AFRICAN DEVELOPMENT BANK GROUP



INDEPENDENT DEVELOPMENT EVALUATION (IDEV)

Mid-Term Evaluation of Tanzania Country Strategy Paper 2021-2025

Concept Note

October 2022

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1. Introduction

In the context of its approved work program, Independent Development Evaluation (IDEV) at the African Development Bank Group is undertaking a Mid-Term Evaluation (MTE) of the Bank's 2021-2025 Country Strategy Paper (CSP) for Tanzania. The evaluation is planned for delivery in May 2023 to inform the CSP mid-term review to be conducted by the Bank's Tanzania Country Office (COTZ), which itself is planned for delivery in June/July 2023, at the midpoint of the CSP period. The evaluation will also draw useful lessons for the implementation of the rest of the CSP. This note is prepared to set out IDEV's approach to the evaluation.

2. Rationale

The Tanzania CSP 2021-2025 was prepared in the context of COVID-19. The MTE will offer opportunity to assess the relevance and effectiveness of the Bank's support to address challenges faced by the country in this exceptional situation and to identify whether any strategic adjustment is required going forward in the post-Covid context. The MTE is timely as the Bank's Management (Tanzania Country Team) is about to start the preparation of the Mid-Term Review (MTR) of the CSP and is targeting mid-2023 for its finalization. The MTE, by assessing the relevance, coherence, efficiency, effectiveness and sustainability of the Bank's 2021-2025 strategy and program at mid-term of implementation will help to draw evaluative lessons to inform the MTR exercise and suggest any adjustments. Finally, preliminary consultations with the Tanzania Country Economist confirm clear interest in the MTE exercise and Bank's Country Office in Tanzania (COTZ's) availability to cooperate.

3. Country socio-economic context

Over the last two decades, Tanzania has achieved significant socio-economic progress, attaining lower-middle-income country status in 2020. This development reflects sustained macroeconomic stability that has supported growth, as well as the country's natural endowments. The country is a stable unitary republic, which has partly contributed to impressive economic growth averaging 6.9% during the period 2016-2019 (AfDB Statistics Department). These last two decades, the country's economy has undergone significant changes, with the service sector alone accounting for 42.0% over the 2001-2018 period. While the service sector declined between 2015 and 2017, the share of industry in the economy witnessed growth from 15.8% to 26.9% over the same period. This situation resulted in significant improvements of employment in industry and service sectors with increase from 2.6% and 12.6% respectively in 1991 to 6.8% and 29.0% in 2019 respectively.

The onset of the COVID-19 pandemic however slowed growth, resulting in GDP growth rate of 4.8% and 4.9% in 2020 and 2021 respectively, with growth driven largely by tourism, manufacturing, mining, agriculture, and public investment in infrastructure. This reflects the country's efforts towards diversification away from low value-added agriculture to high value-added services and products.

According to the African economic outlook 2022 report, GDP growth is projected at 5.0% and 5.6% in 2022 and 2023, due to improved performance in tourism, the reopening of trade corridors, and accelerated rollout of vaccines. Inflation is projected to increase to 4.4% in 2022 and to 3.8% in 2023 due to higher energy prices because of the Russia–Ukraine conflict. The fiscal deficit is expected to narrow to 2.7% and 2.8% of GDP in the same period due to better revenue performance and will be financed by domestic and external borrowing. The current account deficit is expected to widen to 4.0% of GDP in 2022 due to higher oil prices before narrowing to 2.6% in 2023 as merchandise exports and tourism receipts stabilize and will be financed mainly by external borrowing. Monetary policy remains tight, which stabilized inflation at 3.3% in 2020 and 3.7% in 2021. The fiscal deficit increased to 3.4% of GDP in 2021 from 0.8% in 2020 due to weak revenue performance and growing financing needs to address the impacts of COVID-19 but is expected to reduce to 2.7% and 2.8% of GDP in 2022 and 2023.

