) preparation of a strategic integrated infrastructure development programme (SIIDP) covering a ten year period.

The second set of studies, TWG 2, covered preparation of detailed designs for activities identified under TWG 1, in the following areas: Roads and Drainage, Water Supply and Sewerage, Sanitation and Solid Wastes Management and Depot improvement.

#### 4.5.2 Outline of TWG 1

Outputs from the SDA study gave information on:

- (a) Location and physical characteristics, population, socio-economic conditions, relevant studies and projects;
- (b) Land use pattern; involving baseline data, major land development constraints and general development trends;
- (c) Roads and traffic; involving existing network, existing operation and maintenance, summary of deficiencies, traffic volumes, traffic flow conditions and traffic management.
- (d) Storm water drainage; involving existing facilities, existing operation and maintenance, summary of deficiencies
- (e) Water supply; involving current supply and demand, existing operation and maintenance and summary of deficiencies
- (f) Sanitation and industrial waste water; involving existing facilities, current operating and maintenance, summary of deficiencies.
- (g) Solid waste; involving existing system, summary of main deficiencies.
- (h) Municipal services;
- (i) Environmental status in each of the towns.

Outputs from the SIIDP gave information on:

- (a) land use concepts;
- (b) strategic plan comprising needs for basic improvements, options for development, options for implementation stages;
- (c) proposed investment plan (1994 - 2002) involving financial basis, physical infrastructure, co-ordination of infrastructure services, and summary of investment costs.

#### 4.5.3 Outline of TWG 2

Detailed designs for investment identified under TWG 1 were undertaken in two groups by separate consultants, M/s COWICONSULT and HOWARD HUMPHREYS AND PARTNERS. The Client experienced major delays with the latter consultant and the assignment was still uncompleted at the time the Credit came to a close.

#### 4.5.4 Supervision of TWG 1 & 2 Studies

To review outputs from the studies and make comments on the technical quality and feasibility of proposals including designs, the government appointed a technical committee made up of Office of the Prime Minister; Ministry of Works; Ministry of Water, the Planning Commission; Ministry of Health; Ministry of Lands, Housing & Urban Development; Ministry of Natural Resources and Tourism; the University of Dar es Salaam; Project Towns and the Project Management Unit. The work of the committee has been invaluable to the PMU in managing these consultancy contracts.

#### **4.5.5 Community Infrastructure Project (CIP)**

The credit also financed various activities leading to the formulation of a community infrastructure project for selected areas in Dar es Salaam. This is a "demand-driven" community infrastructure upgrading program targeted at two selected infrastructure deficient settlements, building upon the lessons of the pilot project carried out in one settlement of the city (Hanna Nassif, under the UNDP /HABITAT supported Sustainable Dar Project (DSP).

#### **4.5.6 Environmental Impact Assessment**

Although most of the recommended investments involve the rehabilitation of existing infrastructure, conditions in the five eastern towns necessitated the identification of new sites for disposal of solid wastes. A team of Consultants drawn from various agencies of Government were commissioned to undertake a full environmental impact assessment of the identified sites. Most of the recommended mitigation measures were incorporated in the final designs of TWG 2 (eastern towns).

### **5.0 PROJECT COST/ ACTUAL EXPENDITURE**

The project was estimated to cost US \$ 17.0 million financed as follows: IDA 11.20 mil., NORAD 5.00 mil., and GoT 0.80 million. Actual expenditure amounted to US \$ 17.45 million, contributed as follows: IDA 10.95 mil., NORAD 5.90 mil., and GoT 0.60 million. At the time of closing the IDA portion of the credit, an amount of approximately US \$1.33 million remained undisbursed, and was therefore canceled. During the course of the project, the NORAD extended the original facility, to cover the strengthening of the Survey and Mapping Division of the Ministry of Lands and Human Settlements Development.

### **6.0 BANK PERFORMANCE**

It was observed that the variable nature of the composition of Bank Supervision Mission staff, particularly the leadership, affected continuity in the overall project progress review. In particular, there were constant changes, to previously agreed courses of action.

