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# Swiss economic development cooperation with Tanzania

## 1. Economic context: an overview

■ With a population of 36.6 million inhabitants (2004) –75 % living in rural areas– Tanzania is the fifth most populous country of the Sub-Saharan Africa. It is endowed with a rich natural resource base (agriculture, natural gas, mineral deposits). It is also one of the most stable countries of the region.

■ Since 1986 Tanzania has moved away from a one-party political system and a controlled economy, through gradual – although sometimes erratic - adjustments. In 1995, the country embarked on the current program of economic stabilisation and structural reforms supported by the World Bank and the IMF. The main reforms include prudent fiscal and monetary policies, the privatisation of public enterprises and the creation of a more conducive business environment. The government is also committed to the implementation of a Poverty Reduction Strategy (PRS) adopted in 2000, whose second generation is currently in process to be finalized .

■ The country's overall economic performance has responded positively to the reforms. While maintaining macroeconomic stability, Tanzania has been able to achieve an annual average growth of over 5% between 1996-2003 and an estimated 6.3% in 2004. This represents an extraordinary performance when compared to the economic regression during 1970s and early 1980s and also in comparison to other countries in the region. Substantial improvement has been achieved in the management of public finances (deficit control, public expenditures reviews, medium term expenditure frameworks). Under the enhanced HIPC initiative, the country benefited from a reduction of its external debt by more than 50 %.

■ The structure of the Tanzanian economy has changed dramatically over the past ten years. Deregulation, State's divesture from public enterprises and commercial banks, liberalisation of trade and promotion of private entrepreneurship are transforming the economic landscape. Private investments do represent today 75 % of gross capital formation; they have boosted the development in the mining sector and tourism. The employment in the public sector counts for 2.5 % of the labour force (against 5.5 % ten years ago).



■ This economic performance underlines a positive trend. However, the average income per capita (USD 265) is still very low, and the actual impact on the poverty remains modest and mainly limited to urban areas. Over the past ten years, the basic needs poverty has declined marginally, from 38.6 % to 35.7 % of the population. The Human Development Index has improved, but in a pattern of rather slow progress and increased inequality.

■ Tanzania is faced with huge needs and challenges to fight poverty. It is also confronted with serious weaknesses and constraints that affect the current and future development prospect of the country, and in particular:

- *Weak public finance:* the cash budget system and the sector budget ceilings have improved markedly the control of the fiscal deficit. But to sustain the development process, the Government must achieve substantial additional progress in mobilising domestic revenues (presently only 13% of GDP) and managing medium-term public expenditures. Important reforms of the public sector have still to be completed (public finance management, civil service, local governments, legal reform, public infrastructure, divesture of parastatals, etc.). Wages in the public sector clearly need to be increased, as low paid public employees lack motivation and efficiency and thus undermine the quality of service delivery; yet, whereas a pay reform is under way, its long-term sustainability is questionable.
- *High dependency on foreign aid:* Tanzania receives each year about USD 900 million of aid, amount which is equivalent to the annual domestic revenues and finances around 30% of the total expenditure. This is unsustainable and weakens the ownership of the development process.
- *Underdeveloped business environment.* despite considerable progress in establishing a consistent and transparent legal business framework, the development of the private sector is still hampered by important constraints such as inadequate infrastructure, unskilled labor force, difficult access to finance, red tape, weak justice system, plethora of licenses, permits, duties, taxes and levies.
- *Low investments:* the investment rate (17% of GDP) is extremely low, and insufficient to achieve a strong and sustainable growth. The business environment has still to be improved to attract private (national and foreign) investors. While foreign investment inflows have increased dramatically these last few years (USD 240 million in 2002, against an annual average of USD 3 million during 1987-1992), they remain rather modest when compared to the annual foreign aid flow or the earning from tourism (USD 725 million in 2001).
- *Vulnerability to external shocks:* the economy is highly dependent on agriculture (50% of GDP, 85% of exports, 60% of labor force) and import of oil. Climatic conditions and fluctuation of international commodity prices, particularly oil, do heavily affect the annual economic performance.