Despite this positive economic development, notable spatial income disparities and poverty persists. The southern parts of the country have higher regional per capita GDP compared to the western parts of the country. In 2020, Dar es Salaam was the region with highest contribution to the country GDP reaching 16.9%. To follow, Mwanza's contribution is only about 7.3%. Also, incidence of poverty is still high, with the share of poor accounting for 26.4% of the populace in 2018[1] after declining from 28.2% in 2012. With the onset of covid-19 however, nearly a million more people are estimated to have fallen back into poverty in 2020, with national poverty rate estimated to 27.0% in 2021.

On the human development front, Tanzania continues to record low human development despite registering improvements since 2015. According to the 2021/2022 Human Development Report, the country's human development index growth rate over the 200-2010 period was 2.16% compared to 0.98% for the 2010-2021 period. In 2019 and 2020, the country's human development score was the same 0.548, and 0.549 in 2021. This points to limited progress by Tanzania towards the attainment of SDG1 (on reducing poverty) and has significant implications for the general social development of the country.

4. Tanzania National Development Strategy

Tanzania Development Vision 2025 established comprehensive and long-term economic and social development goals to be realised by 2025. According to the vision, a solid foundation for a competitive and dynamic economy with high productivity will have been laid by 2025. To achieve these goals, the country develops successive five years development plans (FYDP). The main objectives of the FYDP III, for the period 2021-2026, is to (i) increase the country's capacity for production; (ii) build a competitive economy that will stimulate the country's participation in trade and investment; and (iii) stimulate human development.

5. Bank's 2021-2025 Country Strategy and program in Tanzania

The Bank's CSP 2021-2025 in Tanzania was prepared in the context of Covid-19 and aimed to support Tanzania's vision of transforming into a competitive and inclusive economy. Based on the analysis in the country diagnostic note, the CSP identified two priority areas for Bank Group support: **(i) sustainable infrastructure for a competitive economy**; and (ii) **improved private sector business environment for job creation.** These two strategic priorities have been broken down into six outcomes as described in table 1 below.

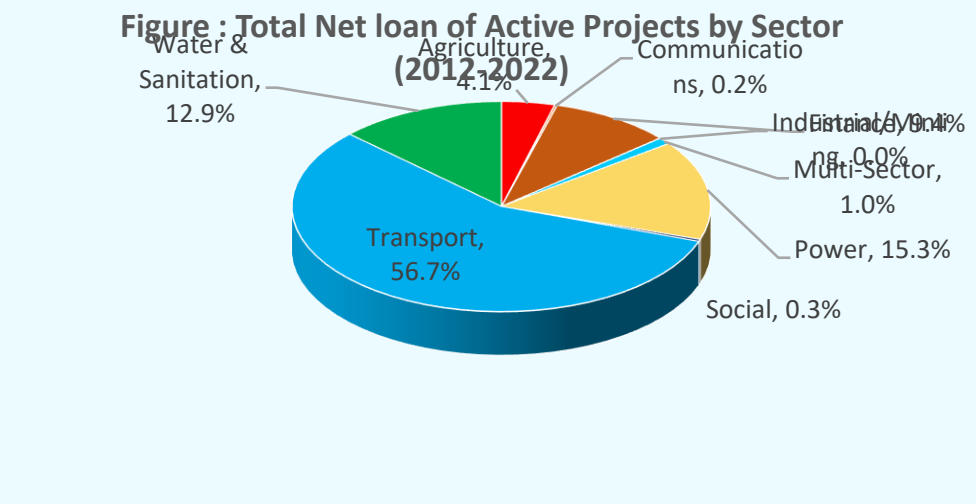
Table 1: CSP 2021-2025 Strategic priorities

Strategic pillars	Outcomes	Activities
CSP 2021-2025 Overall Objective: Support the United Republic of Tanzania's development vision to transform the country into a competitive and inclusive economy by 2025		
Sustainable infrastructure for a competitive economy	• Better connectivity to deepen regional integration and increased access to markets	• Development and rehabilitation of quality and sustainable, multi-modal transport infrastructure
	• Increased access to clean energy and strengthening of regional power pools	• Generation, transmission and distribution of clean power