It was noted that lack of clarity and understanding, by some mission members on the conceptual framework of the project in general, and TORs in particular, caused misunderstanding between the Bank and the Government.

A huge supervision input was required because (i) the credit was the first of its kind in the sector; (ii) the project was over ambitious in its scope; (iii) the spread of the project made communication with all parties difficult; and (iv) the level of expertise in the urban local councils was low.

However, Government officials and PMU recognized the value of a disciplined framework of regular progress reviews, accompanied by short-term action plan and task lists. On a number of occasions, however, the Bank staff seemed to disregard the large amount of work put in by Government officials, blaming them for inaction on the part of local council officers in project towns. There was lack of respect in the Bank's approach in this regard.

During the short mission periods, it was often not possible for all relevant government staff to be involved, attempts were made to address too many issues simultaneously giving rise to communication problems. The apparent understandings contained in lengthy and linguistically complex mission Aide Memoires were not fully comprehended by all involved.

From discussions with Bank staff, it was obvious that they had a very heavy workload, and traveling through different African countries on one circuit made things even more demanding. It is likely frustrations from one project were carried on to another project, not to mention the harsh traveling conditions. A means of spreading missions more evenly should be considered and, if possible, have competent staff in the Resident Mission follow up on most of issues outlined in Aide Memoires.

Government officials had to put in considerable effort over changes in scope of work, and had a hard time convincing urban local council officials, to re-prioritize civil works identified under the engineering studies. Perhaps proposed budgets for future projects could be defined with more certainty.

The Government wishes to commend the valuable contribution by the Bank in terms of advice and guidance provided during project implementation.

## **7.0 BORROWER'S PERFORMANCE**

Being the first sector program of its kind for the country, implementation was both complex and demanding, and required co-ordination of inputs from several key players including central ministries, relevant institutions and the urban authorities.

Despite the complexity, the objectives of the project were satisfactorily achieved. The Steering Committee which was made up of Principal Secretaries from relevant ministries closely managed the project. A Technical Advisory Committee made up of senior technical experts from key ministries, institutions and project towns effectively advised the Steering Committee on the development of the project. However, where there is success shortfalls are inevitable. On the part of IWG work, particularly in terms of institutional strengthening aspects, the study outputs have not been quite elaborate and specific to assist the government to take timely necessary action. For example, the restructuring of the municipalities as well as the central government/local authorities relationships have not been cohesively and adequately addressed. The government felt

this shortcoming is associated with the design of the Terms of Reference for the studies which were by and large broad and non specific in many areas. The other constraint faced by the project during the last phase of the implementation was lack of counterpart funds in meeting contractual obligations on the part of government.

## **8.0 LESSONS LEARNED**

8.1 The project was over-ambitious in terms of sectoral and geographical coverage. This has been demonstrated by:

- (i) the nature of output from some consultants in the technical working group - Consultants by nature tend to specialize in one discipline or the other. And to require one consultant to undertake tasks defined under the TOR for the TWG 2 is asking too much. Moreover, clear and objective TOR does not only result in appropriate recommendations, but also enhances timely completion and effective monitoring of studies;
- (ii) the wide gap between cost of identified investments and actual investments donors were able to finance - considering the deprivation in the project towns, an attempt to fix all deficiencies in nine or eight towns under one project is ambitious indeed;
- (iii) the lack of interest shown by other co-financiers - other co-financiers indicated that they are willing to take a few towns and concentrate in only one sector;
- (iv) level of competence achieved by the IWG and FWG in the urban local councils - most urban local council officials were untrainable, and the wide geographical spread resulted in a tendency to neglect this critical area needing intervention.

8.2 The issue of ownership addressed through the early involvement of beneficiaries has been demonstrated fully. Even though a centralized project administration was adopted, regular consultations with town officials and other beneficiaries has created considerable awareness and sense of ownership among the targeted population, to the extent that, delays in seeing physical works start, in the towns, have become an issue of great concern.