- *Mixed exports performance:* liberalization of trade and revamped efforts towards regional integration (East African Community and SADC) has not led to a major boost of exports. Only very limited success has been registered in the diversification of exports over the past ten years, while the fall of world prices and structural problems have severely affected the performance of traditional exports.
- *Prevalence of severe health hazards:* 300'000 Tanzanian die each year as a result of malaria. Over 12% of the adult population is infected by HIV/AIDS and the disease has caused a drop in life expectancy from 56 to 43 years (2002). The economic and social consequences of HIV/AIDS are becoming increasingly visible.
- *Corruption remains pervasive.*

■ The Government is committed to continued efforts towards a market-based and open economy, the implementation of its Poverty Reduction Strategy and further progress in the democratisation. The unfinished agenda of reforms is, however, considerable and the political uncertainties faced in 2005 (presidential elections are foreseen for November and the current President will not serve for another term) raise the question whether it will be implemented with the same intensity in the future. Regional and national (Zanzibar) political challenges cannot be underestimated. However, the country has consistently remained on the track of reform for the last decade; these efforts deserve to be further supported by the international donors' community.

■ The bilateral economic relations between Tanzania and Switzerland are marginal as reflected in the trade figures 2003 (Swiss exports of CHF 8.5 million, imports of CHF 5.4 million). Swiss companies however are involved in the international marketing of more than half of the Tanzanian cotton production. Swiss investments are diversified (tourism, transport, cement, mining, coffee and sisal plantations, etc.) but modest. An agreement on the promotion and protection of investments is in force since 1965.

## 2. Past Experiences and Lessons Learned

■ **seco** has been active in Tanzania for 15 years. The bulk of its assistance (a total amount of about CHF 100 million) has been channelled through macroeconomic aid, which has contributed to efforts aiming at restoring and maintaining the macroeconomic stability and improving the management of public finances. The main components of the program:

- Support to the structural adjustment process by addressing financing gap and establishment of social safety nets, through bilateral balance of payments support, co-financing of IDA structural adjustment and – more recently – general budget support. The latter is closely linked to the implementation of the Poverty Reduction Strategy.

- Technical assistance provided to the Ministry of Finance (macro-fiscal forecasting and policy design) for strengthening capacities and supporting management change.
- Debt relief, in the form of a cancellation of the bilateral debt (1993), a contribution to IDA/Tanzania Commercial Debt Buy Back (1999-2002), participation in the reduction of the multilateral debt (Tanzania Multilateral Debt Fund, then HIPC), and strengthening of the debt management capacity of the Government.
- Medium-term technical assistance to the Bank of Tanzania (BOT), and financial sector studies.

■ From this longstanding cooperation, and beyond the satisfactory project performance reflected in various evaluations, the following lessons can be drawn:

- Progress of economic reform with a more clear pro-poor orientation has been rather slow. Strengthened coordination amongst donors is crucial to deepen the policy dialogue with the Government on the timetable and priorities of the reform program.
- Continued budget support is required to accompany efforts aiming at the successful implementation of the Poverty Reduction Strategy. Performance indicators and triggers for disbursement should be linked to improvements in management of public finances, better mobilisation of domestic resources and improved business environment, which should be reflected in the framework for assessing performance (currently called PAF) of the PRBS donor group.
- The conclusions of the evaluation of the PRBS facility encourage a reorganization of the governance structures of the group, a move from process oriented indicators towards more output and impact oriented ones and better alignment between different instruments and processes (like PRS, PER, MTEF) in order to improve the efficiency and effectiveness of aid.
- Efforts towards more predictable annual disbursements and close coordination with other bilateral donors have enhanced the relevance, impact and credibility of the general budget support. This fact is likely to induce important changes in the relationship between donors and Government within the framework of the new Tanzania Joint Assistance Strategy (JAS) that would need to be taken into account.
- Targeted and medium-term technical assistance is a crucial component of the macroeconomic aid, to assist in the reform process by strengthening local capacities while permitting to assess concretely the actual commitment to reform of the partner.
- The visibility of the **seco** program in Tanzania has so far been insufficient - in particular as regards the participation in the PRBS – and needs to be reinforced.