[1] Tanzania National Bureau of Statistics

	• Increased access to safe drinking water and improved sanitation	• Development and rehabilitation of critical water and sanitation infrastructure
Improved private sector business environment for job creation	• Improved business environment for a competitive private sector	• Strengthening of economic governance and institutional capacity of the state to promote and regulate the private sector as well as supporting competitive industrial value chains.
	• Increased access to finance for improved economic competitiveness and diversification	• Deepening the financial sector through improved private sector access to finance
	• Improved human capital and skills development	• Bolstering skills development, including via increased access to quality technical vocational education and training

The active portfolio as of September 2022 includes 23 projects amounting **UA 1,921.7 million** with focus on infrastructure (see fig.1).



The active portfolio includes projects approved since 2012 up to 2022 with only four under the current CSP. About one-third of Tanzania's active portfolio by number (7 projects) and 24% by volume, have disbursement rate of 70% or above and are being close to completion.

The indicative lending program foreseen in the CSP for the period 2021-2023 consists of eighteen (18) lending interventions, of which ten (10) under Priority Area I and eight (8) under Priority Area II. The estimated financing of the lending pipeline is approximately UA 1.314 billion, of which the ADF is expected to contribute 30.1%, the ADB Sovereign Loans 63.6%, and the ADB Non-Sovereign Loans 6.4%. Envisaged co-financing is UA 220 million. Since Bank Management has recently proposed to reclassify Tanzania from a Category A ADF-only country with limited access to the ADB Sovereign Window to a Category B Blend country (ADB/BD/IF/2022/271), it is likely that the indicative lending program will be adjusted.

6. Purpose and scope of the evaluation

The purpose of the evaluation is to inform the Bank's strategy and operational approach in Tanzania, by taking stock of the results of the Bank's assistance and deriving useful lessons for informing the

strategic positioning of the Bank in Tanzania and the implementation of the rest of the CSP. Thus, the objective of the Tanzania CSP MTE is three-fold:

i) Assess the relevance and the implementation performance of the Bank's strategy and program in Tanzania since the approval of the CSP 2021-2025;

ii) Draw lessons from the implementation of operations approved before 2021 to inform the preparation and implementation of the operations approved under the CSP 2021-2025; and

iii) Identify the factors that have enabled or hindered the Bank's performance during the first two years of implementation of the CSP 2021-2025 and suggest areas for strategic and operational adjustment.

The MTE will build on the recommendations of the last Tanzania country strategy and program evaluation completed by IDEV in 2015 and focus on the design and implementation of the Tanzania 2021-2025 CSP. However, some operations (lending and non-lending) approved before 2021 which can provide useful lessons to inform the current CSP will be included. Therefore, the MTE will not look at the entire active portfolio but only the projects recently approved mainly since the last five years (2018) and, in the sectors, relevant for the current CSP. The MTE will cover also cross-cutting issues as well as the non-lending activities such as analytical works, policy dialogue, partnership and coordination.

7. Evaluations questions

Based on the objectives stated above, the evaluation will address the following questions:

1. To what extent is the Bank's 2021-2025 strategy in Tanzania aligned with the Bank's corporate policy and strategies and relevant to Tanzania's development needs including challenges related to COVID-19 and post-Covid context?

2. To what extent does the Bank's country strategy and program as currently designed and implemented complement other development interventions in Tanzania?

3. How effective has the Bank been in implementing its program in Tanzania including the most recent operations approved before 2021 and relevant to the current strategic priorities?

4. How well did the Bank organise itself to efficiently deliver on its program?

5. What is the likelihood that the results of Bank's interventions for operations completed or close to completion will continue after the Bank's support ends?

6. What are the internal and external factors that have enabled or hindered the achievement of the results of the Bank's interventions in Tanzania?

7. What are the key lessons and recommendations that can be drawn to especially inform the implementation of the remainder of the CSP?

The evaluation questions will be further developed after consultation with internal and external stakeholders.

8. Evaluation Audience

The primary audience of the evaluation is the Boards of Directors, through the Committee on Operations and Development Effectiveness (CODE), the Senior Management, the Bank's East Africa Regional Development and Business Delivery Office as well as the Bank's Country Office in Tanzania. Other key audiences include the Tanzanian Government and Development Partners in Tanzania.