8.3 There has been considerable time lapse between preparation of the TWG2 designs and the proposed date for implementation of follow up project. This would require detailed assessment of proposals prior to Tender, at an extra cost.

8.4 Opinion of current experts working in the urban local councils suggest that it was ambitious to achieve sound financial and institutional competence under one project; perhaps the traditional approach of a small credit to approach the problem in one town; with the possibility of successes being replicated in other towns could have been more feasible.

8.5 Counterpart fund availability, particularly in the latter stages of the project gives a clear warning for planning of future projects.

8.6 Procurement of appropriate expertise is a key determinant to the success of project implementation.

## 9.0 CONCLUSION

It is evident from the foregoing that the project required more capacity than was readily available for its implementation. The extensive investment in Technical Assistance, at the initial stages, were not fully effective, because roles of consultants were not properly defined and outputs were not monitored against agreed plans. This gives an indication that future projects should be formulated to be modest in scope, and implementation requirements clearly determined prior to inception. In spite of these shortcomings, the Project has made a tremendous leap forward in the Tanzania Urban Sector. A clear policy position has been established, a financial framework has been put in place, and a process set in motion to improve skills, and reduce waste of human resources.

Interventions in the technical areas have helped to compile data for planning, exposed deficiencies in infrastructure, identified candidate activities for implementation under subsequent projects, made an effort to establish a maintenance culture and above all developed the awareness of Municipal Engineers regarding training requirements and their obligation to the community they serve.

It is the view of the Government, that the application of the credit has provided good value for money, and armed with these tools, look forward to better results for subsequent projects.

## **OPERATIONAL PLAN**

### **Country Assistance Strategy**

1. The Bank's Country Assistance Strategy (CAS) for Tanzania provides the overall framework for the operational plan to sustain the objectives of USEP. The CAS was discussed by the Executive Directors in March 1994, and highlights the following strategic elements governing IDA assistance to Tanzania: (a) poverty alleviation through policy reform and economic growth; (b) targeted interventions to improve urban services for the poor; and (c) upgrading and expansion of basic infrastructure and urban services. Also the strategy includes three main themes for the financial support of investment projects: capacity building and improved public sector management; private sector development; and environmentally sustainable investments.

### **The Urban Sector Rehabilitation Project (USRP)**

1. The policy, institutional development and design work under USEP have led to the development of the Urban Sector Rehabilitation Project. (USRP) The objective of USEP was to create an effective institutional and financial framework for urban sector investment and prepare the related detailed engineering work. The key concepts in the design of the program are: (a) the promotion of self sufficiency in urban local governments; and (b) the development of a program of infrastructure rehabilitation and expansion that is consistent with the financial capacities of urban councils and focused on meeting the needs of the manufacturing sector and low-income sections of the population. Based on the work completed under USEP, the Government of Tanzania, with the assistance of the IDA, prepared USRP, which the Bank's Board of Directors approved on May 23, 1996. The overall objectives of this project are the promotion of sustainable economic development and the alleviation of poverty through a program consisting of : high priority infrastructure rehabilitation; improved local government management and financing; and the involvement of the private sector and the local community in urban sector operations and maintenance.

2. USRP consists of four components covering eight project towns, plus Dodoma and Dar es Salaam. These components consist of : (a) the rehabilitation and selected expansion of infrastructure services in eight project towns and Dodoma; (b) community based upgrading of infrastructure and rehabilitation of water supply of Dar es Salaam; (c) institutional strengthening consisting of technical assistance training and equipment for improving the organizational and financial management capacity in the municipal councils of urban water and sewerage departments of the eight project towns, Dar es

Salaam and Dodoma; and (d) the preparation of future projects in the urban sector. The total cost of the project is US\$ 141.3 million equivalent, with the following financing plan: IDA, US\$ 105 million equivalent; the governments of Germany, Ireland and the Netherlands, US\$ 21.7 million equivalent; and the Government of Tanzania, US\$ 14.6 million equivalent.