- Working relation with COOF must be further strengthened. There is a need to formalise a new the respective expectations as regard tasks and responsibilities in the implementation of the **seco** cooperation program.

■ In recognition that a more important role of **seco** in the PRBS group required a fundamental strengthening of the COOF, a **seco** staff has been seconded to the COOF. This reinforcement of monitoring capacities on the spot underlines the willingness for a stronger participation in the policy dialogue.

### 3. Future Orientation

■ Tanzania is a priority country for the Swiss development cooperation. The country is not offering any significant short-term potential for rapidly increasing business relations with Switzerland. However, in the medium to longer term, the sheer size of the country's expanding demand for imports and investments will present substantial economic opportunities, also for Swiss enterprises. The continued involvement of **seco** in this country is also justified by further reasons: (i) **seco** is committed to be pro-active in Sub-Saharan Africa; (ii) Tanzania is among the poorest African countries; (iii) Tanzania is one of the few reforming and performing Sub-Saharan African economies; (iv) political stability of the country is a major contribution to the security and development of the whole Eastern African Region.

■ In its current stage of development, Tanzania must give high priority to addressing some key economic framework conditions to be able to achieve by 2015 its objective to reduce massively poverty. As being specified in the joint SDC/**seco** country programme 2004-2010 for Tanzania, Switzerland is committed to further support Tanzania's efforts to achieve a sustained and strong growth – in the frame of an increasingly market-base and open economy – and to contribute thereby to its overarching goal of reducing poverty. The program focus on three main domains of intervention: i) governance for poverty reduction, ii) economic growth, income and assets for the rural poor, iii) social and physical well-being.

■ The orientation of the **seco** program takes into account the priorities set by the Government in its Poverty Reduction Strategy Paper (PRSP) and the Millennium Development Goals (MDGs), the experience gained over the past years, as well as a realistic assessment of the available **seco** capacities, competencies and resources.

- The main axes of the **seco** program in the coming years are:
- strong focus on further supporting the efforts to improve the public finances;
  - active contribution to the improvement of the business environment and the financial intermediation, to boost private (national and foreign) investments;



- assisting Tanzania to better tap the potential of trade as an engine for growth and poverty reduction;
- support to ensure reliable access to water services in a poverty-sensitive manner and to upgrade water management structures through greater involvement of private sector;
- greater attention to a strengthened participation in the direct (bilateral or multi-donors) policy dialogue with the Government ;
- careful attention to the requirements of partners in capacity building and opportunities for donor harmonization; Management of projects and activities must be results-based and incorporate clearly defined performance indicators (including, expected contribution to poverty reduction);
- exploitation of synergies with SDC activities in the country;
- substantially increased visibility of the seco program to be achieved.

■ To address general policy issues and frame conditions relevant to its programme, **seco** undertakes to participate or be represented more actively in local coordination and consultation mechanisms between the Government and its development partners.

## Thematic focus/domains of action

■ Consistent with the framework set for the joint SDC/**seco** country programme 2004-2010 for Tanzania and subject to continued strong commitment and satisfactory performance of the Government, the **seco** program will be articulated along three main lines:

## Public finances management and business environment

■ Despite considerable progress during the past decade, the management of public finances remains fragile. The cash-budget approach has permitted the short-term containment of the public expenditures and the fiscal deficit; but the longer-term objective to achieve a sustainable balance of the public finances through a transparent, sound and solid budgetary process has still to be met. A joint diagnostic framework to provide the base for capacity building efforts needs to be encouraged (e.g. through the use of a Public Finance Management Performance Report, the instrument promoted by the Public Expenditure and Financial Accountability Programme, PEFA). The mobilisation of domestic revenues has also to improve dramatically, in order to contain and gradually reduce aid dependency. On the other

hand, the further improvement of the business environment is essential to stimulate private initiative and investments. Red tape and many procedural and administrative barriers hamper entrepreneurship.