9. Approach and Method

The evaluation is formative and will be conducted through a theory-based approach. A theory of change (ToC) based on the Bank's intervention logic in Tanzania will be constructed to guide the evaluation. In order to answer the evaluation questions, different sets of methods and approaches will be used. These include, but are not limited to: (a) review of background documentation (policies, strategies, programs and projects); (b) Interviews and group discussions with Bank's staff and other stakeholders including relevant government institutions; (c) Field visits to projects' sites to assess their developmental effects; and (d) collecting and processing necessary data from project areas to facilitate the assessment of the project outcomes. All the evidence collected will be reflected in the technical report which will serve as a basis for the evaluation Summary Report.

10. Risks and mitigation

The CSP includes a result framework with both baseline and targeted indicators that can help to assess progress toward achievement of results. However, given the status of implementation of the CSP and the limited number of completed projects, there is a risk of not having enough evidence to make sound judgement for some evaluation criteria such as effectiveness and sustainability. Regarding effectiveness, the team will undertake a full project results assessment for some projects close to completion. Regarding the sustainability, the evaluation will mainly assess the soundness of the institutional and financial arrangements in the project appraisal report and how the implementation challenges will affect the likelihood of sustainability of Bank's intervention.

11. Team and Timeline

The evaluation will be task-managed by a Principal Evaluation Officer at IDEV supported by an Evaluation Officer and a Research Analyst. The IDEV internal evaluation team will require support from an external consultant. The Team will work under the leadership of IDEV.2 Manager and with support from the knowledge and communication Team from IDEV.3. The quality assurance will include internal and external peer reviewers, Reference Group (RG) and guidance from IDEV Management. The RG will be composed of representatives from the Tanzania Country Team, Regional Development, Integration, and Business Delivery Complex (RDVP), Results Department, Sector and Regional Departments.

The evaluation will commence in October 2022 and is expected to be delivered for management response by April 2023. The indicative timelines and milestones are as follows.

Table 2: Indicative Timeline and Milestones

Milestones	Tentative Timeline
Final Concept Note	October 2022
Preparation of TOR/Recruitment of Consultant (s)	October 2022
Inception Mission **and Final inception report**	November-December 2022
Data Collection Phase	January 2023
Technical Report	February-March 2023
Summary Report	April 2023

Annex 1: Bank's Active Portfolio in Tanzania as of May 2022

Project Name	Project code	Sector	Status of project	Instruments	Project Classification	ApprDate	Netloan	Disb.Ratio
TANZANIA SHILLING LINE OF CREDIT TO FRB SUBSIDIARY, FIRST NA	P-TZ-HAB-004	Finance	OnGo	Line of credit	Investment	12.12.2012	14.8294245	100,00
REGIONAL RUSUMO HYDROPOWER - TANZANIA	P-Z1-FAD-009	Power	OnGo	Project loan	Investment	27.11.2013	17.386	47,87
EAST AFRICA'S CENTRES OF EXCELLENCE-TANZANIA	P-Z1-IB0-016	Social	OnGo	Project loan	Investment	03.10.2014	6.25	65,25
DAR ES SALAAM BUS RAPID TRANSIT INFRASTRUCTURE PROJECT	P-TZ-DB0-021	Transport	OnGo	Project loan	Investment	30.09.2015	32.8397607	11,87
KENYA - TANZANIA INTERCONNECTION (TANZANIA)	P-Z1-FA0-052	Power	OnGo	Project loan	Investment	18.02.2015	75.29	75,51
DAR ES SALAAM BUS RAPID TRANSIT INFRASTRUCTURE PROJECT	P-TZ-DB0-021	Transport	OnGo	Project loan	Investment	30.09.2015	72.234127	70,88
ARUSHA SUSTAINABLE WATER AND SANITATION DELIVERY PROJECT	P-TZ-E00-008	Water Sup/Sanit	OnGo	Project loan	Investment	16.09.2015	106.510117	72,27
ARUSHA SUSTAINABLE WATER AND SANITATION DELIVERY PROJECT	P-TZ-E00-008	Water Sup/Sanit	OnGo	Project loan	Investment	16.09.2015	18	69,62
ARUSHA SUSTAINABLE WATER AND SANITATION DELIVERY PROJECT	P-TZ-E00-008	Water Sup/Sanit	OnGo	Project loan	Investment	16.09.2015	31.1417915	69,55
TRANSPORT SECTOR SUPPORT PROGRAM	P-TZ-D00-002	Transport	OnGo	Project loan	Investment	26.11.2015	54	61,54
TRANSPORT SECTOR SUPPORT PROGRAM	P-TZ-D00-002	Transport	OnGo	Project loan	Investment	26.11.2015	200.901629	61,11
CRDB BANK LIMITED LINE OF CREDIT 2015	P-TZ-HAB-009	Finance	OnGo	Line of credit	Investment	18.05.2016	66.7324105	100,00
CRDB BANK LIMITED LINE OF CREDIT 2015	P-TZ-HAB-009	Finance	OnGo	Guarantee	Investment	08.06.2016	3.47564638	0,00
TANZANIA - LAKE VICTORIA MARITIME COMMUNICATIONS AND TRANSPO	P-Z1-GB0-021	Communications	OnGo	Project loan	Investment	24.10.2016	3.77	2,44
KIKONGE MULTIPURPOSE DAM HYDROPOWER AND IRRIGATION	P-TZ-EAZ-003	Water Sup/Sanit	OnGo	African Water Facility - categories	TA	27.06.2016	1.55857247	91,32
ISP FOR DOMESTIC RESOURCES MOBILIZATION AND NATURAL RESOURCE	P-TZ-KF0-006	Multi-Sector	OnGo	Project loan	Investment	30.03.2017	19.58	60,02
MULTINATIONAL (TANZANIA) TZ/BDI:RUMONGE–GITAZA/KIBONDO-KASUL	P-Z1-DB0-204	Transport	OnGo	Project loan	Investment	22.11.2018	90	15,27
MULTINATIONAL (TANZANIA) TZ/BDI:RUMONGE–GITAZA/KIBONDO-KASUL	P-Z1-DB0-204	Transport	OnGo	Project loan	Investment	22.11.2018	96.5395538	17,95
NORTH-WEST TRANSMISISON GRID	P-TZ-FA0-013	Power	OnGo	Project loan	Investment	20.07.2018	91.4901347	4,92
TANZANIA INITIATIVE FOR PREVENTING AFLATOXIN CONTAMINATION (	P-TZ-A00-008	Agriculture	OnGo	Project loan	Investment	20.06.2018	9.2	23,79
TANZANIA INITIATIVE FOR PREVENTING AFLATOXIN CONTAMINATION (	P-TZ-A00-008	Agriculture	OnGo	Institutional support and	TA	20.06.2018	14.8294245	19,20