### *Strategic Orientation:*

■ In the context of the Poverty Reduction Strategy, **seco** undertakes to further provide macroeconomic support, along the following lines:

- general budget support, in the framework of the Poverty Reduction Budget Support Group and conditional to continued substantive and satisfactory policy dialogue, consultation and coordination with the authorities; a differentiated approach for the disbursements is applied and allows to concentrate the dialogue in the areas identified as of major concern for **seco** (public finance management, private sector development and resource mobilisation) and to reduce the risk of disruption in the overall support;
- punctual support for activities contributing to the implementation of the national poverty reduction strategy through **seco's** PRS-bilateral support line, in those areas where synergies with **seco** instruments are relevant;
- specialised and targeted technical assistance in the medium-term perspective, with a strong focus on public finances management and on strengthening macro and micro linkages for more effectiveness in policy design;
- very targeted policy and operational interventions and support to contribute to the improvement of the business environment in particular for SME.

## **Financial sector development**

■ Major reforms have been undertaken in the financial sector, such as the revamping of the central bank (Bank of Tanzania – BOT), the introduction of Treasury Bills or the privatisation of commercial banks. Still, the financial intermediation remains weak; offering limited secure and diversified options for attracting domestic saving, and providing only very limited response to the financing needs of the private enterprises (particularly of the SME) and in the rural areas. A “second-generation” of reforms is urgently required, for ensuring a gradual deepening of the financial sector in Tanzania and for meeting a major challenge for the sustainable development of the country.

*Strategic Orientation:*

■ Based on the experience gained from the longstanding cooperation with BOT and the outcome of the joint donors Financial Sector Assessment Study, **seco** will continue its support in the following direction:

- specialised technical assistance and capacity building programme at BOT;
- assistance in the development of capital markets with a special interest paid to regulatory issues and collective investment schemes;
- selective participation to innovative instruments or mechanisms (venture capital, leasing, guarantees, credit line in local currency, etc.) aiming at offering long-term finance to SME.

**Trade promotion**

■ Exports of goods and services have played an important role in contributing to the overall economic growth of the economy since 1990 (nearly 60 percent of GDP growth during the period 1990-2003 came from exports). From 2000 onwards, the export performance has been characterized by a strong acceleration in non-traditional exports (mainly minerals), representing nearly 80 percent of exports, while traditional exports have been declining. The progress in non-traditional exports since 1998 was principally due to gold, which is the single largest export item in 2003, making up nearly 40 percent of all exports. This raises the issue of the sustainability of such export growth and points to the need for greater export diversification. Recovery and diversification is particularly crucial for traditional agricultural crop exports, given the fact that 90 percent of the poor reside in rural areas and depend on the incomes generated by traditional agricultural activities.

*Strategic Orientation:*

■ Mobilising its competences and expertise in trade, **seco** undertakes to establish gradually in Tanzania a new pillar of cooperation in the field of trade promotion. Capitalizing on its experience with other bilateral trade programs and its active participation in existing multilateral programs such as the Integrated Framework (IF), **seco** will concentrate on the following:

- promoting trade reforms which are conducive to growth and poverty reduction, as well as supporting the introduction of trade in the Poverty Reduction Strategy Paper;



- enhancing capacities of institutions providing services to exporters, notably in the field of standards and testing laboratories;
- developing exports and value-addition in selected sectors with strong potential for poverty reduction.

## Infrastructure Financing

■ Reliable water supply and sanitation systems are a key prerequisite for healthy living conditions and hence have a significant impact on the capacity to sustain economic activities. Yet, the most recent update of the Tanzanian National Water Policy (NaWaPo), as of July 2002, states that only 73% of the urban population and 50% of the rural population has access to reliable water supply services, while less than 10% are connected to sewer systems. Most of the unserved people are from low-income groups. Large efforts need to be undertaken to ensure that MDGs and the objectives of the PRS are achieved. Beside pure financial support for the infrastructure itself, institutional, managerial and organisational problems have to be solved. Main steps undertaken in this direction are the creation of 20 Urban Water and Sewerage Authorities (UWSAs) in the major cities and towns as fully autonomous bodies, and the development of a National Water Policy (last update 2002) and of a National Water Strategy (draft 2004). One major issue within this strategy will be to create synergies and economies of scale by some kind of cooperation between the UWSAs of the regional centres and the district towns. Also, the development of PPP (Public-Private-Partnership) projects are fostered in the National Water Strategy.

### *Strategic Orientation:*

■ Using its expertise in infrastructure financing and sector reform processes, **seco** intends to set up a new pillar of economic development co-operation in Tanzania. **seco** is committed to support the water sector reform programme and to create access to safe and reliable water and sanitation for poor areas. Hence, **seco** considers the following activity areas as crucial:

- assisting Tanzania in its effort to achieve **performance improvements** of the UWSAs by enhancing their management capacities;
- engaging in the **sector dialogue** with the Ministry of water and Livestock development (MoWLD);
- fostering the use of **private expertise to support the management** of selected UWSAs;

- assisting Tanzania in its strive to increase access to the water and sewerage network especially in peri-urban areas by **poverty-focused infrastructure investments**;
- engaging in **comprehensive donor co-ordination** to increase the effectiveness and coherence of the various bi- and multilateral donor programmes in the sector.

## Indicative Financial Disbursements

■ For the implementation of its program during the period 2005-2008, **seco** plans – subject to continued strong commitment and satisfactory performance of the Government in the implementation of the economic reforms – the mobilisation of an envelope of **about CHF 45 million**. Efforts to smoothen the annual disbursements and to improve the predictability of the flows (as a contribution to improve budget management by Tanzania) will continue.

## 4. Program Management

■ In Switzerland, the **seco**-cooperation (WE) divisions directly involved are i) Macroeconomic support (WEMU), ii) Trade and clean technology cooperation (WEHU), iii) Infrastructure promotion (WEIN) and iv) Investment promotion (WEIF). **Mrs. Monica Rubiolo (rmo/WEMU)** is the WE country coordinator ([monica.rubiolo@seco.admin.ch](mailto:monica.rubiolo@seco.admin.ch)).

■ The **SDC Cooperation office (COOF)**, attached to the Embassy, is the main direct Swiss partner for the cooperation program of **seco** in Tanzania. A **seco** staff directly incorporated to the COOF seconded by two local economists monitor and supervise the implementation of the **seco** programme at the country level. Taking into consideration the ongoing process of broadening and strengthening **seco**'s portfolio of activities in Tanzania, a detailed arrangement is to be prepared to better clarify the respective tasks and responsibilities between COOF and **seco**, improve the flow of information and consultation, and strengthen the joint annual planning..

■ The **Swiss Embassy** in Dar es Salaam provides additional important support to **seco** for context analysis and information, as well as representation at high political level.

## Annex 1

### Swiss Development Aid Flows (million CHF)

	1998	1999	2000	2001	2002	2003	2004
<b>seco</b>	--	8.5	2.0	8.0	8.1	9.3	10.7
SDC	17.5	21.0	16.0	18.5	17.1	20.8	16.4
<b>Swiss Total</b>	<b>17.5</b>	<b>29.5</b>	<b>18.0</b>	<b>26.5</b>	<b>25.2</b>	<b>30.1</b>	<b>26.6</b>

#### Comments and remarks

- The above-mentioned figures do refer exclusively to the bilateral annual net flows
- The above table does not take into account the benefits derived by Tanzania from global or regional **seco** programmes such as HIPC, SOFI, SIPPO etc.

## Annex 2

### On-going projects and programs

#### Public finances management and business environment

- *General budget support*

A new agreement on a CHF 18 million budget support for the period 2004-06 has been signed in 2004 and a first disbursement amounting to CHF 6 million was released for the year 2004. This support is provided within the framework of the Poverty Reduction Budget Support Group, consisting of 12 donors and aiming at securing the achievement of targets set in a common Performance Assessment Framework (such as poverty reduction, macroeconomic stabilisation and private sector issues). **seco** participates actively in the governance structures of the PRBS group, particularly in the domains linked to **seco** and SDC areas of concentration (public finance management, private sector development, poverty monitoring).