				rehabilitation grant				
(TANZANIA)BAGAMOYO–TANGA-HOROHORO/LUNGA LUNGA-MALINDI ROAD P	P-Z1-DB0-235	Transport	OnGo	Project loan	Investment	12.12.2019	122.29	3,21
DODOMA CITY OUTER RING ROAD (110.2KM) CONSTRUCTION PROJECT	P-TZ-DB0-025	Transport	OnGo	Project loan	Investment	30.04.2019	31.1417915	8,17
DODOMA CITY OUTER RING ROAD (110.2KM) CONSTRUCTION PROJECT	P-TZ-DB0-025	Transport	OnGo	Project loan	Investment	30.04.2019	102.323029	7,24
CONSTRUCTION OF MSALATO INTERNATIONAL AIRPORT PROJECT NEAR D	P-TZ-DA0-003	Transport	OnGo	Project loan	Investment	18.12.2019	37.0735614	0,00
CONSTRUCTION OF MSALATO INTERNATIONAL AIRPORT PROJECT NEAR D	P-TZ-DA0-003	Transport	OnGo	Project loan	Investment	18.12.2019	16.79	2,06
CONSTRUCTION OF MSALATO INTERNATIONAL AIRPORT PROJECT NEAR D	P-TZ-DA0-003	Transport	OnGo	Project loan	Investment	18.12.2019	147.27843	3,58
AFRICA FRANCHISE ACCELERATOR PROJECT (AFRAP)	P-TZ-BZ0-002	Ind/Mini/Quar	OnGo	Project cycle grant	TA	25.11.2020	0.59302869	36,35
MALAGARASI HYDROPOWER PROJECT	P-TZ-FAB-004	Power	APVD	Project loan	Investment	25.11.2020	88.9765473	0,00
MALAGARASI HYDROPOWER PROJECT	P-TZ-FAB-004	Power	APVD	Project loan	Investment	25.11.2020	14.8294245	0,00
CRDB PLC	P-TZ-HAB-014	Finance	APVD	Project loan	Investment	08.09.2021	37.0735614	100,00
CRDB PLC	P-TZ-HAB-014	Finance	APVD	Line of credit	Investment	08.09.2021	0	0,00
TANZANIA MNIVATA - NEWALA - MASASI (160 KM) ROAD UPGRADING P	P-TZ-D00-009	Transport	APVD	Project loan	Investment	22.09.2021	80.53	0,00
DODOMA RESILIENT AND SUSTAINABLE WATER DEVELOPMENT AND SANIT	P-TZ-E00-011	Water Sup/Sanit	APVD	Project loan	Investment	16.03.2022	90	0,00

Annex 2: CSP pipeline by 2025

Project	Year	Amount in UA(Millions)				Status as at May 11, 2022
		ADB NSO	ADB SO	ADF	Co-financing	
Kakono Hydro Power Project	2021		120		125	The project was delayed by the readiness of environmental studies after AFD who the co-financiers with a budget of EUR100 million raised concerns regarding the presence of a critical habitat in the area. The concerns were cleared in March 2022 and the project is now ready for processing to the Board. It was expected to be processed using ADB resources in 2022, but this is now uncertain due to the availability of funds and government prioritization on how to use the ADB resources in 2022 if they become available.
Dar-Dodoma Transmission Li Chalinze Sub-Station	2022		150		40	The project was dropped. The government has decided to do the project using their own resources using EPF (Engineering Procurement Construction and Financing).
Transport Sector Support Program II)	2022 (N 2023)		65			Processing has not started. The project is now scheduled for 2023. It will be financed using savings from closed project including the Transport Sector Support Program-I.
Mtwara- Ruvuma Water suppl Sanitation	2022		50	70		Government has not sent a letter to the Bank for this project. Project now on hold.
Pemba International Airport	2022		105			Project has been put on hold. Government has not sent a letter of request and indications are that it is no longer a priority.
Distribution Expansion in Arusha, D Mbeya, Mwanza and last-mile conn in Zanzibar	2023		110			On schedule for 2023
Multinational: Malindi-Mombasa- /Tanga-Bagamoyo Road (Phase II)	2023 (20		35	40		Rescheduled to 2024 due to headroom constraints
Dar es salaam Bus Rapid Transit Pha	2023		140			On schedule for 2023
Sub-Totals for Priority I (2 2023)		**0**	**835**	**230**	**165**	
NSO investment project in the in sector (MSUFINI CHLORINE C ALKALI PLANT TANZANIA)	2021	28				Project rescheduled
Agro-Industrial Development / Stap Processing Zone	2021			35	40	Project rescheduled after resources were reallocated to another project.
Skills Development and Employability in Tourism, Fishe Maritime Industries Project	2022			30		Project expected for Board discussion in September 2022
NSO investment project in the agri sector (Bagamoyo Sugar)	2022	30				Project dropped after the client got alternative funding
Kikonge Agriculture Value Development	2023			50	15	On schedule for 2023
General Budget Support	2023			50		On schedule for 2023
NSO Line of credit in the financial s	2023	15				
Sub-Totals for Priority II (2023)		**84**	**0**	**165**	**55**	
Grand Totals Priory I (2021-2023)		**84**	**835**	**395**	**220**	