Sector: Economic Development  
 Amount: CHF 18 million (Swiss contribution)  
 Duration: 2004 – 2006  
 Partner: Government of Tanzania

- *Specialised technical assistance program at the Policy Analysis Department (PAD)*

Since 2000, technical assistance and capacity building are being provided to the Ministry of Finance (MoF). They aim at strengthening analytical skills in the Policy Analysis Department (PAD), which is responsible for macroeconomic and fiscal analysis within the MoF. A second phase of the program has been agreed for the period 2004-2006. This phase will concentrate on supporting change management through targeted training to the management and increasing the capacity of the department for policy design through courses in areas like financial programming, macro-forecasting and modeling. Training on macro-micro linkages and poverty relevant macro analysis

- *HIPC Initiative*

Tanzania is one country benefiting from the Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and World Bank. Switzerland has contributed so far CHF 140 million to the HIPC Trust

Fund. Out of this, around USD 1.5 million has been used to co-finance the interim debt relief of debt of Tanzania vis-à-vis the African Development Bank.

- *Commercial Debt Buy Back*

Switzerland has contributed an amount of USD 6.6 million (out of a total financing required of USD 40.2 million) to co-finance the IDA Commercial Debt Buy Back operation, launched in 1999. The operation is expected to be closed soon.

- *Debt Management Capacity Building*

Since 1997, Switzerland is financing jointly with other donors a Capacity Building Program for strengthening debt management in HIPC countries. The objective is to contribute to debt sustainability in the HIPC countries by enhancing their capacity to manage and analyse their external and domestic debt situation and to negotiate debt relief within the HIPC initiative with international financial institutions and bilateral creditors. Tanzania has been benefiting substantially from activities under this program. An extension of the program is currently under discussion. Total contribution by Switzerland to the overall program amounts to CHF 10.8 million.

- *SOFI*

Tanzania is one of the 28 countries benefiting from the of **seco**-funded investment promotion mandate of the Swiss Organisation for Facilitating Investments (SOFI). Apart from information dissemination (e.g. through Internet, conferences, missions) on investment conditions and opportunities, SOFI provides advice to enterprises in preparing and implementing their investment projects and supports local entrepreneurs in finding partners in developed countries. Advisory services at a project level are paid by the client.

Sector: Investment promotion  
Location: Zürich  
Amount: CHF 4.5 million per year for the mandate but non country specific  
Duration: end 2003, due for reconduction  
Partner: SOFI  
Internet: [www.sofi.ch](http://www.sofi.ch)



- *seco Start-up Fund*

To encourage and facilitate preparation and initial phases of new investment projects, **seco** can provide loans to Swiss entrepreneurs up to 50% of the financing needs. A number of loans concern projects in Tanzania. This financial window is being administered by SOFI.

Sector: Investment promotion  
 Location: Zürich  
 Amount: CHF 15 million for the revolving fund (all eligible countries)  
 Duration: since 1997  
 Partner: SOFI (management agreement)  
 Internet: [www.sofi.ch](http://www.sofi.ch)

- *Aureos East Africa Fund (AEAF)*

The AEAF is a USD 40 million closed-end venture capital fund of a lifespan of 10 years. It seeks to invest in companies with the potential to grow in East African countries. App. 40% of the committed capital is expected to be invested in Tanzanian small and medium sized enterprises. The fund's management team assists portfolio companies with developing their business plans, improving their capital structures and implementing international standards of corporate governance.

Sector: SME  
 Amount: USD 7 million (Swiss contribution)  
 Duration: 2003-2013  
 Partner: Aureos Capital Limited  
 Internet: [www.aureos.com](http://www.aureos.com)

- *MIGA Swiss Partnership for Sub-Saharan Countries*

The MIGA-Swiss Partnership for Sub-Saharan Africa supports investment promotion agencies (IPAs) in selected African countries. The beneficiary IPAs are enabled to more proactively and more successfully target and attract foreign direct investment. To achieve this, the MIGA-Swiss Partnership provides tailored investment promotion capacity building programs to the IPAs, together with a practical hands-on outreach program.

Sector: Investment promotion agencies  
 Area: Ghana, Tanzania, Senegal, Mozambique, South Africa  
 Amount: USD 1.73 million (Swiss contribution)  
 Duration: 2002-2005

Partner: MIGA

- ***African Project Development Facility (APDF)***

The APDF was founded in 1986 at the initiative of the International Finance Corporation (IFC). It supports small and medium-sized businesses in sub-Saharan Africa, including Tanzania, with a wide range of services such as the development of business plans, the organizing of investment projects, support in the search for financing and specific services in business consulting. Switzerland has backed the APDF from the beginning and has since become the largest bilateral donor.

Sector: SME / investment promotion  
 Amount: USD 3.1 million (Swiss contribution)  
 Duration: 2000-2005  
 Partner: IFC  
 Internet: <http://apdf.ifc.org/index.htm>

- ***African Management Services Company (AMSCO)***

AMSCO is a company founded under private law assisting small and medium-sized African firms to operate more efficiently. AMSCO's core service is to provide temporary placement of managers in African firms for periods ranging from a few months to three years. This activity is combined with training programs for company staff.

Sector: Small and medium-sized enterprises  
 Location: Sub-Saharan Africa, headquarters in Johannesburg  
 Amount: USD 1.5 million  
 Duration: 1998-2008  
 Partner: IFC  
 Internet: [www.amSCO.org](http://www.amSCO.org)

## Financial sector development

- ***Bank of Tanzania / Medium Term Technical Assistance and Training Program***

In the first half of 2000, **seco** started the third phase of its *Medium Term Technical Assistance and Training Program (MTTAP)* at the Bank of Tanzania (BOT). The objective is to support the transformation of BOT into a modern and independent central bank able to run an indirect monetary policy and to ensure the sound monitoring and supervision of the domestic financial

system. The program concentrates on economic analysis and monetary policy, markets operations and development, as well as on human resources management at the BOT. The program implementation with an overall budget of CHF 750'000 is expected to be finalized in 2005 . A continuation project is under discussion.

- *FIRST*

Technical assistance to the financial sector can also be provided through the Financial Sector Reform and Strengthening Initiative (FIRST) which is co-financed by **seco**. FIRST provides technical assistance to low income (IDA eligible) and middle income (eligible for World Bank loans) countries with the aim of addressing financial system weaknesses and enhancing development opportunities.

- *Tanzania Leasing Project*

The project goal is to develop a leasing program for Tanzania. Leasing is a financial product, which is particular useful for SME financing as there is no need for collaterals compared to bank loans. The main objectives of the project will be a legislative reform (to create a leasing enabling environment), capacity building in the leasing industry, business development (linkages between SMEs, equipment manufacturers and financial institutions) and the establishment of a regional Leasing Secretariat to act as a focal point for leasing activities in Tanzania and East Africa.

Sector: Financing for SME/ equipment manufacturers, financial sector  
 Amount: USD 920'000  
 Duration: 2004-2007  
 Partner: IFC

## Trade Promotion

- *Integrated Framework*

The IF is an multilateral initiative through which the World Bank, WTO, IMF, ITC, UNCTAD, and UNDP combine their efforts with those of LDCs and donors to respond to the trade development needs of LDCs. It is a four-part process: 1) Awareness-building on the importance of trade for development; 2) Diagnostic for a Trade Integration Strategy (DTIS) to identify constraints to traders, sectors of greatest export potential, and a plan of action for integrating into the global trading system; 3) Integrating the plan of action into the national development plan, such as the Poverty Reduction Strategy Process (PRSP); 4) Implementation of an action plan in partnership with the development cooperation community.



Sector: Trade policy  
 Amount: USD 2 million (Swiss total contribution to IF)  
 Partner: World Bank  
 Duration: 2003-2006  
 Internet: [www.integratedframework.org](http://www.integratedframework.org)

- ***Tanzania Bureau of Standards***

The project aims at enhancing the capacities of the Tanzania Bureau of Standards (TBS) to deliver metrology and testing services to exporters in order to facilitate exports in sectors with important trade potential. It is implemented by UNIDO. Under this project, TBS will improve its management system, governance measures will be introduced and international accreditation for the metrology laboratories, as well as for the testing laboratories, will be achieved.

Sector: Trade institutions  
 Amount: USD 2 million (indicative)  
 Partner: UNIDO  
 Duration: 2005-2008

- ***Export Development of Specialty Coffee and Cashew Nuts***

The project aims at developing exports of selected traditional crops, which play a direct role for poverty reduction. Through enhancing quality, promoting value-addition and processing techniques, as well as diversification, the project will contribute to better incomes for the producers.

Sector: Specialty Coffee and Cashew Nuts  
 Amount: USD 2 million  
 Partner: To be defined  
 Duration: 2005-2008

- ***Trade Law center for Southern Africa (TRALAC)***

In November 2002, a Trade Law Centre four Southern Africa (TRALAC) has been launched. The center aims at becoming a Centre of excellence in international trade law in order to build the capacity in the southern African region so that these countries better participate in the regional and global trade integration process. More specifically it focuses on I) support to universities, and other institutions to build the analytical and negotiation capabilities of their countries ii) support and advice to key decision-makers from southern African governments to better formulate and negotiate their trade policy iii) establish consulting services for private sector.

Beneficiaries: SADC countries: priority on Mozambique, Tanzania, and Namibia  
 Amount: CHF 5 million over three years

Duration: 2002 – 2004 for the first phase  
 Partners: University of Stellenbosch  
 Internet: [www.tralac.org](http://www.tralac.org)

## Infrastructure Financing

- *Public Private Partnership (PPP) Programme in the Water Sector*

The overall objective is the sustainable improvement and extension of the water supply and sanitation services in Dodoma and Tabora at affordable prices for the population, and the promotion of PPP models in Tanzania. The project involves (i) the rehabilitation of parts of the supply infrastructure and the expansion of the network in the two cities with a strong focus on poverty impact; (ii) the increase of the overall efficiency and effectiveness of the local water authorities (UWSAs) and thus (iii) the improvement of their financial and operational performance and their customer relations.

Beneficiary: Tanzania/ DUWASA and TUWASA  
 Sector : Water and Sanitation  
 Total Amount: approx. USD 13 million  
 Swiss contribution: approx. USD 13 million  
 Duration : Mai 2005 – December 2009  
 Partners : t.b.d.

- *African Infrastructure Fund (AIF)*

AIF operates all over Africa but concentrates at least 50% of its operations in selected countries, including Tanzania. AIF invests in infrastructure projects in partnership with large private African enterprises.

Sector: Infrastructure (water, energy, telecommunications, transportation, sanitation and environment)  
 Location: Washington D.C.  
 Amount: USD 10 million (Swiss contribution)  
 Duration: 1999-2009 +2  
 Internet: [www.empwdc.com](http://www.empwdc.com)

## Annex 3

### Main Current Development Partners

Type Domains	Public	Private	Multilateral
<b>Macroeconomic support and economic reforms</b>	- Ministry of Finance		- IMF, World Bank
<b>Financial sector</b>	- BOT	- Tanzanian Bankers Association - Aureos Capital Ltd	- World Bank
<b>Trade promotion</b>	- Ministry of Industry and Trade	- Enterprises - NGO	- EC (coffee) - Denmark (standards)
<b>Infrastructure Financing</b>	- Ministry of Water and Livestock Development - Dodoma DUWASA - Tabora UWASA	- private operators and consultancies - NGOs	- World Bank - EIB - GTZ/ KfW



